Economic and Social Development
10th International Scientific Conference on Economic and Social Development

Editors:
Dinko Primorac, Igor Pihir, Kristina Detelj

Book of Proceedings

Miami, 25th September 2015
Varazdin Development and Entrepreneurship Agency

*in cooperation with*

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Globalization and Challenges of the Modern World
CHINA – RUSSIA, A STRATEGIC POLITICAL AND ECONOMIC AXIS OF THE CONTEMPORARY WORLD

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ABSTRACT
In the last few years the geopolitical structure of the contemporary world has been rapidly evolving. The hegemony of the United States is visibly being replaced with bipolar international political and economic power and relations. In the first half of 2013 there were no signs of changes in the existing situation on the horizon. Successful were the relations between the USA and China in the areas of economy, culture, research, and commerce. The relations between the USA and the Russian Federation at the beginning of the 21st century could also be described as good. It seemed that the co-existence of said nations would last on the same conditions for several dozen years at the very least. However, Kiev protests that marked the end of the year 2013, the Crimean crisis that started 2014, and then the still ongoing rebellion in East Ukraine, significantly transformed the existing balance of power. The well-established subtle balance of the mutual interests and spheres of influence was irreversibly disturbed. Political and military events triggered off old animosities and new ambitions. Ruled with an iron hand, Russia strongly opposed the attempts to gain influence in the East made by the EU and the USA that supported the Union. Initially more in disguise, but later officially, China sided with Russia. This resulted in the creation of a strategic political and economic axis, a long-term aim of which is to radically change the world’s balance of power. The axis claims its opponents are the USA and the decaying “Western World”. Some time ago such declarations would not be alarming. However, with the “old Europe” torn by internal conflicts and the USA weakening year by year, there is a reason to feel concerned. Many wonder whether it is possible for the Beijing-Moscow plan to be implemented. One should think how such an unfavourable chain of events would affect the world; whether the today’s incidents could have been anticipated and how much time is left before the global order is changed.

Keywords: Axis, China, Contemporary world, Russia, USA.

1. INTRODUCTION
In May 2015, the government of the United States announced the details of a new national military strategy. Members of the Joint Chiefs of Staff and a number of prominent specialists from various fields have been developing assumptions of this document for a long time. The need to prepare a new military strategy has emerged in the past few years due to the new global threats. The revised US war doctrine recognises that counterterrorism and military interventions on the regional level are of less importance. As the most important positions prolonged armed conflicts on a large scale with the enemy “almost equal” to the United States. As “almost equal” rival for the US Army the armed forces of two countries are listed: the Russian Federation and the Republic of China (L. Krawczyk, 2015).

The assumptions adopted for new tactics were called “decisive action” during which soldiers are supposed to conquer and keep a large stretch of land. This completely changes the nature of the existing training system of the US Army and the profile of its weaponry. In place of conventional forces, much greater emphasis has been placed on the strategic armament. The evolution of the US military doctrine was dictated by a serious danger of losing the country's position as the dominant superpower in the world. The current situation, however, is not
observed as being sudden and surprising. It is the result of painstaking and long-term efforts of both China and Russia to change the current balance of power on the planet. The growing military importance of Moscow and Beijing is the effect of an increase of the political and economic influence of these countries on the international scale. Each of these countries individually, both China and Russia are not able to threaten the US strategic interests. Only laboriously built for some time the strategic alliance of the greatest country in the world and China, is a factor that may lead to major geopolitical changes on the globe.

2. CHINA AND RUSSIA MILITARY ALLIANCE

Global Firepower Internet portal prepared a ranking of 100 most powerful armies in the world based on fifty different factors. In this ranking, however, there were not taken into account nuclear forces of all the countries concerned due to the fact that, according to the creators of this list, they cannot in any way be compared with the potential of the USA and Russia. The place of the state in the ranking is determined specifically for the classification by so-called “Power Index” (PwrIndx). The smaller is the value, the higher is the place of the army in the prepared list according to its strength. For the purposes of this study 10 largest armies in the world were selected.

Table 1: Countries Ranked by Military Strenght 2015

(http://www.globalfirepower.com/countries-listing.asp)

<table>
<thead>
<tr>
<th>Nr</th>
<th>COUNTRY</th>
<th>GFP Power Index (&quot;PwrIndx&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>United States of America</td>
<td>0.1661</td>
</tr>
<tr>
<td>2.</td>
<td>Russia</td>
<td>0.1865</td>
</tr>
<tr>
<td>3.</td>
<td>China</td>
<td>0.2315</td>
</tr>
<tr>
<td>4.</td>
<td>India</td>
<td>0.2695</td>
</tr>
<tr>
<td>5.</td>
<td>United Kingdom</td>
<td>0.2743</td>
</tr>
<tr>
<td>6.</td>
<td>France</td>
<td>0.3065</td>
</tr>
<tr>
<td>7.</td>
<td>South Korea</td>
<td>0.3098</td>
</tr>
<tr>
<td>8.</td>
<td>Germany</td>
<td>0.3505</td>
</tr>
<tr>
<td>9.</td>
<td>Japan</td>
<td>0.3838</td>
</tr>
<tr>
<td>10.</td>
<td>Turkey</td>
<td>0.4335</td>
</tr>
</tbody>
</table>

Who has the most powerful army in the world? It is the United States which arguably come first in that regard. The total defence budget of America is an astronomical amount of 689 billion dollars. In total, the US military employs nearly 1.5 million people. When it comes to numbers, the US is beyond any competition, especially financially. Russia comes second with its defense budget (in 2015) at around 81 billion dollars, although it employs almost as many people as the US – one million two hundred thousand. China, which is on the third position, allocated to the military in the current year up to 145 billion dollars and employs the biggest number of people out of all countries included in the ranking – more than two million. However, the possible tactical and operational capacity of the Chinese army is not rated as high as the American and Russian – that is why its place in the ranking is lower. Further down there are no great surprises. India, United Kingdom, France, South Korea, Germany, and Japan. All these countries spend on military roughly similar amounts: 40 to 60 billion US dollars (Wasowski M., 2015). It may not come as a surprise a country located in last place in the table. The ranking closes Turkey having the ambition to become a regional power in the Middle East with a budget of almost 19 billion dollars. The important information is that of the two other states which comprise the so-called “BRICS Group” (next
to included in Table 1: China, Russia and India) that cooperate closely with Beijing and Moscow – in the Global Firepower ranking: Brazil occupies 22nd place with Power Index of a value of 0.7063, and South Africa 32nd place with index estimated at 0.9233. One might be wondering if there is a real danger of losing by the US the global military leadership to Russia and China? Ultimately, both these countries spend far less financial resources on armaments than Washington, and their military potentials do not match the US military. However, what can bother the American people is the fact that due to the economic crisis, the US defense policy operates on a limited and uncertain budget. Resources spent on national security are dependent on finding a political compromise. Under the Act of 2011 (Budget Control Act) there are limits imposed on the defense budget that are effective until 2023 and the failure to follow threatens with forced, uncontrolled cuts (sequestration). Following the suspension of sequestration for the years 2014-2015, the risk of forced reduction in the budget will return in 2016. Dismissal of this vision will be extremely difficult because the US Congress is now dominated by Republicans who are committed to reduce spending and many international issues are part of their dispute with the White House. Forced cutting and closing down of the existing military bases in the United States caused by them impose further restrictions on the permanent presence of the American forces in the world – primarily in Europe (Lorenz W. Piotrowski, M., A., 2015, p. 2). United States opted for a substantial reduction of its military personnel and leaving out 15 bases on the Old Continent, among others: in the UK, Germany and Portugal. Everything in order to be able to save about $500 million annually. It seems that America lost its financial breath temporarily. In this context, rapidly growing military budgets of the Russian Federation and the Chinese People's Republic may give cause to worry. Comparing year to year – in 2015, China earmarked more than 10% more than in the previous year, while Kremlin has increased military expenditure in the same period by as much as 20%. However, taken a few years ago and increasingly close military cooperation between Beijing and Moscow must arouse the biggest concern. In addition to the arms sale to China by Russia, it also includes a large-scale annual maneuvers in the air, on land and at sea. Most often participate in them from a dozen to tens of thousands of soldiers. Exercise area is no longer limited to land areas of the Far East. Since 2012, for the fleets of both countries, the Pacific has become an arena of exercises. They also cooperate closely in the fight against Somali pirates, protecting the shipping industry at the Red Sea and the Indian Ocean. In 2015, units of the two countries conducted maneuvers at the Mediterranean Sea. The presence of the warships of both powers on waters which do not adhere neither to Russia nor to China seems to send a very clear signal to the US, Western Europe and other NATO allies (Kruczkowska M., 2015). It shows that control of the critical maritime routes, leading to North Africa, the Middle Asia and the Middle East, can be transferred into other hands. It seems clear that the extremely dynamic expansion of the fleets of both countries aims to break the world supremacy of the United States in this regard. The most interesting seems to be the division of roles in the military field, which have adopted for ourselves Beijing and Moscow. Since China has been arming and continues to expand by far the largest land army and armor weaponry, Russia has focused on the development of strategic air force and submarine fleet, able to carry nuclear weapons. This division of tasks, in the next years, taking into account the associated costs, may undermine the privileged position of the US as the only superpower on the planet.

3. MOSCOW-BEIJING POLITICAL COOPERATION
The increasingly strong political alliance of Russia and China is arguably one of the most important geopolitical events taking place in the recent years. An improvement of the relations between the two powers can be observed since the mid-80s of the twentieth century,
but it was the events of the early twenty first century that led to closer cooperation. Strong foreign policy of the United States and its allies was the direct cause of the invasion and military occupation of Iraq in 2003. Moreover, the result of implementing the US strategy in 2011 was overthrowing the Libyan leader, Muammar al-Qaddafi, as well as his supporting forces that were opposing President Bashar al-Assad in Syria resulting in the destabilisation of the country. Both Iraq, Libya and Syria were outspoken supporters of the interests of Moscow and Beijing in the Middle East.

Politics of the Western countries, unfriendly towards China and Russia, has struck the fundamentals of political and economic presence of these two countries in that region. As a consequence, the events that had occurred led to closer cooperation between them (Piaseczny J., 2014, pp. 12-15).

The joint actions in the region were even stronger and more consistent, when the US and its allies with the support of the Arab League have begun to seek to overthrow the al-Assad regime. Russian-Chinese duo, having the right of veto in the UN Security Council, henceforth effectively block all attempts to adopt a resolution tightening sanctions against Iran and denouncing the dictatorship in Syria. From the moment of his return to the presidency in 2012, Vladimir Putin leaves no illusions that China is more important to him than the West. He showed his attitude by not going to the NATO Summit in Chicago and instead choosing an “anti-NATO” meeting of the Shanghai Cooperation Organisation.

Instead of attending the G-8 summit at Camp David, he preferred to go to the top-level talks with the leaders of China (Rybczynski A., 2015, p.64).

In 2013, Russia announced its new policy of “returning to the East,” stating not without reason that the Eurasian location is the basis of its superpower politics. Located in Central Asia, the former Soviet republics are regarded by Moscow as an exclusive zone of its interests (Cheda R., 2015). On the other hand, China, in its Eurasian strategy, recognised Russia as a key element of the existing system. Since the beginning of this century, Beijing has been expanding on the South China Sea by building artificial islands and seizing more and more new reservoirs. The South China Sea is an area of immense strategic and economic importance. In addition to the rich energy resources at its bottom, such as oil and gas, as well as rich fisheries here run the key shipping transport lines connecting East Asia and North-East Asia with the Indian Ocean and the Middle East. This is an important channel of trade between East and West Asia. About 15% of the world trade is carried out with the use of sea routes in this basin (Skowronek T., 2012). The crisis that occurred after the seizure of Crimea and the explosion of rebellion in Donbass in 2014, directed against the authorities in Kiev, has contributed remarkably to the creation of the currently existing global balance of power. Although China formally took a neutral position on Ukraine, in fact discreetly support Russia. The same is true in the conflict between China and Japan on territorial claims in relation to the Senkaku Islands on the East China Sea, or the dispute about sovereignty over the Paracel Islands and the Spratly Islands situated on the South China Sea, between China and involved in the territorial dispute: Vietnam, the Brunei Sultanate, the Philippines, Malaysia and Taiwan.

Russia, although officially unbiased, supports the activity of Beijing, as addressed indirectly against the United States and its interests in the region. Currently, one can talk about the creation and coexistence of the two main geopolitical groupings in the world. On the one hand, there exists traditional Western bloc comprising the states affiliated to such international organisations as NATO, the G7 and the European Union. The main role is played here by the United States. Washington’s key partners in Europe are France and the United Kingdom, and at the Far East there is Japan. The second block constituting a counterweight to the West is created by an alliance of the Russian Federation and the Republic of China. Both powers are directly opposing the political hegemony of the United
States through such institutions as the Shanghai Cooperation Organisation or the BRICS nations. As allies of the acting axis Moscow-Beijing should be treated such countries as India, Brazil and South Africa (Niewinski SA, 2014, p.7). The most spectacular and visible support on the international arena China granted Russia during the celebration of the 70th anniversary of the victory over fascism, which took place on 9 May 2015 in Moscow. In view of the boycott of the event by representatives of the West governments, in particular the leaders of the EU countries and the US, the visit to the capital of Russia of Xi Jinping, the Chairman of the People’s Republic of China, was an expression of opposition to international isolation of the Kremlin and his solidarity with its authorities.

From the seat of honour on the Red Square, the Chinese leader watched a military parade of the Russian troops, accompanied for the first time in history by the unit of the Chinese People’s Liberation Army. This scene shown by the news media around the world, has become a symbol of the emergence of a new geopolitical axis of Beijing-Moscow. The announced return visit of President Vladimir Putin in Beijing, scheduled for 3 September this year, will be another signal to the world about the existing and continuously deepening friendship and common interests of both great nations.

4. ECONOMIC COOPERATION

Economic cooperation comprises the very core of the political and military Russia-China relations. At the present moment, Russia’s dynamic growth mainly leans on the resources coming from Siberia, with China being its biggest and arguably most important business partner. The scale of this cooperation has been growing at a dynamic rate, though the goods and services that Russia imports from China add up to the majority of all goods and services in question – this is why Russia ended the financial year with a negative balance amounting dangerously close to USD 20 bln, while the overall annual turnover of said transactions oscillates around USD 90 bln. For mutual benefit, in 2014 both countries abandoned using the American Dollar in their settlements, with the central banks entering into an agreement on using the Russian Ruble and the Chinese Yuan (Cukiernik T., 2015, p.14). Moscow, isolated by the West and stung painfully by sanctions, has been forced to submit to Beijing. This results from the simple fact that the economic potential of Russia and China is nowadays everything but equal. Currently, China’s economic weight is estimated to roughly amount to USD 13 trl, being the world’s second biggest economy, while Russia’s economic weight is estimated to be worth around USD 2.5 trl, which puts it on the seventh place. In direct opposition to those two powerhouses we have the United States, the economy of which, at the end of 2013, amounted to more or less USD 16 trl – meaning that, statistically, the joint economy potential of Russia and China is equal – at least on paper – to this of the United States of America (Niewinski S. A., 2014, p. 8).

Moscow tries to oppose the world’s economic hegemon, but by doing so, it is obliged to become economically subject to Beijing. Let the following facts be the necessary example: in May 2014, both countries signed a 30-year contract of gas supply to China. The contract value amounts to USD 400 bln. In order for the transaction to be profitable, the minimal price for 1000 cubic meters should be USD 360.00 at least. According to the experts’ calculations, Kremlin is selling gas to its Far Eastern neighbour below the profitability threshold – less than USD 351.00 for 1000 cubic metres (Rybczynski A., 2015, pp. 64-65). This has a major negative impact on Russia’s economy, making it impossible for the country to recover from the current crisis. Thus, in order to improve its finances, Russia began leasing land in West Siberia’s Zabaikalye to China – most recently, Kremlin signed an agreement with a Chinese company, Huae Sinban Company, on lending to Chinese investors for 50 years 115,000 hectares of land, for the price of RBL 250.00 per hectare. One should mention that the area in question is larger than Hongkong. Furthermore, Russia does not intend to put a stop to the
Chinese colonisation of Siberia. It is estimated that at this moment, 0.5 to 2 mln Chinese people may already live and work on the terrains spreading along the banks of the Amur River. However, the government led by mr. Putin has no other choice but to bite the bullet – taking the current world balance into account, China should not be perceived as Russia’s profitable business partner, it should be perceived as Russia’s sole and only hope of keeping it’s head above water (Rybczynski A., 2015, p. 65). Taking advantage of this fact, the Chinese companies rapidly replace others which have withdrawn from the Russian market. They are particularly interested in energy investments, road infrastructure, ultra-fast railway and agriculture. For China, Russia is a seemingly endless reservoir of natural resources, raw products and armaments.

Yet another area of the Beijing-Moscow economic cooperation has been created by establishing the BRICS nations organisation. On Russia’s and China’s initiative, in 2006 a new group of countries was formed, and it has five members today. Apart from the hitherto mentioned countries, its members are also India, Brasil, and the Republic of South Africa. Coming into being of the BRICS nations organisation should be considered a world phaenomenon of a political and economic nature. The so-called “BRICS nations” have recently proven to be a most fascinating group, consisting of no less than five worldwide economies collaborating with each other. The name is an acronym for an association that comprises Brazil, Russia, India, China, and South Africa. The BRICS members are all developing or newly industrialised countries, they are however distinguished by their large, rapidly growing economies and their significant impact on regional and global affairs. At this stage, BRICS is to be perceived as an elite club, in the statute of which one may find innovative elements, revolutionary even, in regard to the message they are conveying. The method of implementing those ideas has already been meticulously planned: it is first to reform the global governance within the members of the “Five”, and then to take the reforms further – to all the corners and countries of the world. In the field of economics and finance, the BRICS nations have undertaken to perform the following ambitious goals and targets (Przygoda M., 2015, p. 148):

- World based on the existence of at least three leading countries, as a tool preventing the domination of one superpower.
- Creation of a new monetary system based on the principle of multipolarity.
- Reforming the global banking system.
- Resignation from the US dollar as a global currency.
- Creation of a new, multipolar and democratic governance at the international level, where decisions are made collectively by all states.
- Limiting the role of the International Monetary Fund.
- Increasing the role and importance of developing countries in the international financial institutions.
- Establishment of its own rating agency.
- Enhancement of collaboration with other countries on all continents, especially with South America and Africa.
- Striving to create a full-fledged, coordinated global governance.
- Protection of still existing natural resources.
- Ensuring an adequate level of supply of energy and its sources.

The aims and goals stated above leave no illusions what the stakes are. The BRICS nations strive to shift the world balance and completely rebuild the currently existing economic relations. Should those plans succeed, it’s Russia and China which will arguably play a major role in the new world. There is yet another institution that forms an interesting field of the Russia-China cooperation, namely the Shanghai Cooperation Organisation, the importance of
which continues to steadily grow in Central Asia. As an international institution of a regional character, it was founded on the 15 June 2001, by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan, with Uzbekistan to join them in 2001. The original founding members have been meeting since the year 1996 on rather informal meetings aiming to iron out any and all border disputes arising from the disintegration of U.S.S.R. They were commonly referred to as the “Shanghai Five”. Over time, apart from the border discussions, also other issues came to light, which are now being solved by the Shanghai Cooperation Organisation. The statutory aims and goals of the aforementioned organisation are as follows: „strengthening mutual trust, friendship and goodwill relations between the Member States; existence of an effective cooperation of the member states in regard to: politics, commerce, economy, science, technology, culture, energy, transport, ecology, and other; acting together to preserve peace, safety and stability in the Region, and building a new, democratic, just and rational political and economic balanceacteria. Cooperation within the Shanghai Cooperation Organisation is performed on three levels. First, because said organisation developed from consultation meetings on the matters of the border issues, it primarily plays the role of an organisation handling the matters of regional safety. On the other hand, the member states of the Shanghai Cooperation Organisation would like to transform it into an institution acting on multiple levels, especially in the field of economic integration, which makes the economic matters not unusual on the Shanghai Cooperation Organisation Forum. Moreover, it is an organisation of a political nature. It might be an exaggeration to say that the Shanghai Cooperation Organisation is nothing more than an instrument through which Russia and China carry out their foreign policy, but it would be ignorant to claim that this organisation is free of their political influence. (Yom S. L., 2004, p. 2).

From 8 to 10 of July, a significant international event concerning politics and economy took place in Ufa – the populous capital of Bashkortostan, located in the European part of the Russian Federation. For the first time in history, the BRIC grouping and the Shanghai Cooperation Organisation (SCO) held a joint summit. It was the seventh meeting of the BRICS and the fifteenth cyclical summit of the SCO. The summit resulted in two new members– Tajikistan and Uzbekistan – joining the first four member countries of the SCO, i.e. China, Russia, Kazakhstan, and Kirgizstan. What is more, four more countries were added to the group of the so called “dialogue partners” with the organisation. The partners were two former Soviet republics: Armenia and Azerbaijan, and two medium-sized Asian countries: Nepal and Cambodia.

The meeting in Ufa was focused on integrating the BRICS – the world’s biggest emerging markets in the world economy. The five countries forming the BRIC managed to push forward the establishment of the New Development Bank (NDB) and forming the Contingent Reserve Arrangement – CRA. Further significant progress concerning the SCO could be noticed in the “pan-Asian movement” – the name given by the Russian media to the initiative of linking the New Silk Road Economic Belt with the Russian demand for the construction of the Eurasian Economic Union. During the joint summit, the goals and tasks of the recently established Asian Infrastructure Investment Bank (AIIB) were also discussed. For the time being, 57 countries have expressed their wish for accession to the organisation. Among the members of the Asian Infrastructure Investment Bank (AIIB) were all the BRICS members (China, Russia, India, South Africa, and Brazil), SCO members (Kazakhstan, Kirgizstan, Tajikistan, Uzbekistan), and what is more, members of G7 (France, Germany, Italy), and finally, allies of the USA (United Kingdom, Australia, New Zealand, Turkey), who decided to join the global project despite the USA’s disapproval. Apart from its economic purposes, the Ufa summit helped to achieve two other major political goals. First, it showed that contrary to

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1 Art. 2 of, „Declaration of Shanghai Cooperation Organisation”.

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the public opinion, Russia is not alienated on the global political stage. Second, the Eastern leaders gave a clear message to the West which up till now has been uncompromisingly dictating its terms, a message that proved there are new vibrant initiatives and organisations forming an alternative to the current world order.

5. CONCLUSION
Taking a look at the scale of mutual links between the People’s Republic of China and the Russian Federation, we come to a conclusion that the axis of collaboration between Moscow and Beijing is already well developed. Both countries aim, as it could be predicted considering their current achievements, at changing the current world order. What allows such statement is the type and the great number of official relations, bilateral contacts, and agreements concluded between the two countries in the field of trade, economy, and the military. One may also notice the offensive politics which the two superpowers practice hand in hand in different regions of the world, especially in Asia, Africa, and Latin America. In their expansion strategy, next to strengthening their position in the traditional spheres of influence, the two countries strive to explore completely new areas, with one of them currently being the Arctic. In the case of Russia, this choice is entirely understandable and results from its geographic location. However, in the case of China, whose Northern tip lays around 1500 km from the North Pole, it may be quite surprising. However, the ice cap in the Arctic creates a way to exploit minerals and fossil fuels, which also allows to establish new shipping routes. It is estimated that global warming may lead to melting of the Arctic glaciers in 10-20 years, and hence opening a constantly available route connecting Asia to Europe with a canal 7000 km shorter than the existing one. Within just two years, China has managed to join the leading players on the northern parts of our globe, which is exactly the time that passed since China has been granted the status of permanent observer to the Arctic Council. Since 1996, this organ has brought eight countries together, namely Denmark, Finland, Iceland, Canada, Norway, Russia, the United States, and Sweden – countries which work on the international forum to come to terms in the matters of protection, promotion, and collaboration with the inhabitants of the Arctic regions. The Chinese interest in the Arctic is supported on the largest scale by the relatively small Iceland. Supported by the Middle Kingdom with the amount of 500 million USD, it became a significant player in the battle for spheres of influence, while at the same time gaining the world’s second economy as a powerful ally. The appearance of the „friends from Beijing” is significant particularly in the face of the failure of Iceland’s talks with the European Union concerning the Common Fisheries Policy and reducing the number of harvested fish (Parfieniuk A., 2015). Other initiatives concerning China and Russia such as the Asian Infrastructure Investment Bank – AIIB, Contingent Reserve Arrangement – CRA, creating the BRIC grouping, the project of the New Silk Road with both land and sea routes from Asia to Europe, or finally, the idea of the „Nicaragua Canal”, aiming to connect the Atlantic Ocean and the Pacific Ocean, leave all the other economic projects in the world far behind. (Staniul M., 2014). It is not a surprise that being involved in numerous armed conflicts in different parts of the globe and with its economic potential constantly decreasing, the United States can no longer compete with the Russian-Chinese tandem. However, even though America has lost the race to Russia and China in the economic sphere, its military advantage will allow this superpower to maintain its global advantage for a few or maybe even several years. That is why leaders and military leaders from Beijing and Moscow at the current stage do not strive toward military confrontation with Washington. Instead, their current strategy is focused on increasing investments in armament and using economic tools in the battle with the USA’s hegemony in the world. Among these tools, the greatest emphasis is put on the battle for spheres of influence, technological development and creating political and economic multipolarity.
They also focus on modifying the international financial system based on the dollar, dictating the International Monetary Fund in favor of entirely new approaches and institutions in this field, and finally developing a new manner of how the United Nations function.

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DEMOGRAPHIC VARIABLES INFLUENCING INDIVIDUAL ENTREPRENEURIAL ORIENTATION AND STRATEGIC THINKING CAPABILITY

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ABSTRACT

Strategic thinking capability is interesting part of the cognitive development of each entrepreneur. This paper develops on notion that there are several number of demographic variables that shape the behavior of each particular elements of entrepreneurial orientation and strategic component of each entrepreneur. The demographic variable that have significant role will take the role of moderator in further research. Since both constructs are multidimensional, the demographic variables are not influencing them in the same way. The empirical research has been performed on IT firms in Croatia in 2014.

Individual entrepreneurial orientation is measured by the construct developed by Bolton and Lane’s (2012) individual entrepreneurial orientation instrument. The instrument is grounded in the seminal work of Miller (1983), Covin and Slevin (1986; 1988; 1989), Lumpkin and Dess (1996) and Covin and Wales (2011); consisting of three dimensions – risk-taking, innovation, and proactiveness. Strategic thinking was measured by Pisapia’s (2009) Strategic thinking questionnaire (STQ). The STQ asked respondents to rate how often they use systems thinking, reframing, and reflecting skills.

Within the framework of individual entrepreneurial orientation the following demographic variables shape the trends: age, gender, education abroad and previous experience. Entrepreneurs between 40-60 years old are less prone to risk, female entrepreneurs are more proactive than men, education abroad provides with the additional proactiveness and the entrepreneur with previous experience is prone to higher risk, proactiveness and innovativeness.

Within the framework of strategic thinking capability the following demographic variables shape the trends: age, gender, education and experience. Entrepreneurs older than 60 score high on system thinking as well as females, females also score higher on reframing. Entrepreneurs with PhD degree score lower on reframing, while managers working more than 20 years score high on reframing.

All the relevant demographic variables can be introduced later on as moderators investigating individual entrepreneurial orientation and strategic thinking capability relation.

Keywords: Croatia, demographic variables, individual entrepreneurial orientation, strategic thinking
“The most valuable 100 people to bring into a deteriorating society would not be economists, or politicians, or engineers, but rather 100 entrepreneurs” Abraham Maslow

1. INTRODUCTION
The research of entrepreneurial orientation is well established in literature. The expending research bridges toward strategic entrepreneurship and toward strategic management or more refining strategic thinking using cognition and contextual setting in order to explain phenomena of entrepreneur establishing, growing, failing and sustaining her/his business. The essence of entrepreneurs, is as suggested by Bolton & Thompson (2000, p.5), as people who habitually creates and innovates to build something of recognized value around perceived opportunities. They are a particular type of person whose risk-taking and innovative prowess lends itself to identifying and exploiting profitable opportunities resulting in organizational and economic growth (Kuratko, 2007; Lumpkin & Dess, 1996). In our earlier study, we use a previously unstudied element of the cognitive frame (strategic thinking capability) and individual entrepreneurial orientation. Our larger research agenda will attempt to link individual entrepreneurial orientation with firm EO and then to firm performance.

Results from that study indicated that strategic thinking capability (STC) was positively associated individual entrepreneurial behavior. This means that entrepreneurs who used these thinking skills more often also exhibited individual entrepreneurial behaviors more often than entrepreneurs who use these thinking skills less often. Furthermore, proactiveness was positively associated with reflecting, reframing, systems thinking, and STC; meaning that the more often the entrepreneurs use these strategic thinking skills the higher is their score on proactiveness. Two other dimensions of STC - Systems thinking and reframing - were positively associated with risk-taking, meaning that the more often the entrepreneurs use these skills the more risk they are willing to assume. Interestingly, only reframing was significantly associated with innovativeness.

The current study asks are these relationships moderated by alterable and unalterable demographic and contextual variables. Both the initial and the current studies were based on the premise that each of the constructs- individual entrepreneurial orientation and strategic thinking capability - were multidimensional constructs based on elements that act independently and in concert with one another. This paper further investigates this premise by developing the notion that there a number of demographic variables that shape the behavior of each particular elements of entrepreneurial orientation and strategic component of each entrepreneur. Demographic variables that demonstrate that they play a significant moderating role are identified and will be used in further research.

The study is significant because it delves into variables that have not been studied previously. First, it is possible that we can gain insight into how entrepreneurs think and how use of these thinking skills relates to their own entrepreneurial orientation. This linkage has not been studied thus far. Additionally, it also provides insight as to how demographic variables can be considered as moderators in the relation between individual entrepreneurial orientation and strategic thinking.

2. THEORY DEVELOPMENT
Theory development is discussed in the following paragraphs discussed from point of view of two constructs; individual entrepreneurial orientation and strategic thinking. The paper also explores ways demographics influence both constructs of individual entrepreneurial orientation and strategic thinking capabilities.
Individual entrepreneurial orientation

Individual entrepreneurial orientation derives from a vast entrepreneurial orientation literature easily grouped in four different groups of research.

The entrepreneurial orientation (EO) tradition measures a firm’s inclination toward entrepreneurial behaviors. It has been referred to as an entrepreneurial mindset, climate, or strategic orientation and has been described by Taulbert (2013) as the heart and soul of sustainable, long-term success in any industry. The EO construct has been applied at the individual level (Bolton & Lane, 2012); but more often as an antecedent to firm performance (Hult & Ketchen, 2001; Lee, Lee & Pennings, 2001). Few studies have used firm level EO as a dependent variable (Cool & Van Den Broeck, 2007; Poon et al., 2006). Numerous studies attempting to link EO as an antecedent to firm performance yielded conflicting results (see Auger et al., 2003; Lumpkin & Dess, 1996; Rauch et al., 2004; Wiklund, 1998).

The individual tradition is based on the study of entrepreneurial attributes, attitudes and personality traits that relate to a person’s likelihood of beginning a business (Raposo et al., 2008) and entrepreneurial orientation. From an attitudinal perspective, the extant literature characterizes entrepreneurs as individuals with: a need for achievement (McClelland, 1965; Miner, 2000), an internal locus of control (Brockhaus, 1980; Kets de Vries, et. al., 1989), a risk-taker (Brockhaus, 1980; Covin & Slevin, 1991; Kuratko, 2007; Meyer, Walker, & Litwin, 1961), passion, desire to innovate, intention on becoming an entrepreneur (Bolton & Lane, 2012; Covin & Slevin, 1991; Kuratko, 2007; Lumpkin & Dess, 1996; Miller, 1983). Yet, only two personality traits, openness to experience and conscientiousness are associated with entrepreneurial intentions (Zhao et al., 2010).

The top management teams tradition examines antecedents suggested by upper echelon theory (Hambrick & Mason, 1984). According to Covin and Slevin (1991), Tarabishy et al. (2005), and Wiklund (1998) the entrepreneurial orientation of an organization is established at the uppermost level of leadership and results in stimulating risk taking and proactive behaviors from employees. For instance, all imply that firm EO results from ‘top managers having entrepreneurial management style’ (Covin, & Slevin 1998), or reflects ‘managers capability’ (Avlonitis, & Salavou, 2007), or, determined by executive on the basis of their goals and temperaments (Miller & Friesen 1982). These studies reinforce the implication that EO is based on the individual entrepreneurial orientations of the entrepreneur’s and the top management teams (e.g. Chaston 2000; Guth & Ginsberg, 1990; Lumpkin & Dess, 1996; Vitale et al., 2003).

The cognitive tradition rests on the assumption that entrepreneurs think differently (e.g. Baron, 1998; Busenitz & Barney, 1997; Cools & Van Den Broeck, 2007; Grégoire, Corbett, & McMullen, 2011; Kickul & Krueger, 2004; Nuntamanop, Kauranen, & Igel, 2013; Nutt, 1990; Palich & Bagby 1995). Cognitively oriented studies suggest that entrepreneurs rely on cognitive skills to gain insight, and make assessments, judgments, or decisions involving new opportunity evaluation, venture creation, and growth (Mitchell et al. 2002, pp. 8-10; Haynie, Shepherd, & Patzelt, 2012). However, these skills are seldom extracted.

In summary, attempts to identify specific traits entrepreneurs possess have proven inconsistent. Numerous studies have attempted to link EO to firm performance with conflicting results. However, as Cool & Van Den Broeck (2007) report the most promising traits include, internal locus of control, achievement motivation, tolerance for ambiguity, self-efficacy, and possessing a persuasive personality. Firm level EO has been used extensively as an antecedent to firm performance and few studies have used firm level EO as a dependent variable (Cool & Van Den Broeck, 2007; Lumpkin and Erdogan, 2004; Poon et al., 2006).
However, using these traits as antecedents to firm performance remains unsecured in the literature (Cool & Van Den Broeck, 2007) and led to the search for additional dispositions and behaviors flying under the banner of entrepreneurial orientation. Entrepreneurial orientation measures an organization’s or individual’s inclination toward entrepreneurial behaviors. It can be referred to as a firm or individual’s entrepreneurial mindset, climate, or strategic orientation. This paper builds on the entrepreneurial orientation grounded on the individual level.

The construct has been applied at both the firm and individual level (Bolton & Lane, 2012) as an antecedent to individual and firm performance (Hult & Ketchen, 2001, p. 901), or included within the constellation of strategic orientation which includes market orientation (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993, 1996, Jaworski et al. 2002; Voss & Voss, 2000), learning orientation (Anderson, Covin, & Slevin, 2009; Baker & Sinkula, 1999; Gibb, 1997; Rowley, 2000), and entrepreneurial orientation.

The literature is rather clear that the elements of entrepreneurial orientation include proactivity, risk-taking, and innovativeness (Miller (1983; Morris, Schindehutte & LaForge, 2004: 92), and competitive aggressiveness, (Lumpkin & Dess, 1996) and autonomy (Lumpkin & Dess, 1996; Rutherford and Holt (2007). Innovativeness and risk taking are perhaps the most characteristic attributes of entrepreneurship in general (Covin & Slevin, 1991; Kreiser, Marino, & Weaver, 2002a, 2002b, 2002c; Lumpkin & Dess, 1996).

The link between EO and firm performance has been studied often (Wickham, 2004), However, the role of antecedents remains unsecured (Cool & Van Den Broeck, 2007) Most investigations have been conducted at the firm level as an antecedent or mediator explaining firm performance (e.g. Covin and Slevin, 1989); Lee, Lee & Pennings, 2001; Osyievsksyy, Agarwal, Nubisi, 2013; Vitale et al., 2003; Wales, Parida, Patel, 2013; Wickham, 2004; Wiklund, 1999; Zahra, 1991; Zahra et al., 2000). The link has not been securely fashioned through empirical studies. While a recent meta-analysis of 53 samples from 51 published studies bears out the positive correlation between the most common measures of EO and various firm performance metrics (average r = 0.24) (Rauch et al., 2004). Others have reported inconsistent findings regarding EO as a performance-mediating variable (e.g., Auger et al., 2003; Lumpkin & Dess, 1996; Smart & Conant, 1994; Wiklund (1998: 222-236).

**Strategic thinking**

Kabacoff (2013) reported in Harvard Business Review a study in which 97 percent of a group of 10,000 senior executives said strategic thinking is the most critical leadership skill for an organization’s success. In another study (Kabacoff, 2013) 60,000 managers and executives in more than 140 countries rated a strategic approach to leadership as more effective than other attributes including innovation, persuasion, communication, and results orientation. Strategic thinking is recognized as the scarce, needed capability that is unreplaceable in every firm.

Strategic thinking (Jelenec, 2009) is recognized as a process in which a person is perceiving, reflecting, feeling, realizing and acknowledging signs that impact the future of the firm, giving them meaning and acting upon them by shaping the impressions, perspective and behavior accordingly.

Whenever unexpected events and/or research findings happen, people see it either because of the supremacy of strategic thinking or its lack. Even though the factors, causes, or blame is on somebody or something else, the strategic manager labels it as strategic thinking. When looking closely at what strategic thinking really means it could be quite perplexing to find out that strategic thinking is a synonym for almost all the concepts that have strategic as their first word. Due to the problem of articulating the cognitive character of strategic thinking, it is very elusive to define, measure, train or learn how to think strategically. Therefore, there are many mystifications and interpretations of its meaning. Yet, it is important to realize that the
lack of strategic thinking capability is recognized as the major detractor of economic performance. The general conclusion is that strategic thinking has been under-theorized. The first attempts at defining the term and the main elements of strategic thinking skills came from Bonn (2001), Liedtka (1998), Jacobs (1994) Mintzberg (1991). Sloan (2013) identified five critical attributes of strategic thinking: imagination, broad perspective, juggle, no control over and desire to win. Jelenc (2009), and Jelenc and Swiercz (2011) proposed systems thinking, hypothesis generation and testing, focused intent, time, professional capability, conceptual flexibility, future vision, political sensitivity, intuition and uncertainty/paradox/disequilibrium as the essences of strategic thinking skills. Most of these skills are found in Pisapia (2009) and Pisapia, Reyes-Guerra, and Coukos-Semmel’s (2005) strategic thinking skills (systems thinking, reframing, and reflection).

3. METHODOLOGY

Sample. The sample consisted of information technology (IT) firms operating in Croatia. IT is an industry operating in the global business context, following newest global trends and meeting international demand for their products (Valdaliso, 2011). Therefore, IT firms in Croatia are nested in the national business context serving global markets and facing international competitors. The list of the IT sector firms operating in Croatia was generated from the Amadeus database according to the status of firms in March 2014. The list consisted of registered firms (NACE Rev. 2) with the dominant code of dealing with computer programming, consultancy and related activities (code 62). The firms dealing with IT trade were excluded from the list. The remaining sample consisted of 2,129 firms. Contact data from the database were updated by the data from the Croatian Court Register. After filtering the non-active firms due to legal reasons, the final sample consisted of 1,465 IT firms actively doing business in Croatia. After two waves of filed research we received 146 valid responses. After applying the two validity indicators recommended by Pisapia (2009) for self-report instruments, 10 cases were excluded from the study due to the degree of response inconsistency. Finally, we ended up with 136 cases to analyze, representing 9.2% of the total population of IT firms in Croatia.

Measurement. Individual entrepreneurial orientation is measured by the construct developed by Bolton and Lane’s (2012) individual entrepreneurial orientation instrument. The instrument is grounded in the seminal work of Miller (1983), Covin and Slevin (1986; 1988; 1989), Lumpkin and Dess (1996) and Covin and Wales (2011) and adjusted to the individual level of measuring individual entrepreneurial orientation. Individual entrepreneurial orientation consists of three dimensions – risk-taking, innovation, and proactiveness measured on the Likert scale. Strategic thinking is measured by Pisapia’s (2009) Strategic thinking questionnaire (STQ). The STQ asked respondents to rate how often they use systems thinking, reframing, and reflecting skills when confronted with problems, dilemmas, and/or opportunities on a five point Likert-type scale. The STQ was psychometrically validated by Pisapia, Morris, Cavanaugh, and Ellington (2011). Both scales were translated from their original language (English) into Croatian. Then, they were back translated to ensure that all items were adequately formulated. Measures of validity and reliability of both constructs were performed. In regard to strategi thinking capability, a Principal Axis Factor Analysis. Rotation Method: Oblimin rotation. Rotation converged in 6 iterations) extracted three elements of strategic thinking explaining 52 % of variances (Cronbach α = .81) as theoretical background suggested; system thinking, reflections and reframing. In regard to individual entrepreneurial orientation a Principal Component Analysis with a varimax rotation was used. Rotation converged in 5 iterations) named three elements; risk, proactiveness and innovativeness which explain 63 % of the variances (Cronbach α = .76).
We used demographic variables found in previous studies to impact the use of strategic thinking capability and individual entrepreneurial orientation. A number of demographical variables were included in line with previous research which found them to be an important determinant of organizational process and/or performance for both individual entrepreneurial orientation and strategic thinking. They are: gender (Blanchflower, 2004; Davidson and Honig, 2003; Minniti and Nardone, 2007), age (Bonte, et al., 2007; Lamotte and Colovic, 2013; Lebret, 2014; Levesque and Minniti, 2006; Stam and Elfring, 2008), experience (Hisrich, 1990; Lebret, 2014; Lee and Tsang, 2001), and education levels (Chow et al., 2003; Davidsson and Honig, 2003). Organizational size is also mentioned in the literature as a variable in several studies (e.g. Baum et al., 2001; Stam and Elfring, 2008; Zhang Yang et al. 2006).

4. RESULTS
The demographic results of the sample are presented in Table 1. The average responder was male, between 41 and 50 years old, earned higher education diploma, with previous entrepreneurial experience, between 6 and 19 years of experience, with no education abroad and employs up to 10 employees.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number (N)</th>
<th>Percent (%)</th>
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<tbody>
<tr>
<td>Female</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Male</td>
<td>120</td>
<td>88</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31-40</td>
<td>47</td>
<td>34</td>
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<tr>
<td>41-50</td>
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<td>37</td>
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<tr>
<td>51-60</td>
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<td></td>
</tr>
<tr>
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<td>21</td>
</tr>
<tr>
<td>Higher education</td>
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<td>63</td>
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<tr>
<td>Master studies</td>
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<td>13</td>
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<tr>
<td>PhD</td>
<td>4</td>
<td>3</td>
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<table>
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<tr>
<th>Previous entrepreneurial experience</th>
<th>Number (N)</th>
<th>Percent (%)</th>
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</thead>
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<tr>
<td>Yes</td>
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<td>57</td>
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<tr>
<td>No</td>
<td>59</td>
<td>43</td>
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<th>Number (N)</th>
<th>Percent (%)</th>
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<td>5</td>
<td>3</td>
</tr>
<tr>
<td>1-5 years</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>6-19 years</td>
<td>71</td>
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<td>20-29 years</td>
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<td>19</td>
</tr>
<tr>
<td>=&gt;30 years</td>
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<td>1</td>
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<table>
<thead>
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<th>Education abroad</th>
<th>Number (N)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>31</td>
<td>23</td>
</tr>
<tr>
<td>No</td>
<td>105</td>
<td>77</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees</th>
<th>Number (N)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>6-10</td>
<td>99</td>
<td>73</td>
</tr>
<tr>
<td>11-50</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>51-250</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>251&gt;</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 1: Demographic results of the empirical research
As seen on Table 2, the relationship between strategic thinking capability and individual entrepreneurial orientation is influenced by entrepreneur age, gender, education abroad, and previous experience. Entrepreneur in the category 40-60 years old \((F_{1,135} = 4.124, p<0.05)\) are prone to risk in much lower degree than entrepreneurs younger than 40 and older than 60 years old, which reflects on the general entrepreneurial orientation. Results show that female entrepreneurs \((F_{1,135} = 9.268, p<0.05)\) are more proactive than man entrepreneurs. Education gained abroad brings entrepreneurs higher level of proactiveness \((F_{1,135} = 3.974, p<0.05)\) in comparison with entrepreneurs which did not had the opportunity to study abroad. Previous experience is a good control variable for individual entrepreneurial orientation. Entrepreneurs with previous experience in entrepreneurial activities and projects are more familiar with the business setting and prone to higher risk \((F_{1,135} = 0.8708, p<0.05)\), higher level of innovativeness \((F_{1,135} = 4.558, p<0.05)\), proactiveness \((F_{1,135} = 4.678, p<0.05)\) and consequently entrepreneurial orientation \((F_{1,135} = 11.765, p<0.01)\).

When analyzing construct of strategic thinking capability there are similar conclusions. Strategic thinking capability is influenced by following demographic factors; age, gender, education, and experience. Entrepreneurs older than 60 score higher on the system thinking \((F_{1,135} = 5.231, p<0.05)\) than younger entrepreneurs. Female entrepreneurs score higher on system thinking \((F_{1,135} = 6.251, p<0.05)\), on reframing \((F_{1,135} = 6.511, p<0.05)\) and therefore in general in strategic thinking \((F_{1,135} = 6.303, p<0.05)\). Entrepreneurs with PhD level of education have lower level of reframing \((F_{1,135} = 2.124, p<0.05)\) from all other entrepreneurs with lower level of education. Entrepreneurs with managerial experience working for more than 20 years score higher on reframing \((F_{0,135} = 2.467, p<0.05)\) than those with less managerial experience.

Firm size and performance did not relate to any demographic variable. This could be explained by the small sample size and specifics in the Croatian entrepreneurial practice that has not been taken into consideration. The ideas for elaborating demographic variables are environment and motivation of working in IT sector. It could be that environment is not prone for entrepreneurs and those regions within Croatia have a different treatment. The other things are that working in IT sector could be just a job and career and not the entrepreneurial call rather an existential option to earn money.
Table 2. Demographic variables for individual entrepreneurial orientation and strategic thinking

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>EOE</th>
<th>PROACT</th>
<th>REFLECT</th>
<th>REFRAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>0.839†</td>
<td>-0.934†</td>
<td>-0.154†</td>
<td>-0.154†</td>
</tr>
<tr>
<td>Education</td>
<td>0.026*</td>
<td>0.019**</td>
<td>0.019**</td>
<td>0.019**</td>
</tr>
<tr>
<td>Experience</td>
<td>0.035†</td>
<td>0.035†</td>
<td>0.035†</td>
<td>0.035†</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.001†</td>
<td>0.001†</td>
<td>0.001†</td>
<td>0.001†</td>
</tr>
</tbody>
</table>

†. Significance at the 0.10 level
* . Significance at the 0.05 level
**. Significance at the 0.01 level
(Table available at request)
5. DISCUSSION AND CONCLUSION
Lumpkin & Dess (1996, 2001) and Miller (2001) suggested that elements of entrepreneurial orientation may vary independently, depending on the environmental and organizational context (p. 137). Therefore the construct of strategic thinking and individual entrepreneurial orientation are considered in the context of Croatian IT firms and for each subconstruct separately and put in relation with demographic variables that made a difference in previous research.

Entrepreneurs, prone to risk, are people younger than 40 in their career booster period or people older than 60 who already established a stable financial resource and have experience with managing risk very well. Gender brings difference in being proactive, while in risk and innovativeness gender does not seems to bring any difference. Women have developed ability to understand the complexity of system and the ways it can be understood and perceived differently. Study abroad is having an impact on level of proactiveness of entrepreneurs. Previous entrepreneurial experience is a generator and source of learning for deepening the readiness to accept higher risk, involve deeper in innovativeness and being proactive. Therefore the first experiences in entrepreneurial project are crucial for people to engage their passion, motivation and willingness to ask for more.

In the system thinking capability, it seems that experience and age older than 60 brings better results in understanding system thinking. PhD level of education within the population of entrepreneurs can bring lower results to reframing while they have been trained according to the standard scientific method differing from reframing modes of thinking needed in business context. Managerial experience for entrepreneurs, who work more than 20 years, can benefit in improving the level of their reframing ability. Risk is lower for the middle generation (40-60 years old), and rising up as entrepreneurs have previous experience as entrepreneur. Innovativeness is rising by previous entrepreneurial experience. Proactiveness is the ability found more with women entrepreneurs and generally with people with previous experience and entrepreneurs studying abroad.

System thinking is an ability developed by entrepreneurs older than 60 and women no matter of age. These findings are according to results of research performed by Pisapia, Morris, Cavanagh, and Ellington (2011). Reflect did not found any relation with any of the presented demographic variable. Reframe is the ability that women do much better than men. PhD level of education will lower the possibility for reframing. Entrepreneurs that have more than 20 years of managerial experience are much better in reframing.

The further research is directed toward the relevant demographic variables which are candidates for acting as moderating variable when looking closely relation between individual entrepreneurial orientation and strategic thinking capability.

LITERATURE


GLOBALIZATION: IMPLICATIONS FOR HUMAN DEVELOPMENT

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Jerryokogbuo2000@yahoo.com

ABSTRACT
Every age has got its age-mark: the outstanding feature trait that characterizes that age. In the history of the march of civilization, we have such age-marks as the Stone Age, the Bronze Age, the Iron Age, the Middle Age or Dark Age, the Renaissance, the Age of Reason, the Industrial Revolution, the Jet Age, etc. Our age, the 21st century, is commonly defined by globalization. The urgent challenge and focus of this paper, therefore, is the need to appraise globalization; to raise fundamental philosophical questions about globalization; such questions as relate to the phenomenology of globalization and the philosophical foundations of globalization. It is the position of this paper that it is only when these questions are properly raised and critically addressed that modern man would be able to understand the implications and challenges of globalization for human development. It is also the view of this paper that it is also against the proper understanding of globalization that modern man can hope to comfortably operate and effectively contribute in the competitive globalized world.

Keywords: Age-Mark, Development, Globalization, Phenomenology, Philosophy.

1. INTRODUCTION
Philosophers of science and social theorists have always shown keen interest in studying the intricate relationship between science, technology and society. The relationship between science, technology and society has been there from time immemorial because science, technology and society are said to have ontological origin; that is to say, there was some science and some technology from the very moment man started to exist. Mason (1962, p.600), a renowned historian of science observes that from the very beginning science and technology “developed an ever-increasing power of historical change.” This is not to imply that science and technology are the only agents of historical change. The point being made here is that science and technology have a momentum of socio-historical change that has so far remained unsurpassed.
In the history of civilization, the defining characteristic of any age or society is determined by the level and nature of the relationship between science and technology. The Stone Age, Bronze Age, Iron Age and so on are all age-marks determined by the nature of the relationship between science and technology.
The relationship between science and technology, as already noted, is long and evolutionary. In the history of the march of civilization, three of such relationship could be categorized. In the ancient world, there was theoria-techno separation. Science and technology then had parallel development. Theoria was the concern of scholars while techno was the business of craftsmen. From the medieval world, theory and techno started making some contact. During the Second Industrial Revolution (1850-1914), there was evidence that science was able to positively impact technology. During the modern period, therefore, science and technology began to make some contact with science leading the way and technology coming behind as a result. Yet it could not be said at this time that there was complete science-technology interpenetration. The practice of defining technology as “applied science” is a legacy of the modern period.
The power of science and technology to characterize the society became most phenomenal from the 20th century. From that time, specifically from the second half of that century, science and technology so much converged and interpenetrated each other that they formed a
logical matrix that cannot realistically be able to be separated except for arbitrary theoretical analysis. Today it is no more possible to easily separate science and technology. They are now involved in a symbiotic and synergistic relationship and the result is a hybrid called technoscience, (Obi-Okogbuo, 2010). This union generated species of innovative technologies in transportation, information and communication technologies (ICT). The resultant consequence is that in spite of xenophobia, nationalism, tribalism, terrorism, racism and wars, peoples and nations are tied together more closely than ever before. There is an increasing sense of interconnectivity, universal brotherhood, interrelatedness and interdependence of individuals, societies, and nations. There is a feeling of reciprocity of influence between different societies and regions of the world, resulting from the compression of space and time by the advancement in science and technology. This is the current age-mark, world-view, world-order, or world culture and it is called globalization.

2. THE PHENOMENOLOGY AND PHILOSOPHY OF GLOBALIZATION

Globalization is a complex multidimensional process. As such it has been given so many definitions. Giddens (1990, p.64) defines it as the “intensification of worldwide social relations which link distant localities in a way that local happenings are shaped by events occurring many miles away and vice versa.” Also John Paul II (2001, p.10) defines globalization as “… the sense of increasing interdependence among people, nations, businesses, economies and markets, which has brought a serious change in social interactions and relations.” From these two sample definitions, we can hazard that globalization is a set of processes seeking to propagate worldwide paradigms in social, economic, cultural, political, religious, military, and demographic dynamics made possible by the compression of space and time by techno-science. For further our understanding of globalization, we need to give it a phenomenological description in its ramification in social, economic, cultural et cetera. But we have to bear in mind the admonition of Hollenbeck (2001), that globalization “cannot be reduced to a single analysis such as the economic without distorting it in ways that will lead to serious Misunderstanding”

2.1. Economic globalization: this is the dismantling of national barriers so as to open national and state economies to international trade, financial flows, and direct foreign investment. Economic globalization derives from the principle of the free market; which holds that the free flow of commodity and finance worldwide should not be regulated by any other forces except the market forces-demand and supply. Advocates of the free market espouse that “free from the oppressive hand of public regulations, market forces will cause the world’s great corporations to bring prosperity … to all the world” (Korten, 1999, P. 37). The free market in turn is based on the “…belief that government regulation inhibits and distorts the efficient working of the market; and a belief that government programs are inherently inefficient breed dependency, and reduce individual responsibility, initiative, and choice (Obama, 2006, p.147). In free market regime, the diminishing regulatory power of the
governments and the State is superseded by the increasing power of Multi-National corporations; the World Bank, the International Monetary Fund, and the World Trade Organization to forge economic policies. The key principles of economic globalization are liberalization, deregulation, denationalization, individual free enterprise or entrepreneurship or competitiveness, and profit-marking. It is believed by advocates of this policy that economic enterprise based upon these principles would release the initiative, creativity, and productive energy of the people bringing about prosperity.

2.2. Globalization of Culture: This means the denationalization of valves, ideas, forms, ethnic folk motifs, lifestyles, ideas, meanings, images, and sounds. A typical instance is the globalization of the fashion of jean-wearing or the fast food fashion. Globalization of culture is the direct result of the rise in mass tourism, increased migration, and commercialization of cultural products. All these play together to bring about the meeting and merging of different local cultures. Globalization of culture implies that there is in the making a world culture or a universal cultural pool to which local cultures are contributing.

2.3. Political Globalization: This is the breakdown of national sovereignty through the integration of sovereign states into a political bloc. It involves the organization of political activities the boundaries of nation-states. Political globalization is responsible for the emergence of such regional and international bodies as the African Union, the European Union, and the United Nations. These bodies formulate policies and take up governance of in trans-national issues such as democracy, human rights, ecology, and justice.

2.4. Demographic Globalization: This is the accentuated and largely uninhibited migration across national boundaries. Schuman (2009, April 27, p.18-20) citing UN source observed that “the number of migrants working outside their native countries worldwide rose from about 165 million in the mid 1990s to about 200 million last year”, 2008. This implies that international migration which he observes heightened “during the opening years of the 21st century” is essentially a factor of Globalization. Schuman also observed that demographic globalization has caused “shifts” in the demographic configuration of societies all over the world. This impacts nearly all aspects of the life of the societies of the world. From the foregoing, we deduce the essences of globalization; that it is the deletion of borders and international barriers, to overcome constraints in all spheres of interaction economic, culture, politics, demography, geography, sociology and religion. Globalization is the process in which the elimination of the constraints space and time fosters universal brotherhood, fellowship, solidarity, pluralism, unity in diversity, ecumenism, compassion and inclusive humanism. It implies the eradication of xenophobia, racism, and extreme nationalism.

2.5. Philosophy of Globalization: Globalization is founded on the philosophical principle that whole world and all that is in therein belong to all in common. John Paul II (2005, p.726) calls this “the principle of the universal destination of goods.” This is the principle that all humanity has a common destiny inextricably tied to the living systems of the earth. Lock (1993, p.274) clearly articulates this philosophy thus: “The earth and all that is therein is given to men for the support and comfort of their being. And though all the fruits it naturally produces and beasts it feeds belong to mankind in common …” Donne (2015) penned down memorable excerpts expressive of the common humanity of mankind. He wrote: “all mankind is of one author and of one volume.” “No man is an Island, entire of itself; every man is a piece of the continent, a part of the main.” The philosophical principle of globalization assents that there is a deep sense of the relatedness, the interrelatedness, and the interconnectivity of everything that lives and moves in the natural world. The world is an inseparable whole.
Human life anywhere is sustained by the interconnectedness of existence everywhere. This means that isolated; individuals, societies, and nations lose meaning. It is against the canvas of this philosophy that the idea of global village or globalization as a description of the current age-mark has meaning.

3. DEVELOPMENT

Development has become a difficult and even controversial idea to define. The reasons are that it is “value-laden” (Ucheaga, 2007, p.7); It has become “politicized” (Eke, 2003, p. 2); and it has even become an “industry” (Molemodile, 2000, p. 113). Hence, there are as many definitions of development as there are theorists who have attempted to define it. However, all the definitions of development could be categorized into two major broad perspectives: One – the exclusive economic, material or thing – centered perspective; and two – the moral or human centered perspective. The two perspectives respectively derive from the materialist philosophic of development epitomized by Marxism and the idealist philosophies of development represented by Hegelianism/Hegel (2000, p. 361) asserts, “everything that from eternity has happened in heaven and earth, the life of God and all the deeds of time simply are the struggles of mind to know itself, to make itself objective.” Hegel is saying that material things are the objectifications of the mind. According to Hegel, what initiates development is the mind’s “inward contradiction” which makes it to “bestir”. Marx (1977, p. 419) extols Hegel for being the first to present the general form of dialectic but criticized him for standing dialectic on its head. Marx asserts “My dialectic method is not only different from Hegelian, but is its direct opposite.” Thus for Marx, the idea or Mind is the highest development of matter. All ideas are built on economic or material base. Marx (1977, p. 418) declares: it is “… not the idea, but the material phenomena alone can serve as its starting-point. Rodney (1972) admits that mostly development is understood in exclusively economic sense. And in this economic or material sense, development is measured in terms of growth in Gross Domestic Product (GDP) or Income Per Person Per Year; industrialization; technological advancement; physical capital (machinery, efficient transportation system); social capital (good education, health system, stable government). Development understood in this material sense is a severely narrow or side-view of development. Amartya Sen (1999) considers development taken in purely material sense as mistaken the “means” or “instrument” for the “end” of development. This means that material development is justified only as a means to true development, human or moral development. Human development integral or authentic development encompasses the physical, emotional, intellectual, moral and the spiritual dimensions of the human person. Human development is measured in terms of increasing enhancement in people’s consciousness, skill, capacity, efficiency, creativity, self-worth, self-discipline, freedom and responsibility. Human development is the unfolding actualization of the latent potentialities of the human person. Human development is the process of humanization; the process of making the human person more fully human.

4. GLOBALIZATION: IMPLICATIONS FOR HUMAN DEVELOPMENT

Advocates of globalization are quick in pointing out that it is pro-world. In saying this they mean that it is a world-process of formulating and implementing policies that would benefit peoples of the world as a whole. In this world-process, sovereign nations freely work together to determine equally the course human progress. Advocates argue that globalization is a world process at the service of man, the whole of his being: his material as well as his spiritual, moral, intellectual, religious and social life. They say that globalization is a process of globally fostering and promoting compassion and solidarity black and white men and women, developed and developing nations. It is a process of building a global human family, an inclusive society, a world devoid of marginalization and exclusion and discrimination of any
type. They promise that globalization presents individuals and nations the opportunity for self-realization and self-fulfillment which is what integral human development is. Opponents of globalization point out that it is founded upon a material ontology and that means that it is inherently inimical to human development. They argued that this inherent antithesis is the Pandora Box from which ensures all the other problems of human development.

Globalization is founded on the ontology of neo-liberal capitalism. The Kernel of neo-liberal capitalism is free market operation. The mechanism of free market operation is that market forces: the profit-motive, demand and supply, regulated by competition, ensure that individuals and private firms produce goods and services that consumers are willing and able to buy. The free operation of the market, “as if by invisible hand”, without conscious regulation, generates social order and expands production.

What drives the mechanism of neo-liberalism and by implication what drives globalization process is competition. Competition engenders rat race - unnecessary and unfair social Darwinism – a situation individuals are pitched one against another as adversaries in mortal rivalry. Human solidarity and brotherhood are perceived as useless utopia fit only for the weak and feeble-minded.

Man as a being-in-the-global-world is a value-in-himself. His dignity is essential and necessary and not contingent on anything. His dignity is inviolable. But for making profit the motive and goal of globalization, neo-liberal theory regretfully ascribes ultimate value not to man but to something outside man and this is dehumanizing.

5. CONCLUSION
We have seen that the ontology upon which the current globalization process is founded is materialistic and that this materialism is the root of all the problems of human development. We have also seen that the current globalization process is presented by neo-liberals as a transcendent and inevitable process embodying the will of humanity. This is not correct. From Kant’s theory of knowledge and who well’s antithetical epistemology, it is now generally accepted that the interpretation of date is theory-laden. No reality exist sur generis. Consequently the neo-liberal ontology of globalization not an autonomous and inevitable goal of humanity; it is a political commitment and an economic preference. We have the power to change our commitment and preference. It is a matter of choice.

LITERATURE
REGIONALISM AS A TOOL FOR PROMOTING ECONOMIC AND REGIONAL DEVELOPMENT: A CASE STUDY OF THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

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ABSTRACT
Regionalism, whether from the perspective of developmental regionalism or new regionalism, in the current discourse of the global economy is frequently associated with development. The common thread of development is pervasive within the different schemes of regionalism; be it EU, APEC, NAFTA, MERCOSUR or ECOWAS. Concerning economic and regional development, regionalism as an ideology is increasingly linked with, expanded markets, trade, comparative advantage and specialization, economies of scale, industrialization, increased competition and productivity. As with many other regional groupings, regionalism in West African was crystallized in 1975 by ECOWAS to facilitate economic development to improve the living standards of people in the region through trade, harmonization of policies and self-reliance. The original ECOWAS treaty was revised in 1993 to include among other things the importance of good governance, rule of law, food security, peace and stability as enabling conditions for economic development. Since the transformation of OAU to AU, ECOWAS has used NEPAD’s policy on regionalism as benchmarks. In promoting “rapid and balanced growth in West Africa,” ECOWAS has not made much progress. This paper will examine the reasons why, even though ECOWAS has moved to the new paradigm of new regionalism with the implementation of policies such as the Economic Partnership Agreement, West African Power Pool, the ECOWAS Monetary Cooperation Program, the trade liberalization scheme, the harmonization of immigration policies by the establishment of the Resident Card and Travel Certificate, the ECOWAS Brown Card Scheme and the ECOWAS Agricultural Policy, it still has challenges realizing its goals.

Keywords: Development, Economic, ECOWAS, Regionalism.

1. INTRODUCTION
Regionalism, the world over, has gained importance. After independence, African states turned to regional cooperation and integration to pool their efforts to promote economic development, at national and regional levels. In general, regional cooperation and integration have gone through three successive waves, largely shaped by both domestic and international demands and transformations. Unfortunately, attempts at regionalism to foster development have not produced positive outcomes, and have been confronted by enormous challenges, especially in Africa. Regional integration is considered to be an urgent necessity in the sub-region of West Africa. This is because it is characterized as one of the poorest regions of the world with the majority of its population living in poverty, most of the countries are highly indebted, very susceptible to coup d’états, and suffer from endemic corruption and ethnic divide (Ronnback, 2008, West African Civil Society Institute 2009, Asante 2012).

It is also richly endowed with natural resources in demand on the world market such as oil (Nigeria and Ghana), diamonds (Liberia and Sierra Leone), gold (Ghana, Guinea), timber and...
cacao (Ghana and Ivory Coast), which if mobilized judiciously, would lead to growth and development for the whole region. Unfortunately, the sub-region exhibits a nexus among natural resources, poverty and armed conflict akin to the “resource curse” syndrome, (Ronnback 2008: 5), which has proved hard to resolve. Member states of the ECOWAS sub-region include Benin, Burkina Faso, Cape Verde, Cote d’Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Of these, Nigeria is the sub-regional hegemon, with its economy contributing more than half of the ECOWAS economic activity. In fact, sixty percent of the region’s GDP is from Nigeria although oil exports make a big part of it (ECOWAS Vanguard 2013). This means that the fortunes of the sub-region are heavily shaped and dependent on the performance of the Nigerian economy (Ronnback, 2008).

The paper, therefore, discusses the evolution of regional cooperation and integration in West Africa, specifically, the Economic Community of West African States (ECOWAS). Particular attention would be paid to the new regionalism to understand the role of state and non-state actors in initiating or influencing and implementing policies to accelerate regionalism in the era of globalization. In this respect, the paper starts with the examination of the perspectives on regionalism, both old and new, with a focus on new regionalism, which is the major preoccupation of the paper. Regionalism is also considered from the point of view of development. The aim is to clarify terminologies and highlight the debate on continuities and discontinuities between the two regionalisms. Second, the origins of ECOWAS are examined, isolating the reasons for regional cooperation and integration. Third, the paper discusses the new regionalism in ECOWAS, following the 1993 Treaty, highlighting the goals, and policies targeted at economic development through a two-pronged approach that prioritizes trade and investment. Fourth, it outlines the progress made in realizing the goals through implementation of the trade policies, which are at the core of the regionalism agenda, especially, the Free Trade Area (FTA) and Common External Tariff (CET). Lastly, attention is paid to explaining the challenges, and suggesting the way forward to enhance the process of (developmental) regionalism.

2. PERSPECTIVES ON (OLD AND NEW) REGIONALISM

The discussion on regionalism has been subjected to different interpretations; however, there are points of convergence. Analysts posit that regionalism has evolved through three waves, depending on the time period; or two waves, old and new. It is postulated that regions of the world have undergone through three waves (Telo, 2001; Iheduru, 2011): First, the early attempts at regionalism, commonly referred to as the old regionalism, occurred from 1960 to 1975, during the Cold War era. This was the time the majority of African states were getting independence, grappling with the problems of economic development to improve the living standards of ordinary citizens, and impacted by the Cold War politics between the two superpowers.

Second, is the regionalism of the 1980s. It was a continuation of the old regionalism of the first wave with a more elaborate agenda, and operating in the same Cold War environment. It, however, incorporated new elements arising from the demands of the globalized economy. In the case of Africa, this wave of regionalism was propelled by the Organization of African Unity’s (OAU) Lagos Plan of Action for Economic Development for Africa (LPA) and United Nations Economic Commission for Africa (UNECA), and strongly supported by the USA. The LPA was trying to resolve the economic crisis in SSA, which was partly caused by dependence on the developed West and integration in the world economy. Therefore, the major objectives of this wave of regionalism were to foster “self-reliance, self-sustaining development and economic growth” to avoid the negative effects of dependence on Africa’s development (Iheduru, 2011: 215). The OAU’s Plan led to the formation of sub-regional
initiatives, namely, the Southern African Development Coordinating Conference (SADCC) in 1980, Preferential Trade Area of Eastern and Southern African States (PTA) in 1981, and Economic Community of Central African States (ECCAS) in 1983. The LPA envisaged that such sub-regional groupings, together with ECOWAS (that was formed prior to the LPA), would form the basis of the African Economic Community (AEC), which would ultimately be transformed into the African Common Market (ACM), as per Abuja Treaty of 1991 (Iheduru, 2011). Subsequently, in the 1990s, sub-regional organizations transformed themselves into regional economic communities (RECs) through new treaties. In essence, the first two waves were predominantly state-led initiatives that pursued developmental approach to regionalism.

Third is the new regionalism, which originated in the late 1980s and became widespread widely in the 1990s in response to, and a product of, heightened interdependence and globalization governed by neo-liberalism to promote ‘market development, norms. It is viewed both as a counter arrangement to multilateralism such as the World Trade Organization (WTO), and as a supplement to the WTO (Hettne, 2006). It is a post-Cold War phenomenon. Thus to Telo (2001: 1), new regionalism and globalization “are two components of the same historical process of strengthening interdependence and weakening the state’s barriers to free trade …). Similarly Hettne (2006: 1) views the new regionalism, as essentially “regionalism in the context of globalization” (Hettne, 2006: 1). Iheduru (2011: 216) states that new regionalism is “anchored on market development paradigm”. New regionalism goes beyond old regionalism, with the focus on the state, formal and legal institutions, and economic cooperation to promote economic integration. It is outward-oriented as it is open and favours interaction with other regions and new blocs, including emerging economies, to access markets and acquire resources and capabilities.

New regionalism has proved to be a valuable means with which states can manage opportunities and challenges of increased globalization (Best and Christiansen, 2011). For poor and weak states, struggling to deal with the demands and challenges of globalization, new regionalism serves a tool to deal with the unequal impacts of globalization and boost their collective bargaining power (Shaw et al, 2012). The most significant feature of the new regionalism among developing countries, that are weak and fragile, is the dependence on external support to build their regions, such as other regional blocks (European Union), international financial institutions (the World Bank, International Monetary Fund), international organizations (the United Nations, especially the Economic Commission for each region) and international non-governmental organizations (INGOs) (Human Rights) for resources and capacities (Shaw et al, 2012; Telo 2001). Indeed, Western states, in general, and the EU, in particular, have been instrumental in capacitating ECOWAS to assist in the implementation of common regional policies, such as CET (Common External Tariff). It has been reported that the European Commission has rendered assistance to the customs union of ECOWAS. For example, Germany, has assisted with the CET process since 2009, such that for the period 2014 to 2019, it allocated 22million Euros to four interrelated areas of trade and customs, monitoring and evaluation, organizational development, and peace and security (Ablordeppey, 2014: 33).

New regionalism is complex and multidimensional embracing economic, political, social and cultural aspects, and involves state and non-state actors, both from within and outside the region. Prominent non-state actors include private firms, civil society organizations, informal sectors, such as (small scale) women traders (Shaw et al, 2011), and the sub-regional organization itself through its various institutions. A well-developed regional venture creates institutions that govern activities of member-states in a coordinated, coherent and coordinated manner; and interacts with extra-regional actors in the international environment. For example, in the current age of globalization where substantive trade takes place between
regions, trade agreements and other cooperative arrangements are tackled between regional blocks such as between ECOWAS and EU or NAFTA. Therefore, the institutional capacity becomes critical to successful negotiations of benefits accruing to member states. However, although scholars of new regionalism highlight the role of non-state actors in building of regionalism, states remain equally important (Shaw et al, 2011).

Economically, the new regionalism is based on neo-liberalism. It is a market approach to regionalism as the means to achieve economic integration with a common market and single currency to foster trade and attract foreign direct investment (FDI) to achieve development. Thus, new regionalism can be characterized as developmental regionalism nurtured by an enlarged market and energized by synergies of both states and non-state actors. The goal of development is a continuation from the old regionalism. Politically, new regionalism emphasizes democratization of the region through the promotion of democratic and good governance, human rights, and participation. Socially, the ultimate aim of new regionalism lies in building a regional community with a common identity – from a ‘region of states to that of the people’. Such a community bond would provide the basis for common security or what Buzan (2003) labels as regional security complex which makes one regional member’s security, every member’s security concern, especially when faced with common security threats. However, the state remains central and common to both old and new regionalism, an indicator of continuity from old to new regionalism. In terms of culture, the new regionalism facilitates cultural inclusivity, cross-culturalization and trans-culturality upon which a new regional identity could be built (Telo, 2001).

The categorization of regionalism into old and new, symbolizes that there have been two waves of regionalism (Hettne, 2006; Soderbaum, 2003; Asante, 1997), which gives the impression that the two are very distinct. However, it is more accurate to view old and new regionalism as both a continuum and differentiation. Thus, it is even more useful to analyze regionalism in terms of four aspects: actors, nature, issue areas, and international environment to understand both continuities and discontinuities between old and new regionalism. Common to both old and new regionalism are the states as actors, critical to the creation and sustenance of the regional framework. Normally, prolonged negotiations culminate in treaties stipulating the nature of regionalism agreed upon by member states. In terms of nature, both old and new are primarily economic integration mechanisms geared to promote development through coordinating and harmonizing policies and efforts of member states. The emphasis on development is labeled developmental regionalism. Both old and new regionalisms emphasize trade creation among members, through a liberalized, duty-free market among member states. The expectation, therefore, is for regionalism to progress from a free trade area (FTA) to a customs union with a common external tariff that acts as a buffer against competition from non-member states, to a common market, then ultimately to an economic union. The EU provides a practical model of regional integration, which most regions in the world, including those in Africa seek to emulate (Iheduru, 2011: 216). Moreover, security issues were also emphasized given the fact that trade and development are only possible in a peaceful environment. Hence, economic and security issues are predominant to both old and new regionalism, thus the co-existence and importance of both economic and security in regionalism. Furthermore, both old and new regionalisms are impacted greatly by political and economic demands of the global economy, especially ideological orientations of the super powers and international economic ideals. It is argued that regionalism is initiated and thrives only if a hegemon condones it. The successful regional integration experience in Western Europe, thus, upheld as a model; and the proliferation of regionalism in the post-Cold War were encouraged and supported by the USA. Essentially, regional integration requires states to formulate common policies and create institutions to govern the sub-region. Central to regional integration is the economics, primarily trade creation among members through
removal of trade barriers. Economic integration is a process that proceeds in successive, advanced stages: From the Free Trade Area (FTA) with the removal of both tariff and non-tariff barriers to Customs Union (CU) with the imposition of the common external tariff (CET) on all non-members to Common Market (CM) with harmonization of monetary and fiscal policies and finally, economic union (EU) with coordination of macroeconomic and budgetary policies, and a common currency. However, integration has progressed at varied rates in different regions of the world, with the African experience, including West Africa, seriously constrained. Central to economic integration is trade, in terms of creation and expansion of trade among member states as a result of the elimination of all trade barriers. Therefore, regionalism provides members with access to an enlarged market which could stimulate production, growth and employment (Hoppe and Aidoo, 2013). To be able to trade, production has to take place, which requires investment. Therefore, the region also provides a market for investment. It is assumed that an enlarged market provides attractive conditions to investors, including FDI, critical to increased production and growth, employment creation, and improved quality of life.

3. THE ORIGINS OF ECOWAS
ECOWAS was created in 1975 by 15 states to promote economic development and integration as a means to manage independence, development and security. These goals of regional cooperation and development show two things: (1) The realization among developing states that individually, development cannot be attained; economic development and security are inextricably intertwined such that without security, development cannot take place, especially in violence-prone sub-region of West Africa; and (2) that there is strength in a collective and mutual understanding among like members – developing countries. Thus, the original Treaty of 1975 emphasized economic integration through intra-regional trade as the engine of development and the creation of economies of scale to pave the way for inflows of investments and promotion of industrialization. Thus, development is operationalized as more than growth, in terms of improved living standards of citizens of member states in terms of poverty reduction or elimination and structural transformation of regional economies from subsistence agriculture to commercial agriculture and manufacturing (Mittleman, 2000). More important, such sub-regionalism was expected to present a collective stand against multinational corporations (MNC), which have a stranglehold on investments and markets. Therefore, regionalism was meant to boost the (political) bargaining power of states vis-a-vis MNC, especially, those involved in the extraction of raw materials upon which most depend for exports (Iheduru, 2011; Ronnback, 2008). The realization of the relationship between development and security prompted ECOWAS to agree on two protocols, one on non-aggression in 1978, and the other on mutual assistance on defense matters in 1981. These two protocols formed the nucleus of a common security frame, as conceptualized by Buzan (2003), inclusive of making arrangements to create a standby force (Ronnback, 2008).

4. THE NEW ECOWAS
The Treaty of 1993 ushered in new regionalism in West Africa beyond its old regionalism Treaty of 1975 to increase the pace of economic integration and political cooperation in implementing the Treaty provisions. The objective of ECOWAS remains the spearheading economic development, with the market taking the lead role by the private sector and public – private partnership. The fact that member states have undertaken structural adjustment policies of one form or the other, has created an enabling liberalized environment within which regional cooperation thrives. The Treaty envisages the establishment of a common market with a single currency (Ronnback, 2008). To achieve these regional goals, the Treaty provided for the creation of regional governance structure that includes the Authority of
Heads of State and Government, Council of Ministers, Community Parliament, Economic and Social Council, Community Court of Justice. Executive Secretariat, Fund for Cooperation, Compensation and Development, and Specialized Technical Commission. Moreover, Protocols, Acts and policies have been agreed upon. Of particular significance is the 1999 Protocol Relating to the Mechanism for Conflict Prevention, Management, Resolution, Peacekeeping and Security based on the UN principles and human rights philosophy; and a 2001 Supplementary Protocol on Democracy and Good Governance in West Africa. These are designed to address security related issues and enhance democratic governance, respectively. The 1999 Protocol on security and peacekeeping augmented the unenviable task of ECOWAS Monitoring Group (ECOMOG) (created in 1991) in ensuring peace and security within the sub-region.

The institutional structure of ECOWAS and accompanying instruments are reminiscent of those of the African Union (AU). The states, in the form of member states, have been particularly significant in nurturing economic integration, especially trade creation, enhancement and facilitation.

5. PROGRESS IN ECOWAS

To nurture trade creation and expansion in ECOWAS, the sub-region adopted the ECOWAS Trade Liberalization Scheme (ETLS) to actualize the FTA. The ETLS provides for no tariffs and no non-tariffs for intra-region trade with strict adherence to the rules of origin requirement. As part of trade creation and enhancement, the ETLS has provided for easing of transit trade and ECOWAS Inter-State Road Transit (ISRT) scheme. The protocols on free movement of ECOWAS citizens and their right to establishing and running a business in any part of ECOWAS are meant to promote and expand intra-regional trade (Hoppe and Aidoo, 2013: 3).

6. DRAWBACKS AND CHALLENGES

In spite of the promised benefits of trade under the ETLS of the FTA and the recent CET, numerous obstacles prevent the realization of the objectives as stipulated in the Treaty, Protocols, Acts and policies, hence the slow pace at which the regionalism agenda is advancing. First and foremost, are the overriding national interests of each member state, as each tries to advance its national development agenda, thus signifying lack of political commitment to the regional agenda. In some cases, the national interests have led to limited market access as in the case of Ghanaian exporters to the Nigerian market (Hoppe and Aidoo, 2013: 4). National interests might explain the reluctance or delay in implementing the ETLS and CET resulting in different rates at which member states implement the regional policies, in general, and trade policies in particular. For example, although ETLS was provided for in 1983, it was only launched in 1990 and re-confirmed in the 1993 revised Treaty. Similarly, in the face of the slow rate of implementing the CET, member countries have to apply their own tariffs to imports from member states, resulting in different tariffs being imposed. Thus, problems of full adherence to, and implementation of the FTA requirements; and slowness in implementing the CET (adopted in 2005) have contributed to low levels of intra-regional trade of 10 per cent in ECOWAS (Hoppe and Aidoo, 2013: 2). Not every member state has implemented the Common External Tariff which came into effect in January 1, 2015. Ghana, is one of the countries which has failed to meet the deadline because it has not yet ratified provisions to pave the way for changes to national customs’ regulations and laws (Ablordeppey, 2014: 32).

Second, intra-regional trade has been hampered by cumbersome bureaucratic procedures for enabling exports to other members of ECOWAS. The national and regional committees are involved in registration of exports under the ETLS scheme, which normally takes 4 to 6
months, and samples have to be exported before registration, too long and cumbersome process for exporting companies (Hoppe and Aidoo, 2013: 3). Moreover, non-implementation of the ‘preferred trader system’ slows down the clearance at border posts. Bureaucratic procedures are compounded by corrupt practices to clear goods at border posts, such as informal payment and delays; and heavy transit charges (Hoppe and Aidoo, 2013: 4, 9).

Third, regional integration in general and trade in particular thrives if there is a regional hegemon to provide leadership and guidance. The hegemon, in turn, acts as the link with the world hegemon, the USA. Nigeria is considered the hegemon. Unfortunately, Nigerian leadership is neither respected nor accepted; it is contested (Ronnback, 2008). Indeed, the rampant corruption at the national level, high levels of poverty, unimpressive economic performance, including low gross domestic product, and the problems with dealing with Boko Haram, have eroded its leadership credentials and made it difficult to assert its leadership over ECOWAS.

Fourth, limited institutional capacity to ensure or monitor implementation of ECOWAS policies has had negative impact on enhancing intra-regional trade. The Commission and the national sector committees for ETLS seem ‘ineffective … to effectively meet capacity challenges … due to lack of relevant institutional machinery or forum …. And inadequacy of human capacity …’” (Asante, 2012: 24, 26). These account for the “limited progress in the implementation of the ECOWAS trade liberalization scheme” by the Commission (Asante, 2012: 26).

Fifth, ECOWAS lacks financial and human resources for successful implementation of the trade agreements. Institutions, both at the regional and national levels find it hard to recruit and retain skilled staff. More important, ECOWAS has no funds to operationalize the compensation schemes for members incurring losses from implementing both the FTA and CET. Instead, depends on donor aid to formulate and implement trade agreements, especially, the EU.

Sixth, is the Anglophone-Francophone divide which prevents unity on regional priorities. For example, Robbnack (2008) argues that while the former favour the focus on both economic (trade) integration and security regionalism, the latter sees ECOWAS as purely economic regionalism. Furthermore, Hoppe, M and F.Aidoo (2013), state that there is no agreement among members on the structure of CET. Finally, the fact that West Africa is vulnerable to ills such as diseases such as Ebola and violence means that it is impossible to have a functioning trade among members all the time as quarantines and seclusions will involve suspension of interactions.

7. CONCLUSION
Undoubtedly, ECOWAS holds great promise for members to reap the benefits from intra-regional trade. However, numerous challenges prevent the realization of successful trade arrangement. These include national interests, bureaucratic requirements, leadership, institutional incapacity, financial and human resources, Anglophone-Francophone divide, and proneness to diseases and violence.

LITERATURE

1. Monograph
2 Chapters and Journals

1. Research Reports

2. Books

3. Articles and Columns
LIBERALISATION OF THE NATURAL GAS MARKET FOR HOUSEHOLDS IN SLOVENIA: LESSONS LEARNED

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ABSTRACT
Over the last decade, the Slovenian natural gas market has been gradually opening up to competition. The natural gas market became fully liberalised in July 2007, when household customers were allowed to freely choose their natural gas supplier. However, the natural gas market for households continued to be highly concentrated, which was reflected in prices above the EU average. Nonetheless, key changes in the natural gas market for households only occurred as late as autumn 2012, when a new supplier entered the market with more than 20% lower prices. Consequently, the switching rate increased to almost 9%, which was in sharp contrast to the previous year’s switching rate of less than 1%. The competition was further accelerated by decreasing prices from other suppliers. Therefore, the aim of this paper is to critically review and assess the liberalisation process of the natural gas market for households in Slovenia. Furthermore, it examines the factors that may impede or accelerate the competitiveness of the natural gas market for Slovenian households.

Keywords: liberalisation, natural gas, regulation, Slovenia

1. INTRODUCTION
Although the EU has gradually opened up natural gas markets to competition for more than fifteen years, the internal natural gas market remains far from completed. There are still many barriers to completing the internal market. A lack of competition, the limited entry of new players and low switching rates have all been observed in EU natural gas markets for households (ACER/CEER, 2013). In addition, retail price regulations for natural gas still persist in more than half of the EU member countries (ACER/CEER, 2014). These shortcomings reveal that additional measures at the EU level are needed to complete the internal natural gas market’s liberalisation. Since the beginning of 2003, the Slovenian natural gas market has also been gradually opened up for eligible customers. The market was characterised by long-term contracts, which prevented eligible customers from changing the supplier from the incumbent. Another obstacle was the negotiated TPA (nTPA) to the incumbent transmission network, since it could not secure transparency for and the non-discriminatory treatment of eligible customers. However, ever since the regulated TPA (rTPA) became mandated by the second EU Gas Directive, the rTPA has been implemented in Slovenia as well (Hrovatin, Švigelj, 2003; Hrovatin, Švigelj, 2004). The natural gas market in Slovenia became fully liberalised in July 2007, which is when household customers were allowed to freely choose their natural gas supplier. However, the natural gas market for households continued to be highly concentrated, which was reflected in prices above the EU average. Nonetheless, key changes in the natural gas market for households only occurred as late as autumn 2012, when a new supplier entered the market. Therefore, the aim of the paper is to critically review and assess the liberalisation process of the natural gas market for households in Slovenia. Furthermore, it examines the factors that may impede or accelerate the competitiveness of the natural gas market for Slovenian households. The paper is structured as follows: Section 2 provides an overview of the natural gas market in Slovenia, Section 3 describes the wholesale natural gas market and Section 4 analyses the retail natural gas market. After the detailed market structure is presented, households’ natural gas prices
and the switching behaviour of household customers will be analysed. Finally, Section 5 briefly concludes the paper.

2. OVERVIEW OF THE NATURAL GAS MARKET IN SLOVENIA

The natural gas market in Slovenia is very small, reaching 761 million standard cubic metres in 2014, almost 10% less than in 2013. The downward trend has been observed since 2010, when natural gas consumption was at a record level of more than one billion standard cubic metres. The economic crisis affected both business and household customers. Household demand for gas was further influenced by better insulation of homes and increased use of heat pumps and solar energy for heating systems (Energy Agency, 2015a; Energy Agency, 2012). Slovenia produces a negligible quantity of natural gas. In 2014, domestic production accounted for less than 0.3% of natural gas consumption. Thus, Slovenia depends entirely on imports. In the past, Russia, Algeria and Austria were the key supply partners. However, natural gas imports from Algeria were ended in 2012. In 2014, Austria succeeded in becoming the largest source of natural gas for the Slovenian market, with a 62% share of all imported natural gas. The imports from Russia amounted to 37%. Other sources (e.g., Hungary, Italy and Croatia) remained marginal and amounted to around 1%. However, the natural gas from Austria was actually bought at the Baumgarten hub; hence, the source of the natural gas cannot be determined, although most of it is assumed to be from Russia. Hence it can be concluded that Russian natural gas dominates the Slovenian market (Energy Agency, 2015a).

Natural gas is transported to Slovenia solely via pipelines. The transmission network is interconnected with the transmission networks of the neighbouring countries, namely those of Austria, Croatia and Italy (Figure 1). The network is owned by the transmission system operator (TSO) Plinovodi2 (Energy Agency, 2015a).

![Figure 1: Natural gas transmission network of Slovenia (Energy Agency, 2015a)](image)

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2 Plinovodi is owned by the incumbent gas supplier Geoplin.
In the EU, natural gas is also delivered by ships as liquefied natural gas (LNG). LNG has gained importance throughout the Western EU over the last decade and amounted to 15% of total supplies in 2012. In the last years, the share of LNG has been decreasing, primarily due to higher LNG prices in Japan, China and South Korea compared to the EU (EC, 2014b). Nevertheless, several EU countries took advantage of low LNG prices in the period from 2007 to 2010 (EC, 2014a).

Slovenia has no LNG regasification capacities. Furthermore, the country has no storage facilities. Both could improve the security of Slovenia’s natural gas supply. In addition, LNG could increase the flexibility and improve the diversification of Slovenia’s natural gas supplies.

Final natural gas customers are supplied by transmission and local distribution networks. Power generation companies, large industrial customers, local distribution companies and district heating companies are supplied by the transmission system, while small industrial customers, commercial users and households are supplied by the local distribution system (Hrovatin, Švigelj, 2003). There are 16 local distribution system operators (DSOs) in 77 municipalities. In most cases, DSOs operate as public utilities or concessionaires. In addition, all of them are also the suppliers of natural gas (Energy Agency, 2015a).

3. WHOLESALE NATURAL GAS MARKET

Since the beginning of the natural gas market’s liberalisation, the incumbent Geoplin has lost 23% of its market share, in terms of natural gas imports. Its share dropped to 77% of imports in 2014 (Energy Agency, 2015a). Despite that, the market has been open to competition since 2003, yet changes actually took place only in 2008 and 2012, when Adriaplin and GEN-I started to import natural gas, respectively. In 2014, GEN-I became the second-largest importer of natural gas, with a market share of 12%, followed by Adriaplin, with a 10% market share. The other five players had less than 1% market share (Energy Agency, 2015a). With the entry of new players, the amount of natural gas supplied on the basis of long-term contracts further decreased. In 2013, 19% of natural gas was supplied on short-term contracts (Energy Agency, 2014). This trend of increasing hub-based gas-to-gas competition has also been observed in the EU, where the share of long-term oil based contracts decreased to only around 50% of natural gas consumption, on average (EC, 2014b).

In the wholesale market, only five companies operate in Slovenia. Geoplin still had a 66% market share in 2014. Petrol Energetika is ranked second, with a 31% market share, followed by three minor suppliers, with a 3% market share all together (Energy Agency, 2015a). The Herfindahl-Hirschman Index (HHI), which is used as a market concentration indicator, has been decreasing in the last several years (Table 1). However, the high HHI all together in 2014 indicates that the Slovenian natural gas wholesale market is still highly concentrated.

\[
\text{Table 1: HHI for the Slovenian wholesale natural gas market (Energy Agency, 2015b; Energy Agency, 2012)}
\]

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHI for wholesale natural gas market</td>
<td>n.a.</td>
<td>6,827</td>
<td>6,791</td>
<td>5,748</td>
<td>5,926</td>
<td>5,868</td>
<td>5,404</td>
<td>5,294</td>
</tr>
</tbody>
</table>

3 See Ruester (2013) for a discussion on recent developments in the LNG market.

4 Zorić, Hrovatin and Scarsi (2009) found out that Slovenian natural gas distribution utilities are less efficient than UK and Dutch natural gas distribution utilities, on average.
Since the wholesale and retail markets are interrelated, the unfavourable situation in the wholesale market has a negative effect on competition in the Slovenian downstream retail market. In addition, the Agency for the Cooperation of Energy Regulators (ACER) identified a lack of transparency in price formation and liquidity in wholesale markets, a lack of adequate gas transportation infrastructure, long-term commitments for gas supply, cross-border and storage capacity hoarding and differences in regulatory regimes and tariffs as barriers to a fully competitive natural gas market in the EU (ACER/CEER, 2013).

4. RETAIL NATURAL GAS MARKET
The retail natural gas market in Slovenia is composed of two very different segments of customers. On the one hand, there are 134 large industrial customers, which are connected directly to the transmission network. On the other hand, all of the other natural gas consumers (133,230), 119,025 of which are household consumers, are supplied through distribution networks. Households represent 35% of consumption, while business customers consume 65% of supplied natural gas from distribution networks (Energy Agency, 2015a).

4.1. Market structure
Table 2 presents the development of the Slovenian natural gas retail market’s structure since 2007, when the natural gas market was fully liberalised. Geoplin managed to retain a leading position with 57% market share. However, it lost almost 20% of the market in the observed period. The major change in the market occurred as late as in autumn 2012, when GEN-I entered the market for household customers, with more than 20% lower prices (ACER/CEER, 2013). GEN-I became the third-largest operator in the market, with a market share of 7.8% at the end of 2014. The competition was further accelerated by decreasing prices from other suppliers in order to retain their position in the market.

<table>
<thead>
<tr>
<th>Supplier</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geoplin</td>
<td>76.1%</td>
<td>70.2%</td>
<td>69.6%</td>
<td>69.5%</td>
<td>62.2%</td>
<td>63.3%</td>
<td>57.7%</td>
<td>56.8%</td>
</tr>
<tr>
<td>Adriaplin</td>
<td>4.2%</td>
<td>5.5%</td>
<td>4.6%</td>
<td>5.4%</td>
<td>7.3%</td>
<td>7.2%</td>
<td>7.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>GEN-I</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>1.5%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Energetika Ljubljana</td>
<td>5.8%</td>
<td>7.2%</td>
<td>7.0%</td>
<td>7.6%</td>
<td>7.8%</td>
<td>7.8%</td>
<td>6.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Plinarna Maribor</td>
<td>4.3%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.3%</td>
<td>5.6%</td>
<td>5.9%</td>
<td>5.3%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Petrol Energetika</td>
<td>n.a.</td>
<td>2.9%</td>
<td>3.0%</td>
<td>1.2%</td>
<td>3.2%</td>
<td>3.6%</td>
<td>3.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Petrol</td>
<td>0.8%</td>
<td>1.1%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>5.5%</td>
<td>2.9%</td>
<td>3.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Domplan</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Energetika Celje</td>
<td>2.5%</td>
<td>2.4%</td>
<td>2.7%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Mestni Plinovodi</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.7%</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Others</td>
<td>6.3%</td>
<td>5.3%</td>
<td>6.7%</td>
<td>7.4%</td>
<td>5.8%</td>
<td>3.7%</td>
<td>4.4%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

The market’s HHI has improved significantly in the last several years, indicating that the competitiveness of the natural gas retail market is improving (Table 3). Similarly, the EU’s retail markets are still concentrated, with only the Czech and Danish retail markets as exceptions (ACER/CEER, 2014).
Table 3: HHI for the Slovenian natural gas retail market (Energy Agency, 2015b; Energy Agency, 2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>HHI for natural gas retail market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5,921</td>
</tr>
<tr>
<td>2008</td>
<td>5,131</td>
</tr>
<tr>
<td>2009</td>
<td>5,063</td>
</tr>
<tr>
<td>2010</td>
<td>4,969</td>
</tr>
<tr>
<td>2011</td>
<td>4,035</td>
</tr>
<tr>
<td>2012</td>
<td>4,186</td>
</tr>
<tr>
<td>2013</td>
<td>3,551</td>
</tr>
<tr>
<td>2014</td>
<td>3,485</td>
</tr>
</tbody>
</table>

4.2. Natural gas prices and switching

Figure 2 shows natural gas prices for typical household customers in Slovenia. The natural gas prices were much higher than in the EU until 2012, when GEN-I entered the market. High natural gas prices were a consequence of high oil prices, since the main suppliers purchased natural gas based on long-term oil index contracts. However, GEN-I took advantage of purchasing natural gas on hubs/stock exchanges, where prices of natural gas were lower (ACER/CEER, 2013). As already noted, the incumbent suppliers reacted to the competition from GEN-I by lowering their prices, which brought the average price down to the EU average in 2013. The prices decreased further in 2014.

Note: All taxes and levies are included in the natural gas prices.

Figure 2: Natural gas prices for typical household customers (D2) in Slovenia (bi-annual data) (Eurostat, 2015)

Consumer switching activity is used as an indicator of competitiveness in the market. Before the market entry of the new supplier, only 55 households had changed their supplier, which was in sharp contrast to 2012, when almost 10,000 households changed their supplier (Table 4). This put Slovenia among the countries with the highest increase in natural gas switching rates within the EU (ACER/CEER, 2014). In the Slovenian case, only around 15% of the households responded to lower prices in the market over the last three years, which is consistent with the ACER’s findings that prices alone are not the only factor that triggers customer switching or deters them from switching (ACER/CEER, 2014).
Table 4: Natural gas supplier switching for Slovenian household consumers (Energy Agency, 2015b; Energy Agency, 2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural gas supplier switching - household consumers (number)</th>
<th>Amounts of natural gas involved (GWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>6</td>
<td>0.15</td>
</tr>
<tr>
<td>2010</td>
<td>36</td>
<td>0.37</td>
</tr>
<tr>
<td>2011</td>
<td>13</td>
<td>0.21</td>
</tr>
<tr>
<td>2012</td>
<td>9985</td>
<td>131</td>
</tr>
<tr>
<td>2013</td>
<td>6037</td>
<td>100</td>
</tr>
<tr>
<td>2014</td>
<td>3413</td>
<td>45</td>
</tr>
</tbody>
</table>

5. CONCLUSION

The natural gas market in Slovenia became fully liberalised in July 2007. However, the natural gas market for households continued to be highly concentrated, which was reflected in prices above the EU average. Key changes in the natural gas market for households occurred only as late as autumn 2012, when GEN-I entered the market. The new supplier’s strategy was to offer significantly lower natural gas prices. Its strategy was based on a different sourcing of natural gas from that of competitors and fixed-price offers. The response by other competitors to lower natural gas prices brought prices down to the EU average.

LITERATURE

CULTURAL TOURISM EXPERIENCE ON CUSTOMER SATISFACTION: EVIDENCE FROM THAILAND

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ABSTRACT

This study examines the service quality of cultural tourism experience perceived by tourists on their satisfaction and further explores the relationships between perceived value, appraisal emotion, and customer satisfaction. A total of 327 respondents completed a survey conducted at two cultural festivals in Thailand. Using structural equation modeling (SEM) technique, the results reveal the direct and positive effects of the service quality on perceived value, appraisal emotion, and customer satisfaction. This study summarizes the findings and offers some interesting implications for practitioners and researchers.

Keywords: Cultural tourism, Satisfaction, Service quality

1. INTRODUCTION

Cultural tourism has become a critical part in establishing the attractiveness of tourism destinations (Nolan and Nolan, 1992; Harrison, 1997; Prentice, 2001; Richards, 2002; McKercher et al., 2005). According to Richards (1997), cultural tourism defined as all movements of persons for essentially cultural motivations with the intention to gather new information and experiences to satisfy their cultural needs. Thus, cultural tourism is traveling undertaken with historic sites, museums, the visual arts, and/or the performing arts such as study tours, performing arts and other cultural tours, travel to festivals and other cultural events, visit to sites and monuments travel to study nature, folklore or art or pilgrimages (Tighe, 1991; World Tourism Organization, 1985). As an industry, cultural tourism is extremely service driven in which service quality is a major issue. This study takes a marketing approach to allow a focus on some of the main drives of customer satisfaction in cultural tourism. From a marketing perspective, service quality plays an extremely important role in determining the tourist satisfaction which is the aim that both private and public cultural tourism providers strive to achieve (Voon and Lee, 2009). Understanding of service quality viewed by customers can provide insights on how to highlight quality as critical objectives for revitalising tourism industry. As such, service quality has become the centre of attention in all sectors of cultural tourism as greater understanding of tourists is essential to achieve more effective development and marketing of cultural tourism (Craik, 1997). Although previous researches has been widely discussed the concept of service quality by tourism researchers (Otto and Ritchie, 1996; Petrick and Backman, 2002; Al-Sabbahy, Ekinci and Riley, 2004; Tam, 2004; Petrick, 2004; Gallarza and Saura, 2006; Sanchez et al., 2006; Moliner et al., 2007; Ryu, Han and Kim, 2008), only a limited number of empirical studies have attempted to comprehensively investigated tourists’ satisfaction in cultural attractions. Given the importance of the aspect of service quality in all facets of the tourism industry, this study addresses this gap in the literature by empirically investigating tourists’ satisfaction in cultural tourism through festivals in Thailand. Specifically, this study focuses on satisfaction perceived by tourists’ experiences and also explores the relationships between cultural tourism experiences. A better understanding of these relationships enable service providers
and researchers gain insights into knowing tourists’ perceived value and appraisal emotion, and adjust their services to meet tourists’ satisfaction.

2. THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT
Tourists’ satisfaction with their experience has become important for contemporary tourists in cultural tourism (Poria, Reichel and Biran, 2006; Reisinger and Steiner, 2006; Yeoman, Brass and McMahon-Beattie, 2007). In marketing perspective, satisfaction is the attitude consequence from the comparison of the expectation of performance and the perceived performance of the service experience (Oliver, 1980). Considering tourists as customer, customer satisfaction is primarily referred to as a function of pre-travel expectations and post-travel experiences. Further, Gill, Byslma and Ouschan (2007) and Ryu, Han and Kim (2008) explored that perceived value may be a better predictor of behavioural intentions than either satisfaction or quality. Value refers to the mental estimate that consumers make of the travel product, where perceptions of value are drawn from a personal cost/benefit assessment (Morrison, 1989). As such, the time or money spent in a trip is compared with tourists’ experiences gained from that visit. In this sense, perceived value elicits form an assessment of the product or services purchased at the destination (Steven, 1992). In this study, service is what is that cultural tourists buy when they consume an experience, participate in an event (Lehman, Wickham and Fillis, 2014). When experiences compared to expectations result in feelings of gratification, the tourist is satisfied. Tourist experience is also an important factor for increasing tourists’ satisfaction with the visited site (Tung & Ritchie, 2011). Further tourists’ positive experience with the place visited enhances their satisfaction by enhancing their positive attitude toward the visited site (Moscardo, 1996; Pearce, 2009). Filep and Deery (2010) indicated that tourists can experience positive emotions such as joy, interest and contentment during their onsite activities and tourists’ happiness is likely to produce positive satisfaction (Pearce, 2009).

Drawing on the cognitive appraisal theory form the marketing and tourism literature, this study attempts to illuminate the impact of tourists’ perceived value of service quality through their experience on overall satisfaction. More specifically, this study focuses on the relationship between tourists and places as a determinant of satisfaction by examining the extent to which satisfaction varies across a cultural tourism through festivals on-site experience (Cohen, Prayang and Moital, 2014). Previous researches have also suggested that perceptions of service quality and value affect satisfaction (e.g., Oliver, 1980; Fornell, 1992; De Rojas and Camarero, 2008). In the study of Su and Hsu (2013), service quality, which comprises of pheripheral and core service quality, is an antecedent of tourists’ consumption emotions that in turn influence satisfaction in the context of cultural tourism. If tourists perceived something beyond their expectation, a feeling of unexpected surprise will arise and in turn enhance their emotional experience (Tung and Ritchie, 2011). In this sense, appraisal emotion helps to produce a positive tourism experience of some personal emotional thoughts (Wang, 1999). To enhance tourists’ perceived value and their appraisal emotion with the visited site, both peripheral and core service quality are required for comprehensive examination of specific factors for entirely of the experience and its augmentations (Lovelock and Gummesson, 2004).
Customers derive value from the exchanges and the purchases they make from factors such as convenience, from price savings, from emotional outcomes, from extra customer service and added extras. The benefit received by customers for the price of the service exchanged affects to emotion outcomes (Jones and Suh, 2000). As a result, the pleasure dimension of emotions results in customer satisfaction. Given all these theories, tourist’ perceived value should result in their appraisal emotion and satisfaction of the site. Thus, a conceptual relationship model of this study is proposed (see Figure 1) and four hypotheses are made as follows.

H1 Peripheral service quality has a direct and positive relationship to perceived value.
H2 Core service quality has a direct and positive relationship to perceived value.
H3 Perceived value has a direct and positive relationship to appraisal emotion.
H4 Appraisal emotion has a direct and positive relationship to customer satisfaction.

![Figure 1: Conceptual model](image)

3. RESEARCH METHOD

3.1. Sample and data collection
This study was conducted on-site in the travel stage. The target population was all the tourists. A self-administered questionnaire survey was conducted to collect empirical data from tourists who visit in the traditional festival (1) The Candle Festival (Hae Thian), the traditional parading of elaborate candles to celebrate the largest religious ceremony, is held in Ubon Ratchathani, North Eastern, Thailand, and (2) The Ghost Festival (Phi Ta Khon), the traditional parading of wearing ghost marks, is held in Dan Sai, Loei province, North Eastern, Thailand. Data collection was carried out over a period of two months from June to July 2014. From the sample size of 327 respondents, 58% are female tourists and about 51% are aged between 20 to 35 years old, while the majority (71%) of the respondents are single and around 58% hold a university degree.

3.2. Measurement of constructs
The questionnaire was designed based on a review of the literature and specific characteristics of cultural tourism and was pre-tested and revised to ensure content validity. The research instrument consisted of items dealing with peripheral service quality, core service quality, perceived value, appraisal emotion and customer satisfaction plus a number of items that captures demographic variable.
All items were tailored for wording to fit the cultural tourism context. Peripheral service quality was measured via the 6-item scale developed by Zeithaml, Berry and Parasuraman (1996). Core service quality was measured via the 7-item scale adapted from the industry structure scale originally developed by Murphy, Pritchard and Smith (2000) and Danaher and Mattsson (1994). Perceived value was measured via the 7-item scale developed by Murphy, Pritchard and Smith (2000), Balton and Drew (1991). Appraisal emotion was measured via the 6-item scale developed by Westbrook and Oliver (1991), De Rojas and Camarero (2008), and Hume and Mort (2010). Finally, customer satisfaction was measured via the 3-item scale developed by Oliver (1980) and De Rojas and Camarero (2008). Apart from respondent information measured by a categorical scale, all items of the constructs are measured by a 5-point Likert-type scale from ‘strongly disagree (=1)’ to ‘strongly agree (=5)’.

Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) are used to refine the measures and to assess the construct validity. Both statistical approaches are used to investigate the theoretical constructs, or factors that might be represented by a set of items. First, the principles’ component analysis was used to decide on the number of factors by examining Eigen values output. All factors with Eigen values greater than 1 were selected using the Kaiser-Guttman rule (Tabachnick and Fidell, 2000). Orthogonal rotation using Varimax extraction method was then used to discover the factor structure internal reliability. Scale inclusion was determined using the reliability measure of Cronbach’s alpha (Miller, 1970). Thus, all variables were considered acceptable as they exceed .60, indicating tolerable reliability.

All factor loadings are statistically significant (p-value >.01) and the composite reliabilities of each construct exceed .80, well-above the usual .60 benchmark (Hair et al., 2006). Thus, these measures demonstrate adequate convergent validity and reliability. To assess discriminant validity, this study examines whether the average variance extracted (AVE) for each construct is greater than its highest shared variance with other constructs (Fornell and Larker, 1981). Overall, these results show that all items loaded appropriately onto their respective factors as show in Table I. Thus, the measures in this study possess adequate reliability and validity and the preliminary analysis indicated that the psychometric properties of the measures were acceptable to examine the hypotheses.
Table 1: Preliminary analysis

<table>
<thead>
<tr>
<th></th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbach Alpha</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Peripheral service quality (6 items)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01. Parking accessibility</td>
<td>.575</td>
<td>.889</td>
<td>.851</td>
<td>.722</td>
</tr>
<tr>
<td>02. Travel convenience</td>
<td></td>
<td></td>
<td></td>
<td>.795</td>
</tr>
<tr>
<td>03. Information venue availability</td>
<td></td>
<td></td>
<td></td>
<td>.797</td>
</tr>
<tr>
<td>04. Comfortable accommodation</td>
<td></td>
<td></td>
<td></td>
<td>.818</td>
</tr>
<tr>
<td>05. Food cleanliness</td>
<td></td>
<td></td>
<td></td>
<td>.747</td>
</tr>
<tr>
<td>06. Safety system</td>
<td></td>
<td></td>
<td></td>
<td>.659</td>
</tr>
<tr>
<td><strong>Core service quality (7 items)</strong></td>
<td>.463</td>
<td>.857</td>
<td>.809</td>
<td>.705</td>
</tr>
<tr>
<td>07. Decorative costume attraction on the parade</td>
<td></td>
<td></td>
<td></td>
<td>.720</td>
</tr>
<tr>
<td>08. Elaborate traditional parading</td>
<td></td>
<td></td>
<td></td>
<td>.617</td>
</tr>
<tr>
<td>09. Portraying scenes from culture of the parade</td>
<td></td>
<td></td>
<td></td>
<td>.689</td>
</tr>
<tr>
<td>10. Traditionally ascribing to the origins of the parade</td>
<td></td>
<td></td>
<td></td>
<td>.627</td>
</tr>
<tr>
<td>11. Fully providing the details of the festival</td>
<td></td>
<td></td>
<td></td>
<td>.697</td>
</tr>
<tr>
<td>12. Enriching value of the knowledge on the festival</td>
<td></td>
<td></td>
<td></td>
<td>.699</td>
</tr>
<tr>
<td>13. Offering distinctive traditional ambience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Perceived value (7 items)</strong></td>
<td>.476</td>
<td>.863</td>
<td>.814</td>
<td>.755</td>
</tr>
<tr>
<td>14. Well deserving trip</td>
<td></td>
<td></td>
<td></td>
<td>.774</td>
</tr>
<tr>
<td>15. Worth for money</td>
<td></td>
<td></td>
<td></td>
<td>.756</td>
</tr>
<tr>
<td>16. Worth for effort</td>
<td></td>
<td></td>
<td></td>
<td>.679</td>
</tr>
<tr>
<td>17. Worth for other relative attractive place</td>
<td></td>
<td></td>
<td></td>
<td>.553</td>
</tr>
<tr>
<td>18. Worth for time</td>
<td></td>
<td></td>
<td></td>
<td>.648</td>
</tr>
<tr>
<td>19. Worth for experience received</td>
<td></td>
<td></td>
<td></td>
<td>.678</td>
</tr>
<tr>
<td>20. Good decision made to visit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Appraisal emotion (6 items)</strong></td>
<td>.580</td>
<td>.892</td>
<td>.853</td>
<td>.701</td>
</tr>
<tr>
<td>21. Contented</td>
<td></td>
<td></td>
<td></td>
<td>.712</td>
</tr>
<tr>
<td>22. Entertained</td>
<td></td>
<td></td>
<td></td>
<td>.813</td>
</tr>
<tr>
<td>23. Impressed</td>
<td></td>
<td></td>
<td></td>
<td>.808</td>
</tr>
<tr>
<td>24. Joyful</td>
<td></td>
<td></td>
<td></td>
<td>.811</td>
</tr>
<tr>
<td>25. Excitement</td>
<td></td>
<td></td>
<td></td>
<td>.712</td>
</tr>
<tr>
<td>26. Spectacular</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer satisfaction (3 items)</strong></td>
<td>.606</td>
<td>.821</td>
<td>.673</td>
<td>.704</td>
</tr>
<tr>
<td>27. Fulfilling a desire</td>
<td></td>
<td></td>
<td></td>
<td>.810</td>
</tr>
<tr>
<td>28. Above expectation</td>
<td></td>
<td></td>
<td></td>
<td>.817</td>
</tr>
<tr>
<td>29. Positive feelings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. THE FINDINGS

The partial least squares (PLS) methodology for the measurement of structural equation models (SEM) was used to perform the analysis. SEM enables the simultaneous assessment of both the path (structural) and factor (measurement) models in one model. Smart-PLS 2.0 M3 tool was used to analyse the data to test the hypotheses. Table II provides explanation of target endogenous variable variance and inner model path coefficient sizes and significance. The coefficient of determination (R squared) is 0.571 for the endogenous latent variable (customer satisfaction). This means that the four latent variables (peripheral service quality, core service quality, perceived value, and appraisal emotion) moderately explain 57.1% of the variance in customer satisfaction. While R square is 0.429 for the endogenous latent variable (appraisal emotion) which means that the three latent variables (peripheral service quality, core service quality, and perceived value) moderately explain 42.9% of the variance in appraisal emotion. Finally, peripheral service quality and core service quality together explain 42.6% of the variance of perceived value.

The path coefficients suggest that appraisal emotion has the strongest effect on customer satisfaction (0.755), followed by perceived value (0.655), core service quality (0.406), and peripheral service quality (0.302) respectively. All the hypothesized path relationships (between peripheral service quality and perceived value, between core service quality and perceived value, between perceived value and appraisal emotion, and between appraisal emotion and customer satisfaction) are statistically significant as their standardized path coefficient is higher than 0.1. Thus, the results can be concluded that AE and PV are both highly strong predictors of customer satisfaction. While core service quality is moderately strong predictors of customer satisfaction, and peripheral service quality is less strong predictors of customer satisfaction.

<table>
<thead>
<tr>
<th>Predicted variables</th>
<th>Predictor variables</th>
<th>Hypothesis</th>
<th>Beta</th>
<th>R Square</th>
<th>Critical ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peripheral service quality</td>
<td>Perceived value</td>
<td>H1</td>
<td>.302</td>
<td>-</td>
<td>2.249*</td>
</tr>
<tr>
<td>Core service quality</td>
<td>Perceived value</td>
<td>H2</td>
<td>.406</td>
<td>.426</td>
<td>2.998*</td>
</tr>
<tr>
<td>Perceived value</td>
<td>Appraisal emotion</td>
<td>H3</td>
<td>.655</td>
<td>.429</td>
<td>12.228*</td>
</tr>
<tr>
<td>Appraisal emotion</td>
<td>Customer satisfaction</td>
<td>H4</td>
<td>.755</td>
<td>.571</td>
<td>17.310*</td>
</tr>
</tbody>
</table>

Note: *Indicates meets or exceeds minimum acceptable levels

5. CONCLUSION

Understanding the relationship between cultural tourism experience and customer satisfaction is likely to assist cultural service providers in determining those aspects of a service that should be measured, which procedures should be used in such measurement, and which factors are most likely best to predict the satisfaction of the tourists. The results of this study confirm that customer satisfaction is enhanced by appraisal emotion derived from service quality in cultural tourism. In the area of marketing applied to cultural tourism, stimulating tourists’ activities are fundamentally awakening tourists’ interest and increasing their knowledge about a specific matter so that the tourists will experience pleasure. Both private and public cultural tourism providers strive to achieve tourist satisfaction. This means that cultural tourism providers should pay attention not only to improving the quality of service attributes, but also to improving the perceived value on appraisal emotion that tourists obtain from their service experience. However, core service quality was considered more important than peripheral service quality. The unique traditional architecture of the cultural tourism
serves as the key factor for attraction. The extra or peripheral service that leads to perceived value will further enhance visitor satisfaction. Their costume, dances, handicrafts, language and cultural activities can be very attractive for satisfying tourist. This study shows when tourists participate in an event and consume the value inherent in the experiences offered affects in their satisfaction. Understanding the different levels of would provide useful insight into the nature of the cultural tourism experience. Thus, if a cultural tourism provider ignores the psychological environment of the cultural tourism service experience, the result will be an incomplete understanding of the core tourism experience. Cultural tourism processes should be managed around the emotion encounters which impact significantly on overall tourist satisfaction. The research findings offered some interesting implications for practitioners and further research. Firstly, it provides service providers and policy decision makers an insight into the tourists’ expectations and emotion. Secondly, policy decision makers have to develop activities tailored to meet needs of the tourists. Finally, the policy decision makers must allocate resources and develop attractive policies towards the cultural tourism through festivals.

LITERATURE


THE POTENTIAL OF HOT SPRINGS IN THE WEST OF THAILAND FOR HEALTH TOURISM AND SUSTAINABILITY

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ABSTRACT
This research aims to examine the potential of hot spring sites in the western Thailand for the purpose of sustainable tourism. The research applied qualitative methods and the participation of communities was included in the study’s approach. The fieldwork consisted of the development of in-depth interviews, focus groups, field survey and participation observation. Participants were stakeholders in tourism development. The data collected from interviews were analysed, interpreted and reported with content and descriptive analysis. It was found that the hot spring destinations had their outstanding resources, based on their natural surrounded. The resources were used for tourism purpose in terms of health tourism. The potential of the various hot spring areas was divided into 4 groups. The first group included hot spring location where tourism data has not been gathered. The second group encompassed hot spring where tourism data has been gathered. The third group were hot springs where some tourism details had been gathered, but the hot spring sites were faced with some problems. The last included well-developed hot spring locations where tourism data has been gathered before. All locations could be promoted for health tourism, and educational tourism could be added for tourist and the local community. Such development would need to be controlled by the community committees formed by representatives of all groups directly and indirectly related to tourism development. Tourism development generated by community committees can result in sustainable development of hot spring destinations.

Keywords: Tourism Potential, Hot spring, Health Tourism, Sustainable Tourism

1. INTRODUCTION
Tourism industry brings both income and more jobs into many countries, such as Thailand. The Thai government uses tourism as one tool to tackle the country’s economic problems, creating jobs for people as well as increasing income for the country. Tourism has been strongly emphasized as a potential source of economic wealth for all geographical areas, particularly after the Asian economic crisis in 1997, and especially with the recognition that tourism can earn foreign currency more quickly than other sectors. Furthermore, tourism has been recognised since the Fourth National Economic and Social Development Plan (NESDP), 1977-1981, as having substantial potential benefits (Chittangwattana, 2005), and currently it is a major export industry for national and regional economic development. The Thai government recognised tourism as a means of assisting in development processes and in earning hard currency. Tourism has subsequently surpassed rice as the leading earner of foreign exchange for the country and cornerstone of its economy (Tourism Authority of Thailand, 1997). From 1997 the decline in economic growth, and in traditional exports in primary production and manufacturing, resulted in growing indebtedness and a serious balance of payments deficit. Yet tourism receipts have risen from USD. 37,740.00 million in 2013 to USD. 46,042.00 million in 2014 (http://data.worldbank.org/ 16/06/2015). Tourism is regarded as a double-edged sword. On the one hand, tourism contributes to economic growth and can raise the income of individuals and nations. On the other hand, it produces many adverse impacts on host societies and their environments (Ounwichit, C. et al., 2003; Buckley, 2004; Price and Smith, 1996; Tribe et al., 2001). Due to the negative impacts
of tourism on society and the environment in the country, the Thai tourism industry nowadays places emphasis on the concept of ecotourism and sustainable development. The Tourism Authority of Thailand recognises that it is essential to ensure that the regular visits of tourists are maintained and that tourism resources retain their integrity in order to maintain attractiveness (TAT, 2012). Consequently, sustainable tourism is seen as a possible solution to the deterioration of the resources and it is used as a contributor to the conservation of the environment, society, and culture of the destination areas. In practice 'sustainable tourism' is used as an umbrella term in Thailand for nature tourism, cultural tourism, and historical tourism, including health and hot spring tourism.

There are variety of patterns of tourism, it depends on tourism resources, activities in the area and the way of tourism be managed or designed to be. Some examples of tourism pattern, natural tourism, cultural tourism, agrotourism, adventure tourism, trekking, hot spring tourism, for example. This study mainly focused on hot spring tourism as it is an alternative tourism for visitors who loves travelling with concerning to their health in naturally environment (TDRI, 1997). It meant that the sites of the research were natural hot spring sites which provides some tourism activities and also tourism patterns in the areas. Moreover, the study viewed tourism environment all around the site of study.

In the Western Thailand, covered 7 provinces (Tak, Kampaeng Petch, Suphan Buri, Kanchana Buri, Ratcha Buri, Petcha Buri and Prajueb Kiri Khan) have 18 hot spring sites. These hot springs sites have been used for both tourism and their daily living purposes. Some tourism sites have been developed and ready for tourism, but have no plan for tourism development. These areas were left with some rubbishes and waste, including sewage form bathing and pools. And many of other sites have not yet prepared to be tourism destination as they are far away from the tourism accessing and the local people had no idea about tourism management (Kangnoi, 2009). Therefore, it is important to manage tourism as a right track of health tourism in these sites and help the local community to find their alternative ways to sustainable tourism.

Sharpley et al. (2002) note that although tourism is an important potential vehicle for economic development, sustainable tourism development also focuses on societal changes and natural resource conservation as well as on economic impacts. Sustainable tourism development is also often seen as requiring local community participation and involvement. In this study, sustainable development through tourism is evaluated in relation to the planning and management of health tourism (a concept that may be seen as part of sustainable development). Actors’ views are presented on the perceived appropriate patterns of social relations and the associated resulting patterns of resource use. As part of the focus on ‘insiders’ or community actors, the study additionally considers community acceptance of the ways of making a living or 'livelihoods' from natural resources, and the types and levels of participation and involvement in the development process. Consideration is also given to the extent to which planning and management for tourism development per se and health tourism, in particular – in both local and relevant national guidelines – reflect all actors’ views about these issues.

2. STUDY AIMS

1. To view all general information about all hot springs sites in the Western Thailand
2. To evaluate tourism potential of all hot spring sites for health tourism to reach the health tourism standard in Thailand.
3. To find out patterns of health tourism and social relation and development
3. RELATED WORKS

1) Potential of tourism
Tourism Authority of Thailand (TAT) (1995) mentions about potential of tourism that there must be something to be considered for tourism’s potential. They are: 1) tourism attraction; 2) related activities to the tourism sites; 3) infrastructure; and 4) superstructure. They also claim that the potential and prompt of tourism in different areas are dominance from others. This depends on their resources, their beauty and aesthetic. Importantly, the variation of tourism sites have some outstanding resources which leads their tourism to be in that pattern. Likewise, Sukhothai Thammathirath Open University (2002) and Tourism Department of Thailand (2010) view about tourism’s potential in Thailand that there are something to be thought about: 1) Tourism physical; 2) Quality of environment; 3) economic and social; 4) value of culture and arts; 5) Value of education; and 6) efficiency of management. Thus, this study focuses on the potential of tourism in accordance with 5 factors following both the 2 authors. They are: 1) Quality of tourism; 2) Safety; 3) Infrastructure; 4) Management; and 5) Value of tourism. Therefore, this study applied the hot spring tourism’s potential in 1) Quality of hot spring tourism; 2) Safety at the sites; 3) Infrastructure at hot spring sites; 4) Management for health tourism; and 5) Value of tourism.

2) Health tourism
Tourism Authority of Thailand (TAT) (2012); Boonchai and Thansarawiput (2003) explain about the meaning of health tourism that it is a pattern of travel for site visiting in both natural and cultural resources. While their traveling, the tourism will spend their some times for their health treatment and recovery (Cooper and Cooper, 2009). Moreover, Sriwittaya et al. (2003) view that health tourism can be a pattern of tourism concerning about environmental conservation. They also mention that when the visitor take benefit from nature such as hot spring, they then would think about value of the hot spring. This can be a way for environmental conservation, hot water and related activities in particular. Therefore, hot spring tourism can be one of these 3 levels of health tourism. It can be the way treatment by hot water, as well as it could help to improve the visitor’s body to get better make them relax while bathing in the hot water.

3) Ideologies and values of sustainability
Ideologies represent the underlying basis of our ideas and beliefs, a basis that gives them validity and credence (McClearn, 1986). The term is used in relation to beliefs that sustain existing relations, but it also applies to beliefs that challenge existing relationships. Ideologies often support the power of dominant economic and social groups but they can also be opposed to the prevalent bases of power and can be used to pursue changes in those power relations. They are related to how relationships of power are unavoidably interwoven into the production and representation of meanings that serve the interests of particular social groups (Mowforth and Munt, 2003). In this context, sustainable development itself represents an ideological construct that it is largely derived from First World experiences and priorities and that has become mobilization as a global notion. It is now associated with global environmental issues, but it can be argued that the concept as it is often depicted tends to serve the interests of the First World. One reason why it may favor the First World is that it can hold back economic development and this can be thought to favor those nations that already have achieved reasonable levels of economic well-being. The First World nations were also able to secure their early economic growth without the environmental and social restraints that the sustainability concept entails. The power implicated through a universalistic First World view of sustainable development has led increasingly to the charge of eco-imperialism and eco-colonialism. This charge may be less appropriate if sustainable
development is defined and negotiated within the local communities within the developing world itself in order to better reflect their situation, values, beliefs and imperatives. This is a key premise of the present study.

Inevitably, there will be differing views or discourses related to the benefits of tourism for development. Some adopt a narrow economic perspective and only consider the impacts for themselves or their immediate family, while others may consider the range of economic, environmental, social and cultural benefits and relate those to the wider needs of the whole community. A more holistic approach to sustainability would require that the continuing social, cultural and economic well-being of the whole community is an integral consideration (Richards and Hall, 2002). Community-led sustainable development requires an understanding not just of the relationship between local communities and their environment, but also of the political, economic and cultural tensions within communities. Such tensions within the community itself mean that there are often important differences in views and discourses about appropriate development among local residents (Richards and Hall, 2002).

One key contested value or discourse related to local sustainable development concerns people’s opinions about appropriate livelihoods or ways of making a living based on the actual or potential stock of local resources. The concept of sustainable livelihoods is used in academic work on local sustainable development. Rather less work has been done on people’s own views about what comprises an appropriate livelihood. According to Bingen (2005: 1), the academic concept comprises three interrelated components: “(1) some combination or portfolio of capabilities, assets (including physical, natural and social resources or capital) and activities, (2) that enable people to deal with events and trends as well as develop various strategies to pursue desired livelihood outcomes, (3) while maintaining or enhancing their capabilities and asserts over the time” (Bingen, 2005:1).

Bingen explains that his ‘sustainable livelihood approach’ (SLA) can help in programs for poverty eradication and for the enhancement of poor people’s livelihoods. The approach can assist in evaluating local capabilities and assist in capacity and institution-building to promote these capabilities. The categories of institutions include, for example, familial institutions, communal (community) institutions, social institutions, collective institutions and policy/governance institutions. These institutions tend to be seen at specific points in time, and they are important in supporting people’s livelihoods throughout their lives. Such institutions are an important consideration in the present study.

Two potential objectives behind promoting participation and empowerment that are discussed in the literature are especially pertinent to the present study. First, such involvement might encourage residents to make decisions that protect the environment. And, second, it might lead locals to start small tourism businesses, which can secure greater economic benefits for the community and retain those benefits locally. In such ways, political empowerment can be accompanied by social and economic empowerment (Schyvens, 2002).

In relation to tourism development, community participation tends to fall significantly short of empowerment. Indeed, often the purpose of tourism consultations is actually to persuade residents of the benefits of tourism rather than to empower them to make their own decisions (Sofield, 2003). Pearce et al (1996) identify the concept of social representations as a means to understand how different community groups think about tourism, and they suggest that the results of such analysis can then be taken into account in the tourism planning process. But the frameworks proposed by researchers to understand the differing views about tourism within the community tend to be focused more on the process rather than on the outcome of community empowerment.

Grassroots empowerment is widely regarded as a fundamental of sustainability in tourism. As people become more empowered in decision-making processes, and as they become more involved in the entrepreneurial side of development, then their level of stewardship may
increase: that is, stewardship of the environment, local culture and the destination community in general (Timothy et al, 2003). This places the responsibility for upholding the principles of sustainability squarely in the hands of destination residents and other local stakeholders. The values, ideologies and discourses of sustainable development inevitably relate to ideas about local benefits, and these need to be reflected in planning for sustainable tourism.

4) Hot spring
Hot spring, also called thermal spring, spring with water at temperatures substantially higher than the air temperature of the surrounding region. Most hot springs discharge groundwater that is heated by shallow intrusions of magma (molten rock) in volcanic areas. Some thermal springs, however, are not related to volcanic activity. In such cases, the water is heated by convective circulation: groundwater percolating downward reaches depths of a kilometre or more where the temperature of rocks is high because of the normal temperature gradient of the Earth’s crust—about 30 °C (54 °F) per kilometre in the first 10 km (6 miles) (The Royal Institute, 2001). There are few more enjoyable experiences on a chilly winter night in the mountains of western part of Thailand than a dip in a natural hot spring. Thailand’s hot springs are found in some of the country’s most spectacular landscapes and provide visitors with the perfect balance of relaxation and natural beauty. The 18 hot spring sites in the west of Thailand have not yet been planned for tourism. A few of them have just provided for tourism, the rest of that needed to be survey and more develop for tourism and health tourism purposes (http://www.dnp.go.th 12/07/2015).

4. METHODS
Qualitative research approaches are used in this study to assess and evaluate ecotourism planning and management and sustainable development. The intention of the study is to evaluate the interpretations that people have of themselves and others and also of their social situation, notably the views within the local communities in rural Thailand and from other related actors about hot spring and sustainable development in that context. The approaches are also used in the study in order to capture the various actors’ perspectives on hot spring tourism and sustainability. According to Silverman (2000), before conducting research it is important clearly to set out the overall research approach, as well as the related concepts, theories, methodologies and methods. In the first place, the overall research approach provides a framework for how we look at reality (Silverman, 2005:79). This research will draw strongly on ethnomethodology because it examines actors’ social relations and their responses to the role of hot spring development within their local social context. Ethnomethodology, as an overall approach, encourages us to look at people’s everyday ways of producing orderly social interaction. Using this constructivist strategy, this study will focus on human activities and experiences as based in the social relations, values and discourses surrounding ecotourism and sustainability. A concept is an idea derived from the overall research approach and a theory is a set of concepts used to define and/or explain some phenomenon. According to the theoretical positions identified by Jennings (2001), the present study adopts an ethnographic research approach because ethnography focuses on understanding questions of values, beliefs, and the psychology and culture of individuals and groups. This research used several methods from qualitative research for its data collection. They are: document analysis, individual interviews (semi-structured interviews) and participant observation and observation. All the methods were structured under these contents: 1) the potential of hot spring tourism in accordance with 5 factors (quality of tourism, safety, infrastructure, management, value of tourism); 2) tourism patterns; and 3) general information of hot spring tourism in the West of Thailand. The data was analysed using content analysis, a technique that provides new insights and increases the researcher’s
understanding of particular phenomena. The approach to content analysis used here was thematic analysis, where the coding scheme was based on categories designed to capture the dominant themes present in the text (Franzosi, 2004: 550). Thematic analysis is a method for identifying, analyzing, and reporting themes with data. The process starts with the analyst looking for and noticing patterns of meaning and issues of potential interest in the data. The endpoint is the reporting of the content and the meaning of patterns or themes in the data, where “themes are abstract constructs the investigators identify before, during, and after analysis” (Ryan and Bernard, 2000: 780).

5. RESULTS
The study found that there were 3 main outcomes. They were general information to tourism of the hot springs in the west and tourism patterns at the hot spring sites. The result found that the potential of the various hot spring areas were divided into 4 groups.

1) The first group included hot spring location where tourism data has not been gathered. Their hot water temperature in between 40-51 Celsius, with poor quality for tourism as they are in the deep jungle and hardly accessing by road and no tourism facilities.

2) The second group encompassed hot spring where tourism data has been gathered with hot spring degree between 45-48 Celsius and the sites are preparing for hot spring tourism. But they face with valued tourism planning. These groups need some advises by health tourism planning consultation.

3) The third group were hot spring tourism sites where some tourism details had been gathered, but the hot spring sites were faced with some problems. These sites in the past were famous for health tourism. After tourism facilities construction and the effect from earthquakes, the hot water had gone away from the sites. These areas had no tourism as there are no natural hot water. Their temperatures are between 31-35 Celsius.

4) The last included well-developed hot spring locations where tourism data has been gathered before. They are very good sites for health tourism as their temperature are in between 39-72 Celsius. Tourism facilities are provided with some tourists safety process. The accessibilities are good, in terms of transportation and road accessing and also local participation and management in tourism at the sites.

Figure 1: an example of poor quality hot spring site (the first group).

Figure 2: Examples of poor quality hot spring site, but preparing to development (the second group).
The patterns of tourism in the sites were found that Almost of the sites were prospered to be developed for health tourism. But some of the sites were lacked of tourism management, some place was far away from community. Some others faced with conflicts between local community and the administration whereas 1 site face with disappearing of hot water to other areas. Moreover, all of these tourism site, if in right track of tourism management, they could be linked to surrounded tourism destinations, waterfalls, jungles, border, tribals and some agricultural and historical areas. However, it needed good cooperation between organizations and local communities to tourism participation and empowerment by local people which was far away from tourism management in the areas. Moreover, this study had also guidelines for landscape management in all tourism sites under local agreement. They are: 1) roads and access ways have to be reconsidered about the green 2) buildings, including shops, toilets visitor centre must be about local wisdom and traditional arts. 3) there must be relaxing zone provided some green facilities 4) Cleared signs 5) keep clean 6) traditional plants must be kept 7) keep the hot spring pond as it was found 8) green and eco lighting 9) naturally walk way 10) unique signs and name of the hot spring 11) easily accessing to car park and high way. All these designs and plans have to recognized about the local community participation, environmental conservation and green zones.

6. CONCLUSION AND FUTURE WORKS

1) Health tourism and sustainable development

The notion of health tourism is discussed and evaluated next. While many authors suggest varied definitions of health tourism and nature based tourism (all hot spring sites are in nature based), there are often common elements or principles. Cater (1997), Blamey (2001) and Orams (2001) indicate that the concept relates to nature based tourism that promotes environmental education and that is managed for sustainability. Similarly, Fennell (2008) suggests that nature based tourism "is a sustainable form of nature resource-based tourism that focuses primarily on experiencing and learning about nature, and which is ethically managed to be low-impact, non-consumptive, and locally oriented (in terms of control, benefits, profits and scale). It typically occurs in natural areas, and should contribute to conservation or preservation of such areas". That definition adds a locally oriented dimension. Lascurain (1996: 20) similarly defines nature based tourism as "Environmentally responsible travel and visitation to relatively undisturbed natural areas, in order to enjoy and appreciate nature (and any accompanying features – both past and present) that promotes conservation in hot springs, have low visitor impact, and provide for beneficial, active socio-economic involvement of local populations". This definition also provides some emphasis on local benefits for residents.
2) Social relations and sustainability
A social relationship represents the existence of a probability of social interaction between two persons. In social relationships the probability of interaction is increased if the two persons view themselves as members of a common collectivity. Social relations involve complex social roles among social actors (McCall et al., 1970). In this study the social relations that are of interest relate to the planning and management of ecotourism and sustainability and to how people use and relate to their natural and cultural resources that can be useful for tourism development. Attention is directed to how actors use and feel about the use of resources for tourism development, and to their opinions about the concepts of appropriate and sustainable development in relation to resource use for tourism. The study draws on a number of contested concepts. This applies to development, sustainability and empowerment; and sustainable tourism development is widely considered to be but a subset of the contested broader concept of sustainable development. Community is also an ambiguous and much-debated term. This study has set out to understand the varied and differentiated community views about options for health tourism and sustainable development, taking as its point of departure the concept of community empowerment. The issues of community beliefs and discourses as well as empowerment go beyond the study of tourism impacts to consider processes that may be best understood using approaches based in sociological and political theory. It is argued that this expanded concept of empowerment constitutes a useful standpoint from which to consider community/tourism development relations (Sofield, 2003). By focusing on the social and political values, beliefs and relations involved in health tourism and sustainable development, it is intended that the research will assist in a broader understanding of the socially constructed character of ecotourism management and sustainability. It seeks to situate the interpretation in the daily practices, beliefs and relations in local communities in rural Thailand in order to develop an adaptive view of health tourism and sustainable development. In effect it considers local community views on sustainable community development through tourism, but in the context on social interactions between national, regional and local actors.

3) Potential of hot springs.
The potential of hot spring areas was categorized to be 4 groups. The first group was hot spring tourism that data has not been gathered. Therefore, the development did not apply to them yet. According to an initial assessment, they were not potential enough to be attractions. The second group was hot spring that the tourism data has been gathered. They were developed for tourism purpose but face with environmental problems. The third was hot spring sites that some tourism details had been gathered. From an initial assessment, they were potential to be an attraction and they were being developed to be new attractions. The last was hot spring where tourism data has been gathered. They were potential to be attractions and the development had already been applied. However, proper development for tourism had to be adopted. The development of those hot spring locations should concern about the suitable pattern with tourism resources in area. Tourism resources have to be connected with all attractions in areas. Moreover, the participation of the community was a key to a success of development. The future works related to this study should be focused on hot spring tourism sites management for health tourism and also about local community participation in tourism management for sustainability.
LITERATURE

4. 22 – 23.
THE INFLUENCE OF ECONOMIC CRISIS ON FOREIGN POLICY: AN ANALYSIS OF FOREIGN POLICY ACTIVITIES OF THE EU MEMBER STATES FROM SOUTHERN EUROPE 2011-2014

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ABSTRACT
The paper analyzes foreign policy activities of the EU member states from Southern Europe. The EU member states comprise a group of states that all have a Mediterranean coastline and most of their population lives near the Mediterranean (Spain, Italy, Malta, Greece, and Cyprus). Portugal is also a part of the research although it is not located on the Mediterranean, but it belongs historically and culturally to Southern Europe. None of the states has a communist past. However, circa 40 years ago some of them still lived under military dictatorships (Spain, Portugal, and Greece). Since 2009, most of these states have undergone a serious economic crisis. Since the economic crisis has struck Europe and especially the Euro zone, these states have begun to show similarities in conducting their foreign policy activities. In their foreign policy activities, when it comes to leadership initiatives recognized by the ECFR Scorecard 2012-2015, the analyzed states have mainly been oriented towards the issues that originate in their regions or the regions adjacent to theirs, particularly the Middle East and North Africa. They have also mostly pursued their own, direct interests, showing less appreciation and interest for the common goals of the Common Foreign and Security Policy (CFSP) of the EU. Therefore, these states have been categorized numerous times as so-called “slackers” by the EU, mostly because of their relations with Russia and the Western Balkans region (especially Greece and Cyprus). Six EU members from Southern Europe were also studied regarding their inter-group common features, i.e. “common denominators”. The research has shown that due to the severe economic crisis that has struck most of the EU members from Southern Europe, their foreign policy activities were mostly oriented towards pursuing their own direct interests in the neighboring states and/or adjacent regions.

Keywords: Southern Europe, foreign policy activism, the European Union, energy imports dependence, the contemporary economic crisis i.e. Great Recession.

1. INTRODUCTION
Small states lack the material capacity to be an influential force around the world and across the totality of issue areas. They instead must prudently react to the extraneous circumstances forced upon them. By viewing small state diplomacy in this light, some external conditions would favor a large foreign policy initiative more than others. If a state feels that the pressure and constraints of their external environment are not likely to change from the status quo they will be less likely to pursue extensive foreign policy. Extending from that proposition, a small state that believes that its actions can create discernable benefits for itself will demonstrate a high level of foreign policy initiative. A small state comfortable with the status quo will not (Scheldrup, 2014: 20). Drawing on the thesis of Scheldrup about the activity of small states and analyzing the activities of a particular group of states, small and not small, from the same geographical region, the paper analyzes foreign policy initiatives of the EU member states from Southern Europe, which were (recognized leadership initiatives i.e. leaders) or were not (slackers) in accordance with the Common Foreign and Security Policy (CFSP) of the EU. The paper also studies the difference between smaller states from the region, and the states
that cannot be considered small by any definition (Italy, Spain). The EU member states from Southern Europe comprise a group of states that all have a Mediterranean coastline and most of their population lives near the Mediterranean (Spain, Italy, Malta, Greece, and Cyprus). Although it is not located on the Mediterranean, Portugal is also a part of the research because it belongs to Southern Europe, historically, and culturally. None of these states has a communist past. However, circa 40 years ago some of them had a military dictatorship (Spain, Portugal, and Greece). Since 2009, most of these states have undergone a serious economic crisis. Since the economic crisis has struck Europe and especially the Euro zone, these states have begun to show similarities in conducting their foreign policy activities. The EU member states from Southern Europe are not geographically contiguous. This group of states is mostly or completely located on islands (Cyprus, Malta) or peninsulas and islands (Greece, Italy, Spain, Portugal).

The common characteristics, the so-called common denominators, were identified and chosen for the purpose of this paper in order to define the issues that could influence the foreign policy activities of the states that will be studied:

- None of the analyzed states has a communist past;
- Most of them (except Malta) are still struggling with a recession that has turned into an economic crisis, with deep economic, political and social impacts. High unemployment, especially among the young population, is by far the worst impact of the recession;
- All of them are dependent on energy imports. Nevertheless, their energy supply is more diversified and the level of dependence on energy imports from Russia much lower than for instance the post-communist EU member states;
- Their economies significantly depend on tourism and not so much on industrial production (especially Cyprus, Malta, and Greece). Cyprus also has a strong financial sector, which is now in difficulties. Spain had a strong real-estate sector, which is also undergoing a deep crisis.

2. METHODOLOGY

For the purpose of this paper, the data about the economic growth for the period of 2008-2014 were analyzed. The number of foreign policy leadership roles and “slackers” (the cases when a particular state received a negative opinion from the EU about its role in a certain issue) for each state was taken from the ECFR Scorecard, available for the years 2012, 2013, and 2014.

The main methodological constraints that we were faced with were the relevance of quantifying the foreign policy leadership roles and negative opinions received for each state.

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5 “The European Foreign Policy Scorecard is an innovative project that provides systematic annual assessments of Europe’s performance in dealing with the rest of the world. The scorecard assesses the performance of the EU institutions on 80 policy areas around the six key themes: China, Russia, United States, Wider Europe, and Crisis Management and Multilateral issues. However, devising a methodology in order to make a rigorous and consistent judgment across issues and over time is a faced with inevitable simplifications as well as with two main problems: the definition of success in foreign policy and the rigidity of period used Member states were identified as “leaders” when they either took initiative in a constructive way or acted in an exemplary way, and as “slackers” when they either impeded or blocked the development of policies that serve the European interest in order to pursue their own narrowly defined interests or did not pull their weight. One needs to take into account that each categorization of member state involved a political judgment and it should not be considered definitive. In addition, according to authors, what it means to be “leader” or “slacker” varies in each case.” See: http://www.ecfr.eu/scorecard/2014/extras/methodology.

Although it can be considered subjective, and although all leadership initiatives or slackers do not have the same value (“weight”), the Scorecard represents a useful tool, since it comprises all recognized leadership initiatives and slackers in one place, for each EU member state. Since it now comprises data at the state level for the past four years, some patterns and influences that form these patterns, at the state level or at the group of states level, can be noticed.
At the same time, we did not want to develop a theoretical overview of prior foreign policy initiatives, which would clearly surpass the limits and purpose of this paper. Our goal was simply to try to prove the main hypotheses based on the economic data and the data from the ECFR Scorecard. It is very difficult to quantify foreign policy activities, either as positive or negative, in this way. The mere number of roles does not speak about the relative value i.e. “weight” of each role. The number of the roles, bonded with each of the issues on the roles were tied points, to a certain degree, in a direction (at least geographical) that foreign policy activities of each studied EU member state conducted its foreign policy in the period analyzed. The data about the real GDP annual growth rate for the period 2008-2014 in %, unemployment in % for the period 2009-2012, November 2013, July and December 2014 were shown as the indicators of the economic situation in the studied EU member states. These data were used to study the impact of the economic crisis on the foreign policy activities of each studied EU member state, in order to study the connection between the current economic crisis and the geographical scope as well as the relative (un)importance of certain issues for the foreign policy activities of the studied states. The same was done for the second presumed main factor of foreign policy activity of the studied state i.e. the dependence on energy imports. The data about energy dependence, with regard to the main sources and types of energy imported, were shown as indicators of the level of dependence of each particular studied EU member state on energy imports, in order to show the correlation between the dependence on energy imports and the geographical scope as well as the relative (un)importance of certain issues for the foreign policy of the aforementioned states.

The first hypothesis was put forward and the research was conducted in order to verify it: the leadership initiatives of the aforementioned EU member states in the period 2012-2014, recognized by the ECFR Scorecard, were mostly oriented towards the region that is adjacent to them (the Middle East and North Africa, further in the text: the MENA region), and motivated by the pursuit of their own, direct interests. The second main hypothesis was that the current economic crisis is an important factor that affects the activity of the EU member states, “small” (Cyprus, Greece, Malta, and Portugal) and “big” or “not small” (Italy and Spain) that are geographically located in Southern Europe. The economy keeps the level of the “positive” foreign policy low, at the same time pushing them to pursue their own direct interests and therefore receive “slackers” from the EU. So the low number of “leaders” does not mean that a certain state was inactive. It simply means that it had not pursued initiatives recognized by the ECFR Scorecard, because it did not believe that they would benefit it (or was satisfied with the status quo and therefore not interested in action), although it may have had foreign policy initiatives that did not comply with the goals of the CFSP and the decisions of the EU, because it believed they would benefit it.

6 Foreign policy initiative is described as an activity of states attempting to further their interests and increase their influence on the international stage. This term does not care about the result of power of the effectiveness of such action, but instead on the attempt made by state. This attempt is characterized by a large amount of substantial and autonomous activity initiated by the state or in conjunction with other states in events occurring abroad (Scheldrup, 2014: 16).

7 Although numerous, very different classifications of states according to their size exist, we have decided not to explain them in depth, since it is not the purpose of this paper. The decision made here to differentiate between states that could be considered small and those that definitely could not be (Italy, Spain) was based mainly on the number of inhabitants, area, and total GDP.
3. RESULTS

Figure 1: GDP growth rate of Southern Europe EU member states in percentage, 2009-2014
Source of data:

Figure 2: Unemployment in Southern Europe EU member states in percentage, 2009-2014
Sources of data: 2009-2012, November 2013, epp.eurostat.ec.europa.eu/.../3-08012014-BP-EN.PDF
July and December 2014,
Tab. 1: Common denominators for each group of states studied: a level of relevance for all states (Y = yes; N = no)

<table>
<thead>
<tr>
<th>Common denominator</th>
<th>Cyprus</th>
<th>Greece</th>
<th>Italy</th>
<th>Malta</th>
<th>Portugal</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATO member</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>EU member in 2004 or later</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Negative GDP growth rate in 2008</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Negative GDP growth rate in 2009</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Negative GDP growth rate split by annual positive GDP growth</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Sustained negative GDP growth rate 2009-2013</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Negative GDP growth in 2014</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

Tab. 2: Southern European EU member states leadership initiatives, recognized by the ECFR Scorecard, 2012-2015

<table>
<thead>
<tr>
<th>State</th>
<th>China</th>
<th>Russia</th>
<th>The U.S.A.</th>
<th>Wider Europe</th>
<th>the MENA region</th>
<th>Multilateral issues and crisis man.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Greece</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Italy</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Malta</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Spain</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td>2</td>
<td>14</td>
<td>14</td>
<td>44</td>
</tr>
</tbody>
</table>

Tab. 3. Southern European EU member states categorized as slackers by the EU, recognized by the ECFR Scorecard, 2012-2015

<table>
<thead>
<tr>
<th>State</th>
<th>China</th>
<th>Russia</th>
<th>The U.S.A.</th>
<th>Wider Europe</th>
<th>the MENA region</th>
<th>Multilateral issues and crisis man.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Greece</td>
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<td>2</td>
<td>0</td>
<td>5</td>
<td>1</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Malta</td>
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<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Portugal</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>12</td>
<td>3</td>
<td>15</td>
<td>2</td>
<td>31</td>
<td>68</td>
</tr>
</tbody>
</table>

4. DISCUSSION

Although one of the main priorities of the EU has been fostering political integration, significant disparities amongst member states have long shaped the debate on the future proceedings of the union. The much-debated concept of a two-speed Europe in policy circles,
that is, the idea of different levels of integration to the EU depending on the political and economic situation of each country, reflects the existence of divergence between members long before the outbreak of the economic crisis. Since the beginning of the current economic crisis, a divide between the Northern and the Southern European states has increased. Several terms have been coined to mark these differences — amongst the most notable, the pejorative acronym PIIGS (Portugal, Ireland, Italy, Greece and Spain), which described a group of financially weak countries located in the periphery of the Eurozone. A more accurate cleavage would be the debtor-creditor divide, which captures the net international investment position (NIIP) of countries and classifies them according to whether they are debtors, with a negative NIIP, or creditors, with a positive NIIP. The Great Recession appears to have significantly exacerbated the disparities between these two blocks.

If we take a look at the quantitative data, these highlights can be accentuated: in Europe, the combined GDP of the 27 EU member states contracted by 4.5% in 2009 relative to the year before. It subsequently recovered somewhat, but once again registered negative growth in 2012 and stagnated in 2013. On the whole, by 2013 the European economy had shrunk by 1.2% relative to its 2008 level. The recession was an archetypal asymmetric shock, as some countries were affected much more than others. In 2007-2010 the Irish economy shrank by almost 10%, while Latvia lost 21% of its GDP (18% in 2010 alone). While these economies eventually recovered, further south the crisis was more protracted: in Spain the size of the contraction in 2007-2013 was around 6%, in Portugal 7%, in Italy almost 9%, while in Greece the size of the economy declined by nearly 24% (Matsaganis, Leventi, 2014).

If we look at the numerical data about the leaders and slackers recognized for the Southern European EU member states, we can see that the number of slackers significantly surpasses the number of leaders (68:44). This is mainly a result of the total leadership inactivity of Greece, and a result of almost complete lack of leadership initiatives pursued by Cyprus. At the same time, these states each had 15 slackers. Malta also had many more slackers than leadership initiatives (7:1). Portugal and Spain also had more slackers than recognized leadership initiatives. In fact, the only EU member state that had more leadership initiatives than slackers from this region was Italy (23:10). The highest number of leadership initiatives was recognized for the relations with the MENA region (14) and in the field of multilateral issues and crisis management (14).

Because of the lack of capabilities and the priorities in the domestic policy that these states have to deal with, tied mostly to their neighborhood and their economy (energy cooperation with Russia, in the case of Cyprus and Greece – relations with Turkey, Serbia, Kosovo etc.), the states are engaged most when their direct interests are included or threatened (activity in the neighborhood, region etc.). Foreign policy positions and initiatives of EU member states from Southern Europe are being strongly influenced by the current economic crisis. It changes priorities, and makes them more interested in pursuing their own goals. The thesis that the economic crisis has pushed even the bigger EU member states from Southern Europe, such as Italy and Spain, to pursue in foreign policy mostly issues that are directly connected to them and/or which these states see as a threat was studied through the detailed analysis of the leader initiatives and slackers, recognized by the ECFR Scorecard 2012-2015.

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8 Since, in the meanwhile, Ireland has managed to restore its economy, and it is not a part of the group of states that we have studied here, considering their geographic location and economic difficulties, the term PIGS (Portugal, Italy, Greece, Spain) would be more appropriate. In the meantime, since 2012, Cyprus has also suffered serious economic difficulties. Although signs of economic recovery have been visible in Spain and Portugal since 2014, the only EU member state from Southern Europe that is performing well economically is Malta.

Italy, as the most populous state of the region, and part of the so-called EU “Big Four” (Germany, United Kingdom, and France plus Italy\(^{10}\)) had the greatest number of recognized leadership initiatives, which correlates with its size, central geographical position and importance in Southern Europe. However, Italy’s number of leadership initiatives is way beyond the so-called “EU Big Three” (when it comes to the EU’s Foreign Policy): Germany, France, and the United Kingdom. A large disproportion of recognized initiatives exists, especially when a number of initiatives conducted by the other actors and regions is taken into account, besides the multilateral issues and crisis management (which is not based and limited on one region).

Table 4. The number of leadership initiatives of the “EU’s Big Three” plus Italy by areas, recognized by the ECFR Scorecard, 2012-2015

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>Russia</th>
<th>The United States</th>
<th>Wider Europe</th>
<th>The MENA Region</th>
<th>Multilateral Issues and Crisis Management</th>
<th>ASIA AND CHINA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>49</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>58</td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>UK</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>0</td>
<td>50</td>
</tr>
</tbody>
</table>

From Table 4, it can be seen that the “EU’s Big Three”, mainly because of their economic power and influence (Germany), as well as their historical connectedness and interests

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\(^{10}\) When it comes to foreign policy, somewhat different findings also exist, which limit the membership of the EU “big members”, to only three: Germany, the United Kingdom, and France. According to these findings, the EU foreign policy is heavily influenced by the attitudes of these three truly big countries, which orchestrate most of the decisions through the accommodation of their interests.

(besides economic influence) in the MENA region (the United Kingdom, France), have more recognized leadership initiatives in the MENA region than Italy, which is more geographically adjacent to the region. The overall number of initiatives for the members of the “EU’s Big Three” was about as twice as that of Italy, so clearly a difference between them and Italy exists if this indicator of foreign policy activism is taken into consideration. Besides leadership initiatives recognized in the field of multilateral issues and crisis management (7), the greatest number of Italy’s initiatives was recognized in the relations with the MENA region, due to close proximity of Italy to the countries in that region (especially to Libya). Italy’s recognized initiatives in the MENA region were connected to: The Tunisian Revolution (Scorecard 2012); improving financial support for MENA, and supporting political transition in Libya and Yemen (Scorecard 2013); pushing for comprehensive European strategy towards Iran following elections, and support for closer security cooperation in the North Africa region in 2013 (Scorecard 2014); remaining engaged in Libya (Scorecard 2015). The MENA region (especially North Africa) is a region where Italy had some influence traditionally, and this influence was revived in the last decade and a half. The negative effects of the region’s geographical closeness to Northern Africa is the inflow of asylum seekers in Italy, since Italy’s southern coast is besides Malta the closest point of the EU to Libya and a gateway to the other parts of the Schengen zone in which free movement of people is possible.

Italy’s slackers (besides multilateral issues and crisis management, which are mainly related to not participating enough in development and humanitarian aid, and European policy on UN reform) were mostly tied to its relations with Russia: rule of law and human rights in Russia, relations with Russia on protracted conflicts, and relations with Russia on energy issues (Scorecard 2012); relations with Russia on energy issues (Scorecard 2014). Italy also received one slacker for relations with the Wider Europe: rule of law, democracy and human rights in the Eastern Neighbourhood (Scorecard 2012). Italy was obviously, for pragmatic reasons, willing to receive slackers in order to pursue its own interests in relations with Russia, especially regarding the cooperation in energy issues, since Italy receives a part of its gas supplies from Russia (29 percent in 2012). Besides the slackers mentioned, Italy also received one slacker for relations with China: promoting human rights in China (Scorecard 2013).

Spain was also recognized as a leader in its adjacent geographical area. Besides being a leader in four initiatives in the field of multilateral issues and crisis management (which does not have a particular regional affiliation), Spain had six of its twelve leadership initiatives in the MENA region recognized by the ECFR Scorecard 2012-2015. Spain’s recognized role in the MENA region was tied with: the Egyptian revolution (Scorecard 2012); improving financial support for the MENA region (Scorecard 2013); pushing through agreement on eligibility occupied territories grants, prices etc., and support for closer security cooperation in the North Africa region in 2013 (Scorecard 2014); remaining engaged in Libya, and differentiating the economic treatment of Israel and occupied territories (Scorecard 2015). The only other two recognized leadership initiatives of Spain relate to China: reciprocity in access to public procurement in Europe and China (Scorecard 2012), support Europe’s tough line on solar panel case (2014). It is visible that Spain had no recognized leadership initiatives towards Russia, the Wider Europe, and the United States.

Slackers received by Spain from the EU were mostly tied to the multilateral issues and crisis management (eight): European policy on UN reform, development aid and global health (Scorecard 2012); increasing development aid to reach agreed targets, increasing humanitarian assistance, especially in the Sahel: facilitating the consolidation of European seats at the IMF (Scorecard 2013); increase in development aid, increase in humanitarian aid, steps taken to assist Syrian refugees/IDPs (Scorecard 2014). The economic crisis could be one of the logical explanations. Pushed by high unemployment and negative economic indicators,
the government of Spain did not want (or could not afford) to spend enough money and other resources to humanitarian aid and other kinds of multilateral issues and crisis management issues, that did not pose a direct interest and/or threat to Spain. Other slackers were received for relations with China: promoting human rights in China (Scorecard 2013); Russia: rule of law and human rights in Russia (Scorecard 2012); the United States: relations with the US on the euro crisis (2012), countering the US offensive against EU regulation of aviation emissions (2013); the Wider Europe: Kosovo (2012), encouraging Serbia to normalise relations with Kosovo; the MENA region: humanitarian support to the Middle East (2015).

Greece did not manage to achieve a single leadership initiative in the studied period, according to the ECFR Scorecard. The immense socio-economic difficulties that Greece is facing at present are the most probable explanation of this condition. At the same time, it had 15 slackers received from the EU, clearly leading policy that is more “independent” i.e. oriented on its basic, own national interests. The significant number of slackers was received for relations with Russia and the Wider Europe. Greece’s slackers received for relations with Russia were as follows: rule of law and human rights in Russia (Scorecard 2012), relations with Russia on Energy Issues (2014). The important fact, that must not be omitted, is that Greece receives over half of its gas supplies from Russia (56 percent in 2012). It has also tried several times to make deals with Russia, in order to get loans, so that it could finance its enormous debt. Slackers received for the relations with the Wider Europe region were: overall progress of enlargement in the Western Balkans, Kosovo, relations with Turkey on the Cyprus question, relations with Turkey on regional issues (Scorecard 2012); pushing visa liberalisation for Turkey (2013). Greece’s foreign policy activities are mostly influenced by its relations with Turkey and especially the Cyprus issue. Other slackers were received for relations with the MENA region: the Syrian uprising (Scorecard 2012), and multilateral issues and crisis management: increasing development aid to reach agreed targets, increasing humanitarian assistance, especially in the Sahel, contributing to CSDP missions (2013); increase in development aid, increase in humanitarian aid, steps taken to assist Syrian refugees/IDPs (2014).

Portugal had five recognized leadership initiatives. These were recognized for relations with China: relations with China on the Arab Awakening (Scorecard 2012); the United States: relations with the US on climate change (2012), pushing for successful conclusion of TTIP negotiations (2015); multilateral issues and crisis management: European policy on UN reform (2012), fighting climate change (2015). Portugal’s slackers (5 of 6) were mostly tied to multilateral issues and crisis management: increasing humanitarian assistance, especially in the Sahel, contributing to CSDP missions (2013); increase in humanitarian aid, steps taken to assist Syrian refugees/IDPs (2014); development aid and humanitarian aid (2015). The remaining slacker was given to Portugal for relations with Russia: rule of law and human rights in Russia (Scorecard 2012). Portugal, like most of the Southern Europe states, also faces serious socio-economic difficulties, so the number of leaders as well as number and character of slackers can be explained by these difficulties.

The facts that strongly influence foreign policy activism of Cyprus and Malta, besides their geographical position, are their smallness and island character. A truly small state, with population of under one million, Cyprus, had three leadership activities (assisting Syrian refugees and reciprocity on visa procedures with the U.S.A.). Since its foreign policy is highly dictated by the issue of island division and, subsequently, its relations with Turkey, as well its financial connections with Russia, the number of slackers (15) is not so surprising. 11 out of Cyprus’ 15 slackers were tied to Russia and Wider Europe. Slackers for the relations with Russia were related to: rule of law and human rights in Russia, relations with Russia on

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Cyprus foreign policy preferences in the EU are explicitly linked to its geographic proximity and Turkey.
protracted conflicts, relations with Russia on energy issues (Scorecard 2012). Slackers for the relations with the Wider Europe region were related to: Kosovo, relations with Turkey on the Cyprus question, relations with Turkey on regional issues, rule of law, democracy and human rights in the Eastern Neighbourhood (Scorecard 2012); encouraging Serbia to normalise relations with Kosovo, pushing visa liberalisation for Turkey (2013); steps to support opening Chapter 23 and 24 in accession negotiations with Turkey (2014). Other slackers received by Cyprus were tied with multilateral issues and crisis management: development aid and global health (Scorecard 2012); contributing to CSDP missions (2013); increase in development aid, increase in humanitarian aid (Scorecard 2014), and its relations with China: coordinating the EU position towards China (Scorecard 2015).

Malta, the smallest EU member state by territory and population, was recognized as a leader in one initiative, tied to its southern neighborhood, the MENA region (precisely: Northern Africa) where it supported closer security cooperation (Scorecard 2013). Namely, Malta’s foreign policy seeks to use its geopolitical relevance to maximize influence. Therefore, its special focus is stability in the Mediterranean region from which non-military threats such as irregular migration emerge. Given the relevance of the issue for the national security, the migration has become Malta’s highly salient issue in the EU (Pastore, 2013: 71-72). Malta’s slackers (totally 7), were significantly tied to multilateral issues and crisis management (3), precisely the development and/or humanitarian aid: development aid and global health (Scorecard 2012); increasing development aid to reach agreed targets (Scorecard 2013); development aid and humanitarian aid (Scorecard 2015). Other slackers were given to Malta for its relations with Russia: rule of law and human rights in Russia (Scorecard 2012); China: promoting human rights in China (2013), speaking out or acting on human rights violations (2015); and the United States: pushing for European policy on privacy and intelligence (2015).

5. CONCLUSION
The economic crisis hinders not only the economic development, but it also hinders foreign policy activities (oriented towards the fulfilment of the goals of the EU Common Foreign and Security Policy, CFSP) of the EU member states that were worst hit by the crisis. The small number of leadership initiatives from the EU member states from Southern Europe recognized by the ECFR Scorecard indicates that the states were not so interested in pursuing the goals of the CFSP. The results from the ECFR Scorecard show a strong convergence of negative annual GDP growth since the start of the economic crisis and a large number of slackers received from the EU, when it comes to the EU member states from Southern Europe. There were only a couple of leadership initiatives recognized (besides the field of multilateral issues and crisis management) that were not oriented towards the adjacent MENA region, and three states (Greece, Cyprus, and Portugal) did not have any initiatives recognized by the ECFR Scorecard for the 2011-2014 period (measured by the ECFR Scorecard 2012-2015). Considering the size of some Southern European EU members, such as Italy and Spain, the number of their leadership initiatives is lower than would be expected considering their size and importance. Besides having a small number of leadership initiatives recognized, Southern Europe EU member states received a large number of slackers i.e. they were reprimanded by the EU for not complying enough with the goals of the CFSP. Most of the slackers (31 out of total 68) were received for the field of multilateral issues and crisis management (the field with the highest number of indicators followed, however, the number of slackers is disproportionately high when compared with other fields). This large number of slackers shows that Southern Europe EU member states are not interested and/or not capable enough (especially smaller states, which have economic
difficulties) in participating in common missions and multilateral initiatives led by the EU. They seem to be much more interested as well as capable in pursuing their own interests, which directly affect and/or originate in their immediate neighborhood.

LITERATURE
11. epp.eurostat.ec.europa.eu/.../3-08012014-BP-EN.PDF.
AN AMERICAN-BASED STUDY EXAMINING THE RELATIONSHIP BETWEEN PARTICIPANTS’ DEMOGRAPHIC PROFILES AND ATTITUDES REGARDING BUSINESS OUTSOURCING TECHNIQUES AND STRATEGIES

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ABSTRACT
The world is a global marketplace, however much inquiry has been created regarding American-based companies relocating departmental operations offshore to foreign territories. Keating (2012) indicated that popular areas for companies to reposition operations include customer service, information technology, and sales services. The main reason for moving offshore is to cut costs and to maximize on cheaper labor pools in the host country. There are cultural and language barriers that complicate matters, as well as, the media, as reported by Dobbs (2004) in the United States (U.S.) brings supposition by broadcasting the jobs lost by U.S. employees, as well as, home country power diminishing by stronger global players rising and thriving, such as, Brazil, The Philippines, and Mexico. This study quantifiably examined the relationship between participants’ demographic profiles and attitudes regarding business outsourcing techniques and strategies utilizing the Chi-Square and Fisher’s Exact tests, to gain a greater understanding of what these American-based beliefs truly are, in relation to, the sample confined within this study. Areas of concern examined attitudes towards managers, as well as, the U.S. government, regarding engaging in business outsourcing endeavors, enforcing policies to keep jobs in America, operating with a global mindset, helping people in both the home and host countries, competence factors associated with the capabilities to head outsourcing efforts based upon gender, and the training needed to successfully move operations offshore, for example. Significant differences were found in all of the demographic variables of ethnicity, gender, number of children (e.g. family size), age, education level, marital status, and annual household income.

Keywords: globalization, offshore outsourcing, strategic management

1. INTRODUCTION
Deciding to outsource a company’s products or services offshore to another country is not a casual decision for any business to make. Furthermore, these offshore operational decisions pose challenges for company executives, employees, and their residing communities at large. Numerous factors go into consideration when determining to move overseas a portion of a company’s organizational processes. Whitfield and VanHorsenn (2008) conveyed that the most common elements that make up this complex decision to relocate are comprised of the differing cultural sets and languages spoken in the foreign country, as well as, piracy, political instabilities, and local governance differences in the host countries. American-based businesses struggle with the reality of saving money by moving particular operations overseas, and by keeping products and services made in the United States. Halzack (2013) stated that manufacturing jobs in America have diminished due to assembly line automation and jobs moving overseas to exploit cheaper labor teams. Additionally, many Americans express discontent by having business operations moved overseas due to this taking jobs, as well as opportunities, away from the American people. This paper examined the relationship between participants’ demographic profiles and their attitudes regarding business outsourcing techniques and strategies to gain a better understanding of American
employees’ belief systems, in regards to, businesses engaging in outsourcing operations, particularly offshore outsourcing operations. In this paper numerous strategic dimensions of sourcing and shoring techniques and strategies are defined, however, “outsourcing” is the term that is commonly used in this study to refer to any one of these techniques. Dolgui and Proth (2013) defined outsourcing, “as the act of obtaining semi-finished products, finished products or services from an outside company if these activities were traditionally performed internally” (pp. 6769).

2. LITERATURE REVIEW

2.1. Strategic dimensions of sourcing and shoring techniques
There is a multitude of strategic dimensions associated with sourcing and shoring techniques in the marketplace, conducting business abroad, and conducting business on the home front, or near the home place. These strategic dimensions include (a) domestic outsourcing (b) insourcing (c) backsourcing (d) offshoring (e) offshore outsourcing (f) onshoring (g) nearshoring (h) strategic outsourcing (i) business process outsourcing (BPO) and (j) offshore service providers (OSPs). These sourcing and shoring techniques and strategies can be complicated to understand, but are outlined in this following section. Koku (2009) stated that domestic outsourcing is when a company decides to let go of an in-house job to go to another domestic company to perform. Nodoushani and McKnight (2012) specified that insourcing is bringing back work internally that was previously outsourced. Chadee and Ramen (2009), and Koku (2009) indicated that backsourcing is rescinding the product or service back to the home country where it came from originally. Offshoring is when a company from one country outsources work with businesses in another country by either conducting operations in the foreign country, or subcontracting this work out through outsource providers who then transfer this work overseas. Additionally, Koku (2009) reported that offshore outsourcing is a hybrid of domestic outsourcing and offshoring, in which a company totally transfers jobs to another company that is foreign-based which has no relation whatsoever to the domestic affiliate, for example, Delta Airlines is contracting out its reservation services to a call center in Manila, Philippines. Bodamer (2012) declared that onshoring is bringing jobs back to the home country, whereas, Worley (2012) accentuated that nearshoring is offshore outsourcing a percentage of a business’s operations to a nearby country. Ikerionwu, et al., (2014), and Ahmed, et al., (2014) explained that strategic outsourcing is the use of multiple vendors for short run contracts. Business process outsourcing (BPO) is indicative of a when a particular business function of a company is outsourced, for example, research & development (R&D), or payroll. Offshore service providers (OSPs) are companies that manage, facilitate, and administer an organization’s offshore operations. These OSPs can specialize in a certain business function or be considered a universal agent for companies.

2.2. Advantages and disadvantages of outsourcing
Koku (2009) conveyed that the advantages of outsourcing are cost benefits, flexibility with operational options, simplification of business processes, accessibility of newer equipment and technology, reductions in the payroll and overhead costs, economic and business development in the host country, enhanced global relations, and freed up capital for core investments from offshore savings. The disadvantages associated with outsourcing are loss of control over certain functions within the organization, the releasing of sensitive subject matter, such as trade secrets, loss of jobs from home country employees, and backlash in the homeplace community. Additionally an abundant amount of time is needed in order to get the outsourced provider equipped and fully functioning.
Works Management (2009) found that the U.S. economic recession prompted many companies to outsource non-core competencies, such as customer service call centers. Sharma (2001) reported that consumers, when analyzing product and service quality, typically scrutinize the superiority of the product or service by way of questioning personal satisfaction levels, determining repeat purchase motives, evaluating problems or complaints associated with the product or service, considering brand image effects, and individual brand loyalty intentions. All of these factors can affect a company positively, or negatively, when a consumer has to interact with a call center representative from another country. Sharma (2001) further found that customers who are high on consumer ethnocentrism tend to be more concerned about the overall quality of the customer service offered by offshore service representatives. Ethnocentrism is judging another culture based on the values and standards of one's own culture. Consumers who are high on ethnocentrism will typically have greater dissatisfaction levels with his/her experience while talking to a foreign call center employee, which in turn spurs an increase in consumer complaints, as well as, a decrease in repeat purchases.

Sohn (2011) stated that the reason many American-based companies decide to outsource a portion of their operations is that the reality of running a business singlehandedly is not an easy task, so outsourcing is a viable option for these organizations. Moreover, outsourcing helps to control costs. Nevertheless, certain American-based companies do try to stay within the perimeters of the U.S. working off the cultural belief that it makes good global sense to outsource within the U.S., as opposed to a foreign country, mainly due to the huge time zone differences associated when doing business abroad.

2.3. Types of business operations outsourced
Keating (2012) reported that the outsourcing services that are most common today are accounting, financial, customer service, manufacturing, information technology, engineering, human resources, R&D, data processing, and sales services. Through the outcomes of globalization, as well as, companies eager to obtain impressive short-term results, outsourcing has become a practical alternative.

2.4. Top offshore outsourcing destinations
Keating (2012) found that India was originally the go-to place for globalized call center setups. Currently, Brazil, the Philippines, Mexico, and Vietnam are gaining market share over India for outsourcing call centers. India has fallen from having 80% to 60% of the overall call center market share. Brazil is now a new hot spot destination for offshore outsourcing for American-based businesses. Brazilian-based customer support services over American-based companies grew at a compound annual growth rate of approximately 27% during 2005 – 2010, compared to 21% from other regions. The cost per agent is cheaper in Brazil in comparison to India, the Philippines, and Canada, where the costs are rising.

Datamonitor (2006) reported that the main problem with utilizing Brazil as an outsourcing hub is the language barrier. Considerably, parts of the world are not confident in Brazilian-based call centers being able to effectively handle additional languages when dealing with customer support services. The perception of the stability of the government associated with Brazil is additionally low which compounds problems even further for Brazil being seen as a sustainable player in outsourcing efforts. However, the number of Latin-American contact center agents servicing offshore clients nearly tripled from 16,200 in 2005 to 44,900 in 2010, and are still growing today.
2.5. Offshore outsourcing and trade barriers
Jones (2009) conveyed that marketing goods and services abroad is not a stress free task for any organization. Negative global relations can impact international trade in times of inter-country feuding. This can spill over into neighboring countries that are not even at odds with one another due to the outsourcing business activities taking place. Consequently, top executive leaders need to take into consideration the consequences of cross-country clashing, and how this can impact a company’s profit, and international trade relations, in general. Jones (2009) further stated that conducting business abroad, although may save the company money on production costs, or service costs, in the short-run, it adds another compelling dimension when different cultures and languages are thrown into the mix. With the decline in trade barriers, and the use of the Internet, it is easier, and more cost-effective, to outsource into foreign countries today. External factors can contribute to the overall success, or failure, of the outsourcing business venture. The type of technology used, type of market targeted, geographic location of the outsourcing business, and the amount of experience of the people involved in the outsourcing operations can greatly impact the success, or failure, of the new strategic direction. Ghandi et al., (2012) found that the global marketplace has become smaller and highly competitive in part due to cheaper labor costs and operating expenditures. Numerous people in the U.S. have a strong criticism towards outsourcing due to American workers losing jobs to workers overseas. It has become a highly controversial topic. The Internet has made communicating with people across the globe fast, simple, and easy. This has further added to the global marketplace becoming a more tempting field to conduct business in for American-based companies.

2.6. Attitudes towards outsourcing
Mansfield and Mutz (2013) stated that typically the decision to outsource is based upon production constraints, whereas companies outsource to lower these production costs and then pass on the price savings to consumers. Nevertheless, nearly 69% of Americans feel that outsourcing hurts the U.S. economy, compared to only 17% of Americans who actually thought that outsourcing helps the American economic structure. There is an “us” versus “them” mentality that shapes Americans’ attitudes towards outsourcing, whereas economists refer to outsourcing as international trade; Americans typically have a different view on this.

2.7. American media, and political relations with the reporting of outsourcing efforts
For years, media and political relations in the U.S. tended to shed a negative light on outsourcing throughout the American public. Dobbs (2004) reported that the shipment of American jobs to low-cost foreign labor markets threatened millions of workers, their families, and the American way of life. Kerry (2004) criticized President George Bush for giving tax breaks to American-based companies that outsourced part of their business operations outside of the country instead of making new jobs for Americans. Williams (2015) claimed that nearly every outsourcing job does come with layoffs to the American workers.

3. METHODOLOGY

3.1. Sample and procedure
This study’s sample base was comprised of 209 working professionals from the Houston, Texas metropolitan area. The data was collected electronically utilizing a web-based survey created at www.surveymonkey.com during the years of 2013 and 2014. The participants were invited by e-mail to participate in the study. The full demographic characteristics are summarized in Table 1.

3.1. Instrument design
The instrument design for this study consisted of 38 items. There were seven demographic questions, as well as, one informed consent question at the beginning of the survey. The remaining 30 questions aimed to identify Americans’ attitudes, perceptions, beliefs, and opinions towards business outsourcing techniques and strategies. The 30 outsourcing based questions with responses are displayed in Table 2.

3.2. Statistical analysis
The demographic characteristics of the sample were summarized as frequencies and percentages, and the responses to each item were derived from a 5-point Likert scale summarized as percentages.

Responses were then dichotomized into those who agreed with the statement (comprising of agree and strongly agree responses on the Likert scale) and those that did not agree (e.g., neutral, disagree, or strongly disagree responses). The percentage of respondents who indicated agreement with each item was then compared across demographic groups using the Chi-square or Fisher’s Exact Test where appropriate. Due to the number of items in the study, only those for which the responses differ significantly between demographic groups were displayed. Analysis was conducted using Stata 11MP and p-values < 0.05 were considered statistically significant. P-values < 0.05 are indicated as *, < .01 as **, < .001 as ***.

3.3. Results
The demographic characteristics of respondents are summarized in Table 1. A total of 209 respondents completed the survey, and the profiles are as follows, under the age of 25 (26.9%), 26 - 35 years old (39.9%), 36 - 45 years old (22.6%), and 46 years or older (10.6%). The highest ethnic group was white (41.6%), with Hispanics being the second highest ethnic group (24.9%). African-American respondents came in third highest (13.9%), whereas, Other, and Asian ethnic groups followed (11.5%, and 8.1% respectively). The “Other” ethnic group is considered to be primarily of Middle Eastern descent. The majority of the respondents were female (62.9%). Nearly half of the respondents were college educated with a 4-year college degree or higher (44%). Just over half of the participants were married (53.6%), while just under half had no children (45.2%). Lastly, the strongest annual household income was reported as $35,000 - $74,999 (37.5%), and the respondents within the income bracket of $125,000 or more was the lowest reported (14.4%). The participants who self-disclosed an annual income within $75,000 - $124,999 was the 2nd highest (31.7%), and lastly, respondents self-disclosing income of less than $35,000 was the 3rd most popular (16.4%).

Table 1: Demographic profiles (part 1 of 2)

<table>
<thead>
<tr>
<th>Age</th>
<th>N*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>56</td>
<td>26.9</td>
</tr>
<tr>
<td>26-35</td>
<td>83</td>
<td>39.9</td>
</tr>
<tr>
<td>36-45</td>
<td>47</td>
<td>22.6</td>
</tr>
<tr>
<td>46+</td>
<td>22</td>
<td>10.6</td>
</tr>
<tr>
<td>Ethnicity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>87</td>
<td>41.6</td>
</tr>
<tr>
<td>Hispanic</td>
<td>52</td>
<td>24.9</td>
</tr>
<tr>
<td>Asian</td>
<td>17</td>
<td>8.1</td>
</tr>
<tr>
<td>African-American</td>
<td>29</td>
<td>13.9</td>
</tr>
</tbody>
</table>
Table 1: Demographic profiles (part 2 of 2)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>24</td>
<td>11.5</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>129</td>
<td>62.9</td>
</tr>
<tr>
<td>Male</td>
<td>76</td>
<td>37.1</td>
</tr>
<tr>
<td>Level of education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school/Some college</td>
<td>49</td>
<td>23.4</td>
</tr>
<tr>
<td>2 - year college degree</td>
<td>68</td>
<td>32.5</td>
</tr>
<tr>
<td>4 - year college degree or above</td>
<td>92</td>
<td>44.0</td>
</tr>
<tr>
<td>Marital status</td>
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<tr>
<td>Single</td>
<td>60</td>
<td>28.7</td>
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<tr>
<td>Married</td>
<td>112</td>
<td>53.6</td>
</tr>
<tr>
<td>Divorced</td>
<td>14</td>
<td>6.7</td>
</tr>
<tr>
<td>Relationship/domestic partnership</td>
<td>23</td>
<td>11.0</td>
</tr>
<tr>
<td>Number of children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>94</td>
<td>45.2</td>
</tr>
<tr>
<td>1 - 2</td>
<td>83</td>
<td>39.9</td>
</tr>
<tr>
<td>3 or more</td>
<td>31</td>
<td>14.9</td>
</tr>
<tr>
<td>Annual household income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $35,000</td>
<td>34</td>
<td>16.4</td>
</tr>
<tr>
<td>$35,000 - $74,999</td>
<td>78</td>
<td>37.5</td>
</tr>
<tr>
<td>$75,000 - $124,999</td>
<td>66</td>
<td>31.7</td>
</tr>
<tr>
<td>$125,000 or more</td>
<td>30</td>
<td>14.4</td>
</tr>
</tbody>
</table>

*Complete data only*

The responses to each item in the questionnaire are summarized below in Table 2. The majority of respondents strongly agreed that offshore outsourcing helps foreign countries’ economies (60.0%), helps the people in the foreign country be able to have a job (66.8%), allows a person in a host country to better him/herself (55.6%), that doing business with other countries is necessary in order to strengthen ties globally (60.1%), and to stay competitive in the marketplace (48.1%). However, the majority also strongly agreed that a manager who outsources is looking to cut costs (55.6%), however, he/she is operating with a global mindset when doing so (48.3%), it takes jobs away from people in existing companies (54.3%), and it takes jobs away from Americans (44.7%). Americans do strongly agree with having a preference in certain countries over others when it comes to outsourcing efforts (39.6%), but would not have a problem working with a company that engages in outsourcing business strategies (40.7%). The majority feels that if a manager does engage in offshore activities he/she should learn the language and/or culture of the host country (45.6%). The majority of the respondents disagreed that offshore outsourcing does not have a huge impact on the American economy (56.3%), as well as, a manager who outsources in a foreign country is more concerned with the welfare of the people in that country as opposed to the welfare of the people in his/her own country (54.1%). The respondents disagreed that when a manager engages in offshore outsourcing it helps to make America stronger (67.7%). The respondents also disagreed that there is really no need to educate the offshore outsourcing sites on American cultures or languages other than the people who work in the call center (50.2%). Additionally, the respondents disagreed that a manager who engages in offshore outsourcing does not care about the well-being of his/her existing employees’ jobs or futures (52.7%). The respondents also disagreed (44.4%) that when a manager engages in offshore outsourcing, he/she is admired and respected more, as well as, they disagreed that a male manager is more adept to head offshore outsourcing operations (34%). The majority believed
(38.5%) that it is actually the U.S. government’s fault for permitting American-based companies the opportunity to outsource operations. Americans are neutral when it comes to whether Brazil is the next rising star for offshore outsourcing destinations (57.3%), if India still maintains the best place for offshore call center activities (40.6%), as well as, whether or not a manager is better if he/she participates in domestic outsourcing efforts, as opposed to offshore outsourcing endeavors (41.1%). The respondents were also neutral to the statement regarding how offshore outsourcing allows foreign countries to get an upper hand on global operations, which in turn could have adverse effects to the American economy (58.5%). Lastly, the respondents are neutral regarding whether a manager who participates in any type of outsourcing is probably just doing what he/she has been told to do by his/her boss (32.5%), and offshore outsourcing is the way of the future, and American companies need to get on board before they get left behind (36.5%).

### Table 2: Attitudes concerning offshore outsourcing (part 1 of 2)

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore outsourcing helps a company in the long run</td>
<td>7.7</td>
<td>14.8</td>
<td>26.8</td>
<td>9.6</td>
<td>41.2</td>
</tr>
<tr>
<td>Offshore outsourcing helps a company in the short-run</td>
<td>1.0</td>
<td>17.7</td>
<td>29.7</td>
<td>11.5</td>
<td>40.2</td>
</tr>
<tr>
<td>Offshore outsourcing helps the foreign countries’ economy</td>
<td>2.0</td>
<td>3.9</td>
<td>5.9</td>
<td>28.3</td>
<td>60.0</td>
</tr>
<tr>
<td>Offshore outsourcing takes jobs away from Americans</td>
<td>1.4</td>
<td>12.5</td>
<td>13.5</td>
<td>27.9</td>
<td>44.7</td>
</tr>
<tr>
<td>Offshore outsourcing does not have a huge impact on the American economy</td>
<td>23.3</td>
<td>56.3</td>
<td>13.1</td>
<td>1.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Offshore outsourcing helps the people in the foreign country have a job</td>
<td>1.4</td>
<td>1.0</td>
<td>5.8</td>
<td>25.0</td>
<td>66.8</td>
</tr>
<tr>
<td>Offshore outsourcing allows a person in a foreign country to better him/herself</td>
<td>1.9</td>
<td>2.9</td>
<td>22.2</td>
<td>17.4</td>
<td>55.6</td>
</tr>
<tr>
<td>Companies today should operate with a global mindset</td>
<td>1.4</td>
<td>2.9</td>
<td>21.1</td>
<td>27.3</td>
<td>27.4</td>
</tr>
<tr>
<td>Doing business with other countries is necessary in order to stay competitive in the marketplace</td>
<td>2.9</td>
<td>6.7</td>
<td>13.0</td>
<td>29.3</td>
<td>48.1</td>
</tr>
<tr>
<td>Doing business with other countries is necessary in order to strengthen global relations</td>
<td>1.4</td>
<td>4.3</td>
<td>10.6</td>
<td>23.6</td>
<td>60.1</td>
</tr>
<tr>
<td>I prefer some foreign countries to others when it comes to United States companies participating in offshore outsourcing</td>
<td>3.4</td>
<td>11.6</td>
<td>28.5</td>
<td>16.9</td>
<td>39.6</td>
</tr>
<tr>
<td>The next rising star country for offshore outsourcing is Brazil</td>
<td>1.5</td>
<td>7.3</td>
<td>57.3</td>
<td>4.9</td>
<td>29.1</td>
</tr>
<tr>
<td>India still maintains the best place for a company to go to for call center activities</td>
<td>5.3</td>
<td>16.9</td>
<td>40.6</td>
<td>5.8</td>
<td>31.4</td>
</tr>
<tr>
<td>I would not have a problem with my organization engaging in offshore outsourcing activities</td>
<td>9.1</td>
<td>21.1</td>
<td>21.5</td>
<td>7.7</td>
<td>40.7</td>
</tr>
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</table>
Table 2: Attitudes concerning offshore outsourcing (part 2 of 2)

<table>
<thead>
<tr>
<th>Attitude</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is the U.S. government’s fault on allowing companies to outsource</td>
<td>10.1</td>
<td>38.5</td>
<td>28.4</td>
<td>5.3</td>
<td>17.8</td>
</tr>
<tr>
<td>A manager that uses offshore outsourcing is looking to cut costs</td>
<td>1.5</td>
<td>4.8</td>
<td>16.9</td>
<td>21.3</td>
<td>55.6</td>
</tr>
<tr>
<td>A manager that uses offshore outsourcing techniques and strategies is</td>
<td>1.5</td>
<td>8.2</td>
<td>30.4</td>
<td>11.6</td>
<td>48.3</td>
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<tr>
<td>operating with a global mindset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A manager that participates in domestic outsourcing would be better than</td>
<td>6.8</td>
<td>24.6</td>
<td>41.1</td>
<td>3.9</td>
<td>23.7</td>
</tr>
<tr>
<td>a manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A manager who participates in any type of outsourcing is probably just</td>
<td>3.4</td>
<td>24.3</td>
<td>32.5</td>
<td>7.8</td>
<td>32.0</td>
</tr>
<tr>
<td>doing what he/she has been told to do by his/her boss</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A manager who enforces a “made in the U.S.A.” policy is looking out for</td>
<td>2.9</td>
<td>11.5</td>
<td>26.9</td>
<td>15.4</td>
<td>43.3</td>
</tr>
<tr>
<td>the overall welfare of the American people</td>
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</tr>
<tr>
<td>A manager who outsources to another country should learn to speak the</td>
<td>1.5</td>
<td>13.0</td>
<td>22.2</td>
<td>17.4</td>
<td>45.6</td>
</tr>
<tr>
<td>language of that country</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A manager who outsources in a foreign country is more concerned with the</td>
<td>17.7</td>
<td>54.1</td>
<td>17.7</td>
<td>2.4</td>
<td>8.1</td>
</tr>
<tr>
<td>welfare of the people in that country as opposed to the welfare of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>people in his/her own country</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When a manager engages in offshore outsourcing it helps to make America</td>
<td>12.9</td>
<td>67.7</td>
<td>33.5</td>
<td>2.9</td>
<td>21.1</td>
</tr>
<tr>
<td>stronger</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>When a manager engages in offshore outsourcing he/she is admired and</td>
<td>11.1</td>
<td>44.4</td>
<td>34.8</td>
<td>1.5</td>
<td>8.2</td>
</tr>
<tr>
<td>respected more</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>A male manager would be more adept to head offshore outsourcing</td>
<td>16.8</td>
<td>34.0</td>
<td>2.9</td>
<td>3.4</td>
<td>22.0</td>
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<tr>
<td>operations for his company over a female manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore outsourcing is the way of the future and American companies</td>
<td>8.7</td>
<td>24.0</td>
<td>36.5</td>
<td>3.9</td>
<td>27.0</td>
</tr>
<tr>
<td>need to get on board before they get left behind</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There really is no need to educate the offshore outsourcing sites on</td>
<td>25.1</td>
<td>50.2</td>
<td>13.5</td>
<td>1.0</td>
<td>10.1</td>
</tr>
<tr>
<td>American cultures or languages, other than the people who work in the</td>
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<td></td>
<td></td>
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<tr>
<td>call center</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Outsourcing takes jobs away from people in existing companies</td>
<td>0.5</td>
<td>12.0</td>
<td>19.2</td>
<td>13.9</td>
<td>54.3</td>
</tr>
<tr>
<td>Offshore outsourcing allows foreign countries to get an upper hand on</td>
<td>2.9</td>
<td>26.1</td>
<td>58.5</td>
<td>8.7</td>
<td>33.8</td>
</tr>
<tr>
<td>global operations, which in turn could have adverse effects to the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>American economy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A manager who engages in offshore outsourcing does not care about the</td>
<td>9.2</td>
<td>52.7</td>
<td>23.2</td>
<td>4.8</td>
<td>10.1</td>
</tr>
<tr>
<td>well-being of his/her existing employees’ jobs or futures</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SD = Strongly disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly agree
The ethnicity group in Table 3 observed numerous differences in outsourcing attitudes. Hispanic respondents were the most likely to agree that outsourcing helps a company in the long run, while White respondents were the least likely to agree (67.3%, $\chi^2(4, n = 209) = 15.5, p = .004**). White respondents were the most likely to agree that outsourcing takes jobs away from the American economy (83.9%, $\chi^2(4, n = 208) = 13.3, p = .010**), and that outsourcing takes jobs away from people in existing companies (77%, Fisher's exact ($n = 208), p = .017*). Hispanic respondents were the most likely to agree that companies today should operate with a global mindset (88.5%, Fisher's exact ($n = 208), p = .009**). The Hispanic respondents were dominant in agreement regarding that doing business with other countries is necessary in order to stay competitive in the marketplace (94.1%, Fisher's exact ($n = 208), p = .003***), and that if a manager is participating in offshore activities, he/she is operating with a global mindset (82.4%, $\chi^2(4, n = 209) = 15.5, p = .001***). The Asian ethnic group agreed that there really is no need to educate the offshore outsourcing sites on American cultures, or languages, other than the people who work in the call center (37.5%, Fisher's exact ($n = 208), p = .041*). The Other ethnic group (chiefly Middle Eastern descent) strongly agreed that offshore outsourcing allows a person in a foreign country to better himself (95.8%, Fisher's exact ($n = 208), p = .005**).

Table 3: Agreement with statement by ethnic group (part 1 of 2)

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>White</th>
<th>Hispanic</th>
<th>Asian</th>
<th>African – American</th>
<th>Other</th>
<th>$\chi^2$ (df = 4)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore outsourcing helps a company in the long run</td>
<td>35.6</td>
<td>67.3</td>
<td>64.7</td>
<td>51.7</td>
<td>58.3</td>
<td>15.5</td>
<td>0.004</td>
</tr>
<tr>
<td>Offshore outsourcing takes jobs away from Americans</td>
<td>83.9</td>
<td>73.1</td>
<td>58.8</td>
<td>60.7</td>
<td>54.2</td>
<td>13.3</td>
<td>0.010</td>
</tr>
<tr>
<td>Offshore outsourcing allows a person in a foreign country to better him/herself</td>
<td>70.1</td>
<td>72.6</td>
<td>88.2</td>
<td>53.6</td>
<td>95.8</td>
<td>FE</td>
<td>0.005</td>
</tr>
<tr>
<td>Companies today should operate with a global mindset</td>
<td>67.8</td>
<td>88.5</td>
<td>88.2</td>
<td>58.6</td>
<td>79.2</td>
<td>FE</td>
<td>0.009</td>
</tr>
<tr>
<td>Doing business with other countries is necessary in order to stay competitive in the marketplace</td>
<td>70.1</td>
<td>94.1</td>
<td>88.2</td>
<td>65.5</td>
<td>75.0</td>
<td>FE</td>
<td>0.003</td>
</tr>
<tr>
<td>A manager that uses offshore outsourcing techniques and strategies is operating with a global mindset</td>
<td>46.0</td>
<td>82.4</td>
<td>64.7</td>
<td>71.4</td>
<td>45.8</td>
<td>21.4</td>
<td>0.001</td>
</tr>
</tbody>
</table>
Table 3: Agreement with statement by ethnic group (part 2 of 2)

<table>
<thead>
<tr>
<th>There really is no need to educate the offshore outsourcing sites on American cultures or languages, other than the people who work in the call center</th>
<th>10.3</th>
<th>7.7</th>
<th>37.5</th>
<th>6.9</th>
<th>8.7</th>
<th>FE</th>
<th>0.041</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing takes jobs away from people in existing companies</td>
<td>77.0</td>
<td>51.9</td>
<td>76.5</td>
<td>75.9</td>
<td>56.5</td>
<td>FE</td>
<td>0.017</td>
</tr>
</tbody>
</table>

FE = Fisher’s exact test

Table 4 shows agreement by gender. The male respondents more likely agreed that offshore outsourcing allows a person in a foreign country to better him/herself (81.6%, \( p = .041^* \)), companies today should operate with a global mindset (84.2%, \( p = .016^* \)), and India still maintains the best place for a company to go to for call center activities (51.4%, \( p = .003^{***} \)). The male respondents further agreed over female respondents that when a manager engages in offshore outsourcing it helps to make America stronger (32.9%, \( p = .030^* \)), when a manager engages in offshore outsourcing he/she is admired and respected more (17.3%, \( p = .006^{**} \)), and that offshore outsourcing is the way of the future, and American companies need to get on board before they get left behind (40.8%, \( p = .013^{**} \)). The female respondents more likely agreed that a manager who enforces a “made in the U.S.A.” policy is looking out for the overall welfare of the American people (64.1%, \( p = .048^* \)).

Table 4: Agreement with statement by gender

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
<th>( \chi^2 ) (df = 1)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore outsourcing allows a person in a foreign country to better him/herself</td>
<td>68.5</td>
<td>81.6</td>
<td>4.2</td>
<td>0.041</td>
</tr>
<tr>
<td>Companies today should operate with a global mindset</td>
<td>69.0</td>
<td>84.2</td>
<td>5.9</td>
<td>0.016</td>
</tr>
<tr>
<td>India still maintains the best place for a company to go to for call center activities</td>
<td>30.2</td>
<td>51.4</td>
<td>8.9</td>
<td>0.003</td>
</tr>
<tr>
<td>A manager who enforces a “made in the U.S.A.” policy is looking out for the overall welfare of the American people</td>
<td>64.1</td>
<td>50.0</td>
<td>3.9</td>
<td>0.048</td>
</tr>
<tr>
<td>When a manager engages in offshore outsourcing it helps to make America stronger</td>
<td>19.4</td>
<td>32.9</td>
<td>4.7</td>
<td>0.030</td>
</tr>
<tr>
<td>When a manager engages in offshore outsourcing he/she is admired and respected more</td>
<td>5.5</td>
<td>17.3</td>
<td>7.5</td>
<td>0.006</td>
</tr>
<tr>
<td>Offshore outsourcing is the way of the future and American companies need to get on board before they get left behind</td>
<td>24.2</td>
<td>40.8</td>
<td>6.2</td>
<td>0.013</td>
</tr>
</tbody>
</table>

Differences in beliefs were also observed by number of children (e.g. family size) in Table 5. Respondents with no children were more likely to believe that offshore outsourcing helps a company in the long-run (60.6%, \( \chi^2(3, n = 208) = 7.3, p = .026^* \)), companies should operate with a global mindset (86.2%, \( \chi^2(3, n = 208) =12.3, p = .002^{***} \)), when a manager engages in offshore outsourcing he/she is admired and respected more (17.4%, Fisher’s exact \( n = ... \)
206), \( p = .004^{***} \), and that offshore outsourcing is the way of the future and American companies need to get on board before they get left behind \((39.4\%, \chi^2(3, n = 207) = 8.5, p = .014^{**})\). Respondents with 3 or more children were more likely to agree that it is the U.S. government’s fault for allowing companies the opportunity to participate in outsourcing activities \((45.2\%, \chi^2(3, n = 207) = 9.9, p = .007^{**})\), outsourcing takes jobs away from people in existing companies \((90.3\%, \text{Fisher’s exact} (n = 207), p = .009^{**})\), as well as, offshore outsourcing allows foreign countries to gain an upper hand on global operations, which in turn could have adverse effects on the American economy \((63.3\%, \chi^2(3, n = 206) = 6.4, p = .040^{*})\).

Table 5: Agreement with statement by number of children

<table>
<thead>
<tr>
<th>Number of children</th>
<th>None</th>
<th>1-2</th>
<th>3+ ( \chi^2(\text{df} = 3) )</th>
<th>( p )-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore outsourcing helps a company in the long run</td>
<td>60.6</td>
<td>43.4</td>
<td>38.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Companies should operate with a global mindset</td>
<td>86.2</td>
<td>65.1</td>
<td>64.5</td>
<td>12.3</td>
</tr>
<tr>
<td>Doing business with other countries is necessary in order to stay competitive in the marketplace</td>
<td>83.9</td>
<td>68.7</td>
<td>83.9</td>
<td>6.6</td>
</tr>
<tr>
<td>It is the U.S. government’s fault on allowing companies to outsource</td>
<td>19.2</td>
<td>19.5</td>
<td>45.2</td>
<td>9.9</td>
</tr>
<tr>
<td>When a manager engages in offshore outsourcing he/she is admired and respected more</td>
<td>17.4</td>
<td>3.6</td>
<td>3.2</td>
<td>FE</td>
</tr>
<tr>
<td>Offshore outsourcing is the way of the future and American companies need to get on board before they get left behind</td>
<td>39.4</td>
<td>19.3</td>
<td>33.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Outsourcing takes jobs away from people in existing companies</td>
<td>62.4</td>
<td>66.3</td>
<td>90.3</td>
<td>FE</td>
</tr>
<tr>
<td>Offshore outsourcing allows foreign countries to gain an upper hand on global operations; this in turn could have adverse effects on the American economy</td>
<td>37.2</td>
<td>41.5</td>
<td>63.3</td>
<td>6.4</td>
</tr>
</tbody>
</table>

FE = Fishe’s exact

Fewer responses differed by age, level of education, marital status and annual household income, though some differences were observed in Table 6. Respondents in the age bracket of 36 – 45 years old were more likely to agree that it is the U.S. government’s fault for allowing companies to outsource \((40.4\%, \chi^2(3, n = 207) = 10.5, p = .015^{*})\). The age group of 46 or older were more likely to agree that a manager who enforces a “made in the U.S.A.” policy is looking out for the overall welfare of the American people \((81.8\%, \chi^2(3, n = 207) = 13.8, p = .003^{***})\). Respondents who had some college were more likely to agree that a male manager would be more adept to head offshore outsourcing operations for his company over a female manager \((32.7\%, \chi^2(2, n = 209) = 7.1, p = .028^{*})\). Single respondents were more likely to
agree that offshore outsourcing helps a company in the long-run (68.3%, Fisher's exact \( n = 209 \), \( p = .007^{**} \)), whereas, respondents who identified themselves as being in a relationship, or a domestic partnership, more likely agreed that offshore outsourcing helps the people in the foreign country have a job (100%, Fisher's exact \( n = 208 \), \( p = .010^{**} \)), and that a male manager would be more adept to head offshore outsourcing operations for his company over a female manager (43.5%, Fisher's exact \( n = 209 \), \( p = .029^{*} \)). Participants who made $35,000 annually or less, were more likely to agree that offshore outsourcing allows a person in a foreign country to better him/herself (91.2%, Fisher's exact \( n = 206 \), \( p = .027^{*} \)), and that a manager that uses offshore outsourcing techniques and strategies is operating with a global mindset (79.4%, Fisher's exact \( n = 206 \), \( p = .027^{*} \)). Lastly, participants whose annual income was in the $75,000 - $124,999 range were more likely to agree that outsourcing takes jobs away from people in existing companies (77.3%, \( \chi^2(2, n = 207) = 10.8, p = .013^{**} \)).

**Table 6: Agreement by age group, education level, marital status, and income (part 1 of 2)**

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>18 - 25</th>
<th>26 - 35</th>
<th>36 - 45</th>
<th>46+</th>
<th>( \chi^2 ) (df = 3)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is the U.S. government’s fault on allowing companies to outsource</td>
<td>17.9</td>
<td>17.1</td>
<td>40.4</td>
<td>22.7</td>
<td>10.5</td>
<td>0.015</td>
</tr>
<tr>
<td>A manager who enforces a “made in the U.S.A.” policy is looking out for the overall welfare of the American people</td>
<td>58.9</td>
<td>45.8</td>
<td>71.7</td>
<td>81.8</td>
<td>13.8</td>
<td>0.003</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education level</th>
<th>Some college</th>
<th>2-year college degree</th>
<th>4-year college degree+</th>
<th>( \chi^2 ) (df = 2)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A male manager would be more adept to head offshore outsourcing operations for his company over a female manager</td>
<td>32.7</td>
<td>32.4</td>
<td>16.3</td>
<td>7.1</td>
<td>0.028</td>
</tr>
</tbody>
</table>
Table 6: Agreement by age group, education level, marital status, and income (part 2 of 2)

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Single</th>
<th>Married</th>
<th>Divorced</th>
<th>Relationship/ domestic partnership</th>
<th>$\chi^2$ (df = 3)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offshore outsourcing helps a company in the long run</strong></td>
<td>68.3</td>
<td>44.6</td>
<td>28.6</td>
<td>47.8</td>
<td></td>
<td>0.007</td>
</tr>
<tr>
<td><strong>Offshore outsourcing helps the people in the foreign country have a job</strong></td>
<td>98.3</td>
<td>88.3</td>
<td>78.6</td>
<td>100.0</td>
<td></td>
<td>0.010</td>
</tr>
<tr>
<td><strong>A male manager would be more adept to head offshore outsourcing operations for his company over a female manager</strong></td>
<td>31.7</td>
<td>20.5</td>
<td>7.1</td>
<td>43.5</td>
<td></td>
<td>0.029</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>Less than $35,000</th>
<th>$35,000-$74,999</th>
<th>$75,000-$124,999</th>
<th>$125,000 or more</th>
<th>$\chi^2$ (df = 3)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offshore outsourcing allows a person in a foreign country to better him/herself</strong></td>
<td>91.2</td>
<td>63.6</td>
<td>72.7</td>
<td>75.9</td>
<td></td>
<td>0.027</td>
</tr>
<tr>
<td><strong>A manager that uses offshore outsourcing techniques and strategies is operating with a global mindset</strong></td>
<td>79.4</td>
<td>59.0</td>
<td>59.4</td>
<td>43.3</td>
<td>8.9</td>
<td>0.031</td>
</tr>
<tr>
<td><strong>Outsourcing takes jobs away from people in existing companies</strong></td>
<td>54.6</td>
<td>73.1</td>
<td>77.3</td>
<td>50.0</td>
<td>10.8</td>
<td>0.013</td>
</tr>
</tbody>
</table>

FE=Fisher's exact test

5. CONCLUSION

In closing, this study indicated that the participants had strong opinions towards the research question regarding outsourcing, and how this shapes Americans’ attitudes based upon demographic profiles. The demographic differences do show that Hispanics in America are more favorable of companies who do outsource a portion of its operations overseas. Hispanics feel that the company is operating with a more global intent and that outsourcing operations is simply an essential part of doing business in the global marketplace in which companies
reside today. The White ethnic group was the least favorable on outsourcing in America, and this group feels that a company who practices outsourcing techniques and strategies is taking jobs away from Americans, and directly from the people who work for the particular organizations. The Asian ethnic group felt the strongest on the fact that educating indirect workers in the foreign country on the American culture and language was not needed.

In regards to gender differences, the male respondents were more favorable of outsourcing helping the people in the foreign country better themselves, and that outsourcing is a way for a company to operate with a global mindset. Males also felt that India is still the best country to go to for outsourcing call center activities. Males were also more favorable over females in outsourcing activities helping to make America stronger, and that these techniques and strategies are the way of the future, and America needs to get on board before she gets left behind. Males also felt more strongly regarding a manager who engages in outsourcing events is respected and admired more by his/her followers. However, females did feel stronger over males that if a manager enforces a “made in the U.S.A.” policy he/she is looking out for the welfare of the American people.

Family size was significant in which respondents who had no children, had stronger opinions regarding outsourcing in America, for example, these respondents did feel that outsourcing helps a company in the long-run, companies should operate with a global mindset, doing business with other countries is necessary in order to stay competitive, a manager is admired and respected more if he/she engages in outsourcing, and America needs to get on board with outsourcing techniques and strategies before she gets left behind. Respondents with 3 or more children felt more strongly, in regards to, outsourcing takes jobs away from people in existing companies, and that offshore outsourcing has allowed foreign countries to gain an advantage over the American economy.

The age group of 36 - 45 years were dominant in the belief that it is the U.S. government’s fault for allowing companies the opportunity to offshore outsource. Respondents who were 46 years of age or older were dominant in believing that a manager who enforces a “made in the U.S.A.” policy is looking out for the welfare of the American people. Respondents with only some college felt that a male manager would be better at heading offshore outsourcing operations for a company over a female manager. Respondents who were either in a relationship, or a domestic partnership, were dominant in the attitude that offshore outsourcing helps the people in the foreign country to have a job, and that a male manager would be more adept to head offshore outsourcing operations over a female manager. The single age group had stronger feelings that offshore outsourcing helps a company in the long run. Lastly, respondents who made less than $35,000 annually had stronger beliefs regarding offshore outsourcing allows a person in a foreign country to better him/herself, and that a manager who uses offshore outsourcing techniques and strategies is operating with a global mindset. The respondents in the $75,000 - $124,999 income bracket believed stronger that outsourcing takes jobs away from existing companies.

6. LIMITATIONS
The aim of the study was to describe attitudes towards outsourcing across different subgroups of the U.S. population, particularly offshore outsourcing efforts. It was not designed, or planned to conduct multivariate analyses to identify independent predictors of responses. A minimum of agree, and disagree responses would be required per variable in a multivariate logistic regression model. Based on this, the sample size would not be sufficient to adequately adjust for all demographic characteristics included in this study. This means it is not possible to determine whether, for example, differences by ethnicity could be explained by age differences in the ethnic groups. However this study does offer an indication of the demographic groups whose attitudes, beliefs, feelings, and opinions differ from one another.
LITERATURE
DIFFUSE HOTELS AND AGRICULTURAL HOUSEHOLDS BUSINESS PRACTICE

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ABSTRACT
The concept of a diffuse hotel is designed to connect small tourism providers in a specific small geographic area into a broader and more complete offer of tourist services. The model of diffuse hotels has been founded in Italy by Giancarlo dall’Ara in 1982 and has been accepted for providing accommodation facilities all over the world. Increasing the quality of private accommodation facilities or accommodation in households is one of the key objectives of the Development Strategy of Croatian Tourism till the 2020th. At the same time it is the reason for developing the National Programme what includes creation of new and innovative tourism products. All this actions lead to increasing demand in the rural areas in main season as well as out of peak seasons and strengthening of the competitiveness of Croatian tourism. The aim of the paper is to analyze some specific features of the diffuse hotels and to explore the possibility of improving the agricultural household tourist offer in Croatia by implementation of diffuse hotels. For the purpose of this paper, in 2015, the perception of agricultural households managers/owners in the area of Dubrovnik-Neretva County has been explored. According to the results of the research it is visible that diffuse hotels can be considered and accepted as suitable form of accommodation facilities in the future development of tourism in the area of Dubrovnik-Neretva County.

Keywords: agricultural households, diffuse hotels, Dubrovnik-Neretva County

1. INTRODUCTION
Agro tourism with the autenticity and unicity of the product differs across the countries in the international market. On the other side, agrotourism supply and food issues are very prominent in the development of European integration and are an integral part of identities and are embedded in national cultures. It is important factor for croatian rural areas tourism development. (www.agroturizam-razvojan-politika). It is the type of touristic rural family business where the main activity is agricultural production until the accomodation facilities and the other facilities are added as product/service. The owner and the family ordinary live at the agricultural household, what influences on the high level of interraction between tourists and owners/employees (Bacac, 2015. p. 30).
The goal of the paper was to explore perception of the agricultural households managers and owners in Dubrovnik-Neretva County towards diffuse hotels such as to explore some specific features of their business practice.

The main hypothesis stated in the paper are:

H1. Individual agricultural households ordinary sell produce and sell food and/or accommodation services, and are not able to provide integral and augmented agricultural household product/service.

H2. The diffuse hotel can be convenient as new and innovative agricultural household product in Dubrovnik-Neretva county.

For the purpose of this paper we have carried out primary research in the area of Konavle and Peljesac Peninsula in Dubrovnik-Neretva County.

2. AGRICULTURAL HOUSEHOLDS AND DIFFUSE HOTELS

There are two basic types of agrotourism - open and close type of agro tourism households. The first open type of agrotourism household is excursionary, as a type of agro tourism household which offer the food services for individual clients and groups and the capacity is maximal 80 persons. In the same group belongs the household which offer accomodation and food services for maximum 20 persons (or 60 in the camp) and the food service for maximum 80 people. The third type of agro tourism household is close type of agro tourism household, which offer accomodation and food services for the clients on the household. They can offer the accommodation and food facilities for maximum 20 people on the agro tourism household or 60 in the camp. The accommodation facilities can be offered in the apartments, camps, rooms or special houses (Bacac, 2015, p. 30).

Agricultural households can be based on the ecological production so in that case we can speak about eco tourism. The most important stakeholders in rural tourism development are agricultural households and are in significant number located in Dubrovnik-Neretva County, (Demonja and Ruzic, 2010, p. 51), and in Istria, too, where we should mention the contribution of the Tourist Chamber of Istria. For example, Agroturizam San Mauro in Istria near Buje is on the 350 meters height. The family keeps tradition and provides services in their traditional and autochtonic house. In the restaurant 50 persons can be accepted and the menu consists from the autochtonic food based on ecoproduction. (http://www.ruralna.hr.)

We also should mention Zagreb County where in 2007 seven households have been registrated (Franic, Cunj, 2007, p. 391), and there is a trend of increasing the number of agricultural households from year to year. For example agricultural household Veselic applying ecological production, what means that they do not use agrochemicals. The accommodation facilities has been offered in the traditional authentic rural house and one can sleep in the nones bad and the kids can be put in the traditional small bed for kids. The food has been prepared in the traditional way with the fruit and vegetables from the organic production ( the same is with the cookies). The visitors can see the animals and can have a drive on the tractor around the whole village. Agricultural household Sveti Martin on Mura in 2007 has been awarded as the best European destination in rural tourism (by the European Commission). The accomodation facilities have bee offered in their bungalows and the visitors can eat wide range of autochtonic food specialities. The clients can also play tennis and football and see animals. They have arranged the area for kids where they can play different games and spend their time (http://www.ruralna.hr, accessed 21.07.2015).
Difusee hotel is a hotel which is not built and is very convenient for keeping authenticity of the place. The model of difussed hotel has been founded in Italy by the Giancarlo dall’Ara in 1982 (Dall’Ara, 2000). According to the new Strategy of Tourism Development until 2020, difuse hotels are predicted as a form of tourist offer in Croatia. There are some positive initiatives by private accommodation facilities owners in Istria, for institution of private accommodation facilities based on the model of difuse hotel (www.glasistre). The main idea is to put in function different buildings and give them added value, based on the creating of new services and connection of the existing objects without new building which would disturb the authenticity of the destination (Bacac, 2015, p. 31).

The example of good practice is the first diffuse hotel in Croatia called Raznjevica Dvori. The hotel „Raznjevica dvori“ has been opened 12. 06. 2014. in Polaca between Biograd and Benkovac. The hotel consists of six stone functionaly connected buildings in the area of 1,7 hectares. The hotel „Raznjevića dvori“ has been built by reconstruction of old, traditional objects. The hotel has different services including conference hall for 50 people (www.zadarska-županija).

In this paper we have had explored the attitudes of the managers/owners on the agricultural households in the area of Konavle and Peljesac Peninsula in Dubrovnik-Neretva County towards diffuse hotels and possibility of organizing agricultural household business practice in the form of diffuse hotels. The results of the research will be presented and discussed in the next part of paper.

3. RESULTS OF THE EMPIRICAL RESEARCH CARRIED OUT IN THE AREA OF DUBROVNIK-NERETVA COUNTY
In our research we have explored the attitudes and experience of 10 agricultural households owners/managers in Dubrovnik-Neretva County. The results of the research have been shown below.

3.1. Research methodology
For the purpose of this paper we have carried out primary research in Dubrovnik-Neretva County. The empirical research has been carried out by interviewing agricultural households managers/owners. The questionnaire was semi-structured and included 29 questions. The first group of questions was about demographic data, the second about services they have used in agricultural households until now and about their experience. For analyzing data we have used descriptive statistics.

3.2. Results of research and discussion
All agricultural households are located in Dubrovnik-Neretva county, in the area of Konavle (80%), and Peljesac Peninsula (20%). The men in the study were represented with a share of 70%, while women accounted for 30%. The share of 20% belongs to the owners/managers who were between 31 and 35 years, 40% between 36 and 40, 20% between 41 and 45, followed by managers older than 50 with the share of 20%. Managers/owners are mostly secondary school educated (60%), college-educated or have finished high school (30%) or have finished doctoral degree (10%).

The working time of the agricultural households mostly depends upon the announcement to the owners/managers. They are mostly small agricultural households. The service of the agricultural household is mostly based on the food service. They consider they are completely competitive, but some of them have difficulties in the market struggle for competitiveness. One part of them considers that agricultural households offer is good enough in all segments of tourist supply (33%), but the significant part of them think that there is a need for
improvement (67%). The most important services which have to be improved are in the area of management, marketing, customer relationship management and additional services.

The main advantages are: possibility to work in the own way, flexible working hour, traditional way of living, family business, possibility to offer specific type of service to the market niche, possibility to produce and sell in their own houses, possibility to sell with higher prices. The most important disadvantages are: bureaucracy and complexity and limitation of the legislation which is not adapted well with specific features of the agricultural households business practice. Very often some standards demanded from croatian agricultural households are higher than standards in the other EU countries, and it is the main obstacle if they want to diversify and improve their supply. On the other side it demands added financial investment.

The agricultural households owners/managers state that they also have problems with the distribution of their products and they need help in the area of marketing management, especially promotion and distribution. With the innovations in their production they should produce more products. They all find out that the quality of their products is satisfying, but they consider that it is necessary to continuously improve the level of quality. The findings show that agricultural households are aware that clients demand and expect high level of quality and safety standards. They have never had problems with the safety of their product and although they do not have international certificate for their products (except the declarations with the data about producer, name of product, duration), all of them consider the safety level as very satisfying.

The future development should be based on innovations (in the capacity, but also in the area of promotion and marketing management). They mostly sell their product directly and using services of travel agencies, but just some of them promote their product using mass media (20%) or have their own websites (30%). The main barriers for the future development are limitation connected with the human resources, financial obstacles, difficulties to place the product on the international market and to find a market niche which is optimal for the household.

The cooperation with other agricultural households they all will be ready to accept. They also support financing from the EU projects and they are willing to apply to them, but they need experts help (their limitations are in time and the knowledge necessary for filling the documentation). Some of them apply informal cooperation between their households. The main problems in realizing formal form of cooperation, such as diffuse hotel, they see in the possible conflicts about decisions and in legislation such as in financing projects.

4. CONCLUSION

According to the Croatian law the diffuse hotel is accepted as a new and innovative tourism product. The aim of the paper was to analyze some specific features of the diffuse hotels and to explore the possibility of improving the agricultural household tourist offer in Croatia by implementation of diffuse hotels. According to the results of the research which has been done in 2015 with the main goal to explore the perception of agricultural households managers/owners in the area of Dubrovnik-Neretva County towards cooperation, it is visible that they are willing to cooperate in formal form. Until now some of them applying informal form of cooperation, which is very similar to diffuse hotel. The distance between some of the agricultural households is 200 meters, so it is possible to organize cooperation in the form of diffuse hotel. The agricultural households in Konavle and Peljesac Peninsula mostly offer one or two different services. It could be the way for creating integral and augmented agricultural household product, which can be found in Italy and other countries which have started to organize agricultural households business practice in the form of diffuse hotel and developed it to the enviable level until now. There is huge agricultural potential, in first order
based on the autentical product and possiblity to sell autochtonius ambience and service based on the economy of experience. Very often it is not possible for the individual producers because they are limited by some factors. According to the results of the research it is visible that agricultural households owners/managers are aware of that fact and they are willing to inovate and to realize cooperation, what can be realized in the form of difusse hotels. So we find out that difusse hotels are suitable for the agricultural household future development in the area of Dubrovnik-Neretva County.

LITERATURE
INFORMATION SYSTEM AS A TOOL GUARANTEEING FOOD SAFETY AND CONTROLLING FOOD MARKET

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ABSTRACT
Changes occurring in the world (social, economic, technological) are a great challenge for market players. The development of transnational corporations, mass production, lower costs, greater amount of markets, cheaper suppliers influence that producers aren’t able to secure semi-finished products or raw materials in the production cycle. Semi-finished products and raw materials are procured and delivered by providers, who are also intermediaries in this production cycle from different countries. Lack of control over raw materials affects the purchase by unscrupulous providers of the cheapest materials of unknown origin, resulting in scandals – also in food. The article shows the ways to verify the production of food at every stage of its creation, and indicates possibility of its control.

Keywords: food market, profit and scandals, food safety, food market, control, information system.

1. INTRODUCTION
The most important problem faced by the people all over the world is the problem of food. For years, it was thought that food is healthy, provides body with essential nutrients, minerals and vitamins for proper functioning of the body. This principle isn’t true in food production, which has the highest change. Food has become much more accessible, more processed and less "natural", and thus its nutritional value for the consumer is becoming lower. Modern food contains all sorts of extras that lengthen its shelf life, improve the appearance and taste, increase the weight etc. (B. Waszkiewicz – Robak, 2002, p. 18-22).

Modern food production sector is shaped by companies and corporations interested in profit. Despite safety systems, (including existing HACCP), and control, food contains a lot of different types of synthetic additives: dyes, or preservatives. Each of these food additives can be long on the shelves, look good and smell delicious. Chemistry isn’t an enemy of society. The problem in the production of food is same who, wishing to achieve high returns looking for cheaper substitutes, sometimes untested, sometimes forbidden to improve the appearance of food, refresh it and re-enter it on the market.

Often manufacturers in search of profits, expand markets by buying and selling food and components for its production in different countries. Export and import of food, semi-finished or preservatives from other countries is regulated by national governments. They choose their products, limit amounts of various chemical compounds, determine which products will be sold in the country. Countries defending themselves against unfair manufacturers prohibit importing food whose origin or composition can’t be verified. Some bans are correct, some may be malignant in order to protect its own production. The problem arises when verifying accuracy of information about the food. How to stop throwing irregularities connected with the wrong proportions of fertilizers, pesticides or antibiotics? How to verify whether a food is healthy, free of excess pollutants?
It seems that the alternative is to increase the control, but the number of controllers doesn’t solve the problem. An alternative to food producers is the development of clusters or associations of these producers, having ability to control food safety, and system verification information producers at every stage of food production.

2. FOOD MARKET
Food market is a very attractive one. Every man must eat to live, and it gives a variety of high-earning opportunities. The number of consumers leads to creation of new farms, factories producing food, chemical laboratories. Fast and rapid development of the food industry also affects development of market for food technologists who design recipes products suitable for human consumption, their composition, determine permitted level of additives and preservatives, so as not to harm the public. Equally rapidly growing is the market of chemical additives, which look cheaper and higher food stabilizers, extending compounds expiry dates, enriching products with nutritional supplements (vitamins, calcium, iron, minerals etc.). Attractiveness and profitability of the market affects both manufacturers who compete with each other in production of food, look for low-cost suppliers of cheap substitutes, produce cheap products to earn as much as possible, looking for suppliers of all kinds of food additives (preservatives, packaging, fixatives, food dyes, components for further production).

The development of the food market isn’t dependent on the consumer's wallet. Food is produced for each consumer but it’s composition is modified. In the more expensive products, you can find more natural substances. Cheaper products have their chemical counterparts, eg. water with strawberry flavor can be produced on basis of strawberry juice or a chemical additive which dictates taste and smell of strawberries. The difference between these products are reflected in the price - water is cheaper with chemical addition.

Customer allocation by wealth

Source: own.

This division presented in form of a pyramid. At the base of pyramid are customers who earn the least (minimum wage in the economy), living on unemployment benefits or benefiting from state aid (social assistance). In every economy, they constitute the largest group. Another part of pyramid is the middle class. The smallest group of customers are affluent, located at the top of pyramid.

In perspective of this division we can raise question: which food market is more attractive - natural food market (addressed to affluent and middle-income) or conventional food market (addressed to other customers)? Producers of many factories produce food in these two...
categories - sometimes hiding their own brand – don’t want to hurt themselves for example - Bakoma produces yogurt under name of the company and for discount Biedronka under name Tola, where there isn’t any relation with the company’s name. Conventional food market is a better market for some to make profit. The number of potential customers is greater, preservatives can add more (so it reduces operating costs).

The attractiveness of the food market favors formation of scandals. From time to time in the press, on television or the Internet, there are reports that the food contains road salt, antibiotics, rat poison. In Polish butter Slovaks experts have detected some emulsifiers and preservatives allowed in the EU (emulsifiers E471, E322 and E472 and E202 preservative). Through these scams, every country has lost hundreds of millions of dollars. It is estimated that food scandal associated with road salt in food in Poland caused a loss of 300 million PLN.

Food scandal also touch the most expensive food - organic food. Name of food doesn’t guarantee its safety. Press publicized the scandal in the Italian organic food company. Few thousand tons of counterfeit products have entered the market. One of the members of the criminal group said that he sold more than 700,000 tons of organic food counterfeit with a total value of around 220 million euros, in several European countries. The question was: how to look for proceder sales? He bought raw materials in Romania and Italy, then reported as "organic" on the basis of forged documents and resold at high prices. According to "Die Welt", on the German market were millions of eggs from caged hens sold, which were declared as "organic eggs".

Scandals in food industry in Poland and Europe arouse concerns of millions of consumers, damaged the image of food abroad and undermined confidence in inspection services, it hit in fair producers who have problems with signing long-term contracts with domestic and foreign customers. Countries under protection of their own consumers may impose an embargo on all producers of the country, eg. Russia, which believes that Polish food isn’t healthy, contains antibiotics and harmful ingredients (K. Szymańska, 2013, pp. 222-227).

3. FOOD INSPECTION

Full control of food in each country is impossible. In Poland there are no controllers, who would be able to detect all fraud, so many scandals explode after a certain time, some are not disclosed at all. There is a lack of efficient operation and co-ordination between control service, sometimes it doesn’t respect the law and don’t enforcing it.

There can be many solutions to this situation. The most valuable solution for the proper functioning of the food market is to create a suitable computer program, the establishment of the entity collecting and making available information about food production at each stage, providing data producers and consumers both in Poland and abroad, and the appointment of auditors for checking and verifying the information entered into the system at any level.

16 Oszustwo w wielkim stylu, http://www.dw.de/skandal-z-eko-jajkami-za-ma%C5%82o-kontroler%C3%B3w-% C5%BCywno%C5%9Bci-a-16628969, [25.02.2013].
4. ELECTRONIC INFORMATION SYSTEM AS A TOOL FOR ENSURING FOOD SECURITY AND CONTROLLING THE FOOD MARKET

Electronic information system about production of food is a tool to ensure food safety - from the farmer or producer to the customer.

The system should combine multiple units: seminal centrale, sales of fertilizers and pesticides, veterinary clinics, farmers, processors and stores. All information should be stored in an electronic database linking the different institutions.

Centrale seminal would inform, which products have been sold to customer, in which year, when they were made, what was their expiration date, residence time in the control of seed. In addition, they provide information about species of seeds or seedlings sold and way storage. Each purchase of these materials would be scanned and assigned to a specific manufacturer (farmer).

Veterinary database would provide information about disease in herds, genetic material for breeding, antibiotics and other means used in the farms. Here too, any purchase would be scanned and assigned to the producer (farmer).

Database farmers contain information about the use of fertilizers or plant protection products, size of the farm (there can be correlated and checked purchased fertilizers in terms of number of acres), the time of their application (in terms of preserving grace period - to reduce dosage of fertilizer just before sale, the frequency of use - if they were too often fertilized to improve crop yields); antibiotics used on the farm (or preserved waiting periods prior to sale of animals and products of animal origin).

Farmer at home would be forced to make a particular purchase and enter information about application. In addition, the farmer must have had provided information on number of sowing, after manufacture of product (seed, raw materials for further processing) would be forced to check in amount collected or produced fetal cattle or swine, date of harvest, accounting changes its location - the sale. Before the sale he would introduce information about the last time when he used additives and their dosage, method of storage, storage conditions and measures taken to storage. This would give a complete picture of a working farm.

Database would contain processors information about: farmer from whom a person bought material for further processing, food additives, the country from which they are derived with dates of purchase to prevent re-circulation of food that is past due. At this stage each purchase would be scanned. Downstream manufacturers can choose from whom they take raw or material for further processing, as far as content of chemistry they can afford.
The final link of system would be client. Using appropriate application, he could scan code, Internet connection would have access to information about composition, place of manufacture, additives, company that manufactured product, a farmer who supplied raw materials (modified or not). He would know what he pays for, what he eats, how much chemistry does the product contain.

Fig. 2. Electronic Information System of Food – model

Source: own.

All this information should be collected in one network per country - so that producers (processing plants, butchers etc.) can choose the farmer from whom they wish to buy (they were guided by information about animal diseases or plant fertilization, would have access to information about place with comes raw material, how he was made or that he contained GMOs).

The control unit would have information about farmer and producer - information about what was purchased, when, if it was possible to produce a registered quantity of raw material amount of product intended for sale. If material studied by the institution would include
measures that weren’t included by manufacturer of the system, or concentration would be too high (deliberate fraud), then it is possible to punish the manufacturer in different forms (a monetary penalty, suspend the sale or production), send a check to further testing of production (manufactured products) and stop further sales, if results would extend wrong. Access to this information would also have the government suitable ministry. This information would be useful in food sales abroad - other governments would have access to it and would choose products suitable for further processing. Country purchaser or manufacturer from another country would define acceptable range of applied fertilizers, antibiotics, etc. The less chemical additives, products would be more expensive. The Union has problems with the sale of food to other countries that call quality of products into question, talk about their harmfulness, diseases, fertilizers etc. It's hard to defend against such accusations, or lead to criminal liability - a word against word. With such a system, there could be quick way to convince malicious buyers who falsely reject purchase with their invented strange reasons (embargo - Russia). The Union and individual countries wouldn’t have to unnecessarily pay extra subsidies to farmers for losses caused by embargo.

5. SYSTEM BENEFITS
The proposed system will provide specific information for all interested groups and informed about what is happening with food at the various stages of its production. Thanks to interested, individuals are informed of farmer - how much production he sold, at what price; if he didn’t sell - what happened to the production - at this stage can be ruled out defective seed, feeding of animals broken, outdated or too fertilized production (cereals, potatoes). Also, manufacturer would have to watch, given composition and origin of ingredients used to produce food, which would prevent occurrence of scandals habits. Moreover, the system provides information on origin of product and its composition, prevents fraud involving sale of products sold as organic as "health food"; to exclude fraud selling multiple products, eg. green - you may find that farmer has to buy food from another farm (there is no production capacity, element destroyed sowing or crops) and sold as their own to earn on it (can be seen in system, he sold two times more yield than he can gather). The system is able to check at each production stage.

6. DISADVANTAGES OF THE SYSTEM
The problem with what will have to face at the beginning of introduction of the system will cover food that can’t be sold at any of the stages because it doesn’t meet the defined criteria. What to do with it?

The second problem is cost of building the system. The cost of building the system can be reduced by applying for funds from the EU funds. Another problem is the reluctance of farmers, manufacturers and inspection bodies. Farmer or producer explains that there is no time to enter information into the program, but State as an institution may require such involvement from farmer. State sells agricultural products abroad, looking for markets, subsidizes agricultural production, EU subsidies paid to farmer. It may be a condition forcing farmer to enter the digital age. The range of activities - the system is extensive and requires introduction. You should start by designation of units (institution) in respective regions and make changes locally, at a later stage to go to the national system, which spans farmers, growers, producers, controllers and clients. The units of introducing such systems should be food producers' association or associations clusters giving them opportunities and control powers. Such associations could affect confirmation of the quality of food, strengthening the image of manufacturers, helping farmers and creation and maintenance of a market.

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7. CONCLUSION
Article discussed the problems associated with the food market - showed problems of producers who, if they get a positive financial result are looking for cheaper labor, cheaper raw materials, cheaper suppliers. Lack of control over raw materials, cheaper components, desire to make a profit affects with an appearance of unfair market suppliers, chemists, food technologists and manufacturers. Nowadays, it is difficult to verify quality of product, place of origin, method of production, which is why we often have to deal with food scandals.
A computer system becomes a way to verify production of food at every stage of formation and monitoring, individual collecting and releasing the information about food production in the country and abroad. The system allows to solve problems associated with production and sale of food and quality products.

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5. Oszustwo w wielkim stylu http://www.dw.de/skandal-z-eko-jajkami-za-ma%C5%82o-kontroler%C3%B3w-%C5%BCywno%C5%9Bci/a-16628969, [25.02.2013].
THE INFLUENCE OF THE SIZE OF THE ECONOMY AND EUROPEAN INTEGRATION ON FOREIGN DIRECT INVESTMENTS IN THE CENTRAL, SOUTHEASTERN AND EASTERN EUROPEAN STATES 1994-2013

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ABSTRACT
The paper studies the interdependence of the economy size and foreign direct investments (FDI) in the transitional economies of Central, Southeastern and Eastern Europe. In the global capitalist economy, foreign direct investments (FDI) represent one of the key determinants of economic growth. Among some transitional economies, in the last 20 years, FDI represented one of factors that increased the economic growth, and in other transitional economies, the influence of FDI was minor or even negligible. In the literature devoted to the influence of FDI on economies, the research about the determinants of geographical pattern of FDI distribution usually focuses on the factors that determine why some states manage to draw FDI in higher levels than some other states. Our research focused on the transitional economies of Central, Southeastern and Eastern Europe, which were for the most part of the last 20 years net receivers of the FDI. Only a couple of these countries in the years of the current economic crisis have experienced FDI net outflow. Among the states studied, we have equally studied the EU members, as well as the non-EU members. We have tried to find similarities and differences between these two groups of states in order to determine the influence of EU membership on FDI per capita and how it correlates with the size of the state’s economy. We have also tried to answer the question of how much the GDP growth rate correlates to the FDI net inflow share in GDP for EU and non-EU members. The methodology is based on the statistical correlation between FDI in current US dollars and GDP per capita in current US dollars (World Bank data) for each represented state, through the surveyed period from 1994 until 2013. The statistical correlation matrix (Pearson method) determined whether any correlation between the average GDP growth rate (chain index) and the average share of FDI in GDP per each state exists for each state surveyed.

Keywords: foreign direct investment (FDI), gross-domestic product (GDP), the European Union, transitional economies, Central, Southeastern and Eastern Europe.

1. INTRODUCTION
The relationship between foreign direct investment (FDI) and economic growth is a well-studied subject in the development economics literature, both theoretically and empirically. The interest in the subject has also grown out of the substantial increase in FDI flow that started in the late 1990’s, and led to a wave of research regarding its determinants. Most of the research that studies FDI deals with the relationship between FDI and economic growth. In
addition, a significant part of the research studies the determinants of FDI: economic, political and geographical. The importance of FDI in contemporary economies is well known. FDI is seen as an important element in the solution to the problem of scarce local capital and overall low productivity in many developing countries (DeMello, 1999).

With the inclusion of FDI in the model of economic growth, traditional growth theories confine the possible impact of FDI to the short-run level of income, when actually recent research has increasingly uncovered an endogenous long-run role of FDI in economic growth determination (DeMello, 1997). According to the neo-classical models, FDI can only affect growth in the short run because of diminishing returns of capital in the end. In contrast with the conventional neo-classical model, which postulates that long run growth can only happen from both the exogenous labor force growth and technological progress, the rise of endogenous growth models (Barrow and Sala-i-Martin, 1995) made it possible to model FDI as promoting economic growth even in the end through the permanent knowledge transfer that accompanies FDI.

Therefore, the importance of studying FDI has increased. Contrary to the claims that FDI boosts economic growth, Carkovic and Levine (2002) and Akinlo (2004) show that private FDI do not have significant influence on the economic growth of a state. However, the tests present in the literature about the FDI usually take into account heterogeneous groups of countries, thereby ignoring the differences that exist among these countries because of their different geographical location, tradition, and culture, as well as the trade opportunities and flows that influence the economic growth and thereby the FDI. Haufler and Wooton have studied the relation between the FDI and the tax competition, as well as the relation between the FDI and country size.

They have focused on foreign direct investment in a region in which population is asymmetrically distributed between countries and there are some remaining barriers to intra-regional trade, although these are lower than on trade with countries outside the region. Empirical work has shown that both the market size and the effective tax rate on capital are important factors in influencing multinational firms’ choices of countries in which to invest. Among other findings, they have shown that “if countries differ only in population size, then we would expect that it is again the largest market which attracts the firm. However, the optimal tariff or consumption tax of the largest country will now depend on its relative size vis-a-vis all other countries. Furthermore, the size of the second largest country will be critical in determining which offer the biggest country has to beat.

Essentially, the equilibrium profit tax that the largest country can extract from the firm will then depend on its market size advantage over the next largest competitor” (Haufler, Wooton, 1999). In the 1990’s, studies of FDI in emerging markets have put particular stress on indicators of economic and political risk (see Lucas, 1993; Jun and Singh, 1996). This comprised three main elements: macro-economic stability, e.g. growth, inflation, exchange rate risk; institutional stability such as policies towards FDI, tax regimes, the transparency of legal regulations and the scale of corruption; and political stability, ranging from indicators of political freedom to measures of surveillance and revolutions (Dunning, 2004: 8). In the same paper, Dunning (2004: 4) recognizes other principal economic determinants of market seeking motives of transnational corporations (TNCs) to invest via FDI in the host states\(^\text{17}\): market size and per capita income, market growth, access to regional and global market, country

\(^{17}\) The other principal types of motives of transnational corporations (TNCs) for FDI, according to Dunning, are resource seeking, efficiency seeking, and asset seeking motives.
specific consumer preferences, and structure of markets. Market size or size of the economy at the present moment is usually determined by the total GDP of the economy. Estrin and Uvalic (2013) have explored the determination of foreign direct investment (FDI) into the Balkan transition economies (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania and Serbia). Detailed FDI inflows to Southeast Europe (SEE) are analyzed to determine the main differences in the volume, timing and sectoral structure of FDI within the region and in comparison to the Central East European countries. They have concluded that even when negative effects, such as the size of their economy, distance, institutional quality and prospects of EU membership were taken into account, Western Balkan countries receive less FDI. FDI to the Balkans were driven by geographical and institutional factors, similarly to other transition economies, but there is evidence of a significant negative regional effect.

Regarding the openness of the economy and connections of the member states’ economies that have passed through transition with the other EU member states’ economies (EU-15) it is important to acknowledge that the EU operates a trade regime designed to afford some protection to EU incumbents from third party import competition. An important aspect of trade linkages is involvement or potential involvement in free trade agreements, customs union and supra-national economic structures, such as the European Union.

Third party countries may invest into such regions to avoid tariffs on exports, while the enhanced growth and trade from the economies of scale of integration provide a demand stimulant to FDI (Dunning, 2004: 8-9). The privatization process has created a specific asset seeking explanation for FDI in transition (Estrin, Hanousek, Kocenda, Svejnar, 2009). Thus, for most transition economies, the process of privatization has formed a distinct motivation for FDI. Western multinationals were attracted to enter reforming economies during privatization programs by making acquisitions because prices are relatively low and because of highly favorable tax policies or even subsidies associated with the privatization (Estrin, Uvalic, 2013: 27-28).

2. METHODOLOGY
In the literature devoted to the influence of FDI on economies, the research about the determinants of geographical pattern of FDI distribution usually focuses on the factors that determine why some states manage to draw FDI in higher levels than some other states. However, not many studies deal with the sheer size of the economy as a determinant why some states (i.e. their economies) are more attractive to the FDI than others when it comes to the size of the economy itself. Therefore, this paper studies the influence of the economy size on foreign direct investments (FDI) in transitional economies of Central and Eastern European states. In the global capitalist economy, foreign direct investments (FDI) represent

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18 In the paper, the mentioned EU and non-EU member states were not studied as two separate entities. The main parameter was the geographical position of a particular country (Balkan i.e. South-East European vs. Central European countries). Nevertheless, the research of Estrin and Uvalic did not include other European transitional, non-EU economies, such as Belarus, Moldova, and Ukraine.

19 Brada, Kutan and Yigit (2006) examine the effects of transition and of political instability on FDI flows to the transition economies of Central Europe, the Baltics and the Balkans. In their specifications, they relate FDI inflows to a country’s economic characteristics. The results show that FDI flows to transition economies unaffected by conflict and political instability exceed those that would be expected for comparable West European countries. In the case of Balkan countries, conflict and instability reduced FDI inflows below what one would expect for comparable West European countries and reform and stabilization failures further reduced FDI to the region.
one of the key determinants of economic growth. In the transitional economies, in the last quarter of the century, FDI represented one of the factors that increased the economic growth. Among the states studied, we have equally studied the EU members from Central and Eastern Europe, as well as the non-EU members.

We have also tried to answer the question of how much the GDP growth rate correlates to the FDI net inflow share in GDP for EU and non-EU states. Therefore, we have studied the relationship between the FDI (net inflows, BoP, current US$)\textsuperscript{20} and FDI growth rate for a period of 20 years (1994-2013) along with the size of the state's economy, measured by total GDP (current US$)\textsuperscript{21} and GDP growth rate. The linkage between FDI and GDP was determined by correlating the average GDP growth rate with the average share of FDI in GDP per each state.

The methodology is based on the statistical correlation between FDI in current US dollars and GDP per capita in current US dollars (World Bank data) for each represented state, through the surveyed period from 1994 until 2013. The statistical correlation matrix (Pearson method) determined whether any correlation between the average GDP growth rate (chain index) and the average share of FDI in GDP per each state exists for each state surveyed. It must be mentioned that this research has unavoidable limitations in the surveyed period of years. Less than 35 years were surveyed because there is not enough historical data.

In addition, Bosnia-Herzegovina, Kosovo and Montenegro have insufficient data. Finally, the research results provided in this paper do not show any cause-consequence relation between FDI and GDP growth. Any conclusion like that would be false, for example if one wants to conclude that FDI affects the growth of GDP. A statement like that cannot be concluded because far more variables would have to be considered first.

\textsuperscript{20} Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors. Data are in current U.S. dollars. http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD

\textsuperscript{21} GDP at purchaser’s prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used. http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries
3. RESULTS

Table 1. The GDP growth rate (chain index principle) in Central, Southeastern and Eastern European EU and non-EU member states (original data in current US$) 1994-2003

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</table>

Source: Authors' calculation based on World Bank data

Table 2. The GDP growth rate (chain index principle) in Central, Southeastern and Eastern European EU and non-EU member states (original data in current US$) 2004-2013

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</tr>
</tbody>
</table>

Source: Authors’ calculation based on World Bank data

**Table 3.** The share of FDI in GDP in Central, Southeastern and Eastern European EU and non-EU member states (original data in current US$) 1994-2003

<table>
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<td>4.8%</td>
<td>4.4%</td>
<td>4.0%</td>
<td>3.6%</td>
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</table>

Source: Authors’ calculation based on World Bank data

**Table 4.** The share of FDI in GDP in Central, Southeastern and Eastern European EU and non-EU member states (original data in current US$) 2004-2013
Table 5. The average share of FDI in GDP and the average GDP growth rate in Central, Southeastern and Eastern European EU and non-EU member states

<table>
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<th>State</th>
<th>Average share of FDI in GDP</th>
<th>Average GDP Growth rate</th>
</tr>
</thead>
<tbody>
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<td>Bulgaria</td>
<td>8.6%</td>
<td>11%</td>
</tr>
<tr>
<td>Croatia</td>
<td>4.0%</td>
<td>8%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4.7%</td>
<td>9%</td>
</tr>
<tr>
<td>Estonia</td>
<td>8.2%</td>
<td>11%</td>
</tr>
<tr>
<td>Hungary</td>
<td>9.4%</td>
<td>7%</td>
</tr>
<tr>
<td>Latvia</td>
<td>4.5%</td>
<td>11%</td>
</tr>
<tr>
<td>Lithuania</td>
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<td>11%</td>
</tr>
<tr>
<td>Slovakia</td>
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</tr>
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<td>10%</td>
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<tr>
<td>non-EU:</td>
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</tr>
<tr>
<td>Albania</td>
<td>5.2%</td>
<td>11%</td>
</tr>
<tr>
<td>Bosnia-Herzegovina</td>
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<td>Macedonia</td>
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<td>Montenegro</td>
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</tr>
<tr>
<td>Serbia</td>
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</tr>
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<td>10%</td>
</tr>
<tr>
<td>Moldova</td>
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<td>10%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>3.2%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculation based on World Bank data (original data in current US$)

Research base-points:

Research Hypothesis No.1: On average, a positive correlation between the average share of FDI in GDP and the average GDP growth rate exists among EU member states.

Research Hypothesis No. 2: Non-EU states have, on average, a stronger correlation between the average share of FDI in GDP and the average GDP growth rate than EU states.

The NULL Hypothesis: the average share of FDI in GDP and the average GDP growth rate are unrelated among all surveyed states.
Research results:
The research results (Table 6.) show that HYPOTHESIS No.1 and HYPOTHESIS No.2 can be rejected, which means that there is no significant correlation in any of the presented base-points. There is no statistical evidence that, on average, the GDP growth correlates to the FDI share in the GDP for the surveyed states, both EU and non-EU. The statistical error (p-value) is large, although, all things considered, there seems to be stronger correlation among non-EU states in the presented base-points than among EU member states.

Table 6. The average share of FDI in the GDP / GDP growth rate correlation between three groups of countries:

<table>
<thead>
<tr>
<th>Countries</th>
<th>Pearson Correlation value (r) between the average GDP growth rate and the average share of FDI in GDP</th>
<th>P-value</th>
<th>NULL Hypothesis at P=0,05:</th>
</tr>
</thead>
<tbody>
<tr>
<td>all: EU and non-EU states</td>
<td>0.253</td>
<td>0.282</td>
<td>Confirmed</td>
</tr>
<tr>
<td>EU states</td>
<td>-0.29980</td>
<td>0.370</td>
<td>Confirmed</td>
</tr>
<tr>
<td>non-EU states</td>
<td>0.39501</td>
<td>0.298</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

Source: Authors’ research and calculation based on World Bank data, FDI and GDP p/c in current US$

4. DISCUSSION AND CONCLUSION
South-East European countries are following a two-pronged strategy. They have been upgrading their institutions and investment policies to bring them in line with EU standards. Investment policy is one of the most advanced dimensions of policy reform in South-East Europe. All countries have created a liberal regime to attract FDI, providing equal treatment of foreign and domestic investors (national treatment), guarantees against expropriation and the free transfer of funds. South-East European countries have joined regional agreements such as CEFTA, which opened to most of these countries in 2006 (with the exception of Croatia, which had joined in 2003). This agreement, which contains an important investment chapter, represents a significant accomplishment along the path to EU accession and an important stepping-stone to sustainable long-term growth. In the 1990’s, a series of security shocks created a region that was averting investments rather than attracting them. Following the stagnation of FDI as a share of GDP in 2002–2005, FDI flows increased steeply until the global financial crisis hit the main investing countries in 2007 (UNCTAD, 2013: 16). However, their FDI inflows are still rather low.

Clear differences exist in the level of FDI in the member states of the EU and the non-member states of the EU from the Western Balkans and Eastern Europe. These differences are the indicators that point to a conclusion that the openness of the economy, and the longevity of the period spent in an economic integration such as the EU, crucially influenced the level of FDI net inflows for each particular state studied.

The differences between the countries of Central Europe on the one hand and of Southeastern and Eastern Europe on the other, can also “invite critical engagement on the experience of pan-European integration” as Smith has recognized (Smith, 2002: 650) and pointed that such renderings raise the same concerns of Todorova (1997) over Western treatments of the Balkans, as Europe’s ‘others’. East and Central Europe become a ‘gateway’, in Cohen’s terms, to ‘the East’. In this way the ‘gateway’—or what Todorova has identified as the...

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22 Croatia had to leave CEFTA in 2013, when it joined the European Union (author's remark).
23 S. B. Cohen in 1991 wrote: “The question might be raised as to whether East and Central Europe might not revert to a Shatterbelt rather than become the Gateway region that has been posited. This is doubtful. The European Community and the Soviet Union would find competition over the region to be counterproductive. Maritime Europe’s concerns are Soviet military power. The USSR needs West European economic help. These
discursive construction of ‘Central Europe’ as different from ‘the East’ and ‘the Balkans’—becomes ‘an expedient argument in the drive for entry into the European institutional framework’ (Todorova, 1997: 159–160). Whether the main reason was the simple geographic position of the Central European post-communist states, or the wars in the Balkans and the influence of Russia in the former Soviet Union Republics (except the Baltic states), or maybe the imagined perspective of the Central European gateway as an alternative to “the Balkan chaos”, as Todorova already pointed in 1997, a clear political will and a perspective was given to the Central European post-communist states (the Visegrad Group states). That has affected the pre-accession processes to the European integration of these states. Slovenia and the Baltic states followed.

This was the main reason why the states from Central Europe, eight of them, which joined the EU (and NATO, as guarantor of security) in 2004 and started their accession negotiations with the EU in the second half of the 1990’s, have shown the best results in drawing the FDI inflows.

The second factor that has strongly influenced the level of FDI is of course the economic crisis that has hit the European states hard. Nevertheless, very significant differences among the states of the different regions or even among some states from the same region of Europe (for example Central Europe) exist when it comes to coping with the crisis and the speed of economic recovery. Since 2009, the economic crisis has dramatically reduced the levels of FDI net inflows in the studied EU member states, and most of them have in 2013 experienced levels of FDI net inflows per capita that were comparable with the FDI net inflows in the states of Southeastern and Eastern Europe.

LITERATURE

concerns and needs balance one another. They are best addressed through cooperation, not through the competition that makes for shatterbelts” (Cohen, 1991: 572).

24 Estrin and Uvalic (2013) stress the “Balkans effect” that negatively affects the FDI inflows, with other variables constant. A geographical factor has influenced the creation of the negative perception of the whole region in the eyes of the main investor states to the post-communist states. Therefore, the levels of FDI inflows into Bulgaria and Romania were for the first part of the period studied in this paper more similar to the Western Balkans than to the Central European states, which had a clear perspective of European integration.
CHILD HEALTH, MALNUTRITION, AND SOCIOECONOMIC DEVELOPMENT IN CAMBODIA

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ABSTRACT
Malnutrition in children younger than five years old is responsible for approximately one-fifth of deaths and disability-adjustment globally. In about two dozen countries, including Cambodia, at least 40% of these children are moderately or severely stunted. Child health, or lack of it, as reflected in stunting, underweight, wasting, and low Body Mass Index (BMI), is mostly the result of malnutrition, which continues to be one of the biggest challenges in socioeconomic development. Maternal and child malnutrition is the primary underlying cause of 3.5 million deaths globally, and notably affecting children under five years old in developing countries. For almost half a century, Cambodia suffered through a series of foreign occupation, civil wars, political instability, and genocide. As a result, socioeconomic development of Cambodia has been facing many challenges, and the population has suffered from a deteriorated state of health and well-being, especially among women and children. By the late 1980s Cambodia recorded some of the worst health indicators in the world with a high infant mortality rate (IMR) of 131 and a high maternal mortality ratio (MMR) of 440. Since then, gradual progress has been made, and by 2010, IMR stood at 34 and MMR at 250. Health services were scattered geographically over Cambodia as the country began to return to relative stability. These services were available first in urban areas and some refugee camps; however rural areas and infighting areas remained critically underserved. This paper briefly reviews the current status of child health and malnutrition in the developing world and in details for Cambodia. In addition, using the 2010 Cambodia Demographic and Health Surveys, this paper demonstrates significant associations between child health and selected socioeconomic indicators reaffirming the importance of economic and social development in the advancement of child health.

Keywords: Cambodia, Child Health, Malnutrition, Socioeconomic Development

1. INTRODUCTION
Geographically 80% of children suffering from malnutrition live in just 20 countries, and of these, almost half are located in sub-Saharan Africa (Olusanya et al., 2010). Weight, height, and age form a good composite indicator of how healthy children are in the developing world. The following terms describe the characteristics of children displaying various aspects of
malnutrition: (1) stunting - low height for age, (2) wasting – low weight for height, and (3) underweight – low weight for age. Stunting is considered an indication of chronic malnutrition, wasting indicates acute malnutrition, and underweight is an indicator of both chronic and acute malnutrition (Marriott et al., 2010). Globally, it was estimated that about 161 million or 25% of the children under five were stunted in 2013 (UNICEF-WHO-The World Bank, 2013). This represented a marked improvement when 33% of children of these ages were stunted just 13 years earlier in 2000. Geographically, about half of these stunted children lived in Asia and over one third in Africa. Similar geographic distributions were also found among wasting and underweight. In 2013, globally 99 million children under five were underweight; two out of three of these children lived in Asia and Africa. In 23 years from 1990 to 2013, the proportion of underweight children of these ages declined from 25% to 15%. In 2013 the global prevalence of wasting was 8% for children under five (about 51 million), and almost all of them lived in Asia (2/3) and Africa (1/3). It is predicted that stunting, wasting, and underweight will continue to decrease within the next decade, yet evidence shows that global estimates are not necessarily good predictors at regional levels (Amugsi et al., 2013). For example, there are significant spatial disparities among countries in the region of Southeast Asia. Although both categorized as “developing countries,” Cambodia has a significant higher prevalence of stunting, wasting, and underweight (40%, 11%, 28%) compared to Thailand (16%, 5%, 7%).

It is observed that a mother’s role is important in a child’s nutritional status, therefore socioeconomic and demographic characteristics of the mother, such as age, education level, occupation, income, geographic location, number of children, and marital status are frequently included in studies of child health and malnutrition. For this paper, the objective is three-fold. First, it reviews some case studies of child health and malnutrition in the developing world, specifically in Africa and Asia. Then the focus of the review turns to Cambodia in particular. The last part of the paper examines some relationships among child health, malnutrition, and socioeconomic development in Cambodia using data from the 2010 Cambodia Demographic and Health Surveys.

2. CHILD HEALTH IN DEVELOPING COUNTRIES AND CAMBODIA

The following review of literature attempts to provide a broad perspective of the various factors that can play significant roles in child health and malnutrition in the developing world including a special focus upon Cambodia with its own unique geographic and historical circumstances.

2.1. Child Health in Selected African and Asian Countries

To examine factors influencing chronic undernutrition in children under five years old in Egypt, Mazumdar (2012) used household survey data and applied hierarchical modeling. Beyond the obvious factor of availability, or lack, of grain staples, the author also includes other possible indicators such as lack of health care services, nutritional status, cultural practices, and gender disparities. Specifically using data obtained from the Egyptian Demographic and Health Survey, Mazumdar (2012) determined that there was a high level of chronic malnutrition among Egyptian children. Among children under five, 29% were stunted, and a more modest 5-10% displayed wasting. The outcomes of the study showed a relationship to socioeconomic differentials and regional variations. Results indicated that neighborhood effects were considerably influential upon a household’s nutritional decisions, and notably children in rural areas (Lower Egypt) were more vulnerable to malnutrition than children in urban areas. Interestingly, no significant correlations were found between

25 Cambodian estimates were for 2010 (UNICEF, 2012a), and Thai estimates were for 2006 (UNICEF, 2012b). Both are the latest estimates.
malnutrition and mother’s educational level, women’s decision-making power within the household, or the economic status of a household. To determine prevalence, pattern, and risk factors associated with malnutrition occurring in infants from birth to three months old with a sample of 5888 full term infants in Nigeria, a cross-sectional study was conducted by Olusanya et al. (2010). Information and data were gathered at the time infants were brought in for immunizations, with outcomes showing 30.8% stunted, 10.0% wasted, and 13.8% underweight. Although this study group was almost exclusively breast-fed (99.4%), a substantial number of these births occurred in non-hospital settings (51%), defined as occurring at family homes, herbal or traditional maternity homes, and church-run facilities. The mother’s age, multiple pregnancies, and the baby’s gender were associated to malnutrition, as well as maternal education, ownership/type of residence, parity, prenatal care, place of delivery and hyperbilirubinemia as predictors of underweight, stunting, and wasting. Also noted as a significant contributor to malnutrition is intrauterine growth restriction. Olusanya et al. (2010) concluded that it is vital to have intervention during early infancy as malnutrition is highly prevalent in resource-poor countries. It was also suggested that routine immunization clinics offer an effective point of early detection and intervention. Due to the lack of information at a regional or district level on childhood malnutrition in Ghana, Amugsi et al. (2013) conducted an analysis based on data obtained from the Ghana Demographic and Health Surveys for the years 1993, 1998, 2003, and 2008. The results of the analysis present regional patterns and trends of malnutrition in children under three years old. The demographic and socioeconomic variables used in this study were age and sex of children, mother’s educational level, urban/rural residence, region of residence, and Wealth Index. Conclusions of the study showed that although national level analysis shows a decline in childhood malnutrition in Ghana, the improvement was not the same geographically. Consistently children living in rural areas suffered higher rates of stunting and underweight than those in urban areas, even after controlling for poverty level. This implies poorer general living conditions and limited access to public health facilities. Furthermore, mothers who had suffered from malnutrition when they were children increasing the likelihood that they would give birth to underweight infants. Interestingly, trends for stunting decreased significantly in recent years for children whose mothers were not educated. Preterm births are often negatively associated with child health, especially in the developing countries. A cross-sectional study of all live births from May 2005 to 2007 in an inner city hospital in Lagos, Nigeria was conducted by Olusanya & Ofovwe (2010) to determine the prevalence of low birth weight infants and risk factors for preterm births. Since the data were collected in an inner city hospital, the study incorporated neighborhood context which is limited in existing literature. Notably most studies have focused upon maternal health status without consideration of the potential impacts of neighborhoods. Their findings confirmed the association between poverty and poor outcomes for full term delivery. These are attributed to such factors as lack of good nutrition and especially during pregnancy, high rate of specific and non-specific infections, and birth complications. Additional findings of predictors of preterm delivery and/or low birthweight included marital status, occupation, residential accommodation with shared sanitation facilities, lack of prenatal care, absence of previous cesarean section, hypertensive disorders, antepartum hemorrhage, gender, and intrauterine growth restriction. The problem of preterm births in China is also a great concern of child health, especially in the rural areas, where recent socioeconomic development in China is making inroads, but much slower than in the urban areas. Conducting a case-controlled, retrospective study in Beijing, China, Zhang et al. (2010) concluded that there were definite geographic disparities for reduced risk of a preterm birth if living in a town or city. This is likely due to the large gap in access to health care as well as an income gap between urban and rural areas. Other noted environmental factors that could possibly indirectly affect
maternal behavior were short inter-pregnancy intervals and access to prenatal care. Unintended pregnancy, especially among younger mothers, often has lower access to prenatal care. The outcomes often include preterm births, which is associated with stunting, wasting, and underweight. A study investigating pregnancy intention by women utilizing data from the Philippines Demographic and Health Surveys during 1998 and 2003 was conducted by Chiao et al. (2012). While examining the impacts of unintended pregnancy on both maternal and infant health, the authors also investigated the influences that community factors had upon pregnancy decision making. Unintended pregnancy is often a major concern for poor women, and especially for those living in the developing world. The concern is generally due to the lack of sufficient nutrition, frequent illness and infections in children, increased likelihood of abortion, and maternal death. Most studies focus upon a woman’s characteristics such as age, income, and education; however this particular study examines the effects of the community social capital and the adoption of social attitudes upon pregnancy intention. Their findings reveal that the higher the education of the general community, the lower the pregnancy intention. One surprising outcome was the relationship between a higher proportion of Catholics and the women being significantly less likely to intend to become pregnant. However, this result supported previous research conducted on Catholics in Spain showing a likelihood that as a population experiences socioeconomic development, religiosity decreased (Chiao et al., 2012). In India, malnutrition among children is not the only concern of child health; indoor air pollution and HIV infection have been considered two of the major challenges. Globally, an estimated 1.5 to 2.0 million deaths annually are caused by indoor air pollution, and of these approximately one million are caused by acute lower respiratory tract infections (ALRTI) in children under the age of five. In the developing world, especially among the rural poor, the choice of fuels can be very limited. Burning biomass (e.g., wood, crop residues, and animal dung) as fuel is common in the rural areas of developing countries because other fuels (e.g. electricity, liquid petroleum gas or LPG, and kerosene) are not available or very expensive. It was determined that burning biomass is the principal fuel of more than two-fifths of the world’s households, causing high concentrations of pollution in their homes. Bhat et al. (2012) concluded that there was significant correlation between use of biomass fuels and ALRTI in children under five in India. However, the burning of LPG produced much lower concentrations of pollutants in households, and the risk of ALRTI in children in those households was lower. Because young children have immature respiratory systems, and due to the greater amount of time spent with mothers indoors they are highly susceptible to ALRTI. Other factors found to be associated with the prevalence of ALRTI were exposure to adult smoking, low maternal educational levels, and low socioeconomic status. The second major challenge mentioned above, HIV infections, has been a decades old barrier of advancing child health in the developing world. Darak et al. (2012) concluded through a systematic review of public health research that although significant progress has been made in the prevention of mother to child transmission of HIV (reduced to less than 2% globally), this is not the case in India. Transferring this knowledge and protocol of effective non-antiretroviral treatment and prevention of transmission through breastfeeding is a major challenge in developing countries, especially in India. It is estimated that globally 3.7 million children were infected with HIV in 2009, and mostly in the developing countries. Given the predominance and encouragement of breastfeeding, this remains to be an important consideration in the discussion of child health and childhood malnutrition in the developing nations.

2.2. Child Health in Cambodia
Comparing to developing countries in other regions (Africa, The Caribbean, Central America, South America, and South Asia), Cambodia is one of the worst performing countries in
regards to child health, especially in access to services. Using Demographic and Health Surveys data for Bangladesh, Benin, Brazil, Cambodia, Eritrea, Haiti, Malawi, Nepal, and Nicaragua, an analysis was conducted by Victora et al. (2005) on the percentage of children under five years old that did not receive interventions for diseases that are preventable or that are treatable. It was found that there were important inequities between different social groups, and even within rural populations that had the appearance of being uniformly impoverished. Children of the poorest families were consistently receiving less preventive and curative interventions than children of wealthier families. Cambodian children fared very poorly with the highest rate of children receiving zero interventions (13.3%), as compared to Nicaraguan children (0.8%). Within the poorest wealth quintile in Cambodia, 31% of Cambodian children received no preventative interventions and 17% of this quintile received only one. Preventive interventions include health provisions and services such as immunization, insecticide treated mosquito nets, micronutrient supplementation, nutrition counseling (breastfeeding and complementary feeding), growth monitoring, and appropriate newborn care. In general, febrile illness among children can be caused by various reasons or pathogens, known or unknown. However, it has been shown that in the developing nations this is often related to a few determinants, namely, lack of immunization, untreated comorbidities, and late presentations (Chheng et al., 2013). In Southeast Asia, Cambodia has one of the highest rates of mortality in children under five years old, 54 per 1000 live births. Malnutrition among children five and under is also prevalent, estimated at 28%. Chheng et al. (2013) included 1180 children in their study, and it was found that the prevalence of comorbid undernutrition was 43.7%, and this condition doubled the child’s odds of mortality. Also both comorbid heart disease and HIV infection greatly increase the likelihood of mortality among children. In Cambodia malnutrition is considered the single most important risk factor of infant deaths according to Marriott et al. (2010). For the first time in 1999, Cambodia collected data for the Demographic and Health Surveys (DHS) and found high rates of stunting (44.3%), wasting (15.0%), and underweight (45.3%) among children under five years of age. According to the World Health Organization (WHO) feeding guidance for breastfed and non-breastfed children, Cambodia was found to be in low compliance in 1999. However, by 2005 Cambodia data collected for the DHS showed improvement with reduced stunting (37.3%), wasting (7.3%), and underweight (35.6%). The broad outcomes of several regression models found that exclusive breastfeeding increased more than fivefold for the 0-5 months old infants, and this was associated with the reduction of underweight in this group. However male infants were at a higher risk of stunting and underweight than female infants. There was also a significant association of greater relative wealth of families with improved growth results. However, there continued to be a prevalence of stunting in the 18-23 months old children as well as the problem of meeting minimum criteria of nutrition for the 6-17 months children. These data imply that the increased investment in health support programs and education promoting breastfeeding by the Cambodian government and international organizations has influenced infant feeding practices. Cambodia still experiences an urban-rural gap in relationship to access to services, and geographically this relates to clusters of poverty, especially in the rural areas. Immunization services tend to be more available to wealthier segments of the population; the poor, and notably the rural poor, is less likely to receive these health services. Additional influences relating to a child being immunized are a mother’s educational level, age, parity, religion, and a child’s sex. Schwartz and Bhushan (2004) analyzed the effects on immunization equity for children of the poorest households through the use of contracting non-governmental organizations (NGOs) as providers of health-care services in Cambodia. Their findings concluded that children living in the poorest 50% of households in districts served by NGOs were more likely to be fully immunized than poor children living in similar households in districts using government supported services.
thus underlining the importance of the presence of NGOs in developing countries. The relationship between immunization dropout rates and economic inequality among Cambodian children aged 12-59 months old using data from the 2000 and 2005 Cambodia Demographic Health Surveys was examined (Hong and Chhea, 2010). An immunization dropout is defined as a child who has received at least one dose of trivalent vaccine against diphtheria, pertussis, and tetanus (DPT) but failed to get a third dose and completing dosage series before turning 12 months old. Using a sample of 2000 children in the lowest wealth quintile, Hong and Chhea (2000) found that they were approximately three times as unlikely to receive the third dose of DPT vaccine to complete the dosage series as were children of the highest wealth quintile. However, overall they found that child immunization had improved considerably in Cambodia from past years, especially among children from the poorer households. Employing health facility-based retrospective obstetric information (cesarean section, low birth-weight, and maternal complications) from births within both public and private health facilities in Phnom Penh, Fujita et al. (2005) examine the effect of prenatal care attendance on delivery and newborn outcome. The results of the analysis show that residents of Phnom Penh have relatively good access to ANC and delivery services; however low socioeconomic factors do negatively affect utilization of services. Interestingly, the data analysis indicated that ANC visits had no correlation with poor perinatal outcome, and it also re-confirmed that rural residents do not have similar access to ANC and delivery services as their urban counterparts. The authors also identified that most poor perinatal outcomes were occurring at the time delivery as emergencies therefore having access to skilled birth attendants was a vital part of successful perinatal outcomes. Prenatal care and maternal mortality is highly linked, and Koum et al. (2004) investigated the effects of maternal mortality in Cambodia and found it has one of the highest maternal mortality rates in Southeast Asia, with approximately 437 per 100,000 live births in 2000\textsuperscript{26}, as contrasted to northern Europe with about 5 per 100,000. This high MMR does not only represent a elevated risk for women, but also for the child and family. When a mother dies in childbirth, her surviving children then have a higher risk of dying before reaching their second birthday. An estimated 2.65 million people in Cambodia are at risk of contracting malaria. The risk is higher in the rainy season, near the tropical forests with infection rates, and among adults who work and stay overnight in the forests. O’Connell et al. (2012) found that Cambodia has been a hotspot for the development of anti-malarial resistant parasites since the 1970s, and given that many people seek home remedies, or “drug cocktails,” that are incomplete or ineffective therapies, this contributes to the malaria epidemic and its related parasitic problems. Difficulties surrounding treatment for this disease center upon the sale of unregulated therapy drugs, limited access to new drug combinations to treat drug resistant malaria, and a multitude of counterfeit and substandard medicines. In addition to malaria as one the greatest threat of child health and child mortality, HIV/AIDS has also been a great public health challenge in Cambodia. Although Sasaki et al. (2010) found that Cambodia has been successful in reducing the number of HIV cases among the 15-49 year old age cohort, presently it was found that one-third of all new HIV cases are through mother-to-child transmission. In response to this new development, the Ministry of Health has approached the problem by emphasizing the importance of both counseling and testing for HIV for pregnant women. Sasaki et al. (2010) also found that the barriers that women faced with this was the perceived need to obtain a partner’s permission for testing, their lack of knowledge about the prevention of HIV and treatment, and not having access to prenatal care services.

\textsuperscript{26} Adjusted MMR in Cambodia has declined to 290 in 2008 (UNICEF, 2012a)
3. CHILD HEALTH AND SOCIOECONOMIC INDICATORS IN CAMBODIA
Based on the literature reviewed and using the 2010 Cambodia Demographic and Health Surveys, this paper established some basic associations between four child health indicators (Table 1) and 14 dichotomy geographic, demographic, socioeconomic, and medical variables: (1) place of residence, (2) sex of household head, (3) home has electricity, (4) home has water treatment, (5) visited by a family planning worker in the last 12 months, (6) visited a health facility in the last 12 months, (7) received prenatal care from a doctor with medical assistant, (8) received prenatal care from a midwife, (9) received prenatal care from a nurse, (10) child had vaccination, (11) took iron tablet every week, (12) received nutrition counseling with prenatal care, (13) received iron tablets, and (14) received deworming tablets. The “values” for each dichotomy variable are “no/yes” except for place of residence (rural/urban) and sex of household head (male/female).

Table 1: Stunting, Underweight, Wasting, and BMI - Mean, Minimum, Maximum (Authors)

<table>
<thead>
<tr>
<th></th>
<th>n = 3699</th>
<th>Stunting</th>
<th>Underweight</th>
<th>Wasting</th>
<th>BMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td></td>
<td>-1.6548</td>
<td>-1.4211</td>
<td>-0.6808</td>
<td>-0.5245</td>
</tr>
<tr>
<td>Minimum</td>
<td></td>
<td>-5.96</td>
<td>-5.21</td>
<td>-4.93</td>
<td>-4.93</td>
</tr>
<tr>
<td>Maximum</td>
<td></td>
<td>5.86</td>
<td>3.42</td>
<td>4.40</td>
<td>4.92</td>
</tr>
</tbody>
</table>

We employed t-tests to compare the means of the four child health indicators between the two “values” of each of the 14 dichotomy variables, and the results are presented in Tables 2, 3, 4, and 5. In these analyses, the data for the means of the four child health indicators are standardized Z-scores (in standard deviation or SD) according to World Health Organization (WHO). For example, if a child’s height for age is one standard deviation below the global average according to the WHO, then the “stunting” data value for this child is -1.00. If a children’s weight for age is two and a half standard deviations above the WHO average, then the “underweight” data value for this child is 2.50. As we can observe in Table 1, not all the children in Cambodia are stunted, underweight, wasted, or with low BMI. However, the averages (-1.6548 for stunting, -1.4211 for underweight, -0.6808 for wasting, and -0.5245 for BMI) indicate a country with widespread chronic and acute malnutrition.

Table 2: Stunting-Compare Means-8 significant (p ≤ 0.05) dichotomy variables (Authors)

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>n1</th>
<th>n2</th>
<th>Mean</th>
<th>Mean</th>
<th>Levene's Test (p)</th>
<th>Equal Variances</th>
<th>t-test</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of Residence</td>
<td>3699</td>
<td>urban</td>
<td>rural</td>
<td>-1.3439</td>
<td>-1.7645</td>
<td>0.119</td>
<td>yes</td>
<td>8.016</td>
<td>0.000</td>
</tr>
<tr>
<td>Sex of Head Household</td>
<td>3699</td>
<td>male</td>
<td>female</td>
<td>-1.6794</td>
<td>-1.5435</td>
<td>0.460</td>
<td>yes</td>
<td>2.254</td>
<td>0.024</td>
</tr>
<tr>
<td>Has Electricity</td>
<td>3657</td>
<td>no</td>
<td>yes</td>
<td>-1.8133</td>
<td>-1.3625</td>
<td>0.012</td>
<td>no</td>
<td>9.546</td>
<td>0.000</td>
</tr>
<tr>
<td>Has Water Treatment</td>
<td>3656</td>
<td>no</td>
<td>yes</td>
<td>-1.8898</td>
<td>-1.5824</td>
<td>0.065</td>
<td>yes</td>
<td>5.610</td>
<td>0.000</td>
</tr>
<tr>
<td>Prenatal - Midwife</td>
<td>2952</td>
<td>no</td>
<td>yes</td>
<td>-1.8825</td>
<td>-1.5082</td>
<td>0.000</td>
<td>no</td>
<td>5.119</td>
<td>0.000</td>
</tr>
<tr>
<td>Received Iron Tablet</td>
<td>2952</td>
<td>no</td>
<td>yes</td>
<td>-1.6867</td>
<td>-1.4434</td>
<td>0.455</td>
<td>yes</td>
<td>4.584</td>
<td>0.000</td>
</tr>
<tr>
<td>Iron Taken Every Week</td>
<td>3694</td>
<td>no</td>
<td>yes</td>
<td>-1.6781</td>
<td>-1.4657</td>
<td>0.022</td>
<td>no</td>
<td>3.028</td>
<td>0.003</td>
</tr>
<tr>
<td>Received Deworming</td>
<td>2952</td>
<td>no</td>
<td>yes</td>
<td>-1.6271</td>
<td>-1.4612</td>
<td>0.871</td>
<td>yes</td>
<td>2.879</td>
<td>0.004</td>
</tr>
</tbody>
</table>

For one instance that the sample size of the group receiving prenatal care from nurses was only 21, we used the Mann-Whitney test (non-parametric compare means of two independent samples). At any rate, the tests for all four child health indicators using this variable are not significant (p > 0.05).
Table 3: Underweight-Compare Means-7 significant (p ≤ 0.05)dichotomy variables (Authors)

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>n₁</th>
<th>Mean</th>
<th>n₂</th>
<th>Mean</th>
<th>Levene’s Test (p)</th>
<th>Equal Variances</th>
<th>t-test</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of Residence</td>
<td>3699</td>
<td>rural</td>
<td>-1.5152</td>
<td>urban</td>
<td>965</td>
<td>0.926</td>
<td>yes</td>
<td>9.023</td>
<td>0.000</td>
</tr>
<tr>
<td>Has Electricity</td>
<td>3657</td>
<td>no</td>
<td>-1.5556</td>
<td>yes</td>
<td>1284</td>
<td>0.605</td>
<td>yes</td>
<td>10.316</td>
<td>0.000</td>
</tr>
<tr>
<td>Has Water Treatment</td>
<td>3656</td>
<td>no</td>
<td>-1.5761</td>
<td>yes</td>
<td>2789</td>
<td>0.147</td>
<td>yes</td>
<td>4.816</td>
<td>0.000</td>
</tr>
<tr>
<td>Prenatal - Doctor</td>
<td>2952</td>
<td>no</td>
<td>-1.3933</td>
<td>yes</td>
<td>231</td>
<td>0.495</td>
<td>yes</td>
<td>3.081</td>
<td>0.002</td>
</tr>
<tr>
<td>Prenatal - Midwife</td>
<td>2952</td>
<td>no</td>
<td>-1.5829</td>
<td>yes</td>
<td>2410</td>
<td>0.001</td>
<td>no</td>
<td>4.610</td>
<td>0.000</td>
</tr>
<tr>
<td>Received Iron Tablet</td>
<td>2952</td>
<td>no</td>
<td>-1.4472</td>
<td>yes</td>
<td>1332</td>
<td>0.60</td>
<td>yes</td>
<td>3.962</td>
<td>0.000</td>
</tr>
<tr>
<td>Received Deworming</td>
<td>2952</td>
<td>no</td>
<td>-1.4111</td>
<td>yes</td>
<td>892</td>
<td>0.209</td>
<td>yes</td>
<td>2.712</td>
<td>0.007</td>
</tr>
</tbody>
</table>

Table 4: Wasting-Compare Means-4 significant (p ≤ 0.05)dichotomy variables (Authors)

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>n₁</th>
<th>Mean</th>
<th>n₂</th>
<th>Mean</th>
<th>Levene’s Test (p)</th>
<th>Equal Variances</th>
<th>t-test</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of Residence</td>
<td>3699</td>
<td>rural</td>
<td>-0.7189</td>
<td>urban</td>
<td>965</td>
<td>0.009</td>
<td>no</td>
<td>3.194</td>
<td>0.001</td>
</tr>
<tr>
<td>Has Electricity</td>
<td>3657</td>
<td>no</td>
<td>-0.7324</td>
<td>yes</td>
<td>1284</td>
<td>0.042</td>
<td>no</td>
<td>3.515</td>
<td>0.000</td>
</tr>
<tr>
<td>Prenatal - Doctor</td>
<td>2952</td>
<td>no</td>
<td>-0.7017</td>
<td>yes</td>
<td>231</td>
<td>0.575</td>
<td>yes</td>
<td>2.626</td>
<td>0.009</td>
</tr>
<tr>
<td>Iron Taken Every Week</td>
<td>3694</td>
<td>no</td>
<td>-0.6632</td>
<td>yes</td>
<td>397</td>
<td>0.859</td>
<td>yes</td>
<td>2.557</td>
<td>0.011</td>
</tr>
</tbody>
</table>

Table 5: BMI-Compare Means-3 significant (p ≤ 0.05)dichotomy variables (Authors)

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>n₁</th>
<th>Mean</th>
<th>n₂</th>
<th>Mean</th>
<th>Levene’s Test (p)</th>
<th>Equal Variances</th>
<th>t-test</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of Residence</td>
<td>3699</td>
<td>rural</td>
<td>-0.5522</td>
<td>urban</td>
<td>965</td>
<td>0.002</td>
<td>no</td>
<td>2.245</td>
<td>0.025</td>
</tr>
<tr>
<td>Has Electricity</td>
<td>3657</td>
<td>no</td>
<td>-0.5620</td>
<td>yes</td>
<td>1284</td>
<td>0.006</td>
<td>no</td>
<td>2.456</td>
<td>0.014</td>
</tr>
<tr>
<td>Prenatal - Doctor</td>
<td>2952</td>
<td>no</td>
<td>-0.5528</td>
<td>yes</td>
<td>231</td>
<td>0.510</td>
<td>yes</td>
<td>2.319</td>
<td>0.020</td>
</tr>
</tbody>
</table>

Table 2 shows the significant difference between two means of 8 variables. The geographic variable, place of residence (p=0.000) indicates that urban children, although still considered significantly stunted (-1.3439), are better off compared to children in rural areas (-1.7645). This result re-affirmed the consensus that rural areas are lagging behind in child health advances in the developing countries (Amugsi et al., 2013; Mazumdar, 2012; Zhang et al., 2010) and also in Cambodia (Fujita et al., 2005; Victora et al., 2005). The results of the demographic variable, sex of household head (p=0.024), indicate that children are healthier in households headed by females compared to males. Although this issue has not been thoroughly examined for Cambodia, evidence was found to support the notion that children in households headed by married females fair better than their counterparts in other households (Joshi, 2004). Socioeconomic status (home has electricity and water treatment) are significant classifiers of stunting as supported by Chiao et al. (2012) and Bhat et al. (2012) in other developing countries and by Schwartz and Bhushan (2004) and Fujita et al. (2005) in Cambodia. Prenatal care as one of the most important factors affecting child health is well documented (Chiao et al., 2012; Zhang et al., 2010), and four variables related to prenatal care are significant in this analysis. The results of the t-tests are as expected: If the mother received prenatal care from a midwife, received iron tablets, took iron tablet every week, and
received deworming tablets, stunting of the child is less severe compared to the global average. The interpretations of the results for underweight (Table 3), wasting (Table 4) and BMI (table 5) are similar.

4. CONCLUSION
The elucidation of poor child health and malnutrition in the developing world comes from a myriad of factors ranging geographic influences, such as rural or urban residence or community distinctions, as well as socioeconomic conditions and specific maternal characteristics. Mother’s accessibility to health care, personal health, age, education, income, and number of children, can all act as a part influencing a child’s health notably in the first five years of life. Using t-tests and data from the 2010 Cambodia Demographic and Health Surveys, this paper re-affirmed the associations between four child health measures (stunting, underweight, wasting, and low BMI) with a list of geographic (rural/urban), demographic (sex of household head), socioeconomic indicators (home has electricity or water treatment), and medical (mostly prenatal care) variables. In sum, place of residence (urban) and a home with electricity are the two most important and consistent factors positively affecting child health in Cambodia, and this conclusion re-affirms the importance of socioeconomic development in the advancement of child health.

LITERATURE


WHAT SHOULD ESTONIA DO IN ORDER TO INCREASE THE VALUE OF ITS EXPORTS OF GOODS TO SLOVAKIA AND SLOVENIA?

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ABSTRACT
This paper analyses Estonia’s trade in goods with the world in general and with Slovakia and Slovenia in particular. Additionally, it also proposes some measures to increase the value of Estonia’s exports of goods to the aforementioned countries, both of which are Estonia’s minor export partners in Central and Eastern Europe. In 2013, the value of Estonia’s exports of goods to Slovakia and Slovenia amounted to €51.3 million and €7.4 million respectively. In order to increase the value of its exports of goods to these two countries, Estonia should increase the competitiveness of Estonian enterprises (especially small- and medium-sized ones) in the Slovakian and Slovenian markets and adopt other measures such as increasing the sustainability of the aforementioned enterprises with a view to facilitating their entry into new markets. In recent years, sustainability has become an important factor in competitiveness, which is mainly the result of increased environmental awareness of consumers and other stakeholders, foremost in developed countries (including Slovakia and Slovenia). Sustainable innovation has therefore become an important source of competitive advantage, which is especially true for enterprises operating in competitive markets. Therefore, in order to increase the competitiveness of Estonian enterprises in the aforementioned markets, Estonia should promote sustainable innovation and take certain other measures.

Keywords: competitiveness, Estonia, sustainability, Slovakia, Slovenia, trade in goods.

1. INTRODUCTION
In recent years, entrepreneurship has become increasingly important (see Hisrich, 2010; Hisrich, Peters and Shepherd, 2010; and Schaper et al., 2013). This is particularly true for international entrepreneurship (see Zucchella and Scabini, 2007; Oviatt, Maksimov and McDougall, 2011; Fernhaber and Prashantham, 2015; and Rialp, Rialp and Knight, 2015). This is an important factor in international trade in goods and services. Therefore, in order to increase the value of international trade in goods and services, which, in recent years, has been affected by the financial, economic and social crisis (see Acharyya and Kar, 2014; Temouri and Jones, 2014), mainly in Europe (including Estonia and some other countries in Central and Eastern Europe (CEE), for example, Latvia, Lithuania and Slovenia, and in North America), its main stakeholders should promote international entrepreneurship. Additionally, they should promote cooperation between entrepreneurs/enterprises in areas such as science and technology including those that relate to information and communication. The main purpose of this paper is to analyse Estonia’s trade in goods with two countries in CEE, namely Slovakia and Slovenia, which joined the European Union in 2004, together with eight other countries including Estonia. This paper also proposes some measures to further increase the value of Estonia’s exports of goods to Slovakia and Slovenia. For example, the promotion of export entrepreneurship, which is a subtype of international entrepreneurship (see Navarro-Garcia and Peris-Ortiz, 2015), and cooperation of Estonian entrepreneurs/enterprises with their Latvian, Lithuanian and Slovenian counterparts in areas such as the aforementioned ones. The rest of this paper is structured as follows: Section 2 analyses Estonia’s foreign trade
in goods and services, while Section 3 analyses Estonia’s foreign trade in goods only. Section 3 also lists some of the measures that should be taken by Estonia to further increase the value of its exports of goods to the world including Slovakia and Slovenia. One of these measures is to further increase Estonia’s competitiveness. Section 4 analyses Estonian counties’ foreign trade in goods, while section 5 analyses Estonia’s trade in goods with Slovakia and Slovenia. Section 6 lists the main findings and some measures to increase the value of Estonia’s exports of goods to the aforementioned countries.

2. ANALYSIS OF ESTONIA’S FOREIGN TRADE IN GOODS AND SERVICES

Similar to most other countries in CEE, including Slovenia, Estonia is heavily dependent on its trade in goods and services with the world (see Figure 1, and Müürsepp, 2014, pp. 28–29). There are many reasons for this such as Estonia’s lack of natural resources, for example, fossil fuels, and the small size of Estonia’s domestic market for goods and services. In 2013, the value of Estonia’s trade in goods and services with the world amounted to €31,993.7 million, 170.7 % of the value of Estonia’s gross domestic product (GDP) and an increase of 3.2 % from the previous year. In the same year, the value of Estonia’s exports of goods and services to the world amounted to €16,132.2 million, 86.1 % of the value of Estonia’s GDP and an increase of 3.5 % from the previous year. Furthermore, the value of Estonia’s imports of goods and services from the world amounted to €15,861.5 million, 84.6 % of the value of Estonia’s GDP and an increase of 2.9 % from the previous year.

Figure 1: Countries in CEE by foreign trade in goods and services (percentage of GDP), 2013.

Notes: Latvia and Lithuania were excluded due to lack of data. AL – Albania, AT – Austria, BA – Bosnia and Herzegovina, BG – Bulgaria, BY – Belarus, CZ – Czech Republic, DE – Germany, EE – Estonia, HR – Croatia, HU – Hungary, MD – Moldova, MK – Macedonia, MN – Montenegro, PL – Poland, RO – Romania, RS – Serbia, SI – Slovenia, SK – Slovakia, UA – Ukraine, XK – Kosovo.
Sources: The World Bank (2014a, b).

In recent years, Estonia’s dependency on foreign trade in goods and services has increased (see Figure 2), mainly as a result of the further internationalization of Estonian enterprises.
3. ANALYSIS OF ESTONIA’S FOREIGN TRADE IN GOODS

This section analyses Estonia’s trade in goods with the world. In 2013, the value of Estonia’s trade in goods with the world amounted to €26,097.3 million, 139.3% of the value of Estonia’s GDP and a decrease of 2% from the previous year. This was mainly due to increased economic uncertainty in Europe, especially in Estonia’s main trading partners in goods (see Silla and Puura, 2014: 241). In the same year, the value of Estonia’s exports of goods to the world amounted to €12,291.1 million, 65.6% of the value of Estonia’s GDP and a decrease of 1.8% from the previous year. Furthermore, the value of Estonia’s imports of goods from the world amounted to €13,806.2 million, 73.7% of the value of Estonia’s GDP and a decrease of 2.1% from the previous year.

Europe is Estonia’s most important foreign market for goods. There are many economic, political and social reasons for this. In 2013, the value of Estonia’s trade in goods with Europe amounted to €23,463.4 million (see Table 1), 89.9% of the value of Estonia’s trade in goods with the world and an increase of 0.7% from the previous year. In the same year, the value of Estonia’s exports of goods to Europe amounted to €10,745.7 million, 87.4% of the value of Estonia’s exports of goods to the world and an increase of 3.9% from the previous year. Furthermore, the value of Estonia’s imports of goods from Europe amounted to €12,717.7 million, 92.1% of the value of Estonia’s imports of goods from the world and a decrease of 1.9% from the previous year.
Table 1: Estonia’s trade in goods by region, 2013.

<table>
<thead>
<tr>
<th>Region</th>
<th>Exports Value in million €</th>
<th>Exports Percentage of the total value</th>
<th>Imports Value in million €</th>
<th>Imports Percentage of the total value</th>
<th>Exports plus imports Value in million €</th>
<th>Exports plus imports Percentage of the total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>128.2</td>
<td>1.0</td>
<td>14.4</td>
<td>0.1</td>
<td>142.6</td>
<td>0.5</td>
</tr>
<tr>
<td>America</td>
<td>507.2</td>
<td>4.1</td>
<td>190.9</td>
<td>1.4</td>
<td>698.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Antarctica</td>
<td>1.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Asia</td>
<td>735.3</td>
<td>6.0</td>
<td>873.2</td>
<td>6.3</td>
<td>1,608.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Europe</td>
<td>10,745.7</td>
<td>87.4</td>
<td>12,717.7</td>
<td>92.1</td>
<td>23,463.4</td>
<td>89.9</td>
</tr>
<tr>
<td>Oceania</td>
<td>24.4</td>
<td>0.2</td>
<td>10.0</td>
<td>0.1</td>
<td>34.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Not specified</td>
<td>148.8</td>
<td>1.2</td>
<td>0.0</td>
<td>0.0</td>
<td>148.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Total</td>
<td>12,291.1</td>
<td>100.0</td>
<td>13,806.2</td>
<td>100.0</td>
<td>26,097.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on data from Statistics Estonia (2014a).

Asia, foremost East and Southeast Asia, is Estonia’s second most important foreign market for goods. There are many reasons for this, most of which are economic. In 2013, the value of Estonia’s trade in goods with Asia amounted to €1,608.5 million, 6.2 % of the value of Estonia’s trade in goods with the world and a decrease of 4.3 % from the previous year. In the same year, the value of Estonia’s exports of goods to Asia amounted to €735.3 million, 6 % of the value of Estonia’s exports of goods to the world and a decrease of 4.5 % from the previous year. Furthermore, the value of Estonia’s imports of goods from Asia amounted to €873.2 million, 6.3 % of the value of Estonia’s imports of goods from the world and a decrease of 4 % from the previous year.

America, foremost North America, is Estonia’s third most important foreign market for goods. In 2013, the value of Estonia’s trade in goods with America amounted to €698.1 million, 2.7 % of the value of Estonia’s trade in goods with the world and a decrease of 31 % from the previous year. In the same year, the value of Estonia’s exports of goods to America amounted to €507.2 million, 4.1 % of the value of Estonia’s trade in goods with the world and a decrease of 38.8 % from the previous year. Furthermore, the value of Estonia’s imports of goods from America amounted to €190.9 million, 1.4 % of the value of Estonia’s imports of goods from the world and an increase of 4.8 % from the previous year.

Other regions are Estonia’s less important foreign markets for goods. In 2013, the value of Estonia’s trade in goods with Africa, Antarctica and Oceania amounted to €178.6 million, 0.7 % of the value of Estonia’s trade in goods with the world.

In order to increase the value of its exports of goods to the world, Estonia should increase its competitiveness, which is already higher than the competitiveness of most other countries in CEE including Slovakia and Slovenia (see Sala-i-Martin et al., 2014, p. 13). It should also adopt some other measures such as increasing the inventiveness, innovativeness and, particularly, the productiveness of Estonian (exporting) enterprises, especially small- and medium-sized ones (see Heinlo, 2014, p. 66). Additionally, Estonia should further increase its attractiveness to foreign investors/investment, especially in the field of science and technology (mainly high-technology). This is particularly important in order to increase the value of Estonia’s exports of high-technology goods. In 2012, this accounted for 11 % of the value of Estonia’s total exports of manufactured goods (see Figure 3), which is above the average for countries in CEE.
Figure 3: Countries in CEE by exports of high-technology goods (% of total exports of manufactured goods), 2012.

Notes: Lithuania, Latvia, Kosovo, Montenegro and Serbia were excluded due to lack of data. AL – Albania, AT – Austria, BA – Bosnia and Herzegovina, BG – Bulgaria, BY – Belarus, CZ – Czech Republic, DE – Germany, EE – Estonia, HR – Croatia, HU – Hungary, MD – Moldova, MK – Macedonia, PL – Poland, RO – Romania, SI – Slovenia, SK – Slovakia, UA – Ukraine.

In the same year, exports of information and communication technology (ICT) goods accounted for 10.9 % of the value of Estonia’s total exports of goods (see Figure 4), which is also above the average for countries in CEE.

Figure 4: Countries in CEE by exports of ICT goods (% of total exports of goods), 2012.

Notes: Lithuania, Latvia and Kosovo was excluded due to lack of data. AL – Albania, AT – Austria, BA – Bosnia and Herzegovina, BG – Bulgaria, BY – Belarus, CZ – Czech Republic, DE – Germany, EE – Estonia, HR – Croatia, HU – Hungary, MD – Moldova, MK – Macedonia, MN – Montenegro, PL – Poland, RO – Romania, RS – Serbia, SI – Slovenia, SK – Slovakia, UA – Ukraine.

In 2013, 38.7 % of Estonia’s trade in goods with the world was with Finland, Latvia and Sweden (see Table 2).
Table 2: Estonia’s trade in goods by country, 2013.

<table>
<thead>
<tr>
<th></th>
<th>Exports Value in million €</th>
<th>Percentage of the total value</th>
<th>Imports Value in million €</th>
<th>Percentage of the total value</th>
<th>Exports plus imports Value in million €</th>
<th>Percentage of the total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>1,986.0</td>
<td>16.2</td>
<td>2,082.3</td>
<td>15.1</td>
<td>4,068.3</td>
<td>15.6</td>
</tr>
<tr>
<td>Latvia</td>
<td>1,274.7</td>
<td>10.4</td>
<td>1,301.8</td>
<td>9.4</td>
<td>2,576.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>2,061.3</td>
<td>16.8</td>
<td>1,395.3</td>
<td>10.1</td>
<td>3,456.6</td>
<td>13.2</td>
</tr>
<tr>
<td>Other countries and not specified</td>
<td>6,969.2</td>
<td>56.7</td>
<td>9,026.7</td>
<td>65.4</td>
<td>15,995.9</td>
<td>61.3</td>
</tr>
<tr>
<td>Total</td>
<td>12,291.1</td>
<td>100.0</td>
<td>13,806.2</td>
<td>100.0</td>
<td>26,097.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on data from Statistics Estonia (2014a).

In order to increase their competitiveness, Estonian enterprises, especially small- and medium-sized ones, should increase their cost-effectiveness and adopt some other measures such as improving their human resource management (see Alas and Vanhala, 2013). After all, human resources are an important source of sustainable competitive advantages (see Snell, Morris and Bohlander, 2013).

4. ANALYSIS OF ESTONIAN COUNTIES’ FOREIGN TRADE IN GOODS

Estonia is divided into 15 counties. Harju County is the largest in terms of population and second largest one in terms of area. In 2013, the value of Harju County’s foreign trade in goods amounted to €18,926 million or 72.5% of the value of Estonia’s foreign trade in goods (see Table 3). In the same year, the value of Harju County’s exports of goods amounted to €7,948.9 million or 64.7% of the value of Estonia’s total exports of goods. Furthermore, the value of Harju County’s imports of goods amounted to €10,977.1 million or 79.5% of the value of Estonia’s total imports of goods. In order to further increase the value of their exports of goods, Estonian counties should promote export entrepreneurship among their inhabitants, especially young ones. They should also adopt some other measures such as the promotion of cooperation between Estonian (exporting) enterprises, especially small- and medium-sized ones.

Table 3: Estonian counties by foreign trade in goods, 2013.

<table>
<thead>
<tr>
<th></th>
<th>Exports Value in million €</th>
<th>Percentage of the total value</th>
<th>Imports Value in million €</th>
<th>Percentage of the total value</th>
<th>Exports plus imports Value in million €</th>
<th>Percentage of the total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harju County</td>
<td>7,948.9</td>
<td>64.7</td>
<td>10,977.1</td>
<td>79.5</td>
<td>18,926.0</td>
<td>72.5</td>
</tr>
<tr>
<td>Hiiu County</td>
<td>46.1</td>
<td>0.4</td>
<td>29.6</td>
<td>0.2</td>
<td>75.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Ida-Viru County</td>
<td>833.7</td>
<td>6.8</td>
<td>491.7</td>
<td>3.6</td>
<td>1,325.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Jõgeva County</td>
<td>92.0</td>
<td>0.7</td>
<td>48.8</td>
<td>0.4</td>
<td>140.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Järva County</td>
<td>134.6</td>
<td>1.1</td>
<td>63.8</td>
<td>0.5</td>
<td>198.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Lääne County</td>
<td>70.1</td>
<td>0.6</td>
<td>36.1</td>
<td>0.3</td>
<td>106.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Lääne-Viru County</td>
<td>367.4</td>
<td>3.0</td>
<td>140.3</td>
<td>1.0</td>
<td>507.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Põlva County</td>
<td>51.3</td>
<td>0.4</td>
<td>23.1</td>
<td>0.2</td>
<td>74.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Pärnu County</td>
<td>521.8</td>
<td>4.2</td>
<td>435.9</td>
<td>3.2</td>
<td>957.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Rapla County</td>
<td>153.9</td>
<td>1.3</td>
<td>88.2</td>
<td>0.6</td>
<td>242.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Saare County</td>
<td>167.7</td>
<td>1.4</td>
<td>83.4</td>
<td>0.6</td>
<td>251.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Tartu County</td>
<td>791.4</td>
<td>6.4</td>
<td>752.8</td>
<td>5.5</td>
<td>1,544.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Valga County</td>
<td>142.5</td>
<td>1.2</td>
<td>81.0</td>
<td>0.6</td>
<td>223.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Viljandi County</td>
<td>253.7</td>
<td>2.1</td>
<td>156.5</td>
<td>1.1</td>
<td>410.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Võru County</td>
<td>116.3</td>
<td>0.9</td>
<td>54.6</td>
<td>0.4</td>
<td>170.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Not specified</td>
<td>599.7</td>
<td>4.9</td>
<td>343.2</td>
<td>2.5</td>
<td>942.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Total</td>
<td>12,291.1</td>
<td>100.0</td>
<td>13,806.2</td>
<td>100.0</td>
<td>26,097.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on data from Statistics Estonia (2014b).
In 2013, Harju County had the highest number of exporters and importers of goods per 1,000 inhabitants among all of the Estonian counties (see Figure 5). This is not surprising, considering the fact that Tallinn, Estonia’s capital, is part of this county.

**Figure 5: Estonian counties by number of exporters and importers of goods per 1,000 inhabitants, 2013.**

Source: Author’s calculations based on data from Statistics Estonia (2014b).

In 2013, Harju County had the third highest value of exports of goods per exporter (see Figure 6) and the highest value of imports of goods per importer (see Figure 7) among all of the Estonian counties.

**Figure 6: Estonian counties by exports of goods per exporter (value in €), 2013.**

Source: Author’s calculations based on data from Statistics Estonia (2014b).
5. ANALYSIS OF ESTONIA’S TRADE IN GOODS WITH SLOVAKIA AND SLOVENIA

5.1. Estonia’s trade in goods with CEE
This section analyses Estonia’s trade in goods with CEE, one of Estonia’s most important foreign markets for goods. There are many economic, political and social reasons for this. In 2013, the value of Estonia’s trade in goods with CEE amounted to €9,007.2 million or 38.4 % of the value of Estonia’s trade in goods with Europe. In the same year, the value of Estonia’s exports of goods to the CEE amounted to €3,139.3 million or 29.2 % of the value of Estonia’s exports of goods to Europe. Furthermore, the value of Estonia’s imports of goods from CEE amounted to €5,867.9 million or 46.1 % of the value of Estonia’s imports of goods from Europe.

In 2013, 87 % of Estonia’s trade in goods with CEE was with Germany, Latvia, Lithuania and Poland (see Table 4). There are many reasons for this such as the relatively small distance between Estonia and the aforementioned countries.
### Table 4: Estonia’s trade in goods with countries in CEE, 2013.

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports Value in million €</th>
<th>Percentage of the total value</th>
<th>Imports Value in million €</th>
<th>Percentage of the total value</th>
<th>Exports plus imports Value in million €</th>
<th>Percentage of the total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>0.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Austria</td>
<td>35.1</td>
<td>1.1</td>
<td>118.4</td>
<td>2.0</td>
<td>153.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Belarus</td>
<td>51.6</td>
<td>1.6</td>
<td>87.2</td>
<td>1.5</td>
<td>138.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>2.2</td>
<td>0.1</td>
<td>0.3</td>
<td>0.0</td>
<td>2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>25.9</td>
<td>0.8</td>
<td>14.4</td>
<td>0.2</td>
<td>40.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Croatia</td>
<td>1.9</td>
<td>0.1</td>
<td>3.5</td>
<td>0.1</td>
<td>5.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>48.4</td>
<td>1.5</td>
<td>176.7</td>
<td>3.0</td>
<td>225.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Germany</td>
<td>563.8</td>
<td>18.0</td>
<td>1,455.8</td>
<td>24.8</td>
<td>2,019.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>28.0</td>
<td>0.9</td>
<td>177.7</td>
<td>3.0</td>
<td>205.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Kosovo</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Latvia</td>
<td>1,274.7</td>
<td>40.6</td>
<td>1,301.8</td>
<td>22.2</td>
<td>2,576.5</td>
<td>28.6</td>
</tr>
<tr>
<td>Lithuania</td>
<td>717.9</td>
<td>22.9</td>
<td>1,224.3</td>
<td>20.9</td>
<td>1,942.2</td>
<td>21.6</td>
</tr>
<tr>
<td>Macedonia</td>
<td>0.2</td>
<td>0.0</td>
<td>0.5</td>
<td>0.0</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Moldova</td>
<td>5.0</td>
<td>0.2</td>
<td>2.0</td>
<td>0.0</td>
<td>7.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Montenegro</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Poland</td>
<td>207.8</td>
<td>6.6</td>
<td>1,086.0</td>
<td>18.5</td>
<td>1,293.9</td>
<td>14.4</td>
</tr>
<tr>
<td>Romania</td>
<td>11.1</td>
<td>0.4</td>
<td>39.3</td>
<td>0.7</td>
<td>50.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Serbia</td>
<td>5.0</td>
<td>0.2</td>
<td>2.1</td>
<td>0.0</td>
<td>7.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Slovakia</td>
<td>51.3</td>
<td>1.6</td>
<td>61.7</td>
<td>1.1</td>
<td>112.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Slovenia</td>
<td>7.4</td>
<td>0.2</td>
<td>28.8</td>
<td>0.5</td>
<td>36.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Ukraine</td>
<td>101.3</td>
<td>3.2</td>
<td>87.3</td>
<td>1.5</td>
<td>188.6</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Total: 3,139.3           100.0                  5,867.9                    100.0                        9,007.2                                 100.0

Source: Author’s calculations based on data from Statistics Estonia (2014a).

In order to geographically diversify its foreign trade in goods, Estonia should promote its trade in goods with other countries in Europe, especially CEE (including Slovenia), and in other regions, for example, Asia, especially Eastern and South-eastern Asia. It should also adopt some other measures such as the promotion of cooperation between Estonian enterprises, especially small- and medium-sized ones, and their non-Estonian counterparts in areas such as science and technology, especially those that relate to information and communication.

### 5.2. Estonia’s trade in goods with Slovakia and Slovenia

This section analyses Estonia’s trade in goods with Slovakia and Slovenia, both of which are small countries with small open economies. This means that they are very vulnerable to changes in supply and demand for goods and services in their domestic and foreign markets.

In 2013, the value of Estonia’s trade in goods with Slovakia and Slovenia amounted to €112.9 million and €36.2 million respectively. In the same year, the value of Estonia’s exports of goods to these countries amounted to €51.3 million and €7.4 million respectively. In order to increase the value of its exports of goods to these countries, Estonia should increase the competitiveness of Estonian (exporting) enterprises (especially small- and medium-sized ones) in the Slovakian and Slovenian market for goods. Additionally, Estonia should also: increase its cooperation with the aforementioned countries in areas such as science and technology (Estonia, for example, is one of the leading countries in the field of information and communication technology in Europe (especially CEE), it is also one of the leading countries in the field of e-services); increase networking of Estonian entrepreneurs/enterprises with their Slovakian and Slovenian counterparts; increase cooperation of Estonian enterprises with their aforementioned counterparts in areas such as e-business, e-government, and e-health; etc.
In recent decades, the world has changed more than ever (see Kose and Ozturk, 2014). There have been many reasons for this such as technological changes (see Volti, 2014). Today, technology, especially information technology, is one of the most important factors in international trade in goods and services (see Prieger and Heil, 2014). This is especially true for the Internet, which has changed the behaviour of consumers (see Gundry and Kickul, 2004; James, 2010; Dann and Dann, 2011; and Lambin and Schuiling, 2012). Between 2005 and 2014, the number of Internet users in the world increased by 185.49 % (see International Communication Union, 2015). As a result, Internet marketing has become increasingly important (see Roberts and Zahay, 2013; Boone and Kurtz, 2015; and Chaston, 2015). Therefore, in order to increase their sales in their domestic and foreign markets, including in Slovakia and Slovenia, Estonian enterprises (especially small- and medium-sized ones) should improve their Internet marketing and adopt some other measures such as increasing their market-orientation.

6. CONCLUSION
In 2013, the value of Estonia’s exports of goods to Slovakia and Slovenia, two of Estonia’s less important export markets in CEE, amounted to €51.3 million and €7.4 million, respectively. In order to increase the value of its exports of goods to these two countries, Estonia should increase its competitiveness and adopt some other measures such as increasing the inventiveness, innovativeness and productiveness of its enterprises, especially small- and medium-sized ones. Additionally, Estonia should increase its attractiveness to Slovakian and Slovenian investors, especially in the field of information and communication technology. Above all, Estonia should increase the promotion of export entrepreneurship among its citizens, especially in less-developed areas, and the geographical diversification of its exports. The latter is particularly important in light of the Crimean crisis, which negatively affects Estonia’s trade in goods with Russia, one of its major trading partners.

LITERATURE
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NEOLIBERALISM AS A “VILLAIN”: A CONTENT ANALYSIS OF THEORETICAL CRITICAL STANCE TOWARDS NEOLIBERALISM IN THE TEXTS FROM ANTIPODE – A RADICAL JOURNAL OF GEOGRAPHY, 2010-2013

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ABSTRACT
The paper represents a study of papers published in Antipode – A Radical Journal of Geography, from 2010 to 2013, in which, as to the author’s assessment, a highly critical stance towards contemporary neo-liberalism exists. Hence Antipode publishes “a radical analysis of geographical issues and its intent is to engender the development of a new and better society,” and, of course, a critical stance towards neo-liberalism is expected in the papers published. However, the intent of this paper is to analyze what kind of critical stance was present in the texts published in Antipode in the period of four years (2010-2013). The period of four years was taken as a referential period, especially because it started after the year in which the Great Recession struck most of the developed economies (2009). It ends with the end of the year 2013, which was the year when almost all developed economies exited the recession or the stagnation of their economies ended. Since neoliberalism, which brought the liberalization of markets, particularly the financial one, was usually blamed as the ideology behind the outbreak of the economic crisis that shocked the world in 2008 and 2009, the intention was to show how radical the leftist critique is in its perception of neoliberalism in the era of the current economic crisis. A basic content analysis was used in order to analyze the discourse that was used to describe, characterize, and critically judge contemporary neoliberal capitalism, i.e. neoliberalism. Due to the ubiquity of the topic (neo-liberalism), and the critical stance of the Antipode towards it, the research contains only the texts from the studied period, in which the word “neoliberalism” was found in the title of the text or among the key words mentioned below the abstract.

Keywords: neoliberalism, capitalism, free markets, financial capital, Antipode.

1. INTRODUCTION
According to the AntipodeFoundation.org, which publishes Antipode – A Radical Journal of Geography, Antipode offers a radical analysis of geographical issues and its intent is to engender the development of a new and better society. Antipode continues to publish some of the best and most provocative radical geographical work available today; work from both geographers and their fellow travellers; from both eminent and emerging scholars. The paper represents a study of papers published in Antipode – A Radical Journal of Geography (further in the text: Antipode), in which, as to the author’s assessment, a highly

28 http://antipodedefoundation.org/about-the-journal-and-foundation/a-radical-journal-of-geography/.
critical stance towards contemporary neoliberalism exists. Hence *Antipode* publishes “a radical analysis of geographical issues and its intent is to engender the development of a new and better society,” and, of course, a critical stance towards neo-liberalism is expected in the papers published. However, the intent of this paper is to analyze what kind of critical stance was present in the texts published in *Antipode* in the period of four years (2010-2013). The papers devoted in various ways to neoliberalism, published in *Antipode* during the 2010-2013 period, mostly dealt with the following topics:

1) Neoliberalism as a form of capitalism – theoretical explanations;
2) Neoliberalism and the use of nature/natural monopolies;
3) Neoliberalism in local communities: case-studies;
4) Neoliberalism and immigrants (immigrant work force);
5) Neoliberalism and higher education.

Due to the ubiquity of the texts devoted to neoliberalism, this paper is limited to various definitions of neoliberalism found in the selected texts published in *Antipode* in the previously mentioned timeframe.

2. METHODOLOGY
The paper analyses the critical stance towards neoliberalism present in the texts published in *Antipode* through basic content analysis. In order to analyze the discourse that was used to describe, characterize, and critically judge neoliberal capitalism, i.e. neoliberalism, the basic content analysis was used: research focused on key words and phrases that were identified in most of the texts, and the presence of these key words and the context in which they were used was at the same time the criteria for the selection of the texts that were analyzed. The key word used for the analysis was the following: neoliberalism (i.e. neo-liberalism). The context of the use of the key word “neoliberalism” was analyzed through the analyses of the sentences and/or full citations in which the key words were used. Key words used in a direct link with the word neoliberalism were identified and analyzed. However, due to the large number of texts found and due to the fact that not all papers that contained the word “neoliberalism” in the title or among the key words comprised a definition of neoliberalism, this paper analyzes only the comprehensive, usually introductory, theoretical definitions of neoliberalism as a form of capitalism, and it does so in the texts that offered these kinds of definitions. The period of four years was taken as a referential period, especially because it started after the year in which the Great Recession struck most of the developed economies (2009). It ends with the end of the year 2013, which was the year when almost all developed economies exited the recession or the stagnation of their economies ended. Since neoliberalism, which brought the liberalization of markets, particularly the financial one, was usually blamed as the ideology behind the outbreak of the economic crisis that shocked the world in 2008 and 2009, the intention was to show how radical the leftist critique is in its perception of neoliberalism in the era of the current economic crisis.

3. RESULTS AND DISCUSSION

3.1. The Emphasis of Neoliberalism on Free Markets, Competition, and Individual Responsibility
Discussing the emphases of neoliberalism, authors have mostly oriented on individualism, competition, free markets, financial capital and markets, privatization, the role of transnational elites, etc. The authors have mostly cited Harvey (2005, 2007), Peet (2007), or Brenner and Theodore (2002).
Hiemstra claims that neoliberalism emphasizes individual responsibility; the value of the neoliberal citizen is connected to her value as a rational-economic actor, as both consumer and client (2010: 91), and that neoliberalism fosters and thrives on indirect forms of governance, as the power to govern is dispersed among growing numbers of public and private institutions, organizations, and individuals (2010: 94).

O’Reilly (2010) cites D. Harvey, saying that Harvey (2007: 2) summarizes neoliberalism as a political economic theory that posits that humans are best off when an institutional framework of private property rights, free markets, and free trade is created and preserved by the state and humans are free to exercise their “individual entrepreneurial freedoms and skills (2010: 183).

Among various authors that cite Harvey, Buckley (2013) emphasizes Harvey’s view of neoliberalism: Indeed, Harvey (2005: 11) broadly frames neoliberalism as a project primarily aimed at freeing capital from the constraints imposed by these “embedded liberalisms”, and more directly as a process ultimately focused on restoring the class power of economic elites (2013: 259). Hodkinson (2011) also cites Harvey, deconstructing the false notions about neoliberalism: What we are left with is a transnational capitalist class (Harvey, 2005), and a thoroughly liberal, anti-political, and state-centric version of civil society where politics in this realm is reduced to economic competition among competing elites, both “internal” and “external” (2011: 535).

Young (2010) sees neoliberalism as a political-ethical project, one that is aimed at the transformation of not just markets but also morals (2010: 202).

Narsiah (2010) states that neoliberalism is the presently hegemonic discourse of development (Harvey 2007; Peet 2007). This discourse articulates a number of economic measures: fiscal austerity, export-oriented production and privatisation of public sector services among other strategies. Citing George (1999: 1), Narsiah also states that the primary goal of neoliberalism has been clearly described—“the market mechanism should be allowed to direct the fate of human beings” (2010: 375). So, neoliberalism is updated Smithian economics married with neoclassical economics and unleashed as a class project to facilitate accumulation by a few (George, 1999; Harvey 2007; Peet 2007). The application of neoliberalism globally is driven by key institutions, creating a homogenous and disciplined economic space (2010: 376).

The Free Association (2010) claims that neoliberalism, through its strategies of class decomposition, marketisation, the naturalisation of individualism and so on, forces an intensification of competition: that is, an intensification of the competitive struggle between every worker on the planet (2010: 1025).

Hess (2011) sees neoliberalism as the simple withdrawal of the state from markets and society via trade liberalization, privatization, reduced entitlements, and government deregulation. (…) However, scholars of neoliberalism have noted that the emphasis on enhancing and protecting markets has resulted in several paradoxical developments. Governments have sometimes become more involved in the economy as facilitators of the creative destruction of markets (Brenner and Theodore, 2002; Jessop, 2002) (Hess, 2011: 1056). (…) Underlying the various approaches is an agreement that neoliberalism involves changes in ideology, policies, organizations, and practices that favor the expansion of markets and the weakening of public ownership and government regulation. The general favoring of markets and opposition to government intervention in markets in turn is associated with specific policy reforms, including the reduction of trade barriers, roll-back of environmental and other regulations, privatization of public enterprises, reduction and devolution of the welfare responsibilities of national governments, encouragement of entrepreneurship and individual responsibilization, and creation of new markets and industries. (Hess, 2011: 1057).

Prokolla (2013: 1322) states that neoliberalism is a contested term that has been used in multiple ways; in general, it refers to the idea that economic and social wellbeing is best
achieved though free markets and minimal state interference, and when individuals are free to make autonomous choices (Ferguson 2009; Larner 2009).

3.2. “Actually Existing” Neoliberalisms

The concept of “actually existing” different kinds of neoliberalism can be found in the works of various authors that were published in Antipode 2010-2013 (Narsiah; Roberts and Mahtani; Varro; Mills and Mc Creary; Lauermann and Davidson). They recognized the existence of different kinds of neoliberalism in capitalism. They have mostly cited Brenner and Theodore (2002), Larner (2000), and Peck and Tickell (2002).

Narsiah (2010) states that “actually existing” neoliberalisms are always (some way or another) “hybrid or composite structures”, “path dependent” (Brenner and Theodore, 2002) and geographically uneven. Yet neoliberalism is not an event but contingent on the spatial context and the existing political and ideological apparatus (2010: 377).

A second view of “actually existing” neoliberalisms as “hybrid or composite structures”, also can be found in Roberts and Mahtani (2010: 249) since these authors, like Narsiah, have also cited Larner (2000), and Peck and Tickell (2002: 383). A third view of “actually existing” neoliberalism is found in Varro (2010): Actually existing neoliberalism can be seen as a process of institutional creative destruction (Brenner and Theodore 2002) (2010: 257).

Mills and Mc Creary (2013) also cite Brenner and Theodore (2002: 349), who used the phrase “actually existing neoliberalism” to distinguish between practices that are termed neoliberal and neoliberal ideology. They also cite Larner: Neoliberalism is a powerful political project in part because of its ability to penetrate and alter other political projects such as those of marginalized social groups (Larner, 2000). Through control over access to funding, neoliberal state policies can compel marginalized groups to configure their claims within the terms of mainstream political discourse (2013: 1301).

Neoliberalism represents the contemporary process (institutional, political, economic, and discursive) by which this self-revolutionizing is achieved. Critical engagement with the messy landscape of actually existing neoliberalism has much to contribute to our understanding of how capitalism becomes universalized and hegemonic (Lauermann, Davidson, 2013: 1278).

3.3 The Historical Context of Neoliberalism; “Roll-Back” and “Roll-Out” Neoliberalism

Short discussions about the historical context of neoliberalism (its ascendance and maturation), as well as discussions about the concept of “roll-back” and “roll-out” neoliberalism can be found in the works of several authors: Corson, Breathnach, Belina et al., Waquar, Wilshusen, Lauermann and Davidson, Hess, and Manderscheid. They have either given their own views about the historical context of neoliberalism and/or “roll-back” and “roll-out” neoliberalism, or they have mostly cited Harvey (2003, 2005), Peck and Tickell (2002), Brenner and Theodore (2002), or some other authors mentioned below.

With its ideological and material antipathy toward state regulation and influence, neoliberalism has become manifest not only in deregulation, but also in re-regulation designed to create new commodities and new governing structures that sustain neoliberalism, claims Corson (2010), who sees not deregulation, but also re-regulation in neoliberalism, that sustains neoliberalism itself (2010: 579). Neoliberalism’s emphasis on competition, along with its rolling back of state protection and the social contract, creates spaces in which local people are not often able to compete effectively in the face of much more powerful transnational interests (2010: 581). Emphasizing on the historical path of neoliberalism’s rise to prominence, Corson also states: With this groundwork laid, neoliberalism rose to prominence in mainstream economic policy in the 1980s, particularly under Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States (2010: 583). The intertwining of conservation and neoliberalism in Washington DC politics, through
public/private/non-profit “partnerships”, has facilitated capital accumulation in the United States, as well as created new spaces for capitalist expansion overseas (2010: 596).

Breathnach (2010) also mentions the historical context of neoliberalism’s ascendance. However, he does not connect it to particular government(s) but to the changes in the modes of production, which affected the organization of the state: The transition, in the 1970s and 1980s, from the Fordist regime of accumulation built around the mass-producing welfare state to a post-Fordist regime of flexible neoliberalism is widely associated with a profound restructuring of state spatialities throughout western Europe, whereby the centralised Fordist welfare state, oriented to the spatial equalisation of living standards and employment opportunities within its borders, was replaced by a decentralised neoliberal state wherein regional economies pursued their own economic interests through direct participation in the global economy (2010: 1181).

This historical change is recognized by Belina, B. et al. as well (2013): While Fordism was dominated by the social-democratic hegemonic project, neoliberalism in its actually existing versions is dominated by the neoliberal hegemonic project. It’s becoming hegemonic has to be understood as the result of successful struggles of neoliberalising initiatives that emerge from different positions within the existing relations of forces on various terrains—in our case the state apparatus university—in time and space (2013: 744).

Historical context was also recognized by Waquar (2012): In an era when neoliberalism has emerged as a global policy regime, furthering the interests of a new economic formation—global finance capital—to manifest as a new form of imperialism (Harvey, 2003, 2005; Peet, 2007; Smith, 2005) and geopolitical hegemony (Kohl, 2006; McFarlane and Hay, 2003), protests and social movements face the challenge of rising to the occasion in serious contestation (2012: 1061). Hess (2011) discusses the historical context of neoliberalism and its kinds (roll-back and roll-out neoliberalism): An influential historical approach to temporal variation has distinguished a “roll-back” period associated with the deregulation and privatization of the Reagan and Thatcher administrations of the 1980s and a “roll-out” period that followed (Peck and Tickell, 2002, 2007) (Hess, 2011: 1057-58) and also stakes: The concept is also used in a more encompassing historical and contrastive sense to refer to a broad political transition and/or hegemonic regime that succeeded Keynesianism, socialism, and import substituting developmentalism (2011: 1061).

Wilshusen (2010) recognizes the gradual acceptance of neoliberalism: processes of accommodation to neoliberalism are not so much a direct response to specific institutional reforms as a gradual accretion of practices in response to decades of state-sponsored development activities. In this sense, accommodation constitutes creative adaptation to state-led reform rather than passive acceptance (2010: 769). He also sees the true nature and intentions of neoliberalism: proponents of neoliberalism argue that unfettered markets are the best mechanisms for allocating goods and services within society. Such an approach seeks to minimize state-imposed regulations that might hinder flows of financial capital (2010: 769).

Lauermann and Davidson argue that there has been a gradual transition within the literature on neoliberalism, from “neoliberalism” being used as an analytical category to describe a relatively clear set of economic reforms that emerged in the late 1970s, towards a concept that is confusingly fragmented, used to reference almost all market-based governance projects (and many other contemporary governance phenomena). This shift in analytical form has led to problematic theoretical and political framings. Our core argument is that neoliberalism studies research increasingly tends to narrate particular economic and political projects into a paradoxically universalized project of neoliberal “-ization(s)” and “-ism(s)” (2013: 1278).

Since the 2007 financial meltdown, the neoliberal project has been in crisis. Even some of its most ardent supporters have begun to rethink its legitimacy (Peck et al. 2009; Quiggin 2010; Sheppard and Leitner, 2010). Yet neoliberalism remains hegemonic, underpinning a host of
policy rhetoric and initiatives aimed at stemming recessionary declines (Crouch 2011; Demirovic, 2009) (Lauermann, Davidson, 2013: 1277).

The roll-back phase of neoliberalism represented an attempt to weaken policies associated with progressive, social liberalism and replace them with hegemonic neoliberalism, but to sell them as redistributive neoliberalism. Furthermore, the hegemonic aspect of social liberalism, as well as some of the more popular programs associated with progressive social liberalism (such as health-care and social security), survived the transition. Because the roll-back was incomplete, the resulting political field was more diverse and complicated rather than wholly transformed. (Hess, 2011: 1061-62). He (2011) also mentioned the potential current problem for neoliberalism: Although the effects of the Great Recession on politics and economics are not yet known, some of the policies associated with the Democratic Party’s control of the US government in 2009 suggest a partial turn away from neoliberalism. Deficit spending, health-care reform, regulation of the financial sector, new educational programs, green economic development, and carbon-trading are all policy directions that suggest at least a partial return to higher levels of state intervention in markets, albeit ones that often cede significant ground to neoliberal approaches in the construction of policy instruments (2011: 1058-59).

Several changes in spatial policies have been described in connection with the paradigm shift to neoliberalism. Whereas the latter is most often connected with deregulation and dismantlement, also characterised as “creative destruction” (Brenner and Theodore, 2002: 15ff) or “rollback neoliberalism”, a second aspect of this ideological framework has been more recently characterised as “roll-out neoliberalism” (Peck and Tickell, 2002: 384). This is a form entailing purposeful construction and consolidation of neoliberalised state forms, modes of governance and regulatory relations with a highly authoritarian impact (Peck and Tickell, 2002; Wacquant, 2009) (Manderscheid, 2012: 202).

Violence from above comes attendant to both “roll-back” neoliberalism, where regulatory transformation sees the state narrowly concerned with expanding markets to the peril of social provisions, and “roll-out” neoliberalism which concentrates on disciplining and containment of those marginalized by earlier stages of neoliberalization (Peck and Tickell, 2002) (Springer, 2011: 549).

3.4. Four Different but Overlapping Definitions of Neoliberalism

Hodkinson states that prior to the global financial crisis that erupted in 2008, neoliberalism was undoubtedly the driving ideational force behind capitalist globalisation (2011: 358). He also offers four different but overlapping definitions of neoliberalism: an ideological hegemonic project, selectively rooted in the free market and non-interventionist state philosophy of classical liberalism, and internationally propagated by think tanks and intellectuals like Hayek and Friedman in their assault on “egalitarian liberalism” (Peck and Tickell, 2007). Neoliberalism’s second definition—as a specific policy and program—has been usefully conceptualised as a process of “creative destruction” that aims to replace the national institutional arrangements and political compromises of Keynesian-Fordism with a “new infrastructure for market-oriented economic growth” set within a globalising and financialising economy (Brenner and Theodore, 2002: 362). This has often comprised distinct if overlapping phases of “roll-back” and “roll-out” neoliberalism (Peck and Tickell, 2002). The former focuses on rolling-back state intervention and working class gains (regulations, subsidies, protections, ownership, services) through privatisation, market liberalisation and austerity. The rolling out phase is associated with a third definition of neoliberalism, namely as a new state form encompassing “new modes of regulation, new regimes of governance, with the aim of consolidating and managing both marketisation and its consequences” (Peck and Tickell, 2007: 33). The literature’s fourth definition of neoliberalism is as a form of governmentality, which follows Foucauldian ideas in emphasising how neoliberal
governmental power operates in multiple sites and scales from the state down to the personal level “not through imposition or repression but rather through cultivating the conditions in which non-sovereign subjects are constituted” as entrepreneurial, self-reliant, rational-economic actors (Hart, 2004: 92) (2011: 358-59).

3.5. “A True Nature of Neoliberalism”

The section of this paper named “A True Nature of Neoliberalism”, together with the section about “Neoliberal Utopia”, comprises the harshest critique of neoliberalism found in the analyzed texts. The authors have a strong critical stance towards neoliberalism, and they put in front of the reader only the negative aspects of neoliberalism (they have not found a single positive aspect).

In defining neoliberalism, Duffy and Moore (2010) cite Cox: Critical scholars defined it as a hegemonic project that produces a “nebuleuse” of ideas, institutions and organisations which create conditions favourable to neoliberalism so that it appears as natural, neutral and as if there were no alternative (Cox, 1996). They also cite Brenner and Theodore (2002: 356-358), who suggest that, to understand actually existing neoliberalism we must explore the path-dependent, contextually specific interactions between inherited regulatory landscapes and emergent forms of neoliberalism (2010: 745).

Ilcan and Phillips (2010) share a similar view on the true nature and intentions of neoliberalism as Wilshusen: We understand neoliberalism as a governmental rationality that shapes conduct by re-positioning and deploying the values and norms of the market as the principal means by which people measure themselves and others. (…) That is, neoliberalism entails a cultural reform, where economic liberalization, privatization, and market mechanisms become key instruments that privilege and oblige particular conceptions of knowledge, capacities and actions for social transformation. Such rationalities and practices render spaces, capacities and conduct amenable to the objectives of “global government” (2010: 847).

The Free Association also recognized totalitarian tendencies and populist behavior behind neoliberalism: Neo-liberalism is non-negotiable. It’s a totalitarianism that doesn’t think of itself as based on belief or principle, but simply on a question of efficiency, of getting the job done. (2010: 1026). Populism also dovetails neatly into the moments of piety that pass for “politics” under neo-liberalism. One minute we’re asking the G8 to solve hunger in Africa, the next we’re condemning young mothers for feeding their children junk food. (2010: 1028). They have also recognized that neoliberalism is not so directly connected with climate change: While it was easy to argue that neo-liberalism had directly caused the massive increase in global poverty and the harshening restrictions on our lives, it was harder to attribute the causes of climate change so directly. (2010: 1031). However, for them, there is no doubt which ideology is behind the actions of global financial institutions: There’s an echo of this in the way institutions like the IMF and the World Bank make loans conditional on “good governance”, that is, full-blooded neo-liberalism in the shape of opened markets, unrestricted capital flows etc. (2010: 1031).

Demirovic (2011) sees neoliberalism as a strategy to change the relations of force within the power bloc, and in particular the relationship between the state apparatuses and the subaltern classes. The former neocorporatist compromise between the state, capital and the trade unions is dissolved through more or less radical political measures, and the balance of forces is shifted in favour of the bourgeois class (2011: 47).

Springer (2011) recognizes the tendencies of neoliberalism, which seeks to: eradicate interference with markets; stifle collective initiative and public expenditure via privatization of common assets; advocate individualism, competitiveness, and economic self-sufficiency as
fundamental virtues; attenuate or nullify social transfer programs; and actively “recruit” the poor into a flexible labour regime of low-wage employment (Peck 2001; Peck and Tickell 2002) (2011: 555). Whether neoliberalism is understood as aligned to authoritarian/archy or democracy/anarchy depends to some extent upon the context in question. However, if empirically neoliberalism seems to do well in democratic states this speaks to the contemporary abuse of democracy’s etymology. Those favouring institutional versions of “democracy” (ie demoarchy) will be less inclined to associate neoliberalism with authoritarianism. Yet seen through the anarchic lens of radical democracy, the authoritarianism of neoliberalism becomes evident, as the aggregations and deliberations of “liberal democracy” strip away individual freedoms via institutionalization (2011: 555-56).

Lauermann and Davidson also cite D. Harvey and his view of neoliberalism: Reiterating his general thesis that neoliberalism represents a moment of creative destruction, Harvey (2007:42) argues there is something fundamental in capitalism that connects particular neoliberal forms: an historical-geographical trajectory of capital accumulation that is based in increasing connectivity across space and time but marked by deepening uneven geographical developments. This unevenness must be understood as something actively produced and sustained by processes of capital accumulation, no matter how important the signs may be of residuals of past configurations set up in the cultural landscape and the social world (2013: 1279-80). Harvey’s (2005, 2007) understanding of neoliberalism as based on class conflict, creative destruction and accumulation by dispossession places neoliberalism as the newest stage of capitalism. Likewise, Brenner and Theodore (2002) tied neoliberalism to capitalism while discussing the former as a moment of creative destruction. (Lauermann, Davidson, 2013: 1285).

As Peck (2004) emphasizes (see also Peck and Tickell 2002), neoliberalisation cannot be understood as a parallel, harmonious process. Neoliberalism does not exist in pure form. Instead, it can be best understood as a loose and contradictory ideological framework, evolving through conflict with the wider “external” sociocultural world and its “internal” authoritarian and libertarian constituencies (Peck 2004:403) (Prokolla, 2013: 1322).

3.6. “A Neoliberal Utopia”
Two authors have also discussed the anti-political tradition and the notion of a “universal consensus in capitalism,” which can be referred to as “neoliberal utopia”.

Springer (2011) accentuates the anti-political tradition (exemplified by neoliberalism), that fears the people in its radical manifestation, not as das Volk shaped by the state, but as die Leute, the people in their bare life liberty and irreducible plurality. The convergence of homo sacer and the presupposition of equality turns existing power relations on their head and overcomes the dangers of “militant particularisms” (Harvey, 1996) (2011: 532). He then refers to the utopian notion of a cosmopolitan global village and the end of history: Faith in universal consensus is not only antipolitical, it is also the exact mode that constitutes utopian thinking, as is exemplified by neoliberalism’s grand narratives of a harmonious “global village” and the “end of history” (Fukuyama, 1992) (2011: 533). Glassman’s (1999) conception of the internationalization of the state recognizes, distinctions between so-called “local” and “global” elites have become increasingly blurred under neoliberalism (Springer, 2011: 549).

Our starting point for understanding neoliberal projects is therefore to see neoliberalisation as part of the ideological process by which capitalist logics are universalized through discursive, institutional, and policy innovation. Echoing other historically specific capitalist logics like Fordism, neoliberalism is not ideology per se, but a symptomatic expression of and symbolization in the capitalist symbolic (Lauermann, Davidson, 2013: 1284). (…) This insight is key to understanding how neoliberalism operates principally as an ideological
component of the capitalist symbolic: capitalist practices and relationships are universalized through neoliberal discursive, institutional, and policy work. At this point though, it is necessary to develop our understanding of the parallax relations between capitalism (as universal) and neoliberalisms (as particulars) (2013: 1284).

4. CONCLUSION
After studying the definitions and the accentuated characteristics of neoliberalism found in the texts from *Antipode* that had the word “neoliberalism” in their title or among the key words, we have found that the most important points about how the authors of analyzed texts see neoliberalism can be summarized as follows:

- Neoliberalism is based on free markets, free flow of capital, free trade;
- Neoliberalism promotes individualism, atomizing the population;
- Neoliberalism is a type of authoritarianism, a masque behind liberal democracy;
- Neoliberalism is a type of totalitarianism, based on efficiency, and it is non-negotiable;
- Neoliberalism has populist tendencies;
- Neoliberalism treats citizen as a client and customer;
- Neoliberalism establishes competition between every worker on the planet;
- Neoliberalism shifts the balance of power in the society in favor of the bourgeois class;
- Neoliberalism wants to attenuate or nullify social transfer programs; it promotes an active “recruitment” of the poor into a flexible labor regime of low-wage employment;
- Different variations of neoliberalism exist in capitalism: in reality there is one capitalism and different kinds of neoliberalism;
- Existing kinds of neoliberalism are hybrid and are composite structures; they are path dependent and geographically uneven;
- “Roll-back” and “roll-out” types of neoliberalism exist as different phases in the development of neoliberalism; the “roll-back” phase precedes the “roll-out” phase;
- Neoliberalism is the ideological component of the capitalist symbolic;
- Neoliberalism universalizes capitalist practices and relationships through discursive, institutional, and policy work.

LITERATURE


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CREATING SELF-EMPLOYMENT OPPORTUNITIES THROUGH PUBLIC PRIVATE FINANCING (MULTIPLIER EFFECT)

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ABSTRACT
Lack of access to finance is a key constraint to job creation, particularly for micro, small, and medium enterprises. Companies in developed and less-developed countries both tend to face more financial obstacles, given the lower level of financial development. Evidence shows that improved access to credit lines and other types of finance can help generate jobs, and the results tend to be larger and more significant for small businesses in developed and developing countries. A main challenge for the financial sector is to improve the sources of financing available for firms with growth potential that are unserved (do not have a loan or overdraft but need credit) and underserved (have a loan and/or overdraft facility but face financing constraints).

Small businesses are the engines of job growth in America, creating, on average, more than two-third of new jobs each year. So that, the success and prosperity of youth venture relies heavily upon the successful investment of public-private fund to the unemployed and existing self-employed youth through bank and financial institutions. Successful formulation and effective implementation of new and existing venture is the prime requisite for the successful performance of government in employment creation. Right strategy paper of sources mobilization to youth created venture has a positive impact on economic development of the country and vice-versa.

Therefore, SMEs play the pivotal role to create job opportunities, it foster productive sector and aspiring for a sustainable economic development. There is no doubt that public-private financing model has a pivotal role in disseminating the government's fund and transforming them into meaningful capital investment.

Keywords: Employment, Entrepreneurship, Financing, Young.

1. INTRODUCTION
The proper mobilization and utilization of public-private fund becomes indispensable for any developed and developing country aspiring for a sustainable economic development and there is no doubt that bank and financial institutions have a pivotal role in disseminating the government's fund and transforming them into meaningful capital investment. The success and prosperity of youth venture relies heavily upon the successful investment of public-private fund to the unemployed and existing self-employed youth through bank and financial institutions. Successful formulation and effective implementation of new and existing venture is the prime requisite for the successful performance of government in employment creation. Right strategy paper of sources mobilization to youth created venture has a positive impact on economic development of the country and vice-versa.

Fair financial system can deliberate employment opportunity in the country which is very sustainable development of any country. Banks and financial Institutions (BFIs) play a significant role in the economic development of a country. BFIs play a significant role in the economic development of a country. BFIs are provides the resources for the economic development, which maintains the self-confidence of various sectors of society and extends credit to the people. So, BFIs are dealing with activities of the trade, commerce, industry and agriculture that seek regular financial and other helps from them for growing and flourishing. The objective of BFIs is to mobilize idle resources into the most profitable sectors after
collecting them from scattered sources. Similarly youth are the assets of the country. They are free to create entrepreneur in country. Due to lack of funds to investment in entrepreneurship, youth are not able to achieve self-employment opportunity. Therefore, BFIs have to address the issues of youth by investing their lending in youth targeted programs. Recent studies on solutions to the youth unemployment problem in developed and developing countries like in United Stated and Nepal should have emphasized the need for policy measures and support from the private sector for supply side interventions such as skill development and demand side interventions in terms of creating jobs. Such measures have largely had incremental impact due to major portion of employment being informal / unorganized in nature, financial deficits, lack of awareness about the benefits of skilling and limited availability of support services and narrow relevance of the traditional perception and lack of integrated policy model.

To create the entrepreneurship and self-employed people there is required huge lending to youth which create small and medium enterprises. That means access of finance and government policy is the major constraints to create small and medium enterprises and employment.

The public private financing model plays the important role to disseminate the government fund to youth, bank and financial institutions lending policy, deposit rate, credit risk, views on youth self-employment loan, and youth issues in entrepreneurship. Therefore, creating young entrepreneurship through public private financing model has to analyze the existing resources mobilization policy (existing financing policy verses public private financing policy) of young business in the around the world and point out the defects inherent in it and provide package of conclusions for its improvement.

"Small businesses are the engines of job growth in America, creating, on average, more than two-third of new jobs each year. These jobs are more likely to stay here in the United States, anchoring families and communities across the country. Yet small businesses and manufacturers are being hammered by the high cost of health care and energy, along with slowing economy. Often, they have trouble finding the capital and expertise they need to grow, and they don't have the power and connections that their big competitors can use." According to Right Hon'able President Obama, youth from America is also facing the problems of access to finance to create the entrepreneurship. Because, youth are excellent in creating new ventures and innovations. Due to the fact that the problems of financing in youth targeted venture, youth cannot create what they want. According to the World Bank’s Enterprise Surveys, the key obstacles for private enterprises in developing countries are a poor investment climate, inadequate infrastructure, lack of access to finance, and inadequate skills and training.

Therefore, the multiplier concept of public private financing model can help to find out access of finance and new firm formation, growth and employment creation. It support the youth to create entrepreneurship, BFIs to easy lending to youth venture, and public sector to finance young business through banks and financial institutions.

2. LITERATURE REVIEW

Literatures are the main sources of information related with the study. The chapter deals with review of previous studies. So that, the writer reviews the some of the previous literature, that could be assessed in the empirical analysis. A summary of the most credible findings from the previous literature is taken.

2.1. Review of Previous Research
"Lack of access to finance is a key constraint to job creation, particularly for micro, small, and medium enterprises. Companies in less-developed countries tend to face more financial obstacles, given the lower level of financial development. Evidence shows that improved access to credit lines and other types of finance can help generate jobs, and the results tend to be larger and more significant for small businesses and businesses in developing countries. A main challenge for the financial sector is to improve the sources of financing available for firms with growth potential that are un-served (do not have a loan or overdraft but need credit) and underserved (have a loan and/or overdraft facility but face financing constraints)."30

According to the World Bank’s Enterprise Surveys, the key obstacles for private enterprises in developing countries are a poor investment climate, inadequate infrastructure, lack of access to finance, and inadequate skills and training. Perhaps the first and major contribution of this report is to provide evidence of the significance job creation effects of removing these constraints, and to identify the specific conditions and activities necessary for the private sector to generate jobs.31

In Britain, the Prince’s Trust Enterprise Programme is for people who have a business idea they want help to explore, are aged 18-30, unemployed or working less than 16 hours per week. Services provided include; advice on employment options, business skills training, business planning support, start-up loan funding, ongoing support from a volunteer business mentor, access to specialist support, including free legal services and, if one wants to start a business, access to a wide range of free and discounted products and services.32

"Through these programs, youths have managed to start and sustain viable businesses, and attain financial independence and stability. Kenya needs long term strategies to enable youth access more rewarding and productive work. There is also a tendency to treat youth as a homogeneous group, which could end up isolating some young people who cannot fulfill YEDF requirements such as business plan development, a registered group and an existing bank account. The rules should be more flexible and needs-based in order to benefit some of the needy and illiterate youth who require more rigorous training and support to succeed."

"The value chain framework (VCF) is one of the most powerful analysis tools for strategic planning. A value chain is a sequence of activities to design, produce and provide a good or a service. Firms can achieve above average performance by focusing on redeployment of resources towards strengthening the weakest links in the chain. While most value chain implications have been drawn for corporate strategy, they have also been employed in the developmental sector as a means of identifying poverty reduction strategies by upgrading along the value chain."

"The research study has shown that there should be Access to affordable financing. This is perceived as one of the biggest impediments for younger people to start their own business (Greene 2005, Blanch flower and Oswald 1999, Llisterri et al. 2006, Blokker and Dallago 2008, Owualah 1999). Likewise the entrepreneurship education in the form of a transmission of modified knowledge and entrepreneurial skills through formal and informal education. If entrepreneurial and enterprising behavior among young people is to emerge, more focus must

30 ibid
31 ibid
be put on entrepreneurship education (Blokker and Dallago 2008) and methodologies that encourage ‘learning by doing’ and ‘just in time learning’ (Gibb, A. 2002; 2006). Thus entrepreneurship education is not only a means to foster Youth Entrepreneurship but at the same time to equip young people with entrepreneurial attitude and skills (Schoof, 2006). Nafukho (1998) highlight the need for entrepreneurship education in many African countries. Other studies corroborate these findings for other countries. Enabling environments for youth entrepreneurship, which is mentioned repeatedly by many authors around the world (Listerri et al. (2006); Capaldo (1997); Nafukho, (1998); Owualah S.I. (1999) who suggest that a more conducive environment to entrepreneurship fosters the creation of young business people. Similarly, another bulk of authors assessed the impact of administrative and regulatory burdens on youth entrepreneurship. For example, Nasser (2003) points out that South Africa’s institutional and regulatory frameworks prevent entrepreneurial creativity among young people.

"Many government officials, donor agency personnel, and commercial bankers think that financial services for the poor cannot be provided without subsidies. This is based on the belief that: it is both impossible and immoral to make money lending to microenterprises because of the operational expense, credit risk, and clientele’s low economic status; microenterprises are not a significant part of the economy, so the potential market is small in any case; and the poor do not and cannot save, so the mobilization of small-scale savings is not viable. They perceive microfinance not as a business with potentially large profits, but rather, as a form of community service. They feel that it is the moral obligation of banks to lend to microenterprises below cost, and that it is the social duty of the public sector to help finance microenterprises. Consequently, these microfinance programs are not sustainable, and are terminated when their financial losses exceed their political and social gains."


Fair financial system can deliberate employment opportunity in the country which is very sustainable development of any country. Disseminate the public fund (government financing) through bank and financial institutions to young business are more fruitful to government as well banking sector and young entrepreneur too. Because it provides the access of finance to youth, more business to bank and financial institutions, employment opportunity for job seeker, financial and economic stability for government. Therefore, the public private financing model addresses the issues of youth, issues of government by creating employment opportunities, issues of banks and financial institutions by mobilizing deposits, and plays a role of multiplier.

3.1. Concept of Public Private Financing

In this public private financing model replace the existing financing model adding the government financing in existing financing model. This public private financing model can help the government to finance to young business and young business to get finance from government which will solve the problem of lack of finance.

Existing financing model has two alternatives one is; financing from bank and owner, other is; including public financing (government grant and subsidy). In public private financing; public financing including government loan and donor agency loan like World Bank, IFC etc., and private financing including owner financing and private bank financing. In this public private

financing assuming that public financing is loan from public sector instead of grant and subsidy. This will repay on the basis of term to maturity.

3.1.1. Working modality of Public Private Financing

Figure 1: Existing financing model showing total investment including owner financing and bank financing.

In existing financing model, if BFI s finance sixty percent out of total investment, the total investment will be $1 million if young entrepreneur has $400,000. Because of normal banking lending policy require forty percent margin on total financing. And total capitalization is just only $1 million.

Figure 2: Public private financing model showing total investment including public financing, bank financing and owner financing.

In existing financing model, if BFI s finance sixty percent out of total investment, the total investment will be $1 million if young entrepreneur has $400,000. Instead of existing financing model, public private financing model will capitalize of investment to $2 million if young entrepreneur invest same $400,000. The result becomes that, if government finance by $400,000, the investment in youth venture will double i.e. one million to two million. It plays the multiplier effect. This provides financial access to youth, creates SMEs, and employment opportunities.
3.1.2. Public private financing as a multiplier

In long term, this financing model boosts the economic condition of the country. Just only on next five years, the market will capitalize by 4.1 million dollars of this business which support to create employment opportunities, access to finance, provide direct and indirect tax promote export and so on. This following table explains the role of public financing to capitalization of investment.

Table 1: Capitalization of investment during 5 years in both models

<table>
<thead>
<tr>
<th>Financing/ Years</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financing into young business without government grant and financing</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Public Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Financing</td>
<td>400000</td>
<td>480000</td>
<td>576000</td>
<td>691200</td>
<td>829440</td>
</tr>
<tr>
<td>Bank Financing</td>
<td>600000</td>
<td>720000</td>
<td>864000</td>
<td>1036800</td>
<td>1244160</td>
</tr>
<tr>
<td>1000000</td>
<td>1200000</td>
<td>1440000</td>
<td>1728000</td>
<td>2073600</td>
<td></td>
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<tr>
<td><strong>Financing into young business with government financing</strong></td>
<td></td>
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<tr>
<td>Public Financing</td>
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<td>Equity Financing</td>
<td>400000</td>
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<tr>
<td>Bank Financing</td>
<td>1200000</td>
<td>1440000</td>
<td>1728000</td>
<td>2073600</td>
<td>2488320</td>
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<td>2000000</td>
<td>2400000</td>
<td>2880000</td>
<td>3456000</td>
<td>4147200</td>
<td></td>
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<tr>
<td><strong>Fundamental Multiplier, K</strong></td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Real Multiplier, K</strong></td>
<td>2.5</td>
<td>3</td>
<td>3.6</td>
<td>4.32</td>
<td>5.184</td>
</tr>
</tbody>
</table>

\[
K = \frac{\Delta T I}{\Delta I}
\]
\[
K^* = \frac{\Delta T I}{\Delta N I}
\]

Where,
\(\Delta T I\) = Total Investment in PPF model – total investment in existing model
\(\Delta I\) = Total investment made by public sector in PPF model – total investment made by public sector in existing financing model
\(\Delta N I\) = Change in Net Investment

= \(\Delta I\) - repayment collection of previous years financing = $ 400,000 each year

It has to discuss the major assumptions of public private financing before prove the multiplier effect of public finance into young entrepreneurship. The major assumptions are:

i. Private bank finance sixty percent out of total investment. Rest of the investment will finance by entrepreneur and public sector.

ii. Public finance will repay in 5 years tenure on equal installment basis by owner.

iii. Public loan disbursement through banks and financial institutions. It minimizes government and public sector low supervision and monitoring.

iv. Re-investment of business firm is twenty percent on equity each year.

v. Higher the percentage investment made by public sector out of the total investment is higher the multiplier of investment and vice versa.

From the above market capitalization table, total market capitalized $ 1 million to $ 2.0736 million and $ 1 million to $4.1472 million in existing financing model and public private financing model respectively. The impact of PPF model doubles the total investment each year and multiplier of government financing is 2.5 times in fundamental multiplier concept. That is, if public financing becomes $ 1, the effect in total investment will be $ 2.5. It creates SMEs, employment opportunities, sustains economic growth, easier to maintain balance of payments, reduces inequality, provides financial access to youth; in a one basket it foster overall economic development.
Both cases, fundamental multiplier and real multiplier; real public financing from public sector is only $400,000. But the question can arise that the investment in every following year is greater than previous year which is higher than $400,000. The additional amount is investment made from loan recovery of previous year's investment. So that, public sector investment is made only $400,000 each from public sector treasury. Therefore, net investment each year is only $400,000. In this, real multiplier of public sector financing is increasing ratio each year.

4. CONCLUSION

This public private financing model will help to incorporate a practice or involvement proven to be effective within the routine activities of public and private financing by transforming the multiplier as an instrumental, conceptual, and persuasion. Therefore, this model is focusing on the impact of financing on self-employment creation, growth, job creation and decline. The specific expected result can conclude point wise as follows:

a. There is a positive relationship between access to finance and the number of start-up enterprises, growth and job creation.
b. Access to formal financial sources (Public-Private) allows companies to make larger investments in capital, new technologies, research, and innovation.
c. This access also provides businesses with liquidity, improves their risk management, innovation, and allows them to acquire productive assets.
d. Access to finance also has indirect employment effects in the supply and distribution chains of the borrowers.
e. It helps to increase the business of BFIs, reduce the financial burden of public sector increasing financing option instead of grant and subsidy.

LITERATURE


THE IMPACT OF GLOBALIZATION ON INDIA'S EXPORT AND IMPORT OF AGRICULTURAL COMMODITIES

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ABSTRACT
Trade is an engine of economic development. The establishment of W.T.O. is an important landmark in the history of international trade. When developing countries were liberalizing their economics, they felt the need for better export opportunities. The W.T.O. provides opportunities for countries to grow and realize their export potentials, with appropriate domestic policies in place. Following macro economic reforms introduced in the Indian economy in the early 1990s, and the reforms in the multilateral trading order brought about in the wake of GATT negotiations and setting up of WTO, the Indian agriculture has entered in to the phase of globalization and diversification. It is expected that the combined effect of the reforms in the domestic policies and international trade reforms would result in much larger integration of the Indian economy with the rest of the world, and such a scenario would bring about substantial benefits to the Indian farmers. The reforms undertaken so far have however failed to bring about the expected gains to Indian farmers. The process of reforms is still continuing and it is hoped that once the negotiations on reforms conclude and the envisaged reforms are implemented in letter and spirit, the gains to Indian agriculture would be positive and substantial.
The present study has been undertaken to study the impact of globalization on India's export and import of agricultural commodities.

Keywords: Agricultural trade, Reforms, WTO.

1. INTRODUCTION
India agriculture in the past six decades, after the country got independence from British rule has passed through various phases and stages of growth and development. Agricultural output during this period has grown at a rate of 2.5 to 3 percentage per annum which is more than double than the overall rate recorded in the first half of the century (Vaidyanathan, 1996). It has been more than a decade since the WTO Agreement on Agriculture came into effect on 1st January 1995. This appears to be a reasonably long period to know and understand the implications and nature of liberalized trade regime being promoted under the auspices of WTO. Further, it has now become clear that WTO regime of multilateral trade is going to stay and this regime would not be rolled back or revered. However, its agreements can definitely be modified and changed through consensus and negotiations, to accommodate the major concerns of member countries. In order to effectively operate in the WTO oriented environment, India should (a) carefully identify the issues of its interest in the global trade (b) strongly push this agenda in the negotiations of WTO and (c) implementing appropriate domestic policies and strategies that improve competitiveness of Indian agriculture.
There is lot of concern about the impact of trade and other reforms followed since 1991 on the overall health of the agricultural sector. This paper is an attempt to analyze and understand some implications of these policies.
2. OBJECTIVES AND METHODOLOGY
The study has been conducted with the following objectives:

1. To analyze the direction and trends in exports and imports of agricultural commodities in India, in the post liberalization period.
2. To evaluate the impact of globalization on exports and imports of agricultural commodities in India.

Techniques like index numbers, coefficient of variation, were employed for the analysis of data. The post reform period has been divided into two segments - pre WTO and WTO, i.e. 1991-95 and 1995-2010. In the first sub period following 1991, terms of trade became highly favourable to agriculture sector. After 1995, under its commitments to WTO, India had to remove quantity restriction (QRs) and liberalize imports. As after 1997 international prices started falling, that started putting downward pressure on domestic prices of most of agricultural commodities. Thus the second sub period during reforms did not remain favourable to agriculture unlike the first phase during 1991 to 1996.

The coefficient of variations (CV) was used to know the variation in imports and exports over the years.

\[ \text{Coefficient of variation} = \frac{\text{Standard deviation}}{\text{Mean}} \times 100 \]

The index numbers were calculated on the chain base method so as to account for the changes in the export and import of agricultural commodities. The base year for calculating index numbers has been taken as the average of 3 years viz., 1990-91, 1991-92 and 1992-93 (TE 1992-93) for pre WTO period and 1995-96, 1996-97, 1997-98 (TE 1997-98) for post WTO period.

The index numbers where calculated by the formula

\[ I = \frac{\frac{X_i}{X_0} \times 100}{X_0} \]

Where \( X_i \) = Value of export/import of agricultural commodities in current year.
\( X_0 \) = Value of export/import of agricultural commodities in base year

3. LITERATURE REVIEW
Trade liberalization primarily causes changes in producer and consumer surplus and the net effects of this liberalization depend on which of the two effects is stronger. Several researchers have attempted to quantify the effects of trade liberalization. The available results point to mixed evidence of the effects of trade liberalization. A study by Ramesh Chand (1991) attempted to quantify the impact of globalization of agriculture on producer surplus, consumer surplus and net social welfare in the case of four crops, namely, paddy (rice) maize, chickpea and rapeseed-mustard. The study concluded that in the case of studied crops, free trade is likely to have sharp positive impact on net return from production of exportables like maize and rice, whereas, it is likely to have small negative impact on net return from the importables like rapeseed-mustard. In rice where level of input subsidy is high, free trade would not be sufficient to counter the adverse impact on income due to withdrawal of subsidies.

In some products, such as edible oils, international prices on account of subsidies have consistently been lower than domestic prices. Analysts addressing this issue have shown that Indian edible oils do not compete well with imports in domestic market. (Gulati and Sharma, 1998).

Comparing the ration of domestic and international prices of oilseeds and oil, Chand (2002) shows that oilseed production, particularly in rapeseed-mustard and soybean, is fairly competitive. In the case of pulses, Sathe and Agarwal 2004 examined the issues related to the...
opening up of the Indian pulses sector. The study shows that pulses (lentils) imports have not augmented supply to such an extent that there would be a strong, negative relationship between prices and imports of pulses. Though the import duties on pulses have been generally low the result of our import regime has been such that it has not depressed prices in a substantial way.

Anderson 2003 has projected that a complete global liberalization of agricultural trade (including the removal of massive agricultural protection by OECD countries) would have the effect of increasing net annual exports of agricultural and food products by US$2.7 billion from India: a 40 percentage rise over the current level of agricultural exports.

4. DISCUSSION

India has been both an importer and exporter of agricultural commodities for a very long time. India’s agricultural exports after growing at a rate of only 0.78 percentage per annum during the period from 1961 to 1971 registered a steep hike during the period 1971 to 1981 and increased at an annual average growth rate of 18.36 percentage. During the decade of 1980s the growth rate of exports again plummeted to 2.24 percentage per annum. The economic liberalization and trade reforms introduced in 1991, helped India accelerate the growth rate of exports to 7.42 percentage per annum (Bhalla 2004).

While during the first half of the 1990s India’s agricultural exports performed extremely well, however since 1995-96 these have shown extreme fluctuations. Although the World Trade Organization (WTO) Agreement on Agriculture in 1995 was expected to improve India’s agricultural exports, this does not seem to have happened. There have been some signs of a turnaround during 2002-03. Bhalla (2004) however, opines that this sudden surge in Indian exports has to some extent been the result of the existence of large stocks and transport subsidy made available to exporters.

Examined from another angle, the share of agricultural exports, which constituted more than 30 percentage of the total exports from the country during 1970-71 and 1980-81, have of late been declining consistently, more so in recent years. The declining trend is more noticeable in the post liberalization and post WTO periods. In 1990-91, agricultural exports constituted about 18percentage of the total exports which in 2000-01 went down to 14 percentage. In 2003-04 agricultural exports constituted only 12.4 percentage of all exports as shown in table 2.

Table 1: Share of agricultural exports and imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture Imports</th>
<th>Total National Imports</th>
<th>% Agriculture Imports to Total National Imports</th>
<th>Agriculture Exports</th>
<th>Total National Exports</th>
<th>% Agriculture Exports to Total National Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>1205.86</td>
<td>43170.82</td>
<td>2.79</td>
<td>6012.76</td>
<td>32527.28</td>
<td>18.49</td>
</tr>
<tr>
<td>1991-92</td>
<td>1478.27</td>
<td>47850.84</td>
<td>3.09</td>
<td>7838.04</td>
<td>44041.81</td>
<td>17.80</td>
</tr>
<tr>
<td>1992-93</td>
<td>2876.25</td>
<td>63374.52</td>
<td>4.54</td>
<td>9040.30</td>
<td>53688.26</td>
<td>16.84</td>
</tr>
<tr>
<td>1993-94</td>
<td>2327.33</td>
<td>73101.01</td>
<td>3.18</td>
<td>12586.55</td>
<td>69748.85</td>
<td>18.05</td>
</tr>
<tr>
<td>1994-95</td>
<td>5937.21</td>
<td>89970.70</td>
<td>6.60</td>
<td>13222.76</td>
<td>82673.40</td>
<td>15.99</td>
</tr>
<tr>
<td>1995-96</td>
<td>5890.10</td>
<td>122678.14</td>
<td>4.80</td>
<td>20397.74</td>
<td>106353.35</td>
<td>19.18</td>
</tr>
<tr>
<td>1996-97</td>
<td>6612.60</td>
<td>138919.88</td>
<td>4.76</td>
<td>24161.29</td>
<td>118817.32</td>
<td>20.33</td>
</tr>
<tr>
<td>1997-98</td>
<td>8784.19</td>
<td>154176.29</td>
<td>5.70</td>
<td>24832.45</td>
<td>130100.64</td>
<td>19.09</td>
</tr>
<tr>
<td>1998-99</td>
<td>14566.48</td>
<td>178331.69</td>
<td>8.17</td>
<td>25510.64</td>
<td>139751.77</td>
<td>18.25</td>
</tr>
<tr>
<td>1999-00</td>
<td>16066.73</td>
<td>215528.53</td>
<td>7.45</td>
<td>25313.66</td>
<td>159095.20</td>
<td>15.91</td>
</tr>
</tbody>
</table>
Although the relative share of agriculture in total exports has been falling over time and is also lower than that of some other developing countries, the share of agricultural products in total export earnings is still substantial. The declining share of agricultural exports in total exports is explained primarily in terms of the relatively faster growth in the volume of merchandise exports, but it appears that there are other and more fundamental reasons which underlie the sluggishness of agri-experts from India.

The slow down in Indian exports since mid-1990s as shown with the help of chain index numbers in table 2(a) and table 2(b), can also be attributed to a slow down in international trade in the latter half of the 1990s. A complementary factor for rapid growth of agricultural products during the early 1990s was the high prices of agricultural commodities prevailing in the international markets during that period and steep devaluation of the Indian rupee. The deceleration in growth after mid-1990s was also on account of the fall in international prices for most of the commodities and simultaneous steep increase in domestic administrative prices making Indian products noncompetitive.

Table 2(a): Index number of India’s imports and exports of agricultural commodities (pre WTO period)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Imports*</th>
<th>Exports**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1990-91</td>
<td>65.05</td>
<td>78.80</td>
</tr>
<tr>
<td>2.</td>
<td>1991-92</td>
<td>79.75</td>
<td>102.72</td>
</tr>
<tr>
<td>3.</td>
<td>1992-93</td>
<td>155.18</td>
<td>118.47</td>
</tr>
<tr>
<td>4.</td>
<td>1993-94</td>
<td>125.56</td>
<td>164.95</td>
</tr>
<tr>
<td>5.</td>
<td>1994-95</td>
<td>320.33</td>
<td>173.29</td>
</tr>
<tr>
<td></td>
<td>C.V (%)</td>
<td>43.33</td>
<td>28.39</td>
</tr>
</tbody>
</table>

* Calculated, ** Calculated.

Table 2(b): Index numbers of India’s imports and exports of agricultural commodities (pre WTO period)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Imports*</th>
<th>Exports**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1995-96</td>
<td>83.01</td>
<td>88.17</td>
</tr>
<tr>
<td>2.</td>
<td>1996-97</td>
<td>93.19</td>
<td>10.63</td>
</tr>
<tr>
<td>3.</td>
<td>1997-98</td>
<td>123.79</td>
<td>107.38</td>
</tr>
<tr>
<td>4.</td>
<td>1998-99</td>
<td>205.28</td>
<td>110.27</td>
</tr>
<tr>
<td>5.</td>
<td>1999-2000</td>
<td>226.43</td>
<td>109.42</td>
</tr>
<tr>
<td>6.</td>
<td>2000-01</td>
<td>170.33</td>
<td>123.87</td>
</tr>
<tr>
<td>7.</td>
<td>2001-02</td>
<td>229.10</td>
<td>128.50</td>
</tr>
<tr>
<td>8.</td>
<td>2002-03</td>
<td>248.16</td>
<td>149.79</td>
</tr>
<tr>
<td>9.</td>
<td>2003-04</td>
<td>309.66</td>
<td>161.08</td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td>----</td>
<td>--------</td>
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<td>--------</td>
</tr>
<tr>
<td>10</td>
<td>2004-05</td>
<td>321.49</td>
<td>179.83</td>
</tr>
<tr>
<td>11</td>
<td>2005-06</td>
<td>302.99</td>
<td>212.74</td>
</tr>
<tr>
<td>12</td>
<td>2006-07</td>
<td>417.69</td>
<td>269.79</td>
</tr>
<tr>
<td>13</td>
<td>2007-08</td>
<td>421.47</td>
<td>341.65</td>
</tr>
<tr>
<td>14</td>
<td>2008-09</td>
<td>524.02</td>
<td>371.53</td>
</tr>
<tr>
<td>15</td>
<td>2009-10</td>
<td>836.67</td>
<td>386.97</td>
</tr>
</tbody>
</table>

C.V. (%)  

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10.2</td>
<td>63.32</td>
</tr>
<tr>
<td>11.2</td>
<td>58.69</td>
</tr>
</tbody>
</table>

* Calculated, ** Calculated.

Bhalla (2004), suggest that many commodities like rice, meat products, processed foods, fish, fruits and vegetables registered very high growth rates during the 1990s. On the other hand some traditional exports like tea and cotton were not able to sustain their growth rates after the liberalization. Marine products were the largest export earner while oil meals were also a major item in early 1990s.

India’s agricultural imports have displayed extreme fluctuations, with a sudden surge in imports during the mid-1990s. The percentage share of agricultural imports in total imports also has shown very high volatility having moved in the range of 28 percentage to less than 2 percentage during the same period as shown in table 1 above.

As far as growth in imports concerned, Table 2(b) given above reveals that there was, in fact, a negative growth of 29 percentage in 2000-01 but since then, agricultural imports grew at a relatively high rate of about 23 percentage, 22 percentage and 27 percentage in 2001-02, 2002-03 and 2003-04, respectively.

Thus on balance, while after 1996 there was a deceleration in export growth; the agricultural imports have shown an increase. In fact the gap between agricultural export and imports has been narrowing down in recent years. Although India abolished its quantitative restrictions (QRs) in 2001, this has not resulted in any surge of agricultural imports.

The trend in India’s import and export during reforms period show that decline in India’s agricultural exports after 1997 is consistent with the trend in global trade in agricultural products, largely attributable to decline in the international prices. However, India’s farm imports rose sharply during post WTO period despite decline in global agricultural trade. Thus India’s agricultural imports during post WTO period did not follow the trend in the global trade. Second, in the post WTO period trade liberalization has led to sharp rise in import of edible oil and cotton. Horticulture sub sector has seen favourable impact on export during the decade of reforms. This shows that post WTO period has been adverse to export but favourable for imports.

The above results can be summarized as follows:

1. Share of agricultural imports was 2.79 percentage in 1990-91 and improved to 6.6 percentage till 1994-95. In post WTO period, share was 4.80 percentage in 1995-96; it increased till 2000 and then started declining (except 2003-04) and is now at a low level of 2.71 percentage.

2. Although the share of agricultural imports is low, the total imports are high in both the pre and post WTO period and are still showing signs of further increase.

3. Share of exports of agricultural commodities showed a declining trend till 1995. It increased to 20.33 percentage in 1996-97 and after that it’s continuously declining. It’s 10.9 percentage for 2009-10, which is almost half of 1996-97.

4. The total exports of agricultural commodities are rising but the amount is not substantial.

5. Table 4 and 5 shows that there is more variation in imports of agricultural commodities than their exports, both in the pre and post WTO periods.
5. CONCLUSION
Thus in conclusion, it can be stated that the liberalization measures lead to more stabilized exports than imports. Trend in agriculture trade shows that post WTO trade liberalisation did not help much in export growth but it resulted in sharp and continuous increase in import. This caused adverse effect on self reliance in agriculture. The agricultural products from India can be made competitive in international market and the prices of agricultural goods in the domestic market can be improved by taking serious steps of reform. “Globalize or Perish” is now the buzzword synonymous to “Do or Die” which conveys that there is no alternative to globalization and everybody should learn to live with it, India, being a signatory to the agreement that led to W.T.O., can no way step backwards. This is not the time to curse the darkness but to work for making India emerge as a global market leader.

In this context, there are few policy recommendations, which may help Indian agriculture to become more competitive and efficient:

1. India needs to devise appropriate domestic policies (extensive domestic market reforms, heavy investment in building and maintaining infrastructure, etc.) to improve efficiency and competitiveness of domestic produce.
2. Export of high value products, horticulture products, processed products, marine products and rice should be promoted.
3. India has to counter the challenges in the export of traditional items from the developing countries.
4. There is a need to go whole hog in reforming domestic market as has been done by China.
5. More and more Agricultural Export Processing Zones should be developed.
6. Public investment in agriculture must be increased, particularly in R & D.

LITERATURE
SUSTAINABLE DEVELOPMENT AS AN OPPORTUNITY TO INCREASE THE GEOGRAPHICAL DIVERSIFICATION OF SLOVENIA’S FOREIGN TRADE

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ABSTRACT
Slovenia is a small country and therefore highly dependent on its trade in goods and services with the world (mainly Europe). In order to further increase the geographical diversification of its foreign trade, Slovenia should promote further internationalization of Slovenian enterprises (especially small- and medium-sized ones) and adopt other measures such as increasing entrepreneurship. This paper therefore analyses Slovenia’s foreign trade and proposes some measures to further increase the value of Slovenia’s exports of goods and services. Additionally, it deals with sustainable development as an opportunity to increase the aforementioned value. In 2013, the value of Slovenia’s trade in goods and services with the world amounted to €52,178.9 million, 144.4% of the value of Slovenia’s gross domestic product (GDP) and an increase of 0.6% from the previous year. In the same year, the value of Slovenia’s exports of goods and services to the world amounted to €27,392 million, 75.8% of the value of Slovenia’s GDP and an increase of 2.5% from the previous year, while the value of Slovenia’s imports of goods and services from the world amounted to €24,786.9 million, 68.6% of the value of Slovenia’s GDP and a decrease of 1.5% from the previous year. In order to further increase the value of its exports of goods and services, Slovenia should increase the competitiveness of Slovenian enterprises, adopting measures such as increasing the sustainability of these enterprises to help improve their market positions. Sustainable development offers many business opportunities for Slovenian enterprises and should therefore be viewed as an opportunity for their further internationalization. In order to achieve the aforementioned goal, Slovenia should promote sustainable innovation and adopt certain other measures, such as increasing cooperation between Slovenian enterprises and their foreign counterparts with a view towards entering sustainable markets (both in Europe and elsewhere in the world), which will have a positive impact on increasing the geographical diversification of Slovenia’s foreign trade.

Keywords: diversification, foreign trade, sustainability, sustainable development, Slovenia.

1. INTRODUCTION
The business environment is constantly changing (see Hamilton and Webster, 2015). In order to remain or become competitive, enterprises (including Slovenian ones) must constantly adapt to the changing business environment (see Jain, Trehan and Trehan, 2010). However, this requires a different approach to their management. In order to gain a competitive advantage, enterprises must become better at something than others. Sustainability, for example, offers enterprises (especially small- and medium-sized ones) many opportunities to gain a competitive advantage (see Weidinger, Fischler and Schmidpeter, 2014; Jacobsen,
2011; Wells, 2013; Sanders and Wood, 2014). This is especially true for Slovenian enterprises, which have to look for business opportunities in niche markets. Therefore, in order to further increase the value of its exports of goods and services to the world, Slovenia should promote sustainable business practices among Slovenian businessmen. It should also adopt some other measures to increase the sustainability of their businesses. After all, in recent years, sustainable production and consumption have become increasingly important topics in international business (see Chappells and Trentmann, 2015; Lorek and Vergragt, 2015; Reisch and Thøgersen, 2015). Therefore, in order to increase the geographical diversification of its exports of goods and services, Slovenia should increase the sustainability of Slovenian enterprises, as well as their demand and supply chains. Additionally, it should further increase the sustainability of its governance (see Toots, Reetz and Jahn, 2014).

The rest of this paper is structured as follows: Section 2 deals with sustainability as a competitive advantage, while section 3 analyses Slovenia’s foreign trade in goods and services. Section 4 lists the main findings and some of the measures that should be adopted by Slovenia to increase the value of its exports of goods and services.

2. SUSTAINABILITY AS A COMPETITIVE ADVANTAGE

The success of businesses depends on their ability to create a strategic position in their domestic and foreign markets. However, more often than not, this ability is associated with entrepreneurship, which includes the exploration and exploitation of business opportunities. Nowadays, businesses need to act strategically in order to create the most value for their stakeholders (see Hitt et al., 2014; Hitt et al., 2015; Klonowski, 2015). This is particularly important for small businesses, including Slovenian ones, which often operate in niche markets. After all, a strategy is a plan of action that is designed to achieve an aim.

In recent years, sustainability has become an increasingly important topic in strategic management (see Jacobsen, 2011; Thiele, 2013; Wells, 2013; Weybrect, 2014; Sanders and Wood, 2015). Nowadays, many enterprises, including some Slovenian ones, see sustainability as an opportunity to gain a competitive advantage (see Kopnina and Blewitt, 2015). Therefore, in order to increase their competitiveness, Slovenian enterprises should increase their sustainability and adopt some other measures. However, in order to remain or become competitive, enterprises must constantly innovate. Nidumolu, Prahalad and Rangaswami (2009) believe that sustainability is the key driver of innovation including open ones (see Belz and Peattie, 2012). In recent years, the strategic orientation of enterprises towards sustainability has become increasingly important. After all, in a changing business environment, enterprises must include a strategic perspective in their actions (see Kraus and Kauranen, 2009) and adopt their business strategies to this environment in order to gain competitive advantages (see Kuratko, 2014). Therefore, adaptation is the key to success.

According to Accenture (2013), 93 % of chief executive officers (CEOs) believe that sustainability will be important for the future success of their businesses. In recent years, marked by the financial, economic and social crisis in the developed world (mainly Europe and North America), sustainability has become a priority for many businesses and their leaders (see Eweje and Perry, 2011; Aras and Crowther, 2012; Laszlo, 2013; Stead and Stead, 2014; Wheelen et al., 2014; Weidinger, Fischler and Schmidpeter, 2014) including some Slovenian ones. According to McKinsey (2014), 13 % of CEOs argue that sustainability is the main priority on their agenda, while 36 % of CEOs argue that sustainability is one of the three main priorities on their agenda. By integrating sustainability into business strategies, a number of businesses, including some of the small ones, have gained a competitive advantage. Therefore, sustainability has become an important factor in their competitiveness and business performance. In order to further increase both of these, businesses must constantly seek opportunities for all kinds of improvements.
In order to gain and maintain a competitive advantage, businesses must constantly innovate. After all, innovation is a major factor in sustainable development. Therefore, more than ever, it is important for Slovenia to increase the innovativeness of its businesses and to create an innovation-friendly business environment that will be attractive to foreigners. Nevertheless, sustainable development is a major challenge for all of its stakeholders. Therefore, Slovenian businesses must integrate sustainability into their business culture in order to accelerate their sustainable development. In the coming years, sustainability will play an increasingly important role in the business world including Slovenia. Thus, education must be adapted to the current and future needs of the business environment in which businesses are increasingly looking for sustainable solutions to their business problems in order to increase their competitiveness.

3. ANALYSIS OF SLOVENIA’S FOREIGN TRADE IN GOODS AND SERVICES

Slovenia is a small country in central Europe. In 2013, the value of Slovenia’s gross domestic product (GDP) per capita amounted to €21,800, an increase of 0.9 % from the previous year. This is higher than the value of GDP per capita of most other countries in Central and Eastern Europe (CEE) (see Figure 1). Similar to most other countries in CEE, Slovenia is highly dependent on its trade in goods and services with the world (mainly Europe). There are many reasons for this such as Slovenia’s lack of some natural resources, for example, natural gas, and the small size of its domestic market for goods and services. In 2013, the value of Slovenia’s trade in goods and services with the world amounted to €52,178.9 million (see Figure 2), 144.4 % of the value of its GDP and an increase of 0.6 % from the previous year. In the same year, the value of Slovenia’s exports of goods and services to the world amounted to €27,392 million, 75.8 % of the value of its GDP and an increase of 2.5 % from the previous year. Furthermore, the value of Slovenia’s imports of goods and services from the world amounted to €24,786.9 million, 68.6 % of the value of its GDP and a decrease of 1.5 % from the previous year.

![Figure 1: Countries in CEE by GDP per capita (value in €), 2012–2013.](image-url)

Notes: Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldova, Montenegro and Ukraine were excluded due to lack of data. AT – Austria, BG – Bulgaria, CZ – Czech Republic, DE – Germany, EE – Estonia, HR – Croatia, HU – Hungary, LV – Latvia, LT – Lithuania, MK – Macedonia, PL – Poland, RO – Romania, RS – Serbia, SI – Slovenia, SK – Slovakia.

In 2013, services accounted for 16.8% of the value of Slovenia’s trade in goods and services with the world, 19.6% of the value of Slovenia’s exports of goods and services to the world and 13.7% of the value of Slovenia’s imports of goods and services from the world. In order to increase these percentages, Slovenia should increase the promotion of their service enterprises and their services in foreign markets including Estonia, Latvia and Lithuania.

Europe is Slovenia’s main trading partner in goods and services (see Table 1). There are many economic, political and social reasons for this. In 2013, the value of Slovenia’s trade in goods and services with Europe amounted to €46,947.3 million, 90% of the value of Slovenia’s trade in goods and services with the world and an increase of 0.5% from the previous year. In the same year, the value of Slovenia’s exports of goods and services to Europe amounted to €25,075.2 million, 91.5% of the value of its exports of goods and services to the world and an increase of 2.6% from the previous year. Furthermore, the value of Slovenia’s imports of goods and services from Europe amounted to €21,872.1, 88.2% of the value of its imports of goods and services from the world and a decrease of 1.7% from the previous year.

In 2013, 48.1% of the value of Slovenia’s trade in goods and services with Europe was with Austria, Germany and Italy (see Table 2). These are Slovenia’s major trading partners in goods and services.
Table 1: Slovenia’s trade in goods and services by region, 2012–2013.

<table>
<thead>
<tr>
<th>Region</th>
<th>Goods (Million €)</th>
<th>Services (Million €)</th>
<th>Percentage of the total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>622.9</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>America</td>
<td>1155.2</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Asia</td>
<td>2452.3</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Europe</td>
<td>38800.9</td>
<td>89.3</td>
<td>89.3</td>
</tr>
<tr>
<td>Other regions</td>
<td>74.5</td>
<td>89.3</td>
<td>13.9</td>
</tr>
<tr>
<td>Not specified</td>
<td>327.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>43433.1</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on data from the Bank of Slovenia (2013, 2014).

Table 2: Slovenia’s trade in goods with countries in Europe, 2013.

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Imports</th>
<th>Exports Plus Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value in million €</td>
<td>Percentage of the total value</td>
<td>Value in million €</td>
</tr>
<tr>
<td>Austria</td>
<td>2,734.8</td>
<td>10.9</td>
<td>2,941.5</td>
</tr>
<tr>
<td>Germany</td>
<td>3,544.9</td>
<td>14.1</td>
<td>3,680.5</td>
</tr>
<tr>
<td>Italy</td>
<td>5,189.5</td>
<td>20.7</td>
<td>4,493.3</td>
</tr>
<tr>
<td>Other countries</td>
<td>13,606.1</td>
<td>54.3</td>
<td>10,756.8</td>
</tr>
<tr>
<td>Total</td>
<td>25,075.2</td>
<td>100.0</td>
<td>21,872.1</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on data from the Bank of Slovenia (2014).

Other regions are Slovenia’s minor trading partners in goods and services. Asia, for example, only accounted for 3.7% of the value of Slovenia’s exports of goods and services to the world in 2013, which is relatively low in relation to the size of the Asian market for goods and services. China, for example, accounted for only 13.9% of the value of Slovenia’s exports of goods and services to Asia in 2013. In the same year, it accounted for 0.5% of the value of Slovenia’s exports of goods and services to the world.

In order to increase the value of its exports of goods and services to the world, especially Asia and some other regions, Slovenia should increase its competitiveness. This is lower than that of some other countries in CEE, for example, Estonia, Latvia and Lithuania (see Sala-i-Martín et al., 2014). Additionally, Slovenia should further promote the internationalization of Slovenian enterprises, especially small- and medium-sized ones. Between 2008 and 2012, the number of enterprises that exported goods from Slovenia to other countries and that of enterprises that imported goods from other countries to Slovenia increased by 49.4% and 23.1%, respectively (see Romih, Primec and Oplotnik, 2015: 10). There were many reasons for this such as the financial, economic and social crisis, which has had a negative impact on Slovenia’s financial, economic and social situation. As a result, many Slovenian enterprises have adopted a number of cost-cutting and other measures in order to survive. One of these measures has been their further internationalization, which has already had some positive effects on the country’s economy.
Notes: Bosnia and Herzegovina, Belarus and Kosovo were excluded due to lack of data. AL – Albania, AT – Austria, BG – Bulgaria, CZ – Czech Republic, DE – Germany, EE – Estonia, HR – Croatia, HU – Hungary, LV – Latvia, LT – Lithuania, MD – Moldova, MK – Macedonia, MN – Montenegro, PL – Poland, RO – Romania, RS – Serbia, SI – Slovenia, SK – Slovakia, UA – Ukraine.
Source: Sala-i-Martín et al. (2014, p. 13).

4. CONCLUSION

The result of this analysis shows that there are some unexploited opportunities to further increase the geographical diversification of Slovenia’s exports of goods and services. In order to exploit existing business opportunities and create new ones, Slovenia should increase the competitiveness of Slovenian enterprises (especially small- and medium-sized ones) and adopt some other measures such as increasing their sustainability. After all, sustainable development creates many business opportunities for Slovenian enterprises in the domestic and foreign markets. In order to remain or became competitive (and gain a competitive advantage), Slovenian enterprises must constantly adapt to the changing business environment. This is especially true for small enterprises that operate in small markets, such as Estonia, Latvia and Lithuania. In view of all this, this paper presents a starting point for an in-depth discussion on the measures that should be adopted by Slovenia to increase the value of its exports of goods and services to the world and to achieve some of its other goals. In this context, this paper also presents a starting point for an in-depth discussion on Slovenia’s sustainable development, which creates new business opportunities for domestic and foreign enterprises (including small ones). However, to accelerate its sustainable development, Slovenia should adopt sustainable policies and strategies, and promote sustainable practices. Nevertheless, this requires a sustainable governance.

Sustainable development offers many opportunities to increase the value of Slovenia’s exports of goods and services to the world. In recent years, many Slovenian enterprises have adopted a number of measures to accelerate their sustainable development in order to remain or became competitive and, more importantly, to gain competitive advantages. For these enterprises, sustainability has become a commitment to increase their business excellence. This is especially true for small enterprises that find it difficult to compete with their larger counterparts. However, for small enterprises operating in niche markets, being a market leader is particularly challenging.

In order to increase their sustainability, Slovenian enterprises must adapt their strategic planning to their changing needs as a result of their commitment to sustainable development. Additionally, they must promote sustainable business practices among their employees and other stakeholders as a measure of their sustainability policy. Among other things, this is very important in order to increase their competitiveness and improve their business results. To
increase the geographical diversification of their sales, which is very important for managing/reducing their risks, Slovenian enterprises should look for business opportunities in lesser-known markets.

In order to increase the value of its exports of goods and services to the world, Slovenia should increase the competitiveness of its enterprises (especially small- and medium-sized ones) in foreign markets. Additionally, Slovenia should: increase its cooperation with other countries in areas such as the promotion of sustainable innovation in small- and medium-sized enterprises; increase the networking of Slovenian entrepreneurs/enterprises with their foreign counterparts; increase the cooperation of Slovenian entrepreneurs/enterprises with their aforementioned counterparts in areas such as the development and deployment of sustainable technologies in small and medium-sized enterprises; increase the promotion of Slovenian enterprises, and their goods and services in foreign markets, etc.

The adoption of these measures is very important for the further geographic diversification of Slovenia’s exports, which is one of Slovenia’s strategic goals. After all, diversification reduces risk. Therefore, it is very important for Slovenia to improve its export promotion and to help its enterprises in entering foreign markets. Additionally, it is very important for Slovenia to increase cooperation between its enterprises and some other organizations (universities, university research parks, etc.) in order to increase knowledge transfer.

LITERATURE


7. Eurostat (2015a) Main GDP aggregates per capita. Retrieved from http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do;jsessionid=7Tz4r5c-9NeIBsWMIQ-YRkhn7pvHi_5iDTtaPabRCVey3e7trfYN1809848420


ICT AND MODERN CITY TOURISM

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ABSTRACT
Considering the fact that modelling of a city’s tourism supply with a city’s marketing is one of crucial component in organizing and developing of modern tourism in cities, especially considering the development of the information and communication technologies (ICT), there have been some significant changes in perceiving these issues. Therefore, a specific model for researching modern tourism offer of a city has been devised. It was fostered by the advent of ICT, multimedia and other media that spread widely. This provided new communications opportunities for the development of the information and analytical model for modern tourism offer of a city. After several decades of domination of traditional modelling, ICT, multimedia and other media have brought significant changes in the development of the information and analytical model and the way information and communication are shaped (multidimensional, interactive, etc.) as well as the way organisations and individuals actually satisfy their needs for information (also including the modern tourism offer of a city). The biggest challenges to the development of the new information and analytical model for modern tourism offer of a city, which is today presented interactively, include the development of multidimensional and substantial flow of information between towns, organizations and the public. The new technological (information and analytical) paradigm, influenced by new ICT concepts, has raised many new questions about the application of the traditional modelling approach in the development of the modern tourism offer of a city. The bulk of this research was conducted as part of doctoral thesis of the first author (“Development of the information and analytical model for the modern tourism offer of a city”). The goal of this pilot scientific research project was to identify, analyse (factors influencing the approach to the development of the information and analytical model for the modern tourism offer of a city), and describe the best models (theory and practice) used during the information and analytical modelling for the modern tourism offer of a city, as one of the most significant parts of modern city tourism.

Keywords: ICT and new media, modern city, researching model, specific touristic offer

1. INTRODUCTION
Different researches about ‘classical’ and ‘modern’ city tourism (city touristic offer, etc.) can be found in few (mainly) international and domestic scientific or professional papers and also in several monographic editions, especially when that researching analyse ‘classical’ and ‘modern’: city definition, city destination, city tourism, city event, city break, city inheritance, city culture & city art with city innovation, city ‘hardware’ & city ‘software’ with city ‘network’, what was discussed very correctly in (Morovic, 2012, pp. 11–21). But, the arrival of the globalisation, modern concurrency & economy, with big Internet ‘penetration’ in whole world population and with new information and communication technologies (ICT),
multimedia and other media (see data in table 1 and figure 1 and 2) opened new opportunities for development of modern city tourism & ICT, especially in communication during development of the informational and analytical model for modern touristic offer of the city. According to systems theory, and understanding of organisational and management practice, and Grunig and Hunt’s definition of (PR) public relations which states “PR activities are part of the management of communication between an organisation and its publics” (Grunig and Hunt, 1984, pp. 7–8), it was widely introduced usage of four models of PR: (a) press agentry/publicist, (b) public information, (c) two way asymmetric, and (d) two way symmetric (Grunig and Hunt, 1984, pp. 22). After several decades of traditional modelling domination (Morovic, 2012, pp. 11–21), the ICT, multimedia and other media brought important changes in the way of development of the informational and analytical model and how information and communication are shaped (multidimensional, interactive, etc.) and in the way organisations, groups and individuals satisfy their real information needs for modern city tourism (to have better city touristic: offer, service, possibilities, etc.). Maybe, the biggest challenges for development of the informational and new analytical model for modern city tourism (with best touristic offer of the city) presented in interactivity today are the development of multidimensional and all larger outflows of information between towns, publics, organizations, groups and individuals that satisfy their real modern touristic and information needs (Morovic, 2012, pp. 9–10).


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>1,158,353,014</td>
<td>4,514,400</td>
<td>3,163,889</td>
<td>27.8%</td>
<td>6.058.2%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Asia</td>
<td>4,032,654,524</td>
<td>114,304,000</td>
<td>1,406,121,038</td>
<td>34.8%</td>
<td>1.120.3%</td>
<td>45.6%</td>
</tr>
<tr>
<td>Europe</td>
<td>827,586,464</td>
<td>105,096,093</td>
<td>882,441,609</td>
<td>76.0%</td>
<td>545.2%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Middle East</td>
<td>206,137,223</td>
<td>3,284,609</td>
<td>115,609,910</td>
<td>46.1%</td>
<td>3,250.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td>North America</td>
<td>377,172,229</td>
<td>138,099,900</td>
<td>310,299,807</td>
<td>86.9%</td>
<td>157.1%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Latin America/Caribbean</td>
<td>315,383,127</td>
<td>18,068,919</td>
<td>322,422,164</td>
<td>52.4%</td>
<td>1,658.4%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Oceania/Australia</td>
<td>37,157,120</td>
<td>7,620,490</td>
<td>26,719,942</td>
<td>72.1%</td>
<td>281.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>WORLD TOTAL</td>
<td>7,264,023,793</td>
<td>306,968,482</td>
<td>3,079,335,827</td>
<td>42.4%</td>
<td>750.9%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**Notes:** (1) Internet Usage and World Population Statistics are preliminary for Dec 31, 2014. (2) Click on each world region name for detailed regional usage information. (3) Demographic (Population) numbers are based on data from the US Census Bureau and local census agencies. (4) Internet usage information comes from data published by Nielsen Online, by the International Telecommunications Union, by GFK, local ICT regulators and other reliable sources. (5) For definitions, calculations, navigation help and methodology, please refer to the Site Surfing Guide. (6) Information in this site may be edited, giving the due credit to www.internetworldstats.com. Copyright © 2001 - 2015, Maniatis Marketing Group. All rights reserved worldwide.

Only based on the Internet World Stats, which compares and ranks Internet use around the globe, we can see in the table 1 that shows the Internet Users (%) in the main world regions, the population for each region and Internet Users Growth (%) 2000-2015, as well as the Internet Penetration (% Population), resulted with Internet Users (%) by Region in 2014 Q4. In the figure 1 we can better see Internet Users (% & absolute numbers in millions of users) in the World by Geographic Regions in 2014 Q4. In the figure 2 we can better see World Internet Penetration Rates (%) by Geographic Regions in 2014 Q4. Also, everyone must take into consideration that these ‘new values’ will be displayed soon ‘little (or not) slightly different’ however there are frequent variations in time because population and Internet usage are dynamic variables that change all the time, and because the Internet World Stats curate (select, organize, and look after) the data and publish the reference numbers, for the benefit of all the community.
Consequently, the new technological (informational and analytical) paradigm, influenced by really new ICT environment, has raised questions about the best possible application of traditional or new modelling approach (Morovic, 2012, pp. 22–23) in development of the modern city tourism (with best possible touristic offer of the city, etc.). The goal of this scientific research was to identify, analyse (factors influencing the approach to the developing of the informational and analytical model for modern touristic offer of the city), and describe models (theory and practice) used during the informational and analytical modelling (mainly) for modern touristic offer of the city and (secondary) for whole modern city tourism (Morovic, 2012, pp. 23–24). From researched literature (Grunig and Hunt, 1984; Hiller, 1995; Kent et al., 2003; Reber and Cameron, 2003; Sallot et al., 2004; Shin et al., 2006; Kirat, 2007; Tafra-Vlahović, 2007; Kelleher, 2008; McAllister-Spooner, 2009; Tomlinson, 2010; Kan, Wang and Yan, 2010; Yozcu and İçöz, 2010; Bureau of Foreign Trade and Economic Cooperation of Nanjing, 2010; World Tourism Organization, 2011; Morovic, 2012; Buhalis and Amaranggana, 2013; Bolek and Papińska-Kacparek, 2014; ChinaSourcing, 2015; Boes, Buhalis and Inversini, 2015), we can see that traditional or new modelling approach in development of the modern city tourism (with best possible touristic offer of the city, etc.) introduced various elements in new modelling approach, which are mainly structured from: (a) modern and ‘innovative’ information (Open Government Data /OGD/, with City OGD
Portals, etc.) and communication (Web/1-2-3/ Based and Oriented Applications with Creative e-Services, etc.) modelling aspects; (b) modern economic modelling aspects; (c) proactive PR modelling aspects; (d) modern and ‘smart’ (city: devices, agents, urban spaces, etc.) technological modelling aspects; (e) modern (broadband, etc.) networking modelling aspects, etc.

2. ABOUT RESEARCH
The first aim of this research study was to identify and analyse the factors that influence the selection of models and describe models (theory and practice) of information-analytical modelling of the touristic offer of the city (with increasing emphasis on its cultural values and heritage, and the use of ICT, multimedia and other media) in Croatia and in the world. There were established factors with its relevant aspects (possible or probably) significantly affecting development, implementation and enhancement of the information-analytical model of the modern touristic offer of the city (as most significant part of modern tourism) in different world cities and countries, which assessed the level of compatibility of the traditional and the new information and analytical model of the modern touristic offer of the city. The study (Morovic, 2012, pp. 179–183) compared the management of cities responses (partial or the ultimate insider in the tourist offer of cities) with the answers of non-professionals (students and high school students). In addition, the respondents’ answers were compared with regard to other relevant factors and independent variables, primarily due to the city and state in which/where respondents live, work or go to school, with regard to gender, age, etc. tourism education subjects.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students and pupils</td>
<td>72</td>
<td>77.4</td>
<td>77.4</td>
</tr>
<tr>
<td>Officials of the city admin</td>
<td>21</td>
<td>22.6</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>93</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Respondents: according city/state they live/go to school (Morovic, 2012, pp. 32-33)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
<th>State</th>
<th>Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zagreb</td>
<td>15</td>
<td>16.1</td>
<td>16.1</td>
<td>Croatia</td>
<td>73</td>
<td>78.5</td>
</tr>
<tr>
<td>Zadar</td>
<td>15</td>
<td>16.1</td>
<td>32.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Šibenik</td>
<td>16</td>
<td>17.2</td>
<td>49.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biograd</td>
<td>12</td>
<td>12.9</td>
<td>62.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zaprešić</td>
<td>14</td>
<td>15.1</td>
<td>77.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Split</td>
<td>1</td>
<td>1.1</td>
<td>78.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shkodra</td>
<td>9</td>
<td>9.7</td>
<td>88.2</td>
<td>Albania</td>
<td>9</td>
<td>9.7</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>7</td>
<td>7.5</td>
<td>95.7</td>
<td>USA</td>
<td>7</td>
<td>7.5</td>
</tr>
<tr>
<td>Padova</td>
<td>3</td>
<td>3.2</td>
<td>98.9</td>
<td>Italy</td>
<td>4</td>
<td>4.3</td>
</tr>
<tr>
<td>Rome</td>
<td>1</td>
<td>1.1</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>93</td>
<td>100.0</td>
<td>100.0</td>
<td>4</td>
<td>93</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Empirical data were collected by survey method and semi-structured oral interviews (see tables from 2 to 12). Units of study were the cities, states and organizations (the city administration - for which the questionnaires filled a responsible and competent people) and non-professional individuals (students and high school students, mostly users of tourist services, and is also treated as an ordinary skill in the touristic offer of the city in the city they live and/or go to school). To view and analyse the collected data, the determination of the
Because of the relatively small number of respondents in subsamples and preliminary characteristics of this ('pilot') research entirely, we not compared pairs of demographic variables in order to determine, for example, how many men completed touristic course and so on. We estimate that most of the association between variables was statistically insignificant, primarily because of the small number of respondents in some crossover categories (Morovic, 2012, p. 36).
Table 9: Respondents: with regard to whether they are completed or not tourism college (Morovic, 2012, p. 35)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not completed tourism college</td>
<td>60</td>
<td>73.2</td>
<td>73.2</td>
</tr>
<tr>
<td>Completed tourism college</td>
<td>22</td>
<td>26.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 10: Respondents: considering dealing with tourism professionally or not (Morovic, 2012, p. 35)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not dealing with tourism professionally</td>
<td>76</td>
<td>81.7</td>
<td>81.7</td>
</tr>
<tr>
<td>Dealing with tourism professionally</td>
<td>17</td>
<td>18.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 11: Respondents: considering dealing with tourism directly or not (Morovic, 2012, p. 35)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not dealing with tourism directly</td>
<td>77</td>
<td>82.8</td>
<td>82.8</td>
</tr>
<tr>
<td>Dealing with tourism directly</td>
<td>16</td>
<td>17.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 12: Respondents: with respect to age (Morovic, 2012, p. 36)

<table>
<thead>
<tr>
<th>Respondents (with age in years)</th>
<th>Number</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-18</td>
<td>9</td>
<td>9.7</td>
<td>9.7</td>
</tr>
<tr>
<td>19-25</td>
<td>57</td>
<td>61.3</td>
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2.1. Main research instruments, procedures and results

Details of instruments from the perspective of descriptive characteristics, especially from the point of metric characteristics is given here only in the short presentation of research results from (Morovic, 2012, pp. 36-39), but complete and detailed questionnaires for the laics, non-professionals (students and high school students - mostly members of tourist services) and professionals, officials of the city administration (responsible and competent people) are in Annexes 1 and 2 in (Morovic, 2012, pp. 190-222). Questionnaire aspects and factors of tourist offer of the city - the city administration and the questionnaire aspects and factors of tourist offer - students and pupils contain a number of sections that describe selected aspects and factors of tourist offer and demographic characteristics of the respondents from (Morovic, 2012, pp. 190-222). They are based on the series of foreign and domestic references: semi-structured interview (Kullavaara and Tornberg, 2003), demographic characteristics and the use of computers and computer use in tourism (Elkwash, 2009), Information Literacy (John, 2005), tourism facilities and computer tools in the business of tour operators (Stegeman, 2004), education on the use of computers in tourism, tourism facilities and its aspects (Milne et al., 2004). All questionnaires were bidirectional translation tailored to individual
populations (translated from the original language (Croatian) to another languages, for example, from Croatian into English (or Italian), and then vice versa, e.g. from English (or Italian) to Croatian, for control of the questionnaire). Research was correlation-type (Mejovsek, 2003). The entire survey was conducted during the spring, summer and fall of 2011. All respondents were familiar with the sole purpose of scientific research and agreed to voluntarily participate in it. All questionnaires were paper-pencil type, and timing of their fulfillment was not restricted. All subjects on the standard detailed instructions for the application of questionnaires and for semi-structured interview. Participation in the survey was completely anonymous. Questionnaires were sent to respondents mainly regular or by electronic mail, and in the same way respondents returned completed questionnaires back. Respondents were guaranteed confidentiality of individual data. Researcher committed subjects in a simple (and according to his presumption, sufficiently comprehensive) way to get acquainted with the results and methods and guidelines that they can use in their own work in tourism, or for improving their own literacy to create the best possible tourist offer. On the other hand, each individual is offered an insight into their own status in the individual characteristics or factors and aspects of the tourist offer. Although the research is a relatively time-stable characteristic of the touristic offer of the city, we have tried to the exploration period as short as possible. For statistical analysis of the data we used the statistical software package SPSS 7.5. For the purposes of descriptive statistics were used in the frequency response, the arithmetic mean and standard scattering, and the Kolmogorov-Smirnov Z-test normality. No matter what the distribution of results for most variables deviates from the normal distribution, due to the fact that distributions are bimodal, and the number of participants is large enough, were used in further processing parametric statistical methods. In order to determine the structure of dimensions that are essentially different sets of variables in the study, we conducted the component analysis. Only for this purpose, we calculated the variance of the principal components and their partial and cumulative contributions in relation to the total variability of the analyzed area. The initial analysis of the main components of a number of significant principal components is determined by the Guttman-Kaisserovim criteria (criteria for determining the extraction of the major components, i.e. those in typical root greater than 1), with the default saturation components of a minimum of 0.30 (correlation of individual variables with the main components). We then calculated the correlation matrix for the variable sets of variables in all studies, with significant main axes. Some are communality of certain groups of variables. As a method of extracting factors applied to principal component analysis, Varimax rotation and then the normalized factor loadings maximizing variance squared normalized factor loadings for all variables that define a component. Due to the fact that in principle all sub-questionnaires hypothetical measures only one narrow area regarding aspects and factors of the touristic offer of the city, was used strategy priori determining the number of factors, which is generally fixed at a main component, except in cases where the factor structure in relation to the explained variance and in relation to the criterion of interpretability showed a clear two-factor or three-factor structure. In other words, it defined the elements of each sub-questioner that satisfactory saturate the only major component (i.e. without rotation), i.e. a minimum of 0.30. In cases where it was case that particular part is not satisfactory saturating particular main component, it has been omitted in the next iteration of the factor analysis. We then calculated the reliability of parts that define the major component (i.e. the main components), which in all cases showed satisfactory to very satisfactory. They are calculated and the results for each of the individual factors on the basis of Bartlett regression coefficients. In order to obtain a clearer view of the information-analytical model to structure of the touristic offer of the city, we conducted a factor analysis and second order in (from the point of interpretability) related groups factors of the first order. Thus obtained five factors of the second order, based on
which are also calculated factor scores for sophisticated analysis of differences and connections for even clearer insight into the modelling of the touristic offer of the city. In the questionnaires, which were related solely to the city government conducted a method of optimal scaling, and principal component analysis for categorical variables (PRINCALS), while the factor scores calculated based on principal component given the high correlation of results. To test the difference between the numbers of independent samples was used discriminant analysis, and then the analysis of variance (ANOVA), in situations where subsamples of respondents were about 30 or greater than 30, and t-test. In all other cases used non-parametric analysis of variance, i.e. Kruskal-Wallis test for independent samples of respondents, or Mann-Whitney U-test for determining the difference between the two independent samples of respondents. It was also good to compare the variables of its own computer system of the hotel and the one supported externally used Wilcoxon test of equivalent pairs (paired sample). Due to the preliminary character of research and the relatively small number of respondents in subsamples, after determining statistically significant differences between several independent samples of respondents, was not checked, among which doubles sample differences are statistically significant, but simply stated that the results of the largest and the smallest compared to the average value. To establish the correlation between the variables used Pearson correlation coefficient and the forecast results in certain criterion variables, complete multiple regression analysis from (Morovic, 2012, pp. 37-39). The survey largely confirmed the general assumptions set and a number of individual assumptions limited the generalization because of the different number of respondents in certain cities or states. Thus, the results of the study showed that there are differences between the countries in the level of one-way information-analytical modelling of the modern touristic offer of the city, where the level of complexity leads USA (Las Vegas). Some cities have shown a greater or lesser degree of choice or multi-way and interactive information-analytical modelling of the modern touristic offer of the city, depending on their own characteristics, which is obviously in Croatia, especially in an international comparison. It turned out that there is a significant correlation between the choice of models and the fundamental features of information-analytical modelling of the modern touristic offer of the city, which primarily reflected in significant differences with regard to most of the independent variables. Indirectly it turned out that there is a significant correlation between the choice of ways of modelling of the modern touristic offer of the city and the fundamental features of the management of the city - see all details about descriptive and psychometric properties of variables researched in (Morovic, 2012, pp. 39-75). Note: The results show that the prediction on the researched sample is statistically possible because the obtained coefficient of multiple correlations and of determination and corresponding F - ratio is statistically significant.

2.1.1. Significant differences compared to independent variables, descriptive characteristics of variables, validity and reliability of the Questionnaire

The differences were statistically significant in comparison to the majority of independent variables indicate that confirmed the central hypothesis (see all details in (Morovic, 2012)): “the development and systematic application of advanced systems to support the development of information-analytical model of modern tourist offer affects the quality of tourist offer”. These general conclusions were carried out on the basis of specific targets and related hypotheses. First was calculated the descriptive characteristics of all groups of variables studies, determined the average value of the results of the questionnaire on the tourist industry, to the management team and employees of the city administration associated with the touristic offer of the city and for students (Questionnaire Perception of the touristic offer of the city from (Morovic, 2012, pp. 190-222)). Second there was a structure of latent dimensions, and construct validity and reliability of parts of the Questionnaire Perception of
the touristic offer of the city from (Morovic, 2012, pp. 190-222). So, there were constructed a larger number of measuring instruments that represent perceptions of certain areas of the touristic offer of the city. The first hypothesis is confirmed because it has shown that there are a large number of latent dimensions which represent the perception of respondents (non-professionals and professionals in the tourism industry) certain aspects and factors of the touristic offer of the city. In relation to the perceptions of some aspects and factors of the touristic offer of the city, there were constructed a larger number construct valid and reliable measurement instruments that give an insight into the overall development of the aspects/factors. The second hypothesis is confirmed because it has shown that there are five latent dimensions of second order that have been determined on the basis of previously established latent dimensions of the first order, which represent the perceptions of certain aspects and factors of the touristic offer of the city (tables with detailed research results for central, first and second hypothesis see in (Morovic, 2012, pp. 179-180)).

2.1.2. Professionals or non-professionals
Third, the differences in the perceptions of respondents certain aspects and factors of the touristic offer of the city due to the fact of whether they are professionals (managers and employees of the city administration) or non-professionals (students) in the tourism industry. The third hypothesis is confirmed because it has shown the existence of differences in the perceptions of respondents certain aspects and factors of the touristic offer of the city due to the fact of whether they are professionals or non-professionals in the tourism industry. Professionals and non-professionals perceive the different aspects and factors of the touristic offer of the city probably because professionals have objectively more information about these factors and aspects. All statistically significant differences going in the same direction: greater results for professionals, i.e., the management team and employees of the city administration, which generally positive (in one case negative) value certain aspects and factors of the touristic offer of the city (tables with detailed research results for third hypothesis see in (Morovic, 2012, p. 180)).

2.1.3. Gender and age
Fourth, there existed only one difference in the perceptions of some aspects and factors of the touristic offer of the city with regard to gender. A statistically significant difference goes in the direction of greater results for women. They generally positively evaluated development of tourism in terms of its competitiveness in the tourism industry. So, rejects the hypothesis that there are differences in the perceptions of some aspects and factors of the touristic offer of the city with respect to gender. Fifth, there were differences in the perceptions of some aspects and factors of the touristic offer of the city among respondents of different ages. Here was rejected the hypothesis that there are no differences in the perceptions of some aspects and factors of the touristic offer of the city among respondents of different ages. Differences show higher average scores of older respondents (tables with detailed research results for fourth and fifth hypothesis see in (Morovic, 2012, pp. 180-181)).

2.1.4. Different towns, countries and environments
Sixth, there were differences in the perceptions of some aspects and factors of the touristic offer of the city among respondents from different towns. That confirms the hypothesis that there are differences in the perceptions of some aspects and factors of the touristic offer of the city in different cities. The differences were statistically significant, in the direction of higher average results for the foreign cities. Seventh, there were differences in the perceptions of some aspects and factors of the touristic offer of the city among respondents from different
countries. That confirms the hypothesis that there are differences in the perceptions of some aspects and factors of tourist offer in different countries. Differences between countries in the perception of certain aspects and factors of tourist offer at first order factors are statistically significant, in the direction of higher average results in foreign countries, especially in USA and Italy. Eighth, there were no differences in the perceptions of some aspects and factors of the tourist offer of the city among respondents from different environments (urban, suburban, and rural). The differences among the communities in the perception of certain aspects and factors of the tourist offer of the city at first order factors are not significant. That rejects the hypothesis that there are differences in the perceptions of some aspects and factors of tourist offer among respondents from different backgrounds (tables with detailed research results for sixth, seventh and eighth hypothesis see in (Morovic, 2012, p. 181)).

2.1.5. Different educational level, source of hotel's computer system for professionals and computer aspects to gender non-professionals

Ninth, there were differences in the perceptions of some aspects and factors of the tourist offer of the city among respondents of different educational level. That confirms the hypothesis that there are differences in the perceptions of some aspects and factors of the tourist offer of the city among respondents of different levels of education, at all levels of tourism education: courses, secondary and high school. Tenth, there were differences in perceptions of certain aspects and factors of the tourist offer of the city among respondents’ professionals due to the hotel's own computer system, or the system is supported outside the town for years. That confirms the hypothesis that there are differences in the perceptions of some aspects and factors of the tourist offer of the city among respondents professionals due to the hotel's own computer system, or the system is supported outside the town for years. Eleventh, there were differences in perceptions of certain aspects and factors of the tourist offer of the city among respondents' professionals due to whether the respondents attended non-professional tourism course, high school, college or university, due to the city where they live or go to school, due to the country, environment, different year of study and due to the fact you are dealing with the touristic offer of the city professional or directly. That confirms the hypothesis that there are differences in the perceptions of some aspects and factors of the touristic offer of the city that are directly related to the computer with respect to gender non-professionals. Both statistically significant differences indicate the direction of the major results for men (tables with detailed research results for ninth, tenth and eleventh hypothesis see in (Morovic, 2012, pp. 181-182)).

2.1.6. Different computer aspects to non-professionals, correlation in a number of aspects and factors of the touristic offer of the city

Twelfth, there were differences in perceptions of certain aspects and factors of the touristic offer of the city that are directly related to the computer with respect to whether the respondents attended non-professional tourism course, high school, college or university, due to the city where they live or go to school, due to the country, environment, different year of study and due to the fact you are dealing with the touristic offer of the city professional or directly. That confirms the hypothesis that there are differences in the perceptions of some aspects and factors of the touristic offer of the city that are directly related to the computer with respect to whether the respondents attended non-professional tourism course, high school, college or university, due to the city where they live or go to school, due to the country, environment, different year of study and due to the fact you are dealing with the touristic offer of the city professional or directly. Thirteenth, there were a higher number of statistically significant connections between respondents' perception of certain aspects and factors of the touristic offer of the city. That confirms the hypothesis that there is a positive correlation between the perception within the set of respondents in a number of aspects and factors of the touristic offer of the city (tables with detailed research results for twelfth and thirteenth hypothesis see in (Morovic, 2012, p. 182)).
2.1.7. Significant possibility forecasts perception of satisfaction and modelling of all other aspects and factors of the touristic offer of the city in the current moment
Fourteenth, there was a statistically significant possibility forecasts perception of satisfaction of respondents of the touristic offer of the city based on the research results of all other aspects and factors of the touristic offer of the city. That confirms the hypothesis that there is a significant possibility forecasts perception of satisfaction with the touristic offer of the city based on the research results of all other aspects and factors of the touristic offer of the city. Fifteenth, there was a statistically significant possibility forecasts perception modelling of the touristic offer of the city in the current moment in the subjects on the basis of the research results of all other aspects and factors of the touristic offer of the city. That confirms the hypothesis that there is a significant possibility forecasts perception modelling of the touristic offer of the city in the current moment in the subjects on the basis of the research results of all other aspects and factors of the touristic offer of the city (tables with detailed research results for fourteenth and fifteenth hypothesis see in (Morovic, 2012, pp. 182-183)).

2.1.8. Significant possibility forecasts perception: of modelling of all other aspects and factors of the touristic offer of the city in the future or of modelling in the future based on survey results of all other aspects and factors of the touristic offer of the city, and of satisfaction with the touristic offer of the city based on the results of research sources of information
Sixteenth, there was a significant possibility forecasts perception modelling of the touristic offer of the city in the future by respondents based on survey results of all other aspects and factors of the touristic offer of the city. That confirms the hypothesis that there is a significant possibility forecasts perception modelling of the touristic offer of the city in the future by respondents based on survey results of all other aspects and factors of the touristic offer of the city. Seventeenth, there was a statistically significant possibility forecasts perception of satisfaction of respondents with the touristic offer of the city based on the results of research sources of information about the touristic offer of the city. That confirms the hypothesis that there is a significant possibility forecasts perception of satisfaction with the touristic offer of the city based on the results of research sources of information about the touristic offer of the city. Eighteenth, there was a statistically significant possibility forecasts perception of satisfaction of respondents with the touristic offer of the city based on the results of research factors related to ways of using computers for tourism purposes. That confirms the hypothesis that there is a significant possibility forecasts perception of satisfaction with the touristic offer of the city based on the results of research ways of using computers for tourism purposes. It is likely that the satisfaction of tourist facilities linked to the perceptions of the respondents related to the uses of computers for tourism purposes (tables with detailed research results for sixteenth, seventeenth and eighteenth hypothesis see in (Morovic, 2012, p. 183)). All details about descriptive and psychometric properties of variables, about the differences in aspects and factors of the touristic offer of the city researched, and about the link between the aspects and factors of the touristic offer of the city of the modelling forecast the perception of pleasure with touristic offer of the city (differences in perceptions of certain aspects and factors of the touristic offer of the city with regard to the competence of respondents in tourism industry /first-order and second-order factors/; differences in the perceptions of respondents certain aspects and factors offer in considering whether the respondents attended: a touristic course, a tourism high school, a higher school of tourism, or tourism college /first-order and second-order factors/; differences in perceptions of certain aspects and factors of the touristic offer of the city among respondents from different cities or countries, or due to the age of the respondents /first-order and second-order factors/; differences in perceptions of certain aspects and factors of the touristic offer of the city regards to fact does the respondents professionally or direct deal with the touristic offer of the city /first-order and second-order
factors/; differences in perceptions of certain aspects and factors of the touristic offer of the city among respondents from different backgrounds and among respondents professionals based on whether the hotels have their own computer system or the hotels computer system were supported from the outside, and among respondents regards to computer usage with respect to gender of non-professionals and with respect to whether the respondents non-professionals attended touristic course, or tourism high school, or higher tourism school, or tourism college, and with respect to city/state/environment where the respondents non-professionals live/go to school, or based on the study year of respondents, or if the respondents non-professionals professionally or direct dealing with the touristic offer of the city /first-order and second-order factors/; link between the aspects and factors of the touristic offer of the city of the modelling forecast the perception of pleasure with touristic offer of the city, especially correlation between the perception of the respondents of certain aspects and factors of the touristic offer of the city (cross correlations); forecast the perception of pleasure with touristic offer of the city based on the results of research of other aspects and factors of the touristic offer of the city; forecast the perception of modelling of the touristic offer of the city in the current time or in the future based on the research results of other aspects and factors of the touristic offer of the city; forecast the perception of pleasure with touristic offer of the city based on the results of research factors related to ways of using computers for tourism purposes) one can see (tables with detailed research results) in (Morovic, 2012, pp. 39-163).

3. CONCLUSION
New modelling approach in development of the modern city tourism (with best possible touristic offer of the city, etc.) introduced various elements in new modelling approach, which are structured from: (a) modern and ‘innovative’ information and communication modelling aspects; (b) modern economic modelling aspects; (c) proactive PR modelling aspects; (d) modern and ‘smart’ technological modelling aspects; (e) modern networking modelling aspects, (f) creative new media & multimedia aspects of modern tourist industry information, etc. The pilot model of research used in this short study can be used as a basis for improvement of similar studies in the university, professional or hybrid research projects (based on the principles of science) and as a role ‘pilot model’ which has a slightly different focus and the way ICT research environment and tourist attractions of the modern city. The research confirmed the importance of a distinct balance of information and communication technology and the touristic offer of a modern city (with factors of culture and employee motivation and users of the touristic offer of a modern city) for successful modelling of the touristic offers of a modern city prospects in the current and future environments. A systematic approach in such experimental research is an important step towards the improvement of such information and analytical modelling, with recommendations from (Morovic, 2012, pp. 164-175).

LITERATURE


OIL-MILL INDUSTRY AND ITS EFFECTIVENESS ON THE EXAMPLE OF THE ECONOMIC AND FINANCIAL ANALYSIS OF SELECTED FOOD SECTOR COMPANIES QUOTED ON THE WARSAW STOCK EXCHANGE (WSE) IN 2005-2015

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ABSTRACT
This paper examines share price of the companies listed on the WIG-SPOŻYW (FOOD) and their fair value between 2005-2015. Data from Q1 2005 to Q2 2015 was collected from the Stooq.pl (Polish portal of shares). Two hypotheses are tested: (1) value of the shares based on the market price; (2) value of the shares as the fair value of shares.  
Keywords: stock exchange, share valuation, fair value, food companies

1. INTRODUCTION
The oil-mill (Budzyński, 2010, pp. 22) (fat) industry is a separate branch of the food industry and the entirety of the companies engaged in processing of the plant origin raw materials, which contain fats, and in the production of derived products. The subject of the companies' activities of this industry include: the purchase and processing of oilseeds to oil, oil refining and the production of margarine and other hydrogenated fats. The offer of this industry to households includes: bottled cooking oils, different types of margarine and cooking fats, and for other branches of the food processing: refined oil, lecithin, confectionery and bakery fats. Oilcakes and middlings (representing approx. 55% of the weight of the processed raw materials), which are a protein component of fodder, as well as the post-refining acids used in the chemical industry. Oil mills, refineries, margarine factories and hydrogenation factories may constitute separate units or create a combine of the oil-mill industry. Due to the seasonality of the purchase of the oilseeds' raw materials (in the third quarter, it is approx. 95% of the purchase), the plants of this industry are equipped with large warehouses (silos), mainly intended to store raw materials (according to the Polish conditions, mainly seeds). In the Polish oil-mill industry in 1997, 24 entities employing more than 5 employees, including 9 with the foreign capital share, 8 of which employed more than 50 people, conducted business activities. Currently, there are 4 large, modern, continuously modernised and expanded plants, which represent an increasing share of the entire industry turnover. In the technical and technological terms, they are leaders of the Polish oil-mill industry. At the beginning of the second decade of the twenty-first century, the processing plants, employing 10-49 people, produce a similar quantity of the oil-mill industry products, such as the plant employing 50 and more employees.

At the beginning of the twenty-first century, this industry experienced a short period of stagnation; the possibilities of a further increase in the food production were getting limited. New possibilities were created after the Polish accession to the European Union because of the opportunities to export food products of this industry, and also due to the development of production of liquid biofuels (biodiesel and esters). As the production of oilseeds is dynamically increasing, the companies of this industry invest a lot in order to process them;
they increase the processing capacity and improve processing technologies. Oilseeds factories, especially with oil-seed rape, which sell products on the local market, also appear.

2. THE PURPOSE, SCOPE AND METHODOLOGY OF THIS PAPER

The aim of this paper was:
- to define the function of the oil-mill industry and determinants of its development,
- to characterise the raw material base as well as the oil-mill industry in Poland: oilseeds cultivation area, crops and harvest in 2000-2013 as well as the factors determining the development of the oilseed production,
- to demonstrate basic financial ratios of the oil-mill industry in 2005-2015 on the background of the food and tobacco industry,
- to present the fair value of the selected oil-mill companies quoted on the Warsaw Stock Exchange as of 10 June 2015,

This paper used the sources of knowledge, such as: consistent and constant scientific publications, statistical materials from the Central Statistical Office – yearbooks, market analyses of the Institute of Agricultural and Food Economics – of the National Research Institute. The collected material was developed and interpreted by using a comparative method (comparison) in the vertical and horizontal form (Kapusta, 1976, pp. 11-12; Stachak 2003, pp. 213-216) as well as a statistical method (Stachak 1997, pp. 132-133). The method of the economic and financial analysis was also used as well as the calculations of the fair value of the shares quoted on the Warsaw Stock Exchange on WIG-SPOŻYWACZE of the oil-mill industry were performed. The results were presented using tabular and graphical techniques in conjunction with the language description.

The obtained results were presented in a tabular form in connection with the language description.

3. OIL-MILL INDUSTRY RAW MATERIAL BASE

Among 200 species of oilseeds cultivated in the world, only a small part has greater economic importance for the production of vegetable fats. These include: palm trees (oil and coconut), soya beans, sunflower, oil-seed rape, peanuts (groundnuts) and an olive tree (olive). A large mass of the oil raw material is also provided by the seeds of: cotton, flax, sesame, castor oil plant (ricinus), the achenes of safflower and maize germ. The babassu palm tree, cocoa tree, tung tree and hemp have minor economic importance in the production of vegetable fats. Fats are also obtained from other raw materials (Kapusta, 2001, pp. 33-40), e.g. pumpkin seeds or tomatoes. The annual production of raw materials of the oilseeds in the world exceeds approx. 490 million tonnes, the annual reserves of which, before the harvest, represent approx. 15%. The rape seeds constitute about 15% of the annual harvest of oilseeds.

Farmers, who cultivate oilseeds, form the raw material base for the oil-mill industry. In Poland, the winter and spring rape, oil flax, sunflower, poppy and mustard plant are mainly cultivated. The oil-seed rape harvest represents more than 99% of the harvest of oilseeds, and still increases. Other oilseeds, with a lower yield potential, constitute a complement to the oil-seed rape harvest due to the quality of their oils (oil flax, sunflower) or the method of using seeds (poppy, mustard plant). The Polish oil-mill industry is based on the domestic production of oilseeds and imported seeds are complements (Kapusta, 2011, pp. 120-123).

Oil-seed rape is cultivated in Poland, mainly as a winter plant, because it gives greater crops. As a result of biochemical and genetic works, the varieties of double-improved oil-seed rape
were grown in Poland, and then introduced on a large scale since 1990. These varieties have a slender erucic acid content (not designated for consumption); the rape meal was deprived of toxic substances (the so-called glucosinolates). The oil of double-improved oil-seed rape varieties (the so-called double zero) became a wholesome food product, and the rape meal started to be high value fodder (containing approx. 30% of protein and approx. 10% of fat), while rape seeds contain 43% of oil and 21-24% of protein.

The condition for obtaining high crops of winter rape "00" is compliance with high technological requirements, the use of appropriate seed varieties for sowing – more and more hybrid ones, which is associated with high expenditures on yield agents (seeds, fertilisers and plant protection products). According to W.S. Budzyński (Budzyński, 2010, p. 22), „In the ranking of the agrotechnical factors affecting the crop of a particular variety of oil-seed rape, the greatest participation is attributed to fertilisation and the entire protection against pests (weeds, pests, diseases) ... Among non-chemical technology factors, sowing (a date, method, rate), forecrop, then farming, and within the crop protection impact – harvest". The productivity of 1 kg of nitrogen in the technology that provides an appropriate date and rate of sowing may be higher by even 30%. In turn, the productivity of 1 kg of nitrogen in the technology, which does not take into account fighting the stem pests – is reduced by 20%.

In Poland, the area of cultivation and crops of the oilseeds are changing a lot, and thus – the harvest also changes (Table 1). Along with fluctuations in the production of seeds, there are also fluctuations in their prices.

Since 1955, the participation of oil-seed rape has been steadily increasing in the total area of the oilseed cultivation. So, for example, if in 1955, the oil-seed rape accounted for 71.6% of the oilseed cultivation area, then in 2005, it was already 96.7%, and 98.0% in 2013. At the same time, the participation of oil-seed rape in the harvest of oilseeds increased from 86.5% to 98.4% and 99.1%.

The National Agricultural Census of 2010 showed that this year, the oil-seed rape was cultivated by 42.7 thousand, i.e. 99.4%, farms more than in 2002, and it was the only plant, the cultivation range of which increased (Uprawy..., 2011, p. 55). Many reasons entitle us to claim that the position of oil-seed rape in the cultivation of oilseeds and their harvest in Poland is systematically getting stronger.

The oilseed crops also change, and e.g. in 1950-1955 the crops amounted to 6.5 dt/ha, and 26.3 dt/ha in 2006-2010, that is 304.6% higher. Under the terms of the dynamics of crops gave way only to sugar beet (320.3%) (Kapusta, 2013, p. 52). The changes in the cultivation area, harvest and oilseed crops, including oil-seed rape in 2001-2003 and 2011-2013 are particularly noteworthy.

<table>
<thead>
<tr>
<th>Years of harvesting</th>
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<th>Harvest in thousands of tonnes</th>
<th>Crops dt/ha</th>
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<td></td>
<td>oily</td>
<td>winter and spring rape</td>
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<td></td>
<td>thousand s of hectares %</td>
<td>thousand s of hectares %</td>
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<td>2000</td>
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</tr>
<tr>
<td>2007</td>
<td>825</td>
<td>797</td>
<td>2163</td>
</tr>
<tr>
<td>2008</td>
<td>791</td>
<td>771</td>
<td>2128</td>
</tr>
<tr>
<td>2009</td>
<td>834</td>
<td>810</td>
<td>2528</td>
</tr>
<tr>
<td>2010</td>
<td>986</td>
<td>946</td>
<td>2273</td>
</tr>
<tr>
<td>2011</td>
<td>851</td>
<td>830</td>
<td>1888</td>
</tr>
<tr>
<td>2012</td>
<td>743</td>
<td>720</td>
<td>1896</td>
</tr>
<tr>
<td>2013</td>
<td>940</td>
<td>921</td>
<td>2703</td>
</tr>
</tbody>
</table>

1 % of the sown area in a given year.

During this period, the cultivation area of oilseeds (oil-seed rape) increased from 458 thousand hectares (436 thousand hectares) to 844.7 thousand hectares (823.7), i.e. by 84.4% (88.9%). The participation of oilseeds in the structure of crops increased from 4% (3.8%) to 8.1% (7.9%). The harvest increased from 958.6 thousand tonnes (936.4) to 2162.4 thousand tonnes (2135.0), i.e. by 125.6% (128.0%). In contrast, oilseed crops increased from 20.9 dt (21.5) to 25.6 dt (25.9). Thus, the increase of the cultivation area is accompanied by the increase in crops (Rocznik 2005, pp. 260-261, 266; Rocznik 2014, p. 188, 195).

The production is performed in a specific purpose, in this case it is to satisfy (in a direct and indirect way) human needs. In this situation, a good ratio of the productivity of oilseeds will be their harvesting on 1 inhabitant. In 1950-2013, the production of oilseeds increased from 5 kg to 70 kg/person, that is 1400%.

The price volatility and often a lack of competitiveness of the oil-seed rape cultivation result in different sown areas in subsequent years, e.g. 771 thousand hectares in 2008, and 921 thousand hectares in 2013. The production of oil-seed rape is a developing activity of the plant production. The policy of the European Union in relation to biofuels is responsible of such dynamic development of the oil-seed rape production and processing. With the stabilisation of the demand for rapeseed oil on consumption of approx. 400 thousand tons, huge demand for this raw material used in the production of bio-components was created. The production of bio-components systematically increases; if in 2005, the production amounted...
to 63.5 thousand tonnes, then in 2013, it increased to 648.0 thousand tonnes (Rynek ... 214, pp. 35). The reduction of the cultivation area of sugar beet and other root vegetables favours the enlargement of the oil-seed rape cultivation. One of the conditions to avoid large changes of the cultivation area of the oil-seed rape, and thus, to reduce fluctuations in the number of the harvest, is to determine the constant relation of prices between oil-seed rape and wheat – a competing plant in this regard, in the range of 1.8:1 - 2.2:1. So far, oil-seed rape loses in competition with wheat, despite the increase in the profitability of crops (Rynek, 2013, pp. 17). According to the estimates on farms accounting for the Institute of Agricultural and Food Economics of the National Research Institute, the total income from 1 ha of the winter rape cultivation was PLN 2791 in 2012, and it was 36.8% higher than in 2011. The profitability of the winter rape production, calculated as the ratio of income from 1 ha of cultivation to the value of production, increased from 25.3% to 35.1% in 2011-2012, and after taking into account the direct payments, increased respectively from 48.9% to 53.1%.

The profitability of the winter rape production in relation to the winter wheat improves, but the profitability of the oil-seed rape cultivation remained lower than in case of wheat. The total income from 1 ha of the winter rape cultivation in 2011 was on average 10.5% lower compared to the income generated from 1 ha of the winter wheat cultivation in 2012, this spread decreased to 4.0%. The best economic results were achieved – as in previous years – by the producers cultivating oil-seed rape on a large scale. However, the producers of wheat may expect more stable income for both high and low crops. The oil-seed rape is characterised by greater volatility of crops, the consequence of which is greater fluctuations of income (Jabłoński 2013, p. 111).

The oil-seed rape is and should be a basic raw material for the oil-mill industry in Poland. Due to the constantly increasing global consumption of vegetable fats and the increasing global demand for oilseeds, Poland may become a major exporter of these seeds. It is especially important that the European Union countries are both exporters and importers of the oil-seed rape, where the balance of the turnover is negative. The turnover of seeds the oil-seed rape is high worldwide. The largest producers of oil-seed rape include the EU countries (particularly France, Germany, Poland and the United Kingdom), as well as China, Canada, India, Australia, Ukraine, and Russia. Some countries are permanent and large importers of rape seeds. They include: China, Japan, the EU countries-28, Mexico, the USA, Bangladesh, Pakistan and Eastern Europe.
TABLE 2: Selected financial ratios of the oil-mill and food industry\textsuperscript{a} (S – food and tobacco industry, T – oil-mill industry, \textsuperscript{a} It relates to the companies employing 9 employees and submitting the financial statement, \textsuperscript{b} Net profit + depreciation, \textsuperscript{c} Investments in relation to the depreciation, \textsuperscript{d} According to the NACE 2004 classification, \textsuperscript{e} According to the NACE 2007 classification (Source: Rynek Rzepaku. Stan i perspektywy, 2014 No. 45, Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej, Agencja Rynku Rolnego, Ministerstwo Rolnictwa i Rozwoju Wsi, p. 36)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profitability indices of the net income in %</th>
<th>Liquidity ratio</th>
<th>Investment rate\textsuperscript{c}</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>gross profit</td>
<td>net profit</td>
<td>capital formation\textsuperscript{b}</td>
</tr>
<tr>
<td>2005\textsuperscript{a}</td>
<td>4.41</td>
<td>4.22</td>
<td>3.54</td>
</tr>
<tr>
<td>2006\textsuperscript{d}</td>
<td>4.76</td>
<td>5.97</td>
<td>3.86</td>
</tr>
<tr>
<td>2007\textsuperscript{d}</td>
<td>5.25</td>
<td>2.73</td>
<td>4.25</td>
</tr>
<tr>
<td>2009\textsuperscript{e}</td>
<td>5.56</td>
<td>3.56</td>
<td>4.73</td>
</tr>
<tr>
<td>2010\textsuperscript{d}</td>
<td>5.57</td>
<td>1.09</td>
<td>4.66</td>
</tr>
<tr>
<td>2011\textsuperscript{c}</td>
<td>4.16</td>
<td>-0.23</td>
<td>3.38</td>
</tr>
<tr>
<td>2012\textsuperscript{c}</td>
<td>4.46</td>
<td>-0.27</td>
<td>3.75</td>
</tr>
<tr>
<td>2013\textsuperscript{c}</td>
<td>4.54</td>
<td>3.33</td>
<td>4.02</td>
</tr>
</tbody>
</table>

The Czech Republic, which extensively increases the production of rape seeds, both for own needs and for export, play an important role on the nearest market of Eastern Europe. Poland has taken part in the global trade of rape seeds for years. The surplus of rape seeds over the food needs is allocated to, among others, technical oils and biofuels. With a view to both purposes, Poland can increase the production of seeds even more because it has good quality varieties of its own production and soil, which is suitable for the oil-seed rape cultivation. The stabilisation of prices for rape seeds, in the interest of farmers – producers of seeds as well as processing plants, in which the raw material (seeds) is a main component of the operating costs, should occur.

The oil-mill industry in 2005 to 2009 was in good financial condition and the companies generated profit, while in 2010 to 2014, it reduced its outcome, which is characterised by the data included in Table 2. It is visible in case of the net profit as well as the decreasing liquidity ratio in 2005-2013. However, the investment rate started to increase since 2011, which is the proof of big investments related to the oil-mill industry and its development (Table 2).

4. WIG-SPOŻYW INDEX AND SELECTED COMPANIES OF THE OIL-MILL INDUSTRY QUOTED ON THE WARSAW STOCK EXCHANGE

The WIG-SPOŻYW index is a sector index, which includes the companies involved in the WIG index, and at the same time, they are qualified for the "food industry" sector. In the subindex portfolio, there are the same packages as in the portfolio of the WIG index. The index base date is 31 December 1998, and the value of the index on that day was 1279.56 points. The methodology of the subindex is the same as in case of the WIG index, i.e. it is the income index and during its calculation, both the price of its shares and the income from dividends and pre-emptive rights, are taken into account.
\[
\frac{M(t)}{WIG-s(t)} = \frac{1}{279,56} * \frac{M(0) * K(t)}{M(0)}
\]

\(M(t)\) - capitalisation of the subindex portfolio at session "t"
\(M(0)\) - capitalisation of the sector subindex portfolio on the base day
\(K(t)\) - the subindex correction factor at session "t"

The WIG-SPOŻYW index, presented in Figure 1, shows that from 2011 to the fourth quarter of 2014, the food sector's companies in Poland showed a downward trend in their values. However, since the first quarter of 2015, it has been possible to notice a significant upward trend. The values reported on 10 June 2015 reflect the upward trend and confirm it. However, the market values do not reflect their fair value (Veale, 2001, pp. 88-125; Jajuga, 1996, pp. 34-57; Czekaj, 2014, 201-205).

In case of such a market, the introduction of new technologies and production, as well as good financial conditions, the fair value should be included in the market value, however, the market value differs from it due to some other external factors on the financial market and even speculative factors in the development of the share price of the food sector's companies quoted on the Warsaw Stock Exchange in Poland.

The analysis was performed on the oil-mill companies, such as KERNEL and KRUSZWICA, quoted on WIG-SPOŻYW on the Warsaw Stock Exchange.

The companies quoted on the WIG-SPOŻYW index are characterised by a high rate of return: a) KERNEL - Kernel Group conducts an integrated business activity in the sector of bottled cooking oils and agribusiness, the scope of which includes all stages of production, from the cultivation of agricultural products to the final product for a
consumer. Kernel Holding is a holding company registered in Luxembourg, the main assets of which are shares in production companies, b) KRUSZWICA - ZT Kruszwica SA - operates on the market of vegetable fats. The subject of the company's activities includes the purchase and processing of oilseeds, production of vegetable edible fats (margarine, vegetable oils), refined fats, and commercial activity. ZT Kruszwica operates four production plants: in Kruszwica, Gdańsk and Brzeg, and in Warsaw. "Olej Kujawski" is a flagship product of the company. It belongs to Bunge Group - a world leader in the oilseed processing.

In the food sector, it is possible to record one company, the value of which slightly approached to its maximum price on 10 June 2015, and this is KRUSZWICA. While KERNEL did not show its maximum value, and even fair value, though it can show the net profit and good financial condition. It is KERNEL which was overvalued by 53% (Table 3).

<table>
<thead>
<tr>
<th>Name</th>
<th>Average rating</th>
<th>Current price PLN</th>
<th>Maximum price PLN from the beginning of the stock exchange quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>3,5/5,0 AAA</td>
<td>38.15</td>
<td>80.85</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>4,0/5,0 AAA</td>
<td>62.73</td>
<td>80.05</td>
</tr>
</tbody>
</table>

In the figure of the value of the KRUSZWICA company shares, the impact of economic and financial markets on its variability is clearly visible. Well, according to a downward trend at the turn of 2007 and 2008, a new crisis in 2011 and 2012 was observed. The increase occurred in 2013, and currently the stagnation of the share value is noticeable (Figure 2).
However, the KERNEL company demonstrates that its values followed the financial market variable in 2008, but after the global crisis, there was an increase in 2009 and stagnation to 2012, and then the reduction of the share value occurred, and finally their next increase took place in 2015. However, the value of shares of KERNEL SA is not adequate to its fair value (Parvi, 2014, 76-81).

Table 4 presents the key ratios that show the financial condition of the food sector's companies. Within 2 examined companies of the oil-mill industry, the generated profit per share was reported in KERNEL and KRUSZWICA (Parvi, 2014, 169-177).

It shows that the food companies prosper properly on the financial market and are able to record higher or lower profits. However, these are not the profits that would occur in a very good economic situation (Pierce, 2004, pp. 124-125).

The price to the operating profit shows the losses of the company at the negative value, and this state of affairs was not reported. Both companies generated a positive single-digit ratio, but KRUSZWICA approached a two-digit ratio, which is a satisfactory result.

In contrast, analysing P/BV and P/P, it should be noted that both the price to the book value and the price to profit demonstrate that two companies exemplary operate on the market and have a value of about 1.0. Therefore, it can be stated that KERNEL and KRUSZWICA cope well in times of a crisis and beyond it (Parvi, 2014, pp. 33-36).

**TABLE 4: Technical evaluation of the WIG-SPOŻYW sector’s companies quoted on the Warsaw Stock Exchange in Poland as of 10.06.2015 (source: own development based on the financial data of the companies quoted on the Warsaw Stock Exchange in Poland)**

<table>
<thead>
<tr>
<th>Name</th>
<th>P/ÖE (price/ operating earnings)</th>
<th>P/BV (price/ book value)</th>
<th>P/P (price/ profit)</th>
<th>Profit per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>2.51</td>
<td>0.93</td>
<td>0.37</td>
<td>(EUR) 0.090</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>8.04</td>
<td>1.72</td>
<td>0.58</td>
<td>(PLN) 2.214</td>
</tr>
</tbody>
</table>
Table 5 presents the studies concerning, among others, the net profit, depreciation, EBITDA and assets of selected companies of the food sector of the oil-mill industry. According to the obtained values, it is clear that only KERNEL and KRUSZWICA showed a profit, which was confirmed by the previous ratios included in Table 4.

**Table 5: Technical evaluation of the WIG-SPOŻYW sector’s companies quoted on the Warsaw Stock Exchange in Poland as of 31.12.2014 (source: own development based on the financial data of the companies quoted on the Warsaw Stock Exchange in Poland)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Net profit (net loss) in thousands PLN</th>
<th>Depreciation in thousands PLN</th>
<th>EBITDA in thousands PLN</th>
<th>Assets in thousands PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>(EUR)54849</td>
<td>(EUR)0</td>
<td>(EUR)123793</td>
<td>(EUR)1934026</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>(PLN) 50889</td>
<td>(PLN) 8750</td>
<td>(PLN) 72481</td>
<td>(PLN) 954875</td>
</tr>
</tbody>
</table>

According to the book value per share, it is possible to deduce that the KERNEL and KRUSZWICA companies are overvalued. However, it is important not to follow this opinion because the values are only book values, and the calculation of them is purely mathematical and financial. In case of using the economic attitude and interpretation, it would occur that the companies do not have the fair value (Table 6) (Parvi, 2014, pp. 52-60).

**Table 6: The WIG-SPOŻYW sector’s companies quoted on the Warsaw Stock Exchange in Poland as of 31.12.2014 (source: own development based on the financial data of the companies quoted on the Warsaw Stock Exchange in Poland)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Book value per share in PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>(EUR)12.322</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>(PLN) 34.637</td>
</tr>
</tbody>
</table>

The profitability of the equity as well as the profitability of assets is shown only by KRUSZWICA, however, KERNEL does not have it. Therefore, according to the presented study, it is possible to observe that the flagship food concerns have the profitability and they are not threatened by any disturbance of the financial liquidity (table 7).

**Table 7: The WIG-SPOŻYW sector’s companies quoted on the Warsaw Stock Exchange in Poland as of 10.06.2015 (source: own development based on the financial data of the companies quoted on the Warsaw Stock Exchange in Poland)**

<table>
<thead>
<tr>
<th>Name</th>
<th>ROE</th>
<th>ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>-2.70</td>
<td>-1.62</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>15.17</td>
<td>12.68</td>
</tr>
</tbody>
</table>

Currently, the value of companies significantly deviates from the maximum value achieved a few years ago. The only exception is KRUSZWICA, where the company achieved a high value, i.e. about 78% of the maximum value. However, KERNEL demonstrates the value lower than 50% of the maximum one (Table 8), (Parvi, 2014, pp. 262-267).
TABLE 8: The WIG-SPOŻYW sector’s companies quoted on the Warsaw Stock Exchange in Poland as of 10.06.2015 (source: own development based on the financial data of the companies quoted on the Warsaw Stock Exchange in Poland)

<table>
<thead>
<tr>
<th>Name</th>
<th>Current value</th>
<th>Maximum value</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>38.15</td>
<td>80.85</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>62.73</td>
<td>80.05</td>
</tr>
</tbody>
</table>

However, the fair value which should be reflected by the share prices of the examined companies significantly differs from the calculated value, which was presented in Table 9. In some cases, it is even 50% of the current value. The fair value is considerable higher than the current value of the examined companies, and only similar in one company, NETIA.

TABLE 9: The WIG-SPOŻYW sector’s companies quoted on the Warsaw Stock Exchange in Poland as of 26 September 2014 (Source: own development based on the financial data of the companies quoted on the Warsaw Stock Exchange in Poland)

<table>
<thead>
<tr>
<th>Name</th>
<th>Fair value</th>
<th>Deviation from the fair value in PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERNEL</td>
<td>49.24</td>
<td>11.09</td>
</tr>
<tr>
<td>KRUSZWICA</td>
<td>80.01</td>
<td>17.28</td>
</tr>
</tbody>
</table>

Deviation from the fair value in PLN = Fair Value – Current value

5. CONCLUSION

The oil-mill industry in Poland is based on the domestic production of seeds – mainly the oil-seed rape with a low level of processing of imported seeds. The efficiency of this industry as a whole and of individual companies largely depends on the quantity, quality and price of the raw materials used in processing. Some companies of this industry are quoted on the Warsaw Stock Exchange and two of them were analysed, and these are KERNEL and KRUSZWICA. The share price of selected companies of the food sector's companies quoted on the Warsaw Stock Exchange in Poland is significantly underestimated by the current financial situation in the world. Food (oil-mill) companies should demonstrate the higher value, and at least the fair value because the food industry in Poland is developing very well, and even promising big development for the future years.

The food sector's companies of the oil-mill industry earn money because they largely focus on the sale of competing cooking oil, which is commonly known and valued for its cooking qualities. The flagship companies of the oil-mill sector achieve enormous profits, which was proved in the examination of ratios in last years and a net profit in 2015. KRUSZWICA S.A. is an example of it.

The fair value of the food sector's companies of the oil-mill industry quoted on the Warsaw Stock Exchange in Poland should be reached within two years, that is up to 2017 because it is the right estimation of further fast development of the Polish food sector.

LITERATURE

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produkcja rafinowanych olejów i tłuszczów i produkcja margaryny i podobnych tłuszczów jadalnych. Europejska Klasyfikacja Działalności, GUS, Warszawa.
SUSTAINABLE TOURISM AND ARCHAEOLOGICAL SITES A CASE STUDY FROM AMMAN/JORDAN

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ABSTRACT
Jordan is a country in the Middle East endowed by a vast range of heritage resources ranging from religious heritage sites to historical heritage sites. The heritage resources and archaeological sites attract thousands of tourists from different parts of the globe annually. However, despite the importance of tourism and its development in the country, it is still facing major challenges. These issues and challenges can be eliminated through effective strategies and approaches in the sustainable management of the archaeological and heritage sites in the country. Sustainable tourism is crucial for the protection and preservation of the resources as it secures integration between the present and future generations, high quality services, favourable tourism conditions as well as participation of various stakeholders of the tourism industry. On the other hand, heritage resources are non-renewable and as such once lost they cannot be recovered thus a need for a sustainable tourism strategy into the sector. The study aimed at investigating the various sustainable management issues facing archaeological sites in Jordan by carrying out a case study on archaeological sites in Amman. The research as such aimed at analysing the current situation of sustainable tourism in the sites in Amman, current challenges facing management in Amman, sustainable tourism plans in place at the archaeological sites in Amman, a SWOT analysis of the archaeological sites in Amman as well as make recommendations for the future of sustainable tourism and archaeological heritage management in Amman. The study utilised a survey to investigate the perceptions of tourists visiting the archaeological sites in Amman on their experience at the sites and interviews to investigate the perceptions and experiences of the employees working at the study sites. The study revealed that social tension, inadequate maintenance of archaeological sites, vandalism and destruction of the sites by tourists and locals, and inadequate training of the staff on management practices of archaeological sites to be the major challenges facing the archaeological sites in Amman. The study further revealed that inadequate participation of the locals in tourism development and management in Amman, weak management, inadequate funds and lack of a national conservation and management policy for archaeological sites in Jordan are the leading root causes of the problems. The study recommends creation of equality in the distribution of resources by the locals, creation of awareness on cultural practices and beliefs of the locals, development of storage and preservation strategies, adequate legislation and laws with regards to tourism, a maintenance management plan for the sites as well as development of a nationwide policy on management of archaeological sites in the country.

Keywords: Archaeological Sites, Archaeological Sites Management, Sustainable Tourism.

1. INTRODUCTION
Jordan possesses significant tourism resources which date back to many centuries ago. There is a need as such to protect and preserve these resources for both the present and future needs of the country. Majority of the tourism attraction sites are archaeological sites which requires the development of effective strategies and approaches to their management sustainably (Doan, 2006). This requires the aligned of the country’s tourism development and growth strategies with these management approaches which are aimed at fostering sustainable management.
Amman is the capital city of Jordan and a major location of various tourist assets. (Csorba & Lile, 2010) illustrates that there are various impacts of tourism; both negative and positive. They argue that in order to foster sustainable tourism it is crucial to have a number of elements which includes favourable tourism conditions, integrations between the generations, high level of quality to services offered as well as taking care of the environment and the integration and cooperation between the various stakeholders for instance the national governments and the locals. On the other hand, sustainable tourism have positive effects among them effectiveness in use of land and other resources, meeting the environmental needs as well as preservation of the tourism potential among others (Adarbeha, 2005).

Despite the studies conducted illustrating the negative impacts of tourism as well as the potential positive impacts of sustainable tourism, Jordan tourism industry is still not fully realising and appreciating the benefits of sustainable tourism as well as the dangers of not implementing the principles of sustainable tourism. Tourism can be a catastrophe when not well managed (Edson ,999). This is because to can led to damage of the culture as well as damage to the archaeological sites and resources. Further, there can arise conflict between the tourism industry and the local community as well as with the archaeological sites. As such, there is need to realise and acknowledge that despite the potential and relevance of the industry to the national economy, when not well managed it can result to damage which cannot be undone. The archaeological sites and other tourism resources are non-renewable and as such a requirement for a sustainable tourism strategy in the sector (Alhasanat,2008) (Almughrabi,2007).

In order to manage the tourism industry sustainably as well as minimise the negative impacts which it has on the environment and the local community, there is a need to develop a holistic sustainable tourism strategy which considers all the various elements at play within the tourism industry. Further, as illustrated there are a lot of benefits towards acquisition of a sustainable tourism industry and as such in addition to the benefits that tourism has on the Jordan economy, the country can benefits from the various elements attached to utilising a sustainable approach to managing the archaeological sites. This study aims to investigate the current situation of the sustainable tourism in Amman as well as identify the framework which is required in order to develop a sustainable tourism strategy.
2. CHAPTER TWO: INVESTIGATING THE CURRENT TOURISM SITUATION IN AMMAN

The following chapter focuses on the current tourism situation in Amman through analysing the perceptions of the tourists visiting various archaeological sites in Amman as well as employees working at the same sites. Their perceptions and opinions will help in providing a view on the current tourism situation in Amman. The following is a discussion on the Problems Facing Archaeological Sites in Amman:

2.1. Perception of inequalities in the distribution of resources by locals

The study revealed that the local community had a perception that there were inequalities in the distribution of resources at the sites. First, this was due to the low income and salaries paid to the employees who felt that the salaries paid to them were a small percentage to the total revenue received from the sites. The argued that the living conditions in Amman were quite high and rising due to the tourism activities and as such a need for them to be paid higher salaries to meet their needs such as food, education, transportation and rent among others. This has led to some of them seeking better job opportunities which lead to inadequate staff and employees at the sites.

Secondly, the study revealed the problem of corruption with regards to the acquisition of staff, promotions and other human resource activities within the department such allocation of duties, provision of incentives and education grants among others. They had complains that the employment procedures held little regards to their qualifications and expertise which led to the employees feeling oppressed and their rights violated. They felt that their rights were being violated with the distribution of grants, incentives and rewards based on corruption and have not regards to transparency and justice.

Thirdly, the employees held that there were inadequate courses as well as institutions to train and educate them on best management of archaeological sites. This has led to the local employees lacking efficient skills to manage the archeologically sites. They illustrate that the department of Antiquities acquire skilled staff from foreigners thus the local employees feel left out on managing the archaeological sites which is their heritage. Further, despite the fact the department send its staff to train aboard on best practices in management of heritage sites, the practices used choose the people to participate in such expeditions are unfair and unjust and are based on nepotisms and tribalism.

Fourthly, the study revealed that there are inequities in the land surrounding the archeologically sites. One of the problems facing the department is that the archaeological sites are exposed to demolishment and destruction of private institutions and private individuals who seek to develop the area for their own personal needs. This has led to expansions of hotels and other businesses around the sites with such constructions not public property but rather private property by those who can afford it. The land which surrounds the archaeological sites requires large capital of around 1500JD for a meter (M²).

2.2. Theft, Exploitation, and harassment

The issues of theft, exploitation as well as harassment have also been witnessed in Amman. Theft is reported from the tourists although the study reveals that the theft is mainly by petty thieves who may snatch hand bags and other personal items from the unsuspecting tourists. However, this is mainly on the lower side with security guards and police providing security at the archaeological sites. The study findings further reveal that there is exploitation of the tourists whereby the locals increases the prices of various services and goods. There are also reports of harassment of tourists with the tourists travelling advised not travel alone or in secluded areas at the sites.
2.3. Inadequate facilities at the archaeological sites

Inadequate facilities and amenities at the archaeological sites in Amman is another issue raised by both the employees and the tourists. There are inadequate social amenities such as bathrooms leading to human waste all over the archaeological sites as illustrated by the photo below.

Figure 1: Human Wastes at the Sites (The Researcher 2013)
2.4. Impacts of Excavations
The study further revealed that the excavations activities at the sites have led to negative implication for the tourism activities at the sites. First, the excavations results to negative effects to the archaeological sites such as soil erosions after the processes of excavations. Secondly, the excavation activities occur as the tourists are within the sites which leads to air and noise pollution which reduces the satisfaction of the tourists visiting the sites. Thirdly, the excavations sites results to loss of aesthetic value of the archaeological sites with much time after the excavations have ended leave the sites as they are thus reducing the aesthetic value of the sites. The following photo illustrates results of excavations whereby after excavations past artefacts are buried and put over the existing one thus barring the tourists from properly enjoying the artefacts. There is a need for the excavations teams to protect the existing artefacts while looking for new ones around the sites.

Figure 2: Excavation Sites(The Researcher 2013)

Finally, the excavations processes leads to exposure of the sites as well as loss of historic value of sites as excavators search for archaeological sites of a certain period end up destroying the archaeological sites for another period.

2.6. Unmaintained archaeological sites
The problem of littering has been mentioned earlier on and is cited as a major problem witnessed at the site from inadequate maintenance of the archaeological sites. Littering involves putting garbage and plastic bags at the archeologically sites which highly reduces the quality of service offered at the archaeological sites. This is as illustrated by the photos below.
The archaeological sites suffer from such wastes as it reduces the aesthetic value of the sites. The wastes include such wastes as plastic bottles, cans, plastics among other form of wastes around the archaeological sites.

Further, there are various artefact and sites which have growing vegetation from them which reduces their value. This growing vegetation over the years reduces the value of the archaeological site or artefacts. This for instance can be illustrated by the photo below whereby a plant has grown over an artefact.
3. CONCLUSION

The main focus of the research study was to investigate and explore the current tourism situation in Amman by analysing various elements and aspects of the tourism industry practices and behaviours in archaeological sites in the area. The study concluded that archaeological sites in Amman are still being faced with various unsustainable practices which have led to the challenges and obstacles facing the archaeological sites. Public participation and local community involvement are critical elements in sustainable tourism management and Amman clearly illustrates an inadequacy in this regards. This is clearly illustrated by the social tensions in the tourism industry as perceived by the locals with the local community feeling that the tourism industry is not meeting their needs and otherwise is of benefit to foreigners and other stakeholders. They feel that that there is an unequal distribution of resources in the region. The archaeological sites in the area are further faced with the challenge of inadequate resources, both human and financial to ensure and secure sustainable management of the sites.

Further, the study reveals that there are sustainable tourism plans or guidelines being utilised in the management of archaeological sites in Amman. However, the study reveals that the major strength of the archaeological sites in Amman includes political stability and wide range of archaeological sites artefacts and heritage resources in the area which have led to tourists attraction from all over the world. The region has both cultural and religious attractions with the religious attractions involving the three major religions in the world of Christianity, Judaism and Islam. This as such has led to attracting numerous tourists from all over the globe. The study concludes that by developing adequate sustainable tourism plans and guidelines, the tourism industry in the area can further flourish and develop.

Despite these opportunities and strengths of the tourism in Amman, the area is faced with major flaws and threats to its development. First the area is faced with the threat of bad image from the littering and unmaintenance of the archaeological sites which reduces the experience of the tourist. Further, the neighbouring countries are politically unstable and as such there are some visitors who are threatened by this and as such fear to come visit they are. This calls for the tourism sites in Jordan to market them as politically sound and safe area to visit where all religions and rights of tourists are protected and maintained.

The researcher recommends that the tourism industry in Amman need to collaborate with other stakeholders in the country and region in developing a national conservation and management policy providing clear guidelines on best practices the management of archaeological and tourists sites in the country. This will ensure that the archaeological sites have clear and set up practices to follows on various issues in their management and also ensure that they follow best practices which have been developed by experts on archaeological heritage management as well as sustainable tourism management.

LITERATURE
SELECTION OF KEY PERFORMANCE INDICATORS OF CHOSEN SLOVAK INDUSTRY WITH THE APPLICATION OF STATISTICAL METHODS

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ABSTRACT
This paper is devoted to the issue of business performance. It is dedicated to more detailed elaboration of performance, performance measurement and key performance indicators. Since in the last period performance measurement of businesses with the use of conventional indicators of financial analysis provides limited information, it is necessary to pay attention to modern performance measurement indicators and to apply statistical methods in their analytical processing. In this paper this problem is solved by the application of correlation matrix constructed for a chosen indicators’ group in order to select key performance indicators. Subject for objective fulfilment was a group of businesses operating in the same Slovak industry. The most difficult point of solution was the selection of appropriate inputs for the construction of correlation matrix as well as the collecting of sufficient amount of relevant data to ensure analytically-based outputs. Benefit of this paper is the construction of correlation matrix and selection of key performance indicators for analysed Slovak industry. This group of key indicators allows to influence and measure the performance of given industry and to monitor objectives fulfilment.

Keywords: Correlation matrix, Economic Value Added, Financial Analysis, Performance, Performance indicators.

1. INTRODUCTION
Business performance measurement has become an important phenomenon of today. To measure the performance the variety of methods are used. In addition to the traditional methods, based on the calculation of the conventional indicators of financial analysis, the modern indicators begin to apply. These indicators include effects and risks of surroundings, non-financial indicators and also indicators focused on the future revenues and achievements resulting from the current decisions.

2. BACKGROUND OF EMPIRICAL STUDY
There are many different definitions of business performance. According to Wagner (2009) business performance is a characteristic which describes the way in which a business makes
a particular activity in parallel with a reference way of making this activity, while the interpretation of performance is expressed by organized relationship between examined and reference way of performing activities according to the selected criterion range. Among the representatives who understand the performance as the enterprise ability to capitalize its investments embedded into business in the best way are the authors Neumaierová, Neumaier (2002); Frost (2005). Specific issue is the different performance evaluation of various business entities such as owners, managers and customers (Šuláč, Vacík, 2004). Enterprise performance can be evaluated differently. It depends on market participant, who is making the review (Stýblo, 2008). Valach (1998) approaches to the definition of the performance in the same way – he points out that the participant for whom the evaluation is done is important, whether it’s a customer or shareholder. The enterprise is powerful when it satisfies customer product requirements. The business is powerful for the shareholder when it provides adequate return related to risk (Valach, 1998). Proponents of the Value Based Management indicate that the value of the company is determined by its performance and according to this theory enterprise is a tool whose task is capitalization of shareholder investments (Neumaierová, 2003). Another definition describes business performance as the company’s ability to transform inputs to outputs (Johnson, Kevan, 2000). Several authors indicate the need for the comparison of performance with the target value (Nenadál, 2004). European Foundation for Quality Management (EFQM) defines performance as the level of results achieved by individuals, groups, organizations and processes.

The most common method of assessing the financial and economic performance of the company are methods of fundamental or technical analysis, which evaluate the enterprise in economic terms based on a detailed study and analysis of financial statements (Fisher, 1992). In the opinion of many Slovak and foreign authors as the most common indicators to measure the performance of companies are used the financial indicators (Ittner, Larcker, Randall. 2003; Dixon, Nanni, Vollmann, 1990; Pavelkova, Knapkova, 2009; Synek, 2003; Petřík, 2009). These conventional indicators are based mainly on profit maximization – the primary goal of business. They map the main activities of the company in the areas of profitability, ability to pay and investment area in terms of value for investors.

These financial goals and measures represent focus point at which the goals and measures of other areas of business are targeted. Without considering the financial aspects of the business and without long-term profits the company would not exist. It is necessary to define objectives demonstrating the eligibility of future existence of the company, i.e. such capitalization of Equity that in the view of other options represents the best solution. For this purpose, it is appropriate to use indicators of profitability and turnover, as well as indicators related to the liquidity of the company (Cash flow, Cash-to-cash, etc.).

According to the argument that the objective is not only to measure, but in particular to improve performance (Hammer, 2007), it must be noted that these conventional financial ratios have low predictive value in analysing and evaluating the financial performance of the company, in terms of making tactical and strategic decisions in management. This is caused by the fact that these results are judged rather isolated. Conventional performance indicators do not answer the question why the overall results achieve such values or which areas of the company should be improved in order to meet strategic company objectives. It is therefore important to supplement conventional financial indicators with another more dynamic and more prospective indicators, which are adjusted to specific competitive conditions. It means to focus on monitoring and comparing of implementation results describing performance with the planned level of performance, monitoring the strategies direction during their
implementation, identifying the accompanying problems of fundamental importance and performing the necessary changes and adjustments (Dudoková, 2004). Development of modern indicators of performance evaluation focused on the processing and designing of indicators most closely connected to the value of shares. These indicators should also enable to use the most of accounting information and data, include calculation of risk, take into account the range of related capital and finally should allow performance evaluation and also the enterprises valuation (Mařík, Maříková, 2005). The performance assessment should be approached from different perspectives, in assessing it from the position of the shareholder the evaluation is based on return of invested capital into the company while every shareholder is expecting profitability adequate to risk (Neumaierová, Neumaier, 2002).

Therefore basic financial fields of evaluation and measurement of business performance according to Kislingerová (2011) can be supplemented by more recent and modern indicators and methods, namely evaluation using modern methods with the application of market characteristics such as indicators EVA, INEVA MVA, RONA, WACC or indicators based on FCF, CVA and others. From these indicators a suitable tool for benchmarking comparison are EVA, WACC and Cost of Equity, excellent benchmarking tool is absolute or relative spread (ROE – re).

Currently the best known and most utilized modern indicator of performance measurement is Economic Value Added (EVA) indicator. This model is known from 1980s. Authors of the EVA model are representatives of Stern Stewart & Co., American researchers Joel M. Stern and G. Bennett Stewart III. The main task of EVA model is the measurement of business economic profit. Business achieves this profit if not only current costs but also costs associated with capital are paid.

Extensive use of the EVA model dates back to 1989. Nevertheless we rarely met with its ideal application in Slovak businesses yet. Businesses use this indicator in calculation of performance or enterprise value and in enterprise valuation, but a comprehensive management system based on EVA indicator – EVA management still absent.

Reasons for applying EVA indicator are as follows:

- EVA is a synthetic indicator, which involves the impacts of analytical indicators of the other functional areas of the enterprise (Kaplan, Norton, 2000),
- is a flexible indicator being able to constantly modify and adapt to changing conditions and specific requirements (Brealey, Myers, Franklin, 2011),
- constitutes a combination of financial and market data and combination of internal and external influences (Stern, 1993; Horváthová, Mokrišová, Suhányiová, 2013)
- is an indicator that allows to apply the value based management (Neumaierová, Neumaier, 2002),
- it enables to make decisions on the capital allocation, is an instrument of capital budgeting,
- is an instrument for the operative management of the enterprise performance,
- in addition to current development it makes possible to incorporate the future expected market and surroundings development in its calculation,
- is the motivating factor in the enterprise, which enables compensation in relation to the objectives of the business,
- is an indicator of future development, eliminates the shortages of conventional evaluation methods of enterprise performance (Neumaierová, 2003),
- is strongly correlated with the capital market (Neumaierová, Neumaier, 2002).
In the light of above-mentioned, the following research problem is formulated: Are nowadays, when it is very difficult to manage and stabilize performance, conventional financial indicators sufficient measure of performance? Do the enterprises need to use appropriate key performance indicators to make performance management more sophisticated?

3. METHODOLOGY OF EMPIRICAL STUDY
The aim of this paper was to suggest key performance indicators for the chosen industry with the application of correlation matrix. Initial group of indicators is represented by conventional indicators of financial analysis stated in Table 1. This group of indicators contains indicators assessing profitability, liquidity or solvency of enterprise, activity or capital structure and indebtedness and financial stability of enterprise.

Table 1: Conventional indicators of financial analysis (Horváthová, Mokrišová, Suhányiová, 2013)

<table>
<thead>
<tr>
<th>Evaluated area</th>
<th>Indicator</th>
<th>Unit of measure</th>
<th>Rationale for the selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Return on Assets (ROA)</td>
<td>%</td>
<td>Indicator of profitability and representative of future performance of enterprise</td>
</tr>
<tr>
<td></td>
<td>Return on Equity (ROE)</td>
<td>%</td>
<td>Representative of future performance of enterprise</td>
</tr>
<tr>
<td></td>
<td>Return on Sales (ROS)</td>
<td>%</td>
<td>Representative of future performance of enterprise</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Current Ratio (CR)</td>
<td>Ratio</td>
<td>Indicator which refers to financial risk</td>
</tr>
<tr>
<td></td>
<td>Total Liquidity (TL)</td>
<td>Ratio</td>
<td>Indicator which refers to financial risk</td>
</tr>
<tr>
<td>Activity</td>
<td>Assets Turnover (AT)</td>
<td>Ratio</td>
<td>Representative of future performance of enterprise</td>
</tr>
<tr>
<td></td>
<td>Turn around Receivables (TAR)</td>
<td>Days</td>
<td>Representative of the current performance of enterprise</td>
</tr>
<tr>
<td></td>
<td>Turn around Liabilities (TAL)</td>
<td>Days</td>
<td>Representative of the current performance of enterprise</td>
</tr>
<tr>
<td>Indebtedness</td>
<td>Equity Ratio (ER)</td>
<td>%</td>
<td>Representative of the risk of lower liquidity in the stock market</td>
</tr>
<tr>
<td></td>
<td>Indebtedness (I)</td>
<td>Ratio</td>
<td>Indicator of financial stability of enterprise</td>
</tr>
<tr>
<td></td>
<td>Overcapitalisation (O)</td>
<td>Ratio</td>
<td>Representative of the attractiveness for shareholders</td>
</tr>
<tr>
<td></td>
<td>Interest Coverage (IC)</td>
<td>Ratio</td>
<td>Representative of the attractiveness for shareholders</td>
</tr>
</tbody>
</table>

In this paper enterprise performance was measured and calculated with the use of the EVA indicator generally considered to be the top indicator of the enterprise performance evaluation. There are many ways of calculating the EVA indicator (see Table 2). From these approaches method of Entity and method of Equity were applied.
Table 2: Summary of most common ways of calculating the EVA indicator (Harumová, 2008; Horváthová, Mokríšová, 2014; Marinič, 2008; Mařík, Maříková, 2005; Neumaierová, Neumaier, 2002; Petřík, 2009)

<table>
<thead>
<tr>
<th>Basic Approach</th>
<th>Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVA – Equity</td>
<td>(ROE - r_e)*E</td>
</tr>
<tr>
<td>EVA – Entity</td>
<td>NOPAT – WACC*NOA</td>
</tr>
<tr>
<td>EVA - Value Spread Approach</td>
<td>(NOPAT/NOA – WACC)*NOA</td>
</tr>
<tr>
<td>EVA - Capital Charge Approach</td>
<td>NOPAT – WACC*(E + D)</td>
</tr>
<tr>
<td>EVA - Value Spread Approach</td>
<td>(NOPAT/(E + D) – WACC)*(E + D)</td>
</tr>
<tr>
<td>EVA - ROA</td>
<td>(ROA - WACC)*(E + D)</td>
</tr>
<tr>
<td>EVA – ROI</td>
<td>(ROI - WACC)*(E + D)</td>
</tr>
</tbody>
</table>

Note: ROE - Return on Equity, ROA - Return on Assets, E - Equity, EAT - Earning After Tax, r_e - Cost of Equity, NOPAT - Net Operating Profit After Tax, NOA - Net Operating Assets.

To calculate the EVA indicator, it is necessary to determine Cost of Equity. For this purpose several methods are used, while the most commonly applied model in the Slovak Republic is one of the Models with Gradual Counting Risk Premium – INFA model (Neumaierová, Neumaier, 2002), which was used also in this paper. Cost of Equity based on the INFA model is calculated as the sum of Risk-free Rate of Return and Risk Premium (Table 3) according to formulas:

\[
r_e = r_f + RP
\]

where
- \( r_e \) - Cost of Equity,
- \( r_f \) - Risk-free Rate of Return,
- \( RP \) - Risk Premium

\[
r_e = r_f + r_{LA} + r_{business} + r_{finstab} + r_{finstr}
\]

where
- \( r_{LA} \) - Risk premium for lower stocks liquidity in the market,
- \( r_{business} \) - Risk premium for business risk,
- \( r_{finstab} \) - Risk Premium for failure to repay the business obligations,
- \( r_{finstr} \) - Risk Premium for the risk of capital structure.
Table 3: Components of the Risk Premium in INFA model (Authors based on Závarská, 2012, p. 31; Neumaierová, Neumaier, 2002)

<table>
<thead>
<tr>
<th>Risk Premium</th>
<th>Values</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>$r_{LA}$</td>
<td>$r_{LA} = 0%$</td>
<td>$E \geq 3 \text{ thous. mil. crowns}$</td>
</tr>
<tr>
<td></td>
<td>$r_{LA} = 5%$</td>
<td>$E \leq 100 \text{ mil. crowns}$</td>
</tr>
<tr>
<td></td>
<td>$r_{LA} = \frac{(3 \text{ thous. mil. } E)^2}{168.2 \text{ thous. mil. } 100 %}$</td>
<td>$100 \text{ mil. } &lt; E &lt; 3 \text{ thous. mil.}$</td>
</tr>
<tr>
<td>$r_{business}$</td>
<td>$r_{business} = 0%$</td>
<td>$\frac{EBIT}{A} \geq \frac{IE}{D} * \frac{(D+E)}{A}$</td>
</tr>
<tr>
<td></td>
<td>$r_{business} = 10%$</td>
<td>$E_{\text{BIT}} - \text{Earnings before Interest and Taxes}$</td>
</tr>
<tr>
<td></td>
<td>$r_{business} = \frac{(X - \frac{EBIT}{A})^2}{10X^2} * 100 %$</td>
<td>$\text{IE} - \text{Interest Expense}$</td>
</tr>
<tr>
<td></td>
<td>$r_{business} = \frac{XL}{A}$</td>
<td>$D - \text{Debt}$</td>
</tr>
<tr>
<td></td>
<td>$A - \text{Assets}$</td>
<td>$XF \text{- Average Return on Assets of businesses}$</td>
</tr>
<tr>
<td></td>
<td>$CR \geq XL$</td>
<td>$\text{in given industry}$</td>
</tr>
<tr>
<td>$r_{finstab}$</td>
<td>$r_{finstab} = 0%$</td>
<td>$0 &lt; \frac{EBIT}{A} &lt; \frac{IE}{D} * \frac{(D+E)}{A}$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstab} = 10%$</td>
<td>$X - \text{Current Ratio}$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstab} = \frac{(XL-CR)^2}{10(XL-1)^2} * 100 %$</td>
<td>$XL - \text{Average Current Ratio of businesses in}$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstab} = 10%$</td>
<td>$\text{given industry}$</td>
</tr>
<tr>
<td>$r_{finstr}$</td>
<td>$r_{finstr} = 0%$</td>
<td>$CR \leq 1$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstr} = 10%$</td>
<td>$1 &lt; CR &lt; XL$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstr} = \frac{3}{40} \frac{EBIT}{IE} * 100 %$</td>
<td>$\frac{EBIT}{IE} \geq 3$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstr} = 10%$</td>
<td>$\frac{EBIT}{IE} \leq 1$</td>
</tr>
<tr>
<td></td>
<td>$r_{finstr} = \frac{(3 \frac{EBIT}{IE})^2}{40} * 100 %$</td>
<td>$1 &lt; \frac{EBIT}{IE} &lt; 3$</td>
</tr>
</tbody>
</table>

To assess the impact of financial indicators stated in Table 1 on the EVA indicator, the correlation matrix was applied. Its results were used to determine key financial indicators influencing the financial performance of the selected industry. Correlation matrix based on Spearman’s correlation was processed with the use of software Statistica. This software marked the correlations, in which P values were less than significance level of 0.05. In these cases we reject the null hypothesis $H_{01}$ in favour of the alternative hypothesis $H_{11}$. Therefore we conclude that the studied linear relationship between given variables is statistically significant.

The sample for the performance calculation and evaluation consisted of companies running a business within the energy industry, namely thirty companies active in the field of heat supply in the Slovak Republic. As a source of information web pages and annual reports of
these companies were used. Financial indicators were calculated for the year 2013. Whereas these companies required not to publish the data provided, they were mentioned in this contribution anonymously.

In accordance with the stated objective and mentioned methods of solution, scientific hypotheses were set up. These hypotheses were tested with the use of correlation matrix at the significance level of 0.05.

**H₀₁:** There is no statistically significant linear relationship between selected financial indicators and the EVA indicator.

**H₁₁:** There is statistically significant linear relationship between selected financial indicators and the EVA indicator.

### 4. RESULTS AND DISCUSSION

In this part of the paper the selection of key performance indicators for the analysed industry is performed. Firstly we calculated financial indicators as well as the EVA indicator for each of thirty analysed businesses. To calculate EVA indicator we applied method of Equity and also method of Entity. Whereas the results of correlation matrices applying EVA equity and EVA entity were very similar, we present only correlation matrix for EVA equity (Table 4). In this correlation matrix the correlations, in which P values are less than significance level of 0.05, are highlighted.

#### Table 4: Correlation matrix for EVA equity (Authors calculating and processing in software)

<table>
<thead>
<tr>
<th>Variable</th>
<th>ROA</th>
<th>ROE</th>
<th>ROS</th>
<th>CR</th>
<th>TL</th>
<th>AT</th>
<th>TAR</th>
<th>TAL</th>
<th>ER</th>
<th>I</th>
<th>O</th>
<th>IC</th>
<th>EVA equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1.000</td>
<td>0.853</td>
<td>0.819</td>
<td>0.295</td>
<td>0.277</td>
<td>0.612</td>
<td>-0.197</td>
<td>-0.451</td>
<td>-0.101</td>
<td>0.107</td>
<td>0.076</td>
<td>0.526</td>
<td>0.785</td>
</tr>
<tr>
<td>ROE</td>
<td>0.853</td>
<td>1.000</td>
<td>0.716</td>
<td>0.135</td>
<td>0.087</td>
<td>0.494</td>
<td>-0.164</td>
<td>-0.233</td>
<td>-0.459</td>
<td>0.464</td>
<td>-0.274</td>
<td>0.443</td>
<td>0.855</td>
</tr>
<tr>
<td>ROS</td>
<td>0.819</td>
<td>0.716</td>
<td>1.000</td>
<td>0.097</td>
<td>0.079</td>
<td>0.152</td>
<td>0.057</td>
<td>0.066</td>
<td>0.224</td>
<td>0.230</td>
<td>0.156</td>
<td>0.445</td>
<td>0.599</td>
</tr>
<tr>
<td>CR</td>
<td>0.295</td>
<td>0.135</td>
<td>0.097</td>
<td>1.000</td>
<td>0.964</td>
<td>0.398</td>
<td>0.178</td>
<td>0.624</td>
<td>0.460</td>
<td>-0.457</td>
<td>0.660</td>
<td>0.239</td>
<td>0.401</td>
</tr>
<tr>
<td>TL</td>
<td>0.277</td>
<td>0.087</td>
<td>0.079</td>
<td>0.964</td>
<td>1.000</td>
<td>0.349</td>
<td>0.139</td>
<td>0.619</td>
<td>0.554</td>
<td>-0.550</td>
<td>0.725</td>
<td>0.258</td>
<td>0.341</td>
</tr>
<tr>
<td>AT</td>
<td>0.612</td>
<td>0.494</td>
<td>0.152</td>
<td>0.398</td>
<td>0.349</td>
<td>1.000</td>
<td>-0.234</td>
<td>-0.684</td>
<td>0.115</td>
<td>-0.115</td>
<td>0.319</td>
<td>0.407</td>
<td>0.564</td>
</tr>
<tr>
<td>TAR</td>
<td>-0.197</td>
<td>-0.164</td>
<td>0.057</td>
<td>0.178</td>
<td>0.139</td>
<td>0.234</td>
<td>1.000</td>
<td>0.401</td>
<td>0.001</td>
<td>0.000</td>
<td>0.094</td>
<td>-0.138</td>
<td>-0.160</td>
</tr>
<tr>
<td>TAL</td>
<td>-0.451</td>
<td>-0.233</td>
<td>0.066</td>
<td>-0.624</td>
<td>-0.619</td>
<td>-0.684</td>
<td>0.401</td>
<td>1.000</td>
<td>0.463</td>
<td>0.462</td>
<td>-0.527</td>
<td>-0.281</td>
<td>-0.377</td>
</tr>
<tr>
<td>ER</td>
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<td>IC</td>
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<td>0.443</td>
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<td>-0.138</td>
<td>-0.281</td>
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<tr>
<td>EVA equity</td>
<td>0.785</td>
<td>0.855</td>
<td>0.599</td>
<td>0.401</td>
<td>0.341</td>
<td>0.564</td>
<td>-0.160</td>
<td>-0.377</td>
<td>0.354</td>
<td>0.359</td>
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<td>0.413</td>
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</table>

Based on the correlation matrix we can conclude that the most significant impact on the EVA indicator have profitability indicators. The most relevant statistically significant directly proportional relationship is detected between Return on Equity and the EVA indicator. This dependence is expected since ROE is one of the inputs for the calculation of the EVA indicator. Correlation matrix indicates also statistically significant directly proportional relationship between Return on Assets and the EVA indicator. This influence can be explained by the fact that ROA indirectly enters into the calculation of the EVA indicator in estimating Risk Premium for business risk (r₁business). Significant directly proportional relationship is between Return on Sales and the EVA indicator. In this case we can conclude that values of Profit Margin for individual businesses positively affect ROA in INFA model.
and contribute to business performance improvement. Another statistically significant directly proportional relationship is between Assets Turnover and the EVA indicator. Values of this indicator positively affect ROA in INFA model and contribute to business performance improvement. On the basis of this finding the validity of the INFA model is confirmed, because this model in its pyramidal decomposition indicates directly proportional dependence between mentioned indicators. Indicator Assets Turnover is according to INFA model considered as a key performance indicator.

Correlation matrix indicates also the influence of Current Ratio and Interest Coverage on the EVA indicator. This influence can be explained by the fact that these indicators indirectly enter into the calculation of the EVA indicator in estimating individual Risk Premiums - Risk Premium for failure to repay the business obligations \( r_\text{finstab} \) and Risk Premium for the risk of capital structure \( r_\text{finstr} \).

Based on the correlation matrix we can conclude that the only inversely proportional statistically significant relationship is between Turn around Liabilities and the EVA indicator. This dependence is expected because the lower value of Turn around Liabilities means the better value of Cash-to-cash – indicator, which positively affects business performance.

5. CONCLUSION
In the light of above mentioned we can conclude that in the case of indicators Return on Equity, Return on Assets, Return on Sales, Assets Turnover, Current Ratio, Interest Coverage and Turn around Liabilities we reject the null hypothesis \( H_{01} \) stating there is no statistically significant linear relationship between these measures and the EVA indicator in favour of the alternative hypothesis \( H_{11} \). Based on the correlation matrix we suggest these indicators as key performance indicators for chosen industry. Regarding the other indicators in case of which the correlation dependences between them and the EVA indicator are not marked by software Statistica, we fail to reject the null hypothesis \( H_{01} \).

Finally we can conclude that conventional financial indicators are not sufficient for effective performance measurement, we need to use also modern performance indicators such as the EVA indicator. Based on the correlation matrix we can say that analysed enterprises need to use above mentioned key performance indicators to make performance management more sophisticated.

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LITERATURE


TRANSITION INTO A GREEN ECONOMY: ARE THERE LIMITS TO GOVERNMENT INTERVENTION?

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ABSTRACT
Sustainable energy has become a priority in many jurisdictions as the impact of climate change is felt across the globe. This has encouraged the deployment of renewable energy by many states in their transition into low carbon economies. These efforts have been complemented by an increase in the manufacture of renewable energy technologies within the last decade, which has increased their supply and reduced their cost. Trade has played a significant role in facilitating the transfer of renewable energy technologies. Despite the increase in the manufacture of renewable energy technologies, they remain more costly in comparison with conventional high carbon sources of energy. The high initial capital cost of renewable energy projects is the reason why in most jurisdictions, government intervention is key in their deployment. To obtain domestic and political support for renewable energy projects, many governments promise domestic economic development due to their competing socio-economic priorities and the strategic opportunity that a green economy offers in economic development. Some governments have used national procurement tender programs with local content requirements to promote its domestic industries and job creation. South Africa is one of these countries. The challenge that arises is that this kind of government intervention could conflict with international trade law which advocates for liberalisation of trade by removal of barriers to trade such as tariffs, quotas and measures that amount to protectionism of domestic markets. Domestic industry prices may not be as competitive as imports from countries with large scale manufacturing capacity and cheaper labour costs and may limit a country’s transition into a green economy. This paper attempts to analyse the local content element in the South African renewable energy procurement program, its interaction with international trade law and the policy space available for government intervention.

Keywords: Green economy, local content requirements, renewable energy

1. INTRODUCTION
The impact of climate change is felt by all, regardless of whether their country’s contribution in emission of Green House Gases (GHG) was significant or not. Individual countries have adopted mitigation and adaptation measures to reduce their further contribution to GHG emissions. 37 Transition into a low carbon economy through renewable energy has mostly been through domestic laws and regulations which have driven policies promoting the deployment of renewables. 38 As most government projects are funded by tax payers, to obtain domestic and political support for renewable energy projects, most governments promise domestic

37 See Richard SJ Tol, ‘Long Live the Kyoto Protocol’ in Roger Fouquet (ed) Handbook on Energy and Climate Change (Edward Elgar, Cheltenham 2013) 344. Despite the absence of an international climate change agreement, the United Nations Framework Convention on Climate Change (UNFCCC), has been considered to be the major instrument on climate change due to its ‘universal ratification. The UNFCCC and its Kyoto protocol have played a central role on climate change in the past decade due to its role in reducing GHG through emission reduction targets set for Annex 1 countries.
economic development due to their other competing socio-economic priorities. They use renewable energy feed in tariff programmes or national procurement tender programs with local content requirements to promote their domestic industries and job creation. Trade rules also have a role to play in addressing climate change. The preamble of the GATT 1997 for instance advocates for trade that raises the standards of living while allowing for the optimal use of the world’s resources which ensures sustainable development and protection of the environment. The interplay between trade policy and the green economy has been contentious in some cases. Trade rules have a positive impact on the green economy where they facilitate the transfer of renewable energy technologies. In some instances however, trade rules have acted as a stumbling block in the transition into a low carbon economy, as the main objective of trade rules is the liberalization of trade.

South Africa has adopted a Renewable Energy Independent Power Purchasers Procurement Program (REIPPPP) to promote deployment of renewable energy in order to meet its energy demands and international pressures to decarbonise. The REIPPPP has a local content requirement which promotes domestic products and local manufacturing. This requirement has been argued to contradict with the national treatment principle under WTO law which dictates equal treatment of domestic and imported products under like circumstances. The major challenge that arises from this scenario is whether countries should abandon their domestic green policies which contradict with their WTO obligations or should the international community develop new rules which will complement both facets. This paper attempts to analyse the local content element in the South African renewable energy procurement program, its interaction with international trade law and the policy space available for government intervention.

2. SOUTH AFRICA’S RENEWABLE ENERGY INDEPENDENT POWER PROCUREMENT PROGRAMME

South Africa is heavily reliant on fossil fuels and is ranked in the top GHG emitters in the world per GDP standards. South Africa however recognises its potential in transitioning into a low carbon economy through renewable energy. The South African government paved the way for the adoption of renewable energy in 2003 with the publication of its Renewable Energy Policy White Paper, which included renewable energy into the country’s energy mix by setting targets of generating 10,000GWh renewable energy by 2013.

No projects however were initiated to meets this targets. In the UNFCC Copenhagen Climate Change negotiations in 2009, South Africa voluntarily committed to reduce its Green House Gases (GHG) by thirty percent by 2020 and forty two percent by 2025. South Africa’s voluntary pledge to reduce its carbon emission, the climate change policies in place and the energy supply constrains in the country were catalysts for new procurement strategies for renewable energy. A further boost towards the

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40 Tracey Epps and Andrew Green, Reconciling Trade and Climate: How the WTO Can Help Address Climate Change (Edward Elgar, Cheltenham 2010) 45.
renewable energy industry was the Integrated Resource Plan 2010-2030 which included 17.8 GW of solar and wind energy capacity by 2030.\(^45\)

South Africa first explored a Renewable Energy Feed in Tariffs (REFIT) program to procure renewable energy from the private sector. The Department of Energy however terminated this program on grounds that it was prohibited under the government’s public finance and procurements regulations as it did not promote competitive procurement.\(^46\) The Department of Energy (DOE) introduced the Renewable Energy Independent Power Producers Programme (REIPPPP) in after terminating REFIT.\(^47\) The first request for proposals (RFP) to procure 3725MW of renewable energy from the private sector was made by the DOE in 2011.\(^48\) The RFP was divided into three sections detailing general requirements, qualification criteria and valuation criteria. The bidders had to provide information relating to the project structure, legal qualifications land, financials and economic development qualifications.

The REIPPPP was designed as a program that can increase energy generation in a fast and cost effective way while assisting the country to meet its social and environmental objectives.\(^49\) A unique aspect of the programme which has spurred controversial is the strong reliance of economic development requirements in evaluation of bids.\(^50\) A bid received under the RFP had to undergo evaluation in two processes: the financial evaluation aspect of the project, which accounted for 70 percent of the scoring and the economic development evaluation which accounted for thirty percent of the scoring.\(^51\) The economic development requirements encompassed, local content, job creation, ownership, enterprise development and social economic development.\(^52\) The economic developed aspect in REIPPPP required an exemption by government before the programme was initiated,\(^53\) as it exceeds the ratio prescribed in the Government Preferential Procurement Policy Act.\(^54\)

The second bidding period was announced on November 2011 and had more clear local content requirements. The government earmarked certain areas in the manufacturing sector: wind turbine blades and towers, Photovoltaic (PV) modules, PV invertors and metal structures used in PV plants.\(^55\) The RFP also indicated that scoring of costs related to the project would be limited to products purchased from South Africa to the exclusion of imported products.\(^56\) The third RFP announcement in May 2013 included in the local content requirements that ‘all raw and unworked steel and aluminium used in the local manufacture of steel would be sourced locally’\(^57\) and would contribute to the scoring under local content.\(^58\) The fourth round of RFP has increased the local content requirements to above sixty four percent\(^59\). The economic development requirements have been increased in each bidding round as the manufacturing capacity of the country has increased.

\(^{45}\)Department of Energy, Integrated Energy Resource Plan for Electricity 2010-2030

\(^{46}\)Anton Eberhard and Others (n 8) 10.

\(^{47}\)Ibid.

\(^{48}\)World Wide Fund (WWF) (n 5) 1.

\(^{49}\)World Wide Fund (WWF) (n 5) 3.

\(^{50}\)Anton Eberhard and Others (n 8) 11

\(^{51}\)Ibid.

\(^{52}\)Id.13.


\(^{54}\)Act no. 5 of 2000.

\(^{55}\)Anton Eberhard and Others (n 8) 15-16.

\(^{56}\)Id.16.

\(^{57}\)Anton Eberhard and Others (n 8) 16.

\(^{58}\)Ibid 16

Government intervention in the renewable energy industry is not unique to South Africa. Many of the countries have had some form of government intervention in promoting their renewable energy industry. Brazil for instance subsidises loans offered by its national bank to wind energy projects that meet the criteria of having 60 percent of the total costs locally sourced. India in its local content requirements requires that all Photovoltaic projects should use locally made cells and modules and thirty percent of solar project costs must be related to local sourcing. Norway, Malaysia, Nigeria, Ukraine, Turkey, Croatia, Canada, China and the United States of America (USA) are other examples of countries that have had some form of government intervention to promote their renewable energy industry.

3. WTO RULES AND THEIR INTERACTION WITH RENEWABLE ENERGY POLICIES
The General Agreement on Trade and Tariffs (1995) and some of its related agreements apply to different aspects related to renewable energy and its technologies. The local content element in many government renewable energy procurement programmes are addressed in GATT Article III, the Agreement on Trade Related Investment Measures (TRIMs) and the Agreement on Government Procurement (GPA). The renewable energy industry has had a robust growth within the last decade with China emerging as a major player in large scale manufacturing in the wind and solar energy industry. China success can be attributed to cheap labour costs, innovation and government support. The increase in the manufacture of renewable energy technologies within the last decade has increased the supply of renewable energy technologies and reduced their cost. The small-scale manufactures have been affected by this increased competition from China and the various disputes initiated within the WTO dispute settlement mechanism relating to renewable energy can been attributed to these developments. These cases are linked to subsidies in the renewable energy technology manufacturing or feed in tariffs and local content requirements of government programmes promoting the renewable energy deployment. Most of these cases relate to anti-dumping and countervailing duties.

4. LOCAL CONTENT REQUIREMENTS AND WTO RULES
The most prominent case and the first case under WTO relating to local content requires was the Canada- Measures affecting the Renewable Energy Generating Sector, and Canada-Measures relating to the Feed-In tariff Programme. A complaint had been brought by Japan

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60See, WTI Advisors (n 17)14.
61Ibid.
62Ibid. 13-18.
64See Thomas Cottier (n 2) 42. Other WTO agreements affecting renewable energy: the General Agreement on Trade and Services (GATS), the Agreement on Trade Related Investment Measures (TRIMs), the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), the Agreement on Subsidies and Countervailing Measures (ASCM), the Anti-Dumping Agreement (AD) and the Agreement on Government Procurement (GPA).
67Thomas Cottier (n 2) 42-43.
68Ibid 43.
69Ibid.
70Ibid.
71Reports of the Panel (WT/DS412/R; WT/DS426/R, December 19, 2012); Reports of the Appellate Body (WT/DS412/AB/R; WT/DS426/AB/R, May 6, 2013)
on Ontario’s the feed in tariff programme for wind and solar energy in September 2010 first claiming that the FIT Program discriminated against foreign products and violated the national treatment principle under GATT and also that the program was inconsistent with the TRIMs agreement as it qualified as a prohibited subsidy.\textsuperscript{72} The European Union also initiated a parallel complaint in August 2011 which were heard separately and the panels consolidated their findings.\textsuperscript{73} Canada argued that since it FIT program was a government procurement whose objective was to provide affordable access to clean energy, it was exempt from WTO law. In relation to the complaint, both the panel and the appellate body found that the local content requirement in the Ontario’s FIT programme was inconsistent with GATT Article III and the TRIMs Agreement as it required a local content requirement to be met in order to qualify for feed in tariffs. It was also found local content requirement did not qualify as an exemption to national treatment under the TRIMs agreement, and Article III (8) (a) GATT as the energy generated was for commercially sale. The appellate body however differed with the panel’s interpretation on subsidies and found that Ontario’s local content requirement violated Article III: 4 of GATT and Article 2.1 TRIMS Agreement.\textsuperscript{74} Canada was requested to ensure that the Ontario FIT was compliant with WTO.\textsuperscript{75} The violation of the local content requirement under WTO creates a challenge for countries that are signatories to the WTO and have adopted LCR in order to develop their domestic industries. South Africa in particular faces this dilemma as it tries to balance its social economic imperatives with its sustainable energy agendas: by correcting the social inequality resulting from the apartheid era through job creation and enforcing its climate change mitigation objectives, as it is heavily reliant on fossil fuels and in the top GHG emitting global economies in GDP standards. In its REIPPPP, South Africa for instance in bidding window 2 includes n its local requirement criteria local manufacturing of wind turbines blades, PV Modules and inverters and metal structures used in PV plants.\textsuperscript{76} In bidding window 3, the RFP states that locally sourced raw steel and aluminium for local manufacture is calculated as part of meeting the local content requirement criteria.

The local requirement component in the South African REIPPPP gives preference to the purchase of domestic goods over imported products and is in violation of the national treatment principle under GATT Article III. As seen in the Canadian Case on Ontario’s FIT, a country’s procurement programme is not exempt from the national treatment principle under GATT, where the procurement of energy is for commercial sale. One of the reasons for the design of REIPPPP was to procure fast and cost effective energy to address the current energy crisis. An aggrieved party could therefore initiate a complaint against the South African government procurement programme. The advantage that South Africa has is that the as a result of the decline in the renewable energy industry in OECD, this spurred foreign investment from the international private sector into South Africa’s renewable energy sector.\textsuperscript{77} Major players in the renewable energy industry have ownership interest in companies that have been allocated bids to generate renewable energy and are setting up manufacturing plants within the country. South Africa does not have a comparative advantage in this area and so far the complaints that have been initiated before the WTO dispute settlement mechanism relating to local content requirements have been motivated by competition.

\textsuperscript{72} JI Lewis(n 3) 9
\textsuperscript{73} Ibid. The EU and USA joined consultation in September 2010.
\textsuperscript{74} Thomas Cottier (n 2) 44.
\textsuperscript{75} JI Lewis (n 3) 9.
\textsuperscript{76} World Wide Fund (WWF) (n 5)
\textsuperscript{77} JI Lewis (n 3) 10.
In terms of transitioning into a green economy in order to address climate change, local content requirements hinder the transition as they increase the cost of renewable energy technologies. Domestic industry prices may not be as competitive as imports from countries with large scale manufacturing capacity and cheaper labour costs. South Africa has high labour costs as the labour industry is highly unionised and the costs of steel to manufacture some of the component is not as competitive as China. The technology know how of countries like China has contributed to it becoming a major player and South Africa has a long way to go in terms of innovation. Many components to manufacture the renewable energy technologies would thus have to be imported. These factors are an indication of less competitive pricing from technologies manufactured in countries lacking competitive advantage.

Trade has played a significant role in facilitating the transfer of renewable energy technologies. The increase in supply and reduced cost of renewable energy technology components has been attributed to the increased deployment of renewable energy in Europe in the last decade.78 There have been efforts to liberalize trade in Environmentally Friendly Goods and services (EGS) and reduce the tariffs on climate friendly goods and services through the Doha Ministerial Declaration 2001.79 The reality of having an Environmental Goods Agreement (EGA) is eminent under the WTO sphere. APEC countries announced in November 2011 that they would develop a list on environment goods which tariffs should be reduced by five percent.80 These countries also intend to eliminate non-tariff barriers such as the local content requirement which contributes to trade distortion of climate friendly goods.81 The United States and China have agreed on a list of goods during the APEC Summit in 2014. Its success however is questionable as it depends on its support in the Doha Rounds negotiations and currently the debate is not a priority and is overshadowed by the agricultural and industrial market access agenda.82 Liberalisation of environmental goods has been perceived to be a mechanism to access the markets by countries leading in the renewable energy manufacturing industry like the United States of America, China, Germany and Spain to promote their interests.83 There is policy space for developing countries and least developing countries during to Doha negotiations to be seek exemptions and justify local content requirements for the protection of their infant industries for a transitional duration. South Africa could lobby under this grounds. Concerns by development in liberalisation of their markets has to be addressed especially because they are not able compete in the environmental goods and services market.84

On the contrary, liberalisation of environment goods could work in South Africa’s advantage in the future, Within the African Continent, South Africa and Uganda are leading in the deployment of renewable. South African with its procurement programme and Uganda with a feed in tariff. There is a lot of potential in renewable energy in Africa due to its vast natural resources and the fact that most of its population remain un-electrified. The development of manufacture of renewable energy technology in South Africa creates a potential market for it within the continent as renewable remains under exploited due to the high initial costs. South

78 Thomas Cottier (n 2) 44
79 Tracey Epps and Andrew Green (n 4) 241-243.
80 Ibid.
81 Ibid.
83 Peet du Plooy & Meagan Jooste (n 45) 5.
Africa is a leading exporter of various goods within the SADC region and the rest of the continent. Local content requirements however can be accorded some policy WTO law. The renewable energy industry has a service element as it reliant on certain skills in the deployment and maintenance of the technologies. GATS allows for domestic policies to be developed to support the development of the service providers and the industry.

5. CONCLUSION
The local content requirement has been adopted by many countries to transition into low carbon economies. The evidence of the significant contribution by government intervention in the renewable energy industry has started changing the perceptions towards local content requirements. Some countries have even linked investment into the green economy as a result of local content requirements. South Africa is one of these countries.

There is a possibility of having an Environmental Goods Agreement liberalizing trade in environmental goods and services however these might be achieved in the near future as countries continue deliberating on agricultural and industrial market access agenda in the Doha Round negotiations. Although the local content requirement in the South African REIPPPP may be considered to violate its WTO obligations, there is lobbying space within the negotiations of the EGA where South Africa can seek exemptions and justify its local content requirements for the protection of its infant industries.

On the service aspect in the deployment of renewable energy, the local content requirement in the South Africa REIPPPP can be justified under GATS. It can be said however that local content requirements are emerging again in trade and industrial policies despite the cases initiated at the WTO. This may create more policy space within international trade law in order to facilitate the transition into a global green economy.

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85 Thomas Cottier (n 2) 45
86 Ibid.


STRATEGIC MANAGEMENT OF E-GOVERNMENT DEVELOPMENT

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ABSTRACT
This paper integrates theories and findings of the strategic management approaches in the public sector organizations in Croatia with the special focus on e-government. The term e-government stands for an ICT assisted transformation of the public sector (Schulz, Schuppan, 2012). Each organization, no matter is from public or private sector should sets its goals, both for the near and long term future. As part of strategic management, strategic planning is a process that should describe organizational activity, budget and resources for achieving these goals. Today one of the most important goal is applying information technologies through the process of e-government which has become a world phenomenon. In developed European countries, e-government established itself as a channel for public service delivery and already national economies could recognize the benefit of its implementation. Number of traditional e-government services converted into e-government Web services gives an indication of the country strategic commitment towards a knowledge society and economic development. Through extensive literature review, these paper studies the strategies, implementation of strategies and performance measurement of e-government in Croatia according to the other European countries.

Keywords: Strategic management, public sector, e-government

1. INTRODUCTION
The strategic goal of e-governance is to support and simplify governance for government, citizens and businesses (Basu, 2004). The strategic aspect of the e-government is reflected in the fact that the ICT application in the public sector can serve as a strategic tool for development, but also as a response to the challenges of globalization. But, it is important to emphasize that efficient e-government requires reorganization and modernization of government work, not just adoption of information and communication technology (Economic and Social Commission for Asia and the Pacific, 2004). Number of traditional e-government services converted into e-government Web services gives an indication of the country strategic commitment towards a knowledge society and economic development. It is important that each government has a clear strategy to overcome the potential barriers. Ndou (2004) think that active role of skill leaders is important, especially in the early phase, also it is important to connect with other development strategies and to raise awareness for e-services. To improve relations between citizens and government in e-services Ebbers, Pieterson and Noordman (2004) explores how some management strategy can improve the way how governments and citizens interact. Concerning government and citizens preferences, they proposed an alternative multichannel management strategy.
2. STRATEGIC MANAGEMENT OF E-GOVERNMENT DEVELOPMENT

Strategic management is a continuous process aimed to achieving the best possible performance of the organization as a whole. It includes a set of decisions which determine the long-term performance of the company. The main task of strategic managers both in private or public sector are mission and vision statement determination and strategy development. Process of strategic management includes (Buble, 2005): a) SWOT analysis, b) setting organizational direction (mission, vision and goals), c) strategy formulation, d) strategy implementation and e) control and strategy evaluation (performance metrics).

Clearly defined and effective mission and vision statement as the main strategic tools, have a great impact on the employees of organizations, as well as on the consumers, because they are feeling safer knowing that managers might know all of the things they should do to manage the organization on the best possible way. It is important to have an answers on following questions – What? (The objective), Why? (The social and economic impact of the strategy) and How? (The principal and strategic action) (E-government web portal).

For example, the US department of the Interior has its own strategic plan which includes a mission, vision, goals and strategy. In the strategic plans for 2014 to 2018 stands that IT should supports the accomplishment of mission goals because “technology can advance the effectiveness and efficiency of programs and help employees to be more productive”. The vision is “developing and providing the right mix of IT products and services at a lower cost while delivering greater service to employees and customers” (US Department of the Interior).

Next step is a strategy formulation as a master plan for achieving vision, mission and goals. Therefore, there is no successful implementation of e-government without institution leadership, mission and vision statement (setting direction of the organization) and most important of all - a clear strategy. Political leadership, decision makers or other with high level of political and technical support have also an important role in e-government and ICT strategy development (e-Government Web portal). “Vision and political will are indispensable to launch the e-government project” (Rabaiah, Vandijck, 2009).

Next phase is implementation of the strategy. Process of strategic management can be carried out only with efficient and effective business processes using innovative information technology. The last step in the strategic management process is control and evaluation process. In this step, usually performance metrics are used.

Namely, e-government must be strategically planned to avoid creating .gov bubble as an equivalent .com bubble of the late ’90s which burst leaving behind a large number of generally poorly conceived government projects (Heeks, 2006). These years, a lot of businessman, politicians or common citizens lost the faith in the Internet economy. Due to the large amounts of money that is invested in the IT projects of e-government on the one hand and a large percentage of the failure of such projects on the other hand, it is necessary to develop methods for evaluating the effectiveness of the projects that include both quantitative (financial) and qualitative elements. (Wagner, Xie, Rubel - Otterbach, Sell, 2007). There is a challenge to make a system of e-government more efficient, less expensive and easier to use.

In order to reach these goals even more important becomes a question of measuring the success of e-government projects. Performance measurement of the e-government requires a model for measuring both the tangible and intangible benefits of e-government (Gupta, Jana, 2003).
Figure 1. Strategy of e-government implementation


State Administration in many developed countries have adopted the digital revolution and made on line a large amount of various materials, databases and services that are traditionally offered. However, for ensuring the success of such projects, it is necessary to measure their success. In public administration, information is a public good and it cannot be protected and used as a comparative advantage and therefore performance measurement is an important. The state institution must all the time keeping control, and on that way guarantee the citizens - taxpayers that their money is well spent (Lawson – Body, Mukankushi, Miller, 2008).

A performance measurement is nothing but a process of measuring progress towards achieving predetermined goals. Companies are using metrics for its attempt to develop control systems during the strategy implementation. At first, the companies were use only financial measures, but in the last three decades a lot of new measurement tools were developed. In the world developed countries, but also slowly in Croatia, it can been notice more disciplined approach to strategic management of e-government. Managers are increasingly looking for metrics that would allowed them to analyze the success of their investments in e-business, due to the fact that the cost of development, implementation and maintenance in most cases are very high and require significant financial investments to the IT equipment as well as people. One of the most important and more frequently used strategy performance management tool is the balanced scorecard (BSC). The journal Harvard Business Review considered balanced scorecard as a one of the most important concepts of management in the last 75 years (www.adanalic.com.ba). The term BSC was first time introduced in 1992, by Robert D. Kaplan and David P. Norton in the same journal.

Balanced scorecard can be used as a basis for implementation of e-government services and for measuring effects of using it (Zdjelar, 2012). Since e-government services are different from the traditional business services, traditional analysis can provide only limited ways of evaluating the success of e-government. E-government balanced scorecard aims to ensure systematic and structured method for the service providers of e-government with a view to designing and implementing development plans. The four perspectives of balanced scorecard can be of great help to service providers in terms of implementation the objectives into strategy. In performance measuring of the e-government, Watson proposed a set of five e-commerce performance indicators (Berntzen, 2013): a) awareness, b) popularity, c) contact, d)
the conversion and e) retention. Awareness of the existence indicator refers to the visibility and popularity of a Web site within the target audience. The state agency may branded a particular service of e-government (E-business in Croatia) in order to increase the popularity of this service. Another indicator, the popularity of Web sites can be measured by the number of visits the site. The efficiency of contact refers to the content of the page (or its users should be able to send e-mail, complete an application). The conversion factor relates to the transaction and how is the customer satisfied with the transaction. Thus, for example, it is found that to the increase of the use of services occurs when a Web site offers a variety of payment types (In the refurbishment of the driving license), personalization and so on. The fifth indicator is the retention or in other words client loyalty (the citizens). It is realistic to expect that the systems for measuring performance in e-government have to use multiple measures, not only financial and also it should be even more important link between e-government decisions and actions with the strategy of the organization. It is a fact that intensive use of information systems and information technology in business can bring many new strategic benefits and impact on the competitive position but only if the objectives of its application support and expand the strategic goals as a whole. In their research, Affisco and Soliman (1997) proposed the framework which is consists of seven elements important for developing strategy of e-government. There are: market segmentation, service mode development, operations-strategy redesign, and service delivery, differentiation, leverage of value and alignment of strategy and system. All of them together represents one strategic point of view. And some other authors made a contribution to developing strategic framework for e-government. Ebrahim and Irani (1997) in their research come to the list of organisational and technological requirements necessary for the adoption of e-government in public sector. Rabaiah and Vandijck (2009) made a research on e-government strategy in 21 countries. They proposed generic strategic framework of e-government which is modular. Modularity means that is framework more flexible and it allows adding new modules. Alenezi, Tarhini and Sharma (2015) conducted a research on 268 employees in the Kuwait government ministries. With this research they wanted to investigate the relationship between information quality and performance of e-government organizations. They found out that information quality can lead to a better organizational image.

3. SOME FACTS ABOUT DEVELOPMENT OF E-GOVERNMENT
On the European Council held in Lisbon in March 2000, prime ministries of EU15 states set a goal that Europe has to become the most competitive knowledge-based economy in the world. The renewed Lisbon Strategy from 2005 emphasized the need for further growth and new jobs, but also the strong support of innovation based on ICT (The Institute for Prospective Technological Studies). The document shows that ICT play a key role in achieving the goals of the Lisbon Strategy. Europe 2020 Strategy adopted 2010 continues directly on the Lisbon Strategy from 2000. In this new strategy the goals from Lisbon strategy were revised, but also there are introduced new priorities and objectives and new guidelines important for the growth and development of knowledge-based economy. Europe 2020 as an EU strategic document includes seven flagship initiatives of which is particularly for e-government development interesting Digital Agenda for Europe. Digital Agenda includes European e-Government Action Plan 2011-2015, with particularly interesting projects such as the e-SENS: digitalization of government services (Europe 2020 Strategy). It is evident that the EU considers the public sector as key sector for the application of ICT because the fact that public services based on ICT can have a strong impact on economic growth and quality of life. Promoting e-government in the public sector is a very important for EU, but there is a different legal frameworks, cultural variations and administrative traditions from country to country and sectors (Pollit, 2013). Countries with a national measurement framework in e-
government are Australia, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom and USA. Counties without a national measurement framework are Austria, Czech Republic, Finland, Hungary, Ireland, Italy, Luxembourg and Poland (OECD e-Government Studies, 2009). Each government has developed its own strategy depending on different inputs. But it is important to emphasize that e-government strategies constantly changes, and this is never ending work for the political and technical leadership (Rabaiah, Vandijck, 2009). Today, a world-leader in the public management reforms is UK. In the last decade, it has made the great number of reforms. In the work paper, Röthig (2010) who is also a developer of WiBe framework in Germany explained this measurement framework in e-government. This measurement framework for economic efficiency assessments is provided by the German Ministry of the Interior in 1992. The WiBe framework is concerned with ICT project proposals and mostly depends on expert opinion (Röthig, 2010). The research made by Arduini and others (2011) show that in Italy the range and quality of e-government services will increase “with their stock of ICT competencies, their efforts to train workers, and their ability to organise interfaces with end-users”. Research made by Colesca, and Liliana (2008) in Romania show that “the citizen’s higher perception of usefulness, ease of use, quality and trust of e-government services directly enhanced the level of adoption of e-government”.

3.1. Development of e-government in Croatia
In the available literature, two possible ways for development of e-government exist: top-down approach and bottom-up approach. Bottom – up approach is specific for strong departments in local government who develop and manage their own projects. Approach top-down is characterized by a high level of control from the central government (Pascual, 2003, p. 21). Croatia is leaning toward this approach.
Namely, The Central Office for e-Croatia defined the mission and vision statements of Croatian e-government. Until the year 2011, this office was independent body, then it was incorporated into the Ministry of Public Administration.
Namely, for the successful implementation of ICT in the state administration, it is important to have a national consensus about development strategy of the state administration. Croatia had a Strategy for the development of electronic government in the Republic of Croatia for the period 2009 - 2012. The aim of this strategy is the current functioning of the state administration transferred in electronic form, thus making the public services more accessible to end users. As mentioned previously, Croatian e-government mission and vision statement are defined by the Central Office for e-Croatia (http://www.e-hrvatska.hr). The mission of Croatia electronic government is "connecting information systems of state administration bodies through a unique information and communication network and the adoption of technical and standardization rules for the use of IT equipment in the state administration". The vision refers on a desire that "civil service integrated into e-government increases its effectiveness and transparency of the operations of the state administration, increasing the competitiveness of the Croatian economy and the inclusion of all social groups in the development of the information society, regardless of differences."
Eventually, the National Strategy of e-government development in Croatia revised. In March 2015 Ministry of Public Administration published a draft version of Strategy for e-Croatia 2020 (https://uprava.gov.hr), which represents a new framework of e-government development. It is a document that for the first time presents a SWOT analysis of using ICT in the public administration. As a strength of ICT in the Croatian public administration it is considered "a strong political commitment to build a modern, efficient and transparent system of public administration which aims to provide to citizens and companies access to high-
quality services and a coherent and reliable data through ICT and a solid legal foundation for the modernization and informatization of the public administration with regard to the needs of external users". Weaknesses are manifested in the "absence of a responsible body for ICT affairs at the Government level whose manager reports directly to the Prime Minister, as well as the relatively low level of use of public e-services and their poor adaptability to the needs of individual users in relation to the EU average". Opportunities are "availability of different financial resources for the implementation of ICT projects (around 130 million euros from EU structural funds available for the period 2014 to 2020 for investment in the development of public e-services and informatization of public administration), increasing the number of Internet users and the education and motivation of users to use e-services." Threats are "change in government policies and priorities related to the modernization and informatization of the public administration and the consequent discontinuity in the implementation of government programs and projects and the lack of IT professionals in the labor market, especially in the public administration and public fears about information security and protection of personal data ".

As regards the strategy control, the fact is that 85% of all e-government projects in developed and transition countries partially or completely fail. Some authors estimate that the percentage in industrialized countries is around 60% (Vrček, Peharda, Mundar, 2011). In line with these developments in the world, the Croatia develop and implement IT projects in government administration. For this reason, it is important that analyze of e-government projects includes financial aspects but also additional dimension related to the value of the project for the public and a political priority. Therefore, it is considered that the value of the projects of e-government can not be covered only with financial elements (ROI), but also some less tangible factors must be taken. Although some EU countries have their own national framework (Germany used WiBe), Croatia does not have a national measurement framework in e-government.

4. CONCLUSION
There have been a number of research studies related to e-government strategies in the world, but still there is no enough research made in Croatia, by academia and private/public sector and still e-government framework is in development phase. An understanding of the current status of e-government in Croatia can help in development of the public sector and development the new revised and better strategic document. Using the best practice of e-government framework in more developed countries, Croatia has to find the best measurement framework for its e-government strategies in the public institutions and administrations. It is proven that multiple factors are crucial in managing e-government projects for ensuring a project success. If is strategy done correctly and the goal are clear and real, the public services can be developed as an on-line, not just on traditional way. It is important that e-government strategy document on the national level contains concrete proposal mechanisms important for development and implementation of e-government strategy. Like other countries, Croatia government have some challenges that need to be clear articulated in strategy document. Some of them are: educated and motivated human resources in public administration, legislative systems important for national framework, public administrative reforms, inadequate ICT infrastructure and policy, potential partners and funding sources for the e-government program. Using ICT for providing services a necessary change structure of public organization and that is one of the reason why reforms are important. Also, taking organizational and technological risk is necessary by politicians and other decision makers responsible for implementing ICT in public organization. They have to find “win-win” situation for each side involved in the process of e-government development and its implementation.
# LITERATURE


32. http://www.e-hrvatska.hr/sdu/hr/ProgramEHrvatska/Provedba/Ouredu.html

33. http://www.e-hrvatska.hr

APPLICATION OF FINANCIAL ETHICS IN ANNUAL FINANCIAL REPORTING OF BANKS

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ABSTRACT
The importance of financial ethics and its application in financial reporting of banks cannot be ignored as it assists in building public confidence and fostering professionalism. However, the non-compliance and conformity with Nigerian Financial Regulatory Authorities prudential guidelines in the preparation of financial statements lead to incomplete or false information. The objective of the study is to examine the application of financial ethics in annual financial reporting of banks. The study employed primary and secondary data and stratified and purposive sampling techniques were used in which 20 questionnaires were administered to respondents. ANOVA and chi-square were in analysis and the findings revealed that there are significant unethical practices in the preparation of financial reports of banks in Nigeria. The study recommends that more emphasis and attention should be given to ethical standards in all banks and banks should give out clear reports of their financial activities to the regulatory authorities.

Keywords: Financial ethics, ethical standard, unethical practices, financial reporting, regulatory authorities’, banks

1. INTRODUCTION
Contrary to the impression that it is only the public service that is heavily infested with corruption and inefficiency, the trend has since changed in Nigeria. The private sector of which the financial institutions constitute an integral part has also been caught up in identical unethical muddle. Financial ethics are those principles that guides in the preparation of financial transactions. Oladoyin et al (2005) stated that “Ethics” generally refers to those principles and codes of behaviour that guide the conduct of a profession. The term usually carries along moral values normative judgments and moral obligations. At any rate, every profession possesses its own ethics. These Ethics are commonly derived from the general expectations of the public from a public officer or a professional practitioner. The issue of ethics usually goes along with allocation of value judgment such as good or bad; right or wrong. Every professional strives to keep to the guiding ethics of his/her profession.

The end product of financial accounting process is the preparation and publication of financial statements. A substantial number of alternative postulates, assumption principles and methods adopted by a reporting entity in the preparation of its accounts can significantly affect its results of operations, financial position and changes thereof. It is therefore essential to the understanding; interpretation and use of financial statements, whenever there are several acceptable accounting methods which may be followed, that those who prepare them disclose the main assumptions on which they are based. The Nigerian Accounting Standards Board (NASB) issued accounting standards which are developed to ensure a high degree of standardization in the published financial statements. They provide the necessary information about how accounting information should be prepared and presented in order to enhance the
value of its contents and facilitate thorough understanding. In the banking sector, confidence, trust, reliability and goodwill are requisite characteristics for effective service and all these are intimately associated with ethical norm and transparency in discharging financial transaction. The case of impropriety therefore is a negation of transparent banking. It is against this background that this study is designed to examine the application of financial ethics in annual financial reporting of banks in Nigeria.

2. STATEMENT OF THE PROBLEM
Despite the role of the Nigerian Accounting Standard Board, Central Bank of Nigeria and Professional Accountancy Bodies in ensuring standardized financial reports as well as compliance with financial ethics in their preparation, the problem of falsification and manipulation of figures in the financial statements has been on the increase. In light of this, that there is the need to sanitize Nigerian financial reporting system.

3. OBJECTIVES OF THE PAPER
The main objective of the study is to examine the application of financial ethics in annual financial reporting of banks in Nigeria.

Other specific objectives were to:
(i) examine the emerging trend of unethical practices and professional misconduct in the Nigerian banking industry.
(ii) identify those ethical standards that are relevant to the preparation of financial reports of banks.
(iii) assess whether financial reports of banks are in conformity with Nigerian Accounting Standards and Central Bank of Nigeria prudential guidelines.
(iv) assess the information contained in the financial reports are fair and accurate.

4. HYPOTHESES
Ho1: There is no significant relationship between ethical standard and bank’s financial reports preparation in Nigeria.
Ho2: There is no significant unethical practice in the preparation of financial reports of banks in Nigeria.

5. CONCEPTUAL FRAMEWORK/LITERATURE REVIEW
Accountability in the financial institutions is best explained through the theory of Agency. Adesola (2001) explained that the person who holds or manages a given amount of resources for the benefit of another person is an agent. As an agent, he must operate according to the mandate given to him and he must perform to the satisfaction of those who are to benefit from his achievement. The managers of a business enterprise are agents to the business owners as well as those who will benefit from the activities of the business, including the society at large. At the end of each period of operation, the managers will render accounts of stewardship for the information of those who may be interested in the operation of the business. Ethics is the sense of Morals is a branch of philosophy which is concerned with human character and conduct. Ethics is a moral principles, rules and regulations that guide or influence a person’s behaviour and character. Financial analyst handbook defines ethics as an attitude of responsibility to the public. Zubiro (2007) expressed that ethics can be both a normative and descriptive discipline, as a corporate practice and career specialization, the field is primarily normative, and in academia descriptive approaches are also taken.

Accounting and Financial Reporting code of Ethics is a statement of certain fundamental principles, policies and procedures that govern certain officers of an organization or company
in the conduct of the company’s business (Obazee 2008). Oneok partners (2006) stated that the expected reporting objectives of every senior officer involved in the accounting process is to ensure full, fair, accurate, timely and understandable disclosure in the reports and documents filed with, or submitted to the Securities and Exchange Commission (SEC) by the company and in other public communications made by the company. Financial information included in such reports, documents and communications, which include, but are not limited to, financial statements, footnotes, selected financial data, statistical data, financial schedules and the management’s discussion and analysis portion of the company’s reports, must “fairly present” in all material respects the company’s financial condition, result of operation and cash flows.

According to Oladoyin et al (2005) analysed the reasons for ethics as follows:, building confidence and integrity, giving a true view of market interplay, engendering participation, attracting international recognition and respect, fostering professionalism, efficiency, stability and growth and attracting more businesses. Ethics is an important part of the accounting industry. According to Vincent (1992) stated that The American Institute of Certified Public Accountants (AICPA) has created a code of professional conduct for its members to follow and refer to while working in the accounting industry. Accountant must remember that they have dual responsibilities, both to the company that has employed them and to the public interest looking for accurate accounting information. The following are the ethics that should be adhered to by professional accountants.

(i) Independence: This is the first ethics quality accountants must use in the profession. Independence is defined as the accountant’s limited interaction with a client or company prior to offering current accounting services. An impairment of the accountant’s independence may lead him/her to not accurately report or explain any accounting errors or improprieties.

(ii) Integrity and Objectivity: This is defined as the lack of conflicts of interest between accountants and clients. The AICPA also notes that accountants should not knowingly misrepresent facts or financial information when engaging in professional accounting services. Conflicts of interest may include close personal relationships with individuals employed by the accountant’s business clients or performing accounting services for individuals employed by the accountant’s business client. These relationships may cloud the accountant’s judgment and hinder her ability to be objective when performing accounting services. The public interest demands that accountants and auditors exercise objective opinions regarding a company’s current financial health and business status. This objectivity can be violated if accountants provide more than one service for a client. The AICPA often attempts to limit accountants and auditors from offering advisory or assurance services if these individuals will also be offering general accounting or auditing services. This duality can violate the objective opinion by accountants since they may not wish to denigrate their own work.

(iii) Responsibility: Accountants are required by the AICPA to be professional and responsible when handling confidential client information. Accountants often see the intimate details of a business or even information that is considered an industry secret. Accountants must respect their client's information and only release the absolute necessary information for lenders and investors needing to make wise business decisions. Failing to adhere to this standard of responsibility can put the accountant and his public accounting firm in legal cross-hairs for a violation of accounting ethics.
He further explained that the following are the accounting ethics that are applicable to financial reporting of an organisation are; presentation of Accounting Information, disclosure, evaluating techniques and timely reporting

6. FINANCIAL REPORTING

Financial reports are the testimonial and report card of the state of the company and its operation, at least for the stakeholders who have no access to the record of the company for detailed assessment. According to the Statement of Accounting Standards published by Professional Accounting Tutors limited (2002) stated that financial report of a public limited company should comprises of the balance sheet, profits and loss accounts, cash flow statement and statement of value added. Financial statements are the means of communicating to interested parties information on the resources, obligations and performances of the reporting entity or enterprise. All accounting information that will assist users to assess the financial liquidity, profitability and viability of a reporting entity should be disclosed and presented in a logical, clear and understandable manner.

Statement of Accounting Standard-SAS 2 which relates to information to be disclosed in financial statements, published by Nigerian Accounting Standards Board, comprises of the following disclosures. The financial statements of an enterprise should state, the name of the enterprise, the period of time covered, a brief description of its activities, its legal form and its relationship with its significant local and overseas suppliers including the immediate and ultimate parent, associated or affiliated company.

It further stated that financial statements should include the following: statement of accounting policies, balance sheet, Profits and loss Accounts or income statement, Notes on the Accounts, Cash flow statement, Value added statement and five year financial summary.

7. USES OF FINANCIAL REPORTS

The uses of financial reports are planning, for controlling activities of an organization, for Decision support and Information and guide to raise finance. Obazee (2008) highlighted that Accounting Standard is a benchmark or a yardstick by which accounting measurement are made. A reporting entity exists where it is reasonable to expect the existence of uses dependent on general purpose financial reports for information which will enable them make informed judgments and decision. The quality of the information provided in such financial reports determines the usefulness and reliance of those reports to users.

7.1. Guidelines for Reading Financial Reports

Zubiro (2007) analyzed various guidelines to follow in reading financial reports: - Look out for the auditor’s statement. A qualified opinion can signal that massive write-offs or other difficulties may be on the horizon. Glance through the financial footnotes, changes in accounting policies during the year. Go through the company’s statement of accounting policies, generally required in accounting reports and try to determine the company’s position. The current earnings will look rosy, but essentially these items represent deferred cost rather than genuine assets. Do not compare this year’s net earning with last year’s bottom figure alone. In addition to accounting changes, increases in earning per share can result from selling a plant or securities or from taking various tax credits, none of which have anything to do with current operating performance.

A comparison of both pre-tax incomes to sale for several years running will give a true picture of how efficiently the company is performing. Take a look at the company’s inventories, in
relation to its sales. A decrease in inventory turnover can signal trouble ahead in many industries. See if the company’s account receivables are growing at a faster rate than sales. If receivables are out running sales growth, the reason could be inefficient collection policies or extension of credit to customers with greater credit risk.

8. CODE OF ETHICS AND PROFESSIONALISM IN THE BANKING AND FINANCE INDUSTRY
The aim of the code is to enable financial institutions regulatory bodies and their employees to know in clear terms what acts, conducts, omissions and practices are considered unethical, and the appropriate sanctions that would apply for non compliance with the code. It is expected that this code would bring about discipline and professionalism in the industry. According to Elumilade (2004) stated that banking sectors, confidence, trust, reliability and goodwill are requisite characteristics for effective service and all these are intimately associate to the ethical norm, transparency. The case of impropriety therefore is negation of transparent banking.

Vincent (1992) expressed that banks and other financial institutions constitute a formidable element in a modern economy, occupying a pivotal position in the credit and cash economy which Nigeria now operates. He further stressed that given the scarcity of resources and the consequent allocation of these resources by banks in the execution of their primary function places them in a somewhat invidious positions and makes them vulnerable to suspicion. He analyzed that the banking industry as a domineering economic and social institution, hence the code of professional conduct and standard of ethics which the community demands is usually very high.

9. METHODOLOGY
The study uses both primary and secondary sources of data. The primary data was generated through the use of questionnaires that were administered to the staff of both New and Old generation banks in Nigeria. The secondary data were sourced from published data. The population of this study includes all banks in the country, both New and Old generation and their members of staff. The study made use of stratified and purposive sampling techniques, in order to select appropriate and competent respondents. The sample size of 20 staff from each bank of both Old and New generation banks were selected. A total of 240 questionnaires were administered, out of which 196 were correctly completed and returned while 44 were not retrieved at all. The analysis was conducted through the use of Statistical Packages for Social Scientist (SPSS). Pearson’s Product Moment Correlation, Chi – square and Analysis of Variance (ANOVA) was used to test the relationship between the financial ethics and its application in annual financial reporting.

10. DATA PRESENTATION AND ANALYSIS
The Central Bank of Nigeria and Nigeria Deposit Insurance Corporation are the two regulatory bodies of banks in Nigeria. Therefore, we use Pearsons Correlation to test relationship that exist between the two bodies.
Table 1 Test of relationship that exists between the CBN and NDIC

<table>
<thead>
<tr>
<th></th>
<th>Correlations</th>
<th>CBN</th>
<th>NDIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBN</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.473</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.121</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>NDIC</td>
<td>Pearson Correlation</td>
<td>0.473</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.121</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2010

Table 1 on correlation shows that there is a positive relationship that exists between CBN and NDIC as bank regulatory authorities pursuing the same objectives. Where the $r = 0.473$. This implies that both regulatory bodies pursue the same objectives in ensuring standardizations in the banking operations.

Accounting ethics financial reporting- Which of these accounting ethics that are applicable to financial reporting did your bank adopt and apply?

(i) Presentation of accounting information
(ii) Disclosure
(iii) Evaluating Techniques
(iv) Timely reporting

Table 2: Analysis of application of accounting ethics in financial reporting

<table>
<thead>
<tr>
<th>ACCOUNTING ETHICS</th>
<th>Old gen bank staff response percentage</th>
<th>New gen bank staff response percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation of accounting information.</td>
<td>56</td>
<td>44</td>
</tr>
<tr>
<td>Disclosure</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>Evaluating Techniques</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>Timely Reporting</td>
<td>55</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: Field Survey (2010)

From table 2, it indicates that the old generation banks like UBA, UNION, WEMA, AFRIBANK and FIRST BANK adopted and applied presentation of accounting information, Disclosure and Timely reporting than the new generation banks like OCEANIC, GTBANK, ZENITH, INTERCONTINENTAL and SPRING BANK. While new generation bank applied evaluating techniques more than the old generation bank. This implies that Old generation banks complied more than the new generation banks.

**Using chi-square to test the hypotheses**

HO$_1$: There is no ethical standard that has significant relationship with bank’s financial reports preparation.
Table 3  Chi-Square Test for Old generation banks

<table>
<thead>
<tr>
<th></th>
<th>UBAPLC</th>
<th>UNION</th>
<th>WEMA</th>
<th>AFRI</th>
<th>FIRST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>20.833&lt;sup&gt;a&lt;/sup&gt;</td>
<td>20.833&lt;sup&gt;a&lt;/sup&gt;</td>
<td>30.000&lt;sup&gt;b&lt;/sup&gt;</td>
<td>21.500&lt;sup&gt;c&lt;/sup&gt;</td>
<td>21.500&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Df</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>1.000</td>
<td>1.000</td>
<td>.964</td>
<td>.993</td>
<td>.993</td>
</tr>
</tbody>
</table>

a. 11 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.1.
b. 10 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.2.
c. 9 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.3.

From table 3, the critical value of chi-square at 5% level of significance is 18.3070, while calculated value of UBAPLC, UNIONBANK, WEMABANK, AFribank and FIRSTBANK are 20.833, 20.833, 30.000, 21.500 and 21.500 respectively. The decision is that since chi-square calculated is greater than the critical value, which fall outside the acceptance region, therefore null hypothesis stands not to be accepted. This implies that there is an ethical standard that has significant relationship with bank’s financial reports preparation.

Chi-Square Test for New generation banks

HO<sub>2</sub>: There is no significant unethical practice in the preparation of financial reports of banks.

Table 4  Chi-Square Test for New generation banks

<table>
<thead>
<tr>
<th></th>
<th>ZENITH</th>
<th>INTERC</th>
<th>OCEANIC</th>
<th>GTBANK</th>
<th>SPRING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>20.833&lt;sup&gt;a&lt;/sup&gt;</td>
<td>30.000&lt;sup&gt;b&lt;/sup&gt;</td>
<td>20.833&lt;sup&gt;a&lt;/sup&gt;</td>
<td>21.333&lt;sup&gt;c&lt;/sup&gt;</td>
<td>21.333&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Df</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>1.000</td>
<td>.934</td>
<td>1.000</td>
<td>.998</td>
<td>.998</td>
</tr>
</tbody>
</table>

a. 11 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.1.
b. 9 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.3.
c. 10 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.2.

From table 4, the critical value of chi-square at 5% level of significance is 18.3070, while calculated value of ZENITH, INTERCONTINENTAL BANK, OCEANIC BANK, GTBANK and SPRINGBANK are 20.833, 30.000, 20.833, 21.333 and 21.333 respectively. The decision is that since chi-square calculated is greater than the critical value, which fall outside the acceptance region, therefore null hypothesis stands not to be accepted. This implies that there are significant unethical practices in the preparation of financial reports of banks.
11. FINDINGS
The study revealed as follows:

(i) All the banks agreed that there is in existence a code of ethical conduct for directors and management staff of all banks in Nigeria.

(ii) There are high significant unethical practices in the preparation of financial reports of banks, which collaborate with Zubiro (2007) that stated different types of unethical financial practices in his literature as altering records and terms related to significant and unusual transactions, e.t.c.

(iii) The study revealed that building confidence and integrity, engendering participation, attracting more businesses, attracting international recognition and respect are the reasons for ethics, which are in line with Oladoyin et al (2005), in their literature that fostering professionalism, efficiency, stability and growth are also reasons for ethics.

(iv) It revealed that financial reports are used for planning, decision making, and controlling activities of an organisation, information and guide to raise finance, which agreed with Statement of Accounting Standard 2 (SAS 2), which relates to information to be disclosed in financial statement.

(v) The study agreed that in banking sector, confidence, trust, reliability and goodwill are requisite characteristics for effective service and all these are intimately associated with ethical norms and transparency which are in line with Elumilade(2004), in his literature that revealed the case of impropriety therefore is negation of transparent banking.

12. CONCLUSION
Effort has been made in this study to review the importance of financial ethics and its application in annual financial reporting of banks in Nigeria. Regulation and Supervision of banks remain an integral part of the mechanism for ensuring safe and sound banking practices. At the apex of the regulator/supervisory framework for the banking industry is the Central Bank of Nigeria and NDIC. In line with prevailing international standard, these agencies (CBN/NDIC) have continued to emphasize risk-focused bank supervision in Nigeria. Other integral features of the present approach to bank supervision include regular contact with bank management, consolidated supervision of banks and non-bank financial affiliates and independent validation of supervisory information.

From the foregoing chapters, the current state of the banking industry a number of issues stand out as pressing challenges confronting the industry. Broadly, these issues relate to the industry’s operating environment, inherent weaknesses, in the conduct and practices of practitioners bordering on ethics and integrity otherwise referred to as weak corporate governance and inadequate legal provision for dealing with problem banks and protecting the supervisors. A notable feature of the industry is low ethical standard and transparency. These are manifesting in the rising cases of unwholesome practices being recorded. A number of banks engage in some sharp and unorthodox practices to achieve compliance with some regulatory requirements “on paper”. Many banks’ returns provide inaccurate/misleading financial report thereby preventing timely detection of emerging problems by the supervisor.

Recommendations
From the analysis of the findings, the study made the following recommendations:

(i) The capacity of the apex bank to monitor and supervise the large number of bank’s transactions which will reduce the high rate of unethical practices in the preparation of financial reports of banks.
(ii) External auditors should be made to extend their audit examination beyond their existing scope of duties and responsibilities with a view to their discovering frauds, which will enhance confidence, trust, attracting more businesses and attracting international recognition and respect.

(iii) In banking sector, confidence, trust, reliability and goodwill are requisite characteristics for effective service delivery, considering the enormous trust and confidence which the society entrust to the banks, officials have a responsibility to strive for higher ethical standard than the rest of the society because of their role in the economy.

(iv) The new generation banks should be made to comply and appropriate sanction should be impose on any defaulters by the regulatory bodies.

LITERATURE
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17. Code of Ethics and Professionalism in the banking and finance industry; establish by
18. Statement of Accounting Standard published by professional Accounting Tutors Ltd.
THE FUTURE OF COMPETENCES WITHIN THE CROATIAN QUALIFICATIONS FRAMEWORK

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ABSTRACT

Croatia is a country of rich history and cultural heritage, which sees its future in collaboration with the European Union, fully respecting its principles of freedom and mutual trust. Creating a competitive economic area is subject to the development and improvement of competences and their clear recognition and use for the wellbeing of employees, employers and the overall community.

The Croatian Qualifications Framework (CQF) is a tool intended to facilitate employability, personal development of individuals and social cohesion. This is particularly important for societies in which economic and technological changes, as well as longer life expectancy have made lifelong learning a top priority of educational and economic policies. The significance of CQF is evident when it comes to better linkage between the needs of labour market and study programmes, as well as the evaluation of all learning results. Following the line of reasoning where CQF will become an essential requirement for the development of lifelong learning, which is the backbone of a knowledge-based society, Croatia has undertaken several reforms in its education system.

Aiming at determining the importance of acquired competences and learning outcomes, a research was conducted involving a structured questionnaire and a sample of 271 students of the University North. The statistical method used was descriptive data analysis. The research results have confirmed that a higher level of competence development, or a higher level of knowledge and skills, enhances socially responsible business. Furthermore, they have confirmed that acquiring competences within the CQF framework and achieving expected learning outcomes will make competitive experts recognised by the labour market, which will then result in the start-up and development of companies, which will in turn create a competitive economy.

Keywords: Croatian Qualification Framework, competences, learning outcomes, competitive economy, socially responsible business

1. INTRODUCTION

The aim of CQF is to link all qualifications that are acquired in the Republic of Croatia; this also refers to all qualifications pertaining to all sectors in the Republic of Croatia. When developing such a framework, an important principle is multidirectional mobility, bearing in mind justified access requirements. Tackling and facilitating mobility from various educational subsystems is particularly focused on the link between professional and university subsystems and adult education. The Act on the Croatian Qualifications Framework defines
qualification as a set of learning outcomes whose acquisition is proven by a public document issued by an authorised public entity. The learning outcomes are referred to as sets of competences, which are defined as knowledge and skills, and the accompanying independence and responsibility acquired. The notion of knowledge describes a set of acquired and interlinked information. In CQF, knowledge covers factual and theoretical knowledge (CQF, 2013). The application of CQF will allow for better mobility of employees and students by creating a fully developed system of qualifications in the Republic of Croatia, which will ensure mobility and quality of qualifications, as well as their linkage with the corresponding levels of the European Qualifications Framework (EQF). CQF is an important precondition for regulating the Croatian lifelong learning system and is a starting point for creating a society based on knowledge and social inclusion. It defines competences as “the achieved use of specific knowledge and skills, in accordance with given standards and the accompanying independence and responsibility” (SAOO, 2014).

2. COMPETITIVE CROATIAN AND EUROPEAN AREA
Creating a competitive European and Croatian area requires labour mobility. This, in turn, requires the recognition of acquired competences to the advantage of employees, employers and the overall community. The European Qualifications Framework (EQF) is a tool intended to introduce reference qualification levels for the purpose of comparability and recognition of qualifications defined by various national qualification frameworks. The EQF promotes lifelong learning and competences that enhance student mobility and allow easier recognition of their qualifications outside the country of origin. A quality professional development is an available, continuous and organised set of activities, with clearly defined objectives, which provides professional learning and development to various target groups, in line with their needs and the needs of the educational system. Such development focuses on competences, quality of teaching and improvement of educational learning outcomes (SAOO, 2014). “Creativity and innovation are the keys to economic development and Europe’s ability to compete internationally” and the first challenge to this is the development of generic competences. The second challenge is “the full functioning of the knowledge triangle of education-research-innovation” (ET 2020). In order to be able to help the young develop the skills they need to live and work in the 21st century, the abovementioned process calls for innovation; it will enable more creativity, flexibility and better contribution to personalised learning and acquiring of new skills. Partnerships and collaboration are two extremely important concepts in education (universities and other stakeholders), as no system can bear all the challenges of the 21st century on its own. These are based on trust, common prospective, commitment and goal achievement with clearly defined obligations and responsibilities of all parties (Hunjet, Kozina, 2014).

3. THE SYSTEM OF HIGHER EDUCATION IN CROATIA
The Croatian system of higher education has a long tradition, which owes its success largely to the work of eight public universities – Zagreb, Rijeka, Split, Osijek, Pula, Zadar, Dubrovnik and Koprivnica. Since 2003, Croatia has been implementing an intense reform of its higher education system in line with the needs of its society and European standards, and following the principles of the Bologna Declaration. At this point, the Croatian education system is fully harmonised with Bologna guidelines and Croatian institutions of higher education are part of the European Higher Education Area. Linking higher education, science and research to the private sector is a process parallel to the higher education system reform (Hunjet, Kozina, Kurečić, 2015). An important step in this process was made in 2003 when the National Foundation for Science, Higher Education and Technological Development was established. The mission of the foundation was to transform Croatian society into a
knowledge society, stimulate development of globally recognised research and create knowledge-based economy. In 2010, it changed its name to become the Croatian Science Foundation (CSF, 2010). Its revised mission is now the promotion of science, higher education and technological development in the Republic of Croatia with the main objective of ensuring economic development and stimulating employment.

In order to define reference frameworks for ensuring quality, it is vital to develop responsibility and efficiency. Responsibility requires developing indicators, which can monitor research outcomes and factors contributing to social changes that bring about a better society for all. By promoting innovation structures in the future, Croatia will be able to feel its contribution to the contemporary society and economy increase in the roles outside the research in the public sphere and education. Croatia has strongly recognised the importance of harmonising the number and types of study programmes with social and economic needs, as well as the importance of developing research competences. In addition to this, it has also acknowledged the need to develop personal and professional competences. The main documents in this regard are the Action Plan for the Mobility of Researchers 2011 – 2012, as well as the new Strategy of Education, Science and Technology (2014). These documents propose the approximation of the number and types of study programmes with social and economic needs, as well as the adjustment of the content of study programmes so that these contain clear definitions of the learning outcomes (Guidelines, 2015).

4. THE CROATIAN QUALIFICATIONS FRAMEWORK (CQF)

Independence and responsibility denote an achieved application of particular knowledge and skills, consistent with standards. It is important to underscore that the descriptors of the European Qualifications Framework (EQF) have been used to develop the level descriptors for CQF. The descriptors have been envisaged to serve primarily for orientation and better understanding of their purpose and role. The law mentions that a person acquires competences through learning, which must then be proven after the learning process has ended. Two types of learning have been recognised:

- Formal learning, which is an organised activity provided by an authorised legal or natural person. It is carried out according to approved programmes and its purpose is to acquire and improve competences for personal, social and professional needs. It is proven by a certificate, diploma or another public document issued by the authorised legal entity.
- Informal learning, which is an organised activity whose purpose is to acquire and improve competences for personal, social and professional needs but which is not proven by a public document.

CQF has eight levels of learning outcome sets. Their descriptors represent the minimum requirements for associating a set of learning outcomes with a corresponding level of CQF. Higher levels of learning outcome sets include lower levels in a corresponding profile. In CQF, the descriptors have been designed in such a manner that they cover a full range of learning outcomes, irrespective of the form of learning or institution: all educational levels from elementary school to doctoral studies. The descriptors encompass working activities, learning, academic activities and professional education needed to enter the labour market. Aiming at developing human resource potentials in the scientific sector in Croatia, strengthening intersectoral and transnational mobility and maximising the use of funds intended for this type of collaboration, the Action Plan states that it is necessary to create programmes of professional development in order to improve research competences in the following areas: managerial skills and entrepreneurship, general business literacy and
administrative skills. It is proposed that the number of study programmes be reduced based on the results of such analysis and that the tools of CQF be used to stimulate higher education institutions to develop qualification standards. The Strategy of Education, Science and Technology acknowledges that “study programmes must ensure the acquisition of expected learning outcomes but must also retain flexibility to adjust to continuous and swift changes in the broader social context.” The Strategy underlines that the existing study programmes still do not contain the methods for developing communication and presentation skills, or managerial skills or initiatives. The portion of practical teaching is still too small, and study programmes also lack student traineeship and field work elements. Quality internships carried out during the larger part of the studies are a precondition for acquiring competences, hence a precondition for employability or better preparedness for the demands of future employers. Therefore, in the context of sectoral interest networks, it is necessary to set up suitable models for the organisation of the practical part of study programmes. The Strategy claims that creativity and innovation should have a special place in the study programme (SEST, 2014).

5. METHODS FOR ACQUIRING NEW COMPETENCES
The European Commission states that transferable skills can be acquired by either “training” or working experience (ESF, 2010). Transferable skills can be acquired through the strengthening of mobility between universities and the private sector; this way, students can combine theory and practice. The objective of training through international, intersectoral and multidisciplinary mobility is to create creative, enterprising and innovative students who can cope with present and future challenges. The development of professional and personal competences of students through working experience is beneficial for PhD students, universities and entrepreneurial/research centres. This will contribute to strengthened collaboration between universities and the non-academic sector through the transfer of knowledge and improvement of joint research projects. Universities and the business sector should cooperate on: the support of dialogue, partnership and networking between the education system and business sector, by raising media visibility of benefits and good practices stemming from collaboration between the education system and business sector; the support to creating partnerships and networking between the education system and business sector on a national, regional and local level; the inclusion of several social partners, companies, researchers, advisors and experts for professional orientation to achieve a better understanding. All stakeholders should participate in joint discussions on an idea that a better future can be achieved using technology, innovation and sustainable development philosophy. This way, long-term issues of direct surroundings can be identified and translated into research challenges, which are also related to global issues such as the Millennium Development Goals (UN).

6. METHODOLOGY
The empirical part of the research consisted of a poll, which involved first year (10%), second year (69%) and third year (21%) students of the University North. The questionnaire was completed by 271 examinees, 50.41% of whom were women (136 students) and 49.59% were men (135 students). The questionnaire consisted of 25 questions; 15 were statements contained in the first part and 10 were questions with answers, which were to be assessed on a Likert Scale by students in the second part of the questionnaire. The aim of the research was to establish the technical predispositions of examinees for participating in the project of acquiring knowledge and skills for future competences in the framework of CQF. The intensity of attitudes was measured using a Likert six-item scale (0-not answered, 1 was the lowest score, 5 the highest). The paper elaborates on the attitudes of students provided
through their answers to questions in the questionnaire. It also provides statistical and descriptive data analyses of the results obtained.

7. RESULTS
92% of the examinees answered the question of whether higher education institutions were responsible through teaching and research activities for the acquisition and application of knowledge; 83% of these responded positively, which indicates a clear attitude of the students. This leads to conclude that higher education institutions are responsible for the expected learning outcomes.

When asked if students collaborated with the social community, by developing a feeling for social responsibility, 72% answered positively, which confirmed the existing collaboration between students and the social community and the raised level of awareness on social responsibility.

81% of the examinees answered positively the question of whether the 21st century was the century of changes and whether higher education institutions were developing awareness on lifelong social responsibility of students by creating new programmes focused on linking interdisciplinary activities.

Chart 1. Competitive advantage of the economy is based on a development of future competences within CQF

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<tr>
<td>0</td>
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<tr>
<td>1</td>
<td>1.67%</td>
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<tr>
<td>2</td>
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<td>3</td>
<td>40.83%</td>
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<tr>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>5</td>
<td>19.17%</td>
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There is a noticeable grouping of answers; 40.83% are of the opinion that competitive advantage of the economy is based on a development of future competencies within CQF. In this particular case, the average scoring of all answers is 3.43, which indicates a positive attitude. Yet, 19.17% of the examinees are entirely certain and assigned this question the highest score of 5, for 1.67% of the examinees the score was 1, whereas 4.17% of them did not provide their answer and their score was therefore marked as 0.
Chart 2. Developing future competencies and learning outcomes increases the chance of employment for the young

This research showed that the expectations of students were fulfilled. As for the answer to the question of whether developing competences and learning outcomes was favourable for increasing the chance of employment for the young, their average score was 3.64. This indicates that students believe that there is a greater chance of employment for persons who have acquired suitable competences. The majority of examinees, 31.67%, feel that developing future competences enhances the opportunities for employment of the young and they assigned the highest score to this question, 5. 30.00% assessed this question assigning it a score of 4, 4.17% provided the lowest score of 1, and 3.33% were uncertain and did not provide their opinion.

Chart 3. Companies affect the society and environment through their business, products or services, as well as through their interaction with key stakeholders such as employees, buyers, investors, local communities, suppliers and others
When asked if they thought companies affected the society and environment through their business, products or services, as well as through their interaction with key stakeholders such as employees, buyers, investors, local communities, suppliers and others, the highest score of 5 was provided by 30.00% of the examinees, 4 was the score of 31.67% of the examinees, whilst 7.50% provided no opinion. The average scoring was 3.60, which clearly indicates a positive attitude of students in respect of the impact of businesses on the society and environment.

**Chart 4.** Social responsibility in the volatile conditions of contemporary business is defined as doing business in a socially responsible manner; a business that, besides its economic interests, advocates wellbeing of the society as a whole

![Chart 4](image)

The average score for the statement that social responsibility in the volatile conditions of contemporary business is defined as doing business in a socially responsible manner; a business that, besides its economic interests, advocates wellbeing of the society as a whole was 3.38. The majority of examinees, 33%, assigned this question score 4, 22% of them assigned it the highest score and 1% assessed it by providing the lowest score.

**Chart 5.** Of late, social responsibility appears as a vital element of sustainable development and social progress

![Chart 5](image)
25% of the examinees fully agreed with the statement that of late, social responsibility appeared as a vital element of sustainable development and social progress. The majority, 30.83%, assigned it score 3, while 7.50% did not provide any opinion. The average scoring was 3.28.

Chart 6. How would you assess the acquisition of competences during your studies at the University

![Chart 6](chart6.png)

The average scoring of 2.67 was achieved when providing the answer to the question of how they would assess the acquisition of competences during their studies at the University North. 35.83% of the examinees provided score 3, 10.83% assigned this question the highest score, 8.33% assigned it the lowest score of 1, and 7.50% did not provide any opinion.

Chart 7. To what extent does the University place emphasis on the acquisition of theoretical knowledge?

![Chart 7](chart7.png)

The question of the extent to which the University placed an emphasis on the acquisition of theoretical knowledge was answered by 89.17% students; 14.17% provided the highest score, 5.83% the lowest. The average scoring, the arithmetic mean was 2.85.
Chart 8. To what extent does the University place emphasis on the acquisition of practical knowledge?

Likewise, the question of the extent to which the University placed an emphasis on the acquisition of practical knowledge was answered by 89.17% students. 10.83% of them provided no opinion. The average scoring was 2.50. The majority, 32.50% provided the score of 3, 11.67% fully agreed with the answer and assigned it the highest score of 5. 11.67% of the examinees did not agree at all and assigned this question the lowest score of 1.

8. CONCLUSION

The acquisition of competences within CQF should empower the young to find their way in an uncertain and complex environment; it should help them learn how to define problems and find solutions by creating new ideas and applying a way of doing business that involves communication with the environment. The acquisition of knowledge and skills is a tool for moving about a new environment conditioned by the pressures globalisation exerts on the society, organisation and the individual, all based on social responsibility. Because the acquired competences now involve creativity, exchange of ideas, problem identification, risk-taking, it is essential to alter traditional universities and their programmes and make them interdisciplinary. Interdisciplinary study programmes are given full support so that universities can develop their new role by accepting more responsibility for technological, economic and social growth and development.

When examining the line of reasoning and attitudes of students, the role of acquired competences in the creation of an interdisciplinary higher education institution has been explained. This institution would be capable of solving the problems of the environment in which it works and developing a knowledge-based society by creating competent experts, employable on the labour market. Study programmes are still not able to boast a sufficient portion of practical teaching, which prevents students from acquiring suitable skills for the needs of their future employers.

The survey showed a growing interest in the acquisition of competences with social responsibility. Therefore, similar questionnaires are recommended so that students can raise their awareness on the positive attitude in respect of ethical business, acquisition of knowledge and skills for the future competences within CQF and the expected learning
outcomes that can make them recognised on the labour market and so that by starting up and developing businesses a more competitive economy is created.

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**Internet:**

Enterprise in Turbulent Environment
CORPORATE GOVERNANCE IN EUROPE: A COMPARATIVE ANALYSIS

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ABSTRACT
Many of the European countries have undergone changes in their corporate governance system recently. We use a comparative law approach to analyze and compare some of the important corporate governance issues in three of the European countries: France, Germany, and the United Kingdom. In our analysis we focus specifically on the rules applying to the board structures, role of the boards, and liability of their members. There are still significant differences in company laws of the individual EU member states. However, as expected, there is a clear trend towards convergence in the treatment of corporate governance issues. In the paper we discuss the possible effects of different legal provisions and the recent law reforms in these countries. We also discuss the role and impact of the EC company law directives and regulations on national company laws. The goal of this paper is to determine the current corporate governance challenges facing the European countries observed.

Keywords: Corporate governance, Board, Europe, Shareholder

1. INTRODUCTION
Many of the European countries have undergone changes in their corporate governance system recently. The goal of this paper is to analyze and compare some of the important corporate governance issues in three of the European countries: France, Germany, and the United Kingdom. The focus of the analysis is specifically on the rules applying to board structures, role of the boards, liability of their members and rights available to shareholders as possible means of their activism. There are still significant differences in company laws of the individual EU member states. However, as expected, there is a clear trend towards convergence in the treatment of corporate governance issues, and European corporate law is today even considered to be the „first and most important field of legal harmonization“ (as cited by Hopt, 2015).

The comparative law analysis in this paper will attempt to cover most of the legal rules contained in company laws of the three countries, and only some of the provisions of their corporate governance codes. It will not cover the rules set by the stock exchanges and regulatory bodies. Also, as it focuses on the national legislation, the paper will not deal with the legislative instruments of the EU in corporate law. Even though the first EU Commission's Action Plan of 2003 was not implemented in many cases (Hopt, 2015), the years that followed were marked by the corporate governance and corporate law reforms in the European countries.

The UK traditionally has a single board, i.e. one-tier board model, while the dual board system, i.e. two-tier board model exists in France (optional) and Germany. Companies in the United Kingdom are regulated by The Companies Act 2006. The Companies (Shareholders’ Rights) Regulations 2009 implement Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed
companies in the UK amending the Companies Act 2006. Listed companies are additionally required to comply with The UK Corporate Governance Code 2014. Additionally, the rules that company officers need to follow when running their companies are contained in the articles of association which all limited companies in the UK must have.

The prescribed format for articles of association (model articles) of a company limited by shares under the Companies Act 1985 and earlier UK legislation is known as Table A - Regulations for management of a company limited by shares. There are later versions of it, but they don’t affect a company which is registered before the new versions took effect (Companies House, 2015). The latest versions are the three separate model articles for: (1) private companies limited by shares, (2) private companies limited by guarantee and (3) public companies, which apply by default to the companies incorporated on or after 28 April 2013 (Companies House, 2015).

Public companies in France are regulated by the French Commercial Code (CC). In most of the cases French public companies traditionally have a single board of directors, but they can opt for the two-tier model, the option being already introduced back in 1966 (Andenas & Wooldridge, 2009; Art. L225-57 of the CC; Hopt & Leyens, 2004). The two-tier model is similar to the German model.

As for the Germany, its company law traditionally relies upon statutory regulation. The Stock Corporation Act (Aktiengesetz - AktG) of 1965 has undergone 73 reforms so far, and there is a new one expected in this year (Hopt, 2015). The two-tier board model is considered to be an essential feature of the German law, along with the rules on groups of companies and labour codetermination. Non-statutory rules as a supplement exist as of 2002 with the enactment of a consolidated German Corporate Governance Code, which follows the comply or explain approach (Hopt & Leyens, 2004). The management board and supervisory board of a listed company in Germany need to declare annually if they have complied with the recommendations of the German Corporate Governance Code, or if not, which recommendations have not been complied with and why (§161(1) of the AktG). This declaration has to be continuously available to the public on the company's web page (§161(2) of the AktG).

2. APPOINTMENT AND REMOVAL OF BOARD MEMBERS
A public company in the UK must have at least two directors, while at least one being a natural person (s. 154-155 of the Companies Act 2006). No binding rules exist on the way or period of directors’ appointment, and they are usually appointed in accordance with the provisions of the company’s articles of association (Andenas & Wooldridge, 2009). The articles can provide that directors retire by rotation. The Article 73 of Table A provides that one-third of the directors will retire by rotation at each general meeting and be replaced by the meetings’ decision. Also, the directors can be allowed to appoint a person willing to be a director, either to fill a vacancy or as an additional director under certain conditions, which will hold the office only until the next annual general meeting (Art. 79 of Table A). Directors in the UK are not required to hold the shares of the company, although the articles can include such requirement (Andenas & Wooldridge, 2009).

A UK company can remove a director before the expiration of his period of office by ordinary resolution (passed by a simple majority) of the general meeting, notwithstanding anything in any agreement between the company and the director (s. 168(1) & s. 282 of the Companies Act 2006). However, Andenas & Wooldridge (2009) note that it is surprisingly possible to circumvent this provision by giving multiple votes to the directors on such resolutions, which in practice makes it impossible to dismiss a director. They also note that dismissal can be expensive for the company, depending on the existence of a service contract between the
director and the company. Also, a director in the UK can become disqualified by a court order, law, memorandum or articles of the company from continuing as a director, in which case he automatically vacates the office (Andenas & Wooldridge, 2009).

As similar provisions apply to the appointment of board of directors and supervisory board members in France, these provisions will be considered in parallel. Both board of directors and supervisory board are composed of at least 3 and maximum 18 members. Maximum number of members is defined by the company's articles of association (Art. L225-17 & Art. L225-69 of the CC). Members of the boards are appointed by the general meeting for a period determined in the articles which cannot exceed 6 years (Art. L225-18 & L225-75 of the CC).

Both natural and legal persons, i.e. their permanent representatives who are approved directors, can be members of these boards in a public company (Andenas & Wooldridge, 2009). However, the chairman of the board of directors, and the chairman and deputy chairman of the supervisory board must be natural persons (Art. L225-47 & L225-81 of the CC). Subject to certain exceptions, a natural person cannot hold concurrently more than 5 directorships or be a member of the supervisory board of more than 5 limited companies having their registered office on French territory (Art. L225-21 & L225-77 of the CC).

Unlike the UK, each director in France must own a number of the company’s shares determined by the articles of association, and a person elected for a director will be deemed to have resigned if he doesn’t acquire the specified amount of shares within the deadline of three months or if he later ceases to own them (Art. L225-25 of the CC). Both the directors and supervisory board members can be re-elected unless otherwise specified by the articles (Art. L225-18 & L225-75 of the CC). The number of directors on the board who are more than 70 years old cannot be more than 1/3 of the total number of directors, again unless the articles provide otherwise (Art. L225-19 of the CC). In addition to the above board members, if prescribed by the articles, up to 4 (5 directors in case of companies whose shares are traded on a regulated market) employees’ representatives can be appointed to the board of directors and supervisory board by the company’s employees in France. The number of these members cannot exceed 1/3 of the total number of the other members (Art. L225-27 & L225-79 of the CC).

If the two-tier board model is applied, the management/executive board in France consists of not more than 5 members, i.e. 7 if the company's shares are traded on a regulated market (Art. L225-58 of the CC). Interestingly, they can only be natural persons and don’t have to be shareholders of the company (Art. L225-59 of the CC). Also, they cannot hold more than one directorship, i.e. they can only serve on the executive board of one company, subject to certain exceptions (Art. L225-67 of the CC; Andenas & Wooldridge, 2009). Members of the management (including the chairman) are appointed by the supervisory board for a period determined by the articles, which needs to be between 2 and 6 years, or in the absence of such provision in the articles, for a period of 4 years (Art. L225-59 & L225-62 of the CC).

The directors in the one-tier model in France cannot receive any permanent or other remuneration from the company other than those specified by the Code (Art. L225-44 of the CC). As remuneration for their activities in the form of directors' attendance fees, the general meeting can grant them an annual fixed amount, determined without being bound by the provisions of the articles or previous decisions. The distribution of remuneration among the directors is then determined by the board (Art. L225-45 of the CC). However, the board of directors can additionally grant exceptional remuneration to directors for special tasks (Art. L225-46 of the CC).
The directors (one-tier model) and supervisory board members (two-tier model) of a French SA can be dismissed at any time by the general meeting (Art. L225-18 & L225-75 of the CC). The right to dismiss a director cannot be restricted, and damages are available only in case of prejudicial circumstances (Andenas & Wooldridge, 2009). The board of directors can dismiss its chairman at any time (Art. L225-47 of the CC). Members of the management in the two-tier model can also be dismissed by the general meeting, but, if the articles allow, by the supervisory board too. If the decision to dismiss them is unreasonable, they can be entitled to sue for damages (Art. L225-61 of the CC).

The supervisory board in Germany is comprised of 3 members, but the articles can provide for a specified higher number divisible by 3 (§95(1) of the AktG). Maximum number of members of the supervisory board is prescribed by the law and depends on the company's share capital. So, companies with a share capital of up to €1.500.000 can have maximum 9 members of the board, companies with more than €1.500.000 can have 15 members, and those with a share capital of more than €10.000.000 maximum 21 member of the board (§95 of the AktG). These rules can be affected by the provisions of the applicable codetermination act (§95 of the AktG). Therefore, there are very detailed provisions in the German law (§96-99 of the AktG) regulating composition of the supervisory board and ensuring those provisions are applied.

Members of the supervisory board in Germany can only be natural persons with full legal capacity (§100(1) of the AktG). They are elected by the general meeting, unless they are representatives of the employees in which case they are elected in accordance with the provisions of the applicable codetermination act (§101(1) of the AktG). In many of the German public companies employee participation on the board is compulsory. The term of office of the members of the supervisory board cannot exceed approximately 5 years (§102(1) of the AktG; Andenas & Wooldridge, 2009).

Under the German law, a person cannot be a member of the supervisory board in the following cases: (1) if he is a member of the supervisory board in ten commercial enterprises required by law to form a supervisory board, whereby position of a chairman counts double; (2) if he is the legal representative of enterprise controlled by the company; (3) if he is the legal representative of another company whose supervisory board includes a member of the management board of the company; or (4) if he was a member of the management board of the same listed company during the past two years, unless he is elected upon nomination by shareholders holding more than 25% of the voting rights in the company (§100(2) of the AktG).

The management board in Germany is comprised of one or more persons, i.e. at least two persons if a company has a share capital larger than 3 million euros (§76(2) of the AktG). Members of the management board can only be natural persons with full legal capacity (§76(3) of the AktG). They are appointed by the supervisory board for a period not exceeding five years, and their appointment can be renewed (§84(1) of the AktG). The supervisory board is allowed to appoint some of its members as deputies for absent or incapacitated members of the management board for a period not longer than one year, in which case they cannot serve on the supervisory board during that period (§105(2) of the AktG). The court can also fill in the vacancies in the management board in urgent cases (§85(1) of the AktG).

German law provides principles governing remuneration of members of the management board (§87 of the AktG). According to them, when determining the aggregate remuneration of
a member of the management board, the supervisory board is required to ensure that the aggregate remuneration is reasonably related to the duties and performance of the member concerned and to the condition of the company. It also needs to ensure that the remuneration does not exceed standard remuneration without any particular reasons (§87(1) of the AktG). There is also a possibility of reducing the remuneration to a reasonable level if the situation of the company deteriorates subsequently (§87(2) of the AktG).

Different rules apply to removal of members of the supervisory board depending on the way they were elected. So, if they have been elected by the general meeting and without being bound by nominations, they can be removed without a cause by a majority vote of at least 3/4 of the votes cast, unless otherwise provided by the articles (§103(1) of the AktG; Andenas & Wooldridge, 2009). In case they have been appointed by the person who has the right to appoint pursuant to the articles, they can be removed and replaced at any time by that person (§103(2) of the AktG). Also, the general meeting can remove the appointed member by a simple majority of votes if the requirements in the articles concerning the right to appoint are no longer met (§103(2) of the AktG). A member of the supervisory board can be removed by the court too for a cause related to his person, upon request of the supervisory board or, when appointed pursuant to the articles, shareholders holding at least 10% of the capital or one million euros (§103(3) of the AktG). Special provisions apply to removal of board members (if any) elected under codetermination acts (§103(4) of the AktG).

The appointments of members and chairman of the management board can be revoked by the supervisory board, but only for a reason („good cause“ in Andenas & Wooldridge, 2009), which includes gross breach of duties, inability to manage the company properly, and a vote of no confidence by the general meeting, unless it was made for obviously arbitrary reasons (§84(3) of the AktG). If the court considers that dismissal represents a breach of the employment contract, damages can be obtained (Andenas & Wooldridge, 2009).

3. POWERS AND DUTIES OF BOARD MEMBERS

Unlike most of the other European countries, the division of powers between the general meeting and the board in the UK is generally a matter of the articles of association (Andenas & Wooldridge, 2009). There is a tendency of following the model articles (Art. 70 of Table A) and conferring on the board all the powers of the company, except for those required to be exercised by the general meeting. When the articles adopt the Art. 70 of Table A, directors are not bound by any ordinary resolution of the general meeting, but directions can be given to them by a special resolution (Andenas & Wooldridge, 2009). The distinction is being made between the executive and non-executive directors, whose role has been highlighted in the recent years.

Some general duties of directors in the UK are defined by the sections 171-177 of the Companies Act 2006, but many of the existing rules derive from decisions of the courts (Andenas & Wooldridge, 2009). The directors owe fiduciary duties to the company (Andenas & Wooldridge, 2009). Even though under the s. 172 of the Companies Act they have a general obligation to consider the interests of other stakeholders, Andenas & Wooldridge (2009) conclude that the fiduciary duties of directors are primarily owed to the company and its shareholders. They also have a duty to exercise reasonable care, skill and diligence (s. 174 of the Companies Act 2006). Directors are required to exercise their powers bona fide in what they consider is in the interests of the company, including those of both present and future shareholders, and in certain cases also of the creditors and its employees (Andenas & Wooldridge, 2009).
However, if directors in the UK use their powers for purposes other than the purposes for which they are conferred, their actions can be considered as disputable and they might not be able to defend themselves by proving that they honestly believed their actions were in the interests of the company, even if they made no profit for themselves out of the transaction (Andenas & Wooldridge, 2009; s. 171 of the Companies Act 2006). Directors are also not allowed to make any unauthorised profit in exercising their functions. In case they do, the company is entitled to that profit, even if it could not have made it by itself and even if no loss was suffered by the company (Andenas & Wooldridge, 2009).

Directors in the UK have to avoid situations in which they have, or can have, direct or indirect interests which conflict, or possibly may conflict, with the interests of the company (s. 175(1) of the Companies Act 2006). This fiduciary duty will not be infringed in two cases: (1) when the situation could not reasonably be regarded as likely to give rise to a conflict of interest; and (2) when the matter has been authorised by the directors in accordance with the provisions of the Act (s. 175(4-6) of the Companies Act 2006). Also, if a director is in any way, again directly or indirectly, interested in a proposed transaction or arrangement with the company, he is obliged to declare the nature and extent of that interest to the other directors (s. 177 of the Companies Act 2006). Transactions with directors requiring approval of members include: substantial property transactions (ss. 190-196); loans, quasi-loans and credit transactions (ss. 197-214); and payments to directors for loss of the office (ss. 215-222 of the Companies Act 2006).

Both directors and shadow directors in the UK can be liable for fraudulent or wrongful trading (Andenas & Wooldridge, 2009). However, in the first case the fraud needs to be proved and in the second one the court needs to determine whether a director has failed to show the expected general knowledge, skill and care (Andenas & Wooldridge, 2009). Directors can also be held liable for negligently managing the company's affairs, in which case the courts, as of recently, apply an objective standard of care and skill on both executive and non-executive directors (Andenas & Wooldridge, 2009).

In the French single board system, the board of directors deals with all matters relating to the conduct of the company's business, determines the scope of company's business activities and supervises their implementation (Art. L225-35 of the CC). The business of the company is conducted by the managing director and by the assistant managing directors, or delegated executive officers, who don't have to be directors. There can be up to five assistant managing directors appointed to assist the general manager (Art. L225-53 of the CC). The other members of the board have a controlling function.

Powers and duties of the French board of directors include: preparing the annual accounts (Art. L232-1 of the CC); convening of the general meetings (Art. L225-103 of the CC); approving the agreements between the company and its general manager, assistant general managers, directors, shareholders holding more than 10% of the voting rights, or specific corporate shareholders (Art. L225-38 of the CC), without the interested party participating in the vote (Art. L225-40 of the CC); electing a chairman from among its members, determining his remuneration and dismissing him (Art. L225-47 of the CC); appointing assistant general managers on the proposal of the general manager and determining their remuneration (Art. L225-53 of the CC); and authorising undertakings, avals and guarantees given by the company (Art. L225-35(4) of the CC).
Generally, in two-tier board models the supervisory board performs the controlling function, whilst the management board (Germany) or management/executive board (France) has the function of managing company's affairs (Andenas & Wooldridge, 2009). According to Hopt & Leyens (2004), the role of supervisory board is not easy to describe. Whilst its primary legal functions remain the appointment, supervision and removal of members of the management board, as of recently its so called „soft“ functions are being highlighted (Hopt & Leyens, 2004). Due to the incompatibility of their functions, members of the executive board/management board cannot be at the same time members of the supervisory board of the same company.

In the French two-tier model, the supervisory board can validly deliberate only if at least half of its members are present (Art. L225-68 & L225-82 of the CC). The articles can make execution of the executive board's transactions subject to prior approval by the supervisory board. However, some transactions require the supervisory board's approval in any case: assignment of real property, total or partial assignment of equity holdings, and provision of sureties, security, avals and guarantees (Art. L225-68 of the CC), as well as the agreements between the company and a member of the executive board or of the supervisory board, shareholders holding more than 10% of the voting rights, or specific corporate shareholders (Art. L225-86 of the CC). It should be noted that in the last case the interested party cannot participate in the vote (Art. L225-88). The executive board reports to the supervisory board (Art. L225-68 of the CC), and is also in charge of preparing the annual accounts (Art. L232-1 of the CC) and convening of the general meetings (Art. L225-103 of the CC).

Public companies in France are not allowed to give loans, guarantees or make other borrowing arrangements with their managing director, directors and executive officers (Art. L225-43 of the CC), i.e. members of their supervisory and executive board (Art. L225-91 of the CC). Any such agreement will be void. The rule also applies to the permanent representatives of legal persons who are board members, as well as to the spouses and close relatives of all the above mentioned persons. Many kinds of self interested and dishonest behavior by board members (in both single and dual board system) in France are considered as criminal offences (Andenas & Wooldridge, 2009).

In German law it is specifically stated that duties of the management board cannot be conferred on the supervisory board (§111(1) of the AktG). However, consent of the supervisory board can be required for specific types of transactions (§111(1) of the AktG), but even in case of a refusal, the management board can act upon approval of the general meeting, in which case majority of not less than 3/4 of the votes cast is required (§111(4) of the AktG). The management board reports to the supervisory board on specific matters prescribed by the law (§90(1) of the AktG). It is responsible for convening of the general meeting of shareholders (§121(1) of the AktG). Upon completion, the management board submits the annual financial statements and the annual report to the supervisory board, as well as the proposal for distribution of profits (§170 of the AktG).

In Germany, members of the management board are required to employ the care of a diligent and conscientious manager in conducting business (§93(1) of the AktG). The standard is objective and higher then the one for an ordinary businessman, and it is considered to apply to all their duties, including fiduciary ones (Andenas & Wooldridge, 2009). Members of the management board who violate their duties are jointly and severally liable to the company for any resulting damage (§93(2) of the AktG). The company can waive or compromise the claim for damages, but not prior to the expiry of three years and under specific conditions.
prescribed by the law (§93(4) of the AktG). It is important to note that, under the German law, members of the management board bear the burden of proof in the event of a dispute as to whether or not they have employed the care of a diligent and conscientious manager (§93(2) of the AktG).

However, violation of the above mentioned duties of the AG's members of the management board will not exist if, at the time of making the decision, they had a good reason to assume that they were acting based on adequate information for the benefit of the company (§93(1) of the AktG). Also, they will not be held liable to the company for the damages if they acted in accordance to a lawful decision of the general meeting (§93(4) of the AktG). On the other hand, the fact that the supervisory board gave its consent for the action does not exclude the liability for damages (§93(4) of the AktG). The same rules on the duty of care and responsibility of members of the management board apply analogously to members of the supervisory board in Germany (§116 of the AktG).

Particularly, members of the supervisory board are required to maintain confidentiality with respect to the confidential reports and consultations (§116 of the AktG). Also, members of the AG's management board cannot disclose confidential information and secrets of the company, especially trade and business secrets (§93(1) of the AktG). Violation of this duty of confidentiality by a member of the management board or supervisory board can result in criminal liability (§404 of the AktG; Andenas & Wooldridge, 2009). Breaches of certain other duties by members of the management and supervisory board in Germany can also result in criminal liabilities (§399-405 of the AktG; Andenas & Wooldridge, 2009). It is important to add that members of the supervisory board will be liable for damages if they determine unreasonable remuneration of a member of the management board (§116 of the AktG).

Under the German law prohibition of competition for the members of the management board, consent of the supervisory board is required for the management board's members engaging in trade or entering into a transaction in the company's line of business on their own behalf or on behalf of others, but also for being a member of the management board, manager or general partner in another commercial enterprise (§88(1) of the AktG).

The German AG is allowed to grant a credit to members of the management board, but only in accordance with the specific requirements defined by the law, with a resolution of the supervisory board being one of them (§89(1) of the AktG). Consent of the supervisory board is also required for granting credits to legal representatives, so-called Prokuristen and general managers, including those of the controlling company and the controlled company (§89(2) of the AktG). The same rules apply to granting of credits to the spouses or minor children of above enumerated persons, and also to any third party acting on their behalf (§89(3) of the AktG).

In Germany, the supervisory board has a right to inspect the company's books, records and assets (§111(2) of the AktG), it regularly examines the annual financial statements, the annual report and the proposal for distribution of profits submitted to it by the management board, and reports on it to the general meeting (§171(1)-(2) of the AktG). When the interests of the company require, it also has a duty to convene the general meeting (§111(3) of the AktG).

**4. CONCLUSION**

As Hopt & Leyens (2004) pointed out, the analysis of the functioning of management and control under different board models was the starting point and is still of a great significance in corporate governance research. Good corporate governance depends on a balanced interplay of both internal and external control mechanisms (Hopt & Leyens, 2004). As it can be seen from the above analysis, there are still significant differences in company laws of the three countries.
In the light of the recent initiatives promoted by the EU Commission’s second Action Plan on European company law and corporate governance of 12 December 2012 and Draft of the Shareholder Rights Directive of 2014, which follow the lines of enhancing transparency between companies and investors, and encouraging long-term shareholder engagement, many specific issues arise. Provisions on the shareholder voting on related party transactions are described by Hopt (2015) as „particularly touchy“, due to the fact that German law already has detailed rules on it, and unlike the UK, entrusts the supervisory board to vote on such transactions.

As for the involvement of employees in corporate governance, the issue has been raised by the recent Cofferati Report of the Committee of Legal Affairs as extremely important in developing a balanced European framework on corporate governance (Hopt, 2015). As seen, Germany is specific for the employee participation on the board being compulsory in most of the cases, the French law allows the appointment of the employees’ representatives to the boards if prescribed by the articles, whilst no such provisions exist in the UK.

The paper analyzes powers and duties of the board members on paper. Enforcement and functioning of the presented rules in practice is always somewhat different. For example, Hopt & Leyens (2004) express their concerns about the supervisory board in Germany bringing an action due to their fear of liability for the failure in exercising supervision over the management board. Worth mentioning in that respect is that, after the recent amendments of the German law, shareholders whose aggregate holdings equal or exceed 1% of the share capital or amount to at least 100.000 euros, can now file a petition for the right to assert the claims of the company for damages in their own name (§148 of the AktG). It remains to be seen whether this option will be of much use in practice.

LITERATURE
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THE SIGNIFICANCE OF ORGANISATIONAL CITIZENSHIP BEHAVIOURS FOR TALENT MANAGEMENT – THE EXAMPLE OF POLISH COMPANIES

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ABSTRACT
Nowadays it has been already recognized that the primary source of organisational development is knowledge and organisation’s ability to learn. Those two sources refer to employees who generate knowledge and determine the extent and manner how to use it. Taking this into account we can say that today each organisation strives for having the best possible, that means talented, employees. In contemporary economy organisations undertake some advanced activities in order to: attract, identify, recruit, keep and exploit talented employees in an optimal way. Such advanced activities are the components of the process called talent management. Talent management has become one of the most important trends and concepts in the field of contemporary enterprise management. It results from the fact that this concept offers companies the opportunity to create business models driven not by cost effectiveness but by new ideas and developing their intellectual potential.

The idea of talent management has become very popular due to permanent enterprises’ struggle for the best employees. The issues underlying the necessity to focus on discovering and using the potential of talented employees is the central point of Positive Organisational Scholarship concept. However, both research and practical experience prove that talent management is extremely difficult process and many enterprises are getting into trouble while trying to implement this concept. This situation results from the fact that talent management depends not only on material assets of a firm but also on several intangible areas such as: organisational culture, relationships between employees, the level of organisational trust that are difficult to shape and monitor. Over the past decades, researchers have observed that some specific features of employees attitudes such as: altruism, conscientiousness, kindness or carrying about organisation can be helpful in talent management implementation. These supportive attitudes of employees have been recognized and named as organisational citizenship behaviours. The examples of such behaviours include a wide range of different activities, starting from employees helping one another in difficult tasks or projects, and ending with showing off company’s logo during some charity events. Organisational citizenship behaviours are personal and voluntary. Moreover, they are not included into official system of payment and rewarding in an organisation. However, it is known that such behaviours support enterprise’s effectiveness and efficiency. Both talent management and organisational citizenship behaviours were among key research areas of the project in which the authors have participated. The paper is an attempt to present part of research findings of this project. The purpose of the paper is to investigate the relationship between employees citizenship behaviours and talent management both in theory and empirical research.

Keywords: organisational citizenship behaviours, Positive Organisational Scholarship, Positive Organisational Potential, talent management
1. INTRODUCTION
Searching for sources of development and ways to build competitive edge, contemporary enterprises are more and more often choosing intangible assets such as knowledge, relations or employees’ behaviours. Apparently, the way employees behave can lead to the organisation’s success or failure. It is indisputable that talented, fully involved employees, energetic and satisfied with their work and the tasks they carry out, loyal towards the company, prone to cooperate and share knowledge, etc. are the ones that all managers dream about. Only such employees are able to create and introduce innovations, foster good relations with clients, increase the quality of processes and products, in this way constantly improving organisation’s performance. That is why it is necessary for companies to look for ways how to attract talented people and then initiate and reinforce the desired behaviours among employees. Recently, those who analyse such behaviours, has placed considerable attention on so called workers’ citizenship behaviours. This topic seems to be interesting so our paper is an attempt to explore this component of employees’ attitude in a work place because it could be helpful in talent management. Currently, there is a relatively new concept which answers to these needs, which is becoming popular in the area of organisational management and gaining more and more “believers”. This concept is called Positive Organisational Scholarship (POS) (Cameron, Dutton, Quinn eds., 2003) and an influential journal „Harvard Business Review” described this discipline as revolutionary and ground-breaking (Glińska-Neweś, 2010, p. 37). POS, which emerged from positive psychology basis, deals with research on organisation’s and its members positive characteristics as well as positive processes taking place in organisations and their performance (Cameron, Dutton, Quinn eds., 2003). It focuses all the necessary attention on employees’ positive emotions, as they are the primary condition for the emergence of creative processes in organisation. Such positive emotions contribute to so called positive organisational climate, which is naturally sought by employees. Consequently, the basic task of the management science is to formulate recommendations how to manage organisations in order to evoke positive emotions in employees and create wide spectrum of desired behaviours, including employees’ citizenship behaviours. It is possible to find such recommendation further in the article in the presented concepts concerning both, talent management and citizenship behaviours embedded in POS.

2. TALENT MANAGEMENT
Talent management is one of the leading management processes in contemporary enterprises. It is due to the fact that enterprises fight for the best, talented employees who are the basis for the company’s development and success. In literature and practice there is a common term “war for talent” which was coined in late 90s of the XX century by McKinsey&Company (Michaels, Handfield-Jones, Axelrod, 2001), whose symptom is increasing international competition for talented employees. (Beechler, Woodward, 2009, p. 273). The basic strategy of talent management is seeking, defining and fostering skills which will become necessary to maintain future competitive advantage (Frank, Taylor 2004, pp. 33-41). Talent management is a complex process, whose form is dependent on how the enterprise understands and perceives talent. Enterprises perception of talent allowed to distinguish two approaches to how talent management is characterised. First of them focuses mainly on a selected group of employees described as talented, with high potential or above average performance. Talent management is most commonly perceived as a process and existing definitions focus on the most important activities which should be undertaken in order to use talented employees for the organisation. Such activities involve attraction, identification, recruitment, selection, exploitation, development and retention of talented employees (Elegbe, 2010, p. 7; Tansley at al., 2007, p. xi; Phillips, Roper, 2009, p. 8; McCauley, Wakefield, 2006, pp. 4-7). Each stage has its own characteristics and requires different involvement from the enterprise. In the attraction stage
activities concentrate on improving and perfecting the employer’s image. Identification, recruitment and selection of talents requires using a variety of methods and ways of assessing “candidates” characteristics, skills and possibilities. Retaining talents is, in managers’ opinion, the most difficult stage. It requires from the management team constant attention and activities keeping up the right amount of tension between talents and the enterprise as well as actions allowing talented employees’ constant development and exploiting their potential at the same time (Morawski, Mikula, 2009, pp. 52-55). C. Tansley at al. states, that talent management is a process aiming at systematic attraction, identification, development, retention and deployment of those individuals with high potential who are of particular value to an organisation (2007, p. xi). Authors of this approach highlight the fact that not all positions in a company are crucial to the development of the organisation and thus procedures of the talent management process should be focussed only on key positions in the organisation. This statement is also supported by D. Collings and K. Mallahi. Moreover, the term “key positions” does not necessarily mean management board posts, but can refer to lower positions in the organisation and can change with time (Collings, Mallahi, 2009, p. 304). Thus, talent management should begin with systematic identification of key positions which differently contribute to achieving competitive advantage and then with the development of talent pool, people with above average potential and performance, who can carry out given tasks ascribed to their positions, as well as the development of varied architecture of human resources to facilitate allocating competent employees to those positions in order to ensure their constant involvement for the sake of the organisation (Colling, Mallahi, 2009, p. 304). Another approach to talent management is based on equating the concept of talent and employee (talent= employee) and stating that everyone has a talent (Sosińska, 2007, p.15). The main idea of this approach is the ascertainment that much more can be achieved by basing actions and development on what we are really good at (talents) than taking action, whose aim is to correct and improve things we do not perform well (weaknesses) (Clifton, Harter, 2003, p. 112). M. Buckingham and D. O. Clifton combined talents, skills and knowledge creating the concept of strength and defined it as “performing an activity in a way close to perfection” (2003, p. 35). All those three elements are of great significance for building strengths, nevertheless innate talents are the most important. In contrast, knowledge and skills can be gained by learning and practising (Buckingham, Clifton, 2003, pp. 40-41). Thus, a smart, developing organisation has to try to get to each employee’s inborn talents and then take care of the possibility for them to develop in their position so that their talents turn into strengths. Talent management, according to C. Ashton and L. Morton, should be a strategic and holistic approach to both, human resources and business planning or a new way leading to the organisation’s effectiveness (2005, p. 30). That is why the primary aim of talent management is such approach to employees considered to be talents so that they would contribute to creating the biggest added value for the firm’s stakeholders as well as its competitive advantage (Kopeć, 2012, p. 58). A. Stainton states that talent management creates enterprises’ ability to grow and strengthen organisational skills through individual development, improving performance and planning succession (2005, p. 40). Apart from a great significance of talent management for firm’s development it is not a widely used process in everyday organisational management. The results of the latest, 9th survey of ManpowerGroup, conducted on 37000 employers in 42 countries are not optimistic. There is still a great number of firms having a problem with staffing they positions (globally it is 36%, in Poland 33%, but in Japan 81%) (ManpowerGroup, 2014). In Poland talent management is used on a rather low level. That is why the reasons for such results as well as conditions and solutions are still being sought in order to support introducing and taking advantage of talent management. It seems that appropriate, supportive employees’ behaviours called citizenship behaviours can be one of many factors facilitating talent management.
3. ORGANISATIONAL CITIZENSHIP BEHAVIOURS

Organisational Citizenship Behaviours (OCB) are intentional actions undertaken by employees as their own initiative in order to help other employees and contribute to a widely understood organisational success. This concept is commonly called good soldier syndrome (Turek, Czaplińska, 2014, p. 117). The author of OCB idea, D. Organ et. al. define citizenship behaviours as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organisation” (Organ, Podsakoff, MacKenzie, 2006, p. 3.). Thus, OCB are personal and voluntary and at the same not covered by the organisational reward system (Appelbaum et al., 2004, p. 19.). One of the basic assumptions of the concept that nearly all the researchers agree with, is that OCB are not a homogeneous construct and comprise many dimensions of different categories of behaviours (Schmidt, 2014, pp. 30-31). On the basis of many analyses and attempts of distinguishing smaller categories comprising citizenship behaviours there are seven main categories of such behaviours: Helping Behaviour, Organisational Compliance, Sportsmanship, Organisational Loyalty, Individual Initiative, Civic Virtue, Self Development (Podsakoff et al., 2000, p. 517; Chwalibóg, 2013, p. 20).

Helping Behaviour is connected with spontaneous, voluntary help or support for others at workplace. According to Organ, this category covers such ideas as: altruism i.e. voluntary help to another person in dealing with a given professional problem; peacemaking, which is help in solving or mitigating conflict; cheerleading, i.e. gestures and words of reinforcing performance; courtesy, i.e. preventing potential conflicts (Organ, 1988, p. 96, referenced by Podsakoff et al., 2000, pp. 516, 518). R.H. Moorman and G.L. Blakely named it Interpersonal Helping (1995, p. 130). Organisational Compliance is internalisation and acceptance of rules, regulations and procedures existing in an organisation and complying with them even when nobody is monitoring. This category is named organisational compliance or subordination. It can also be called organisational obedience - an orientation towards organisational structure, job description and personal policies that recognizes and accepts the necessity and desirability of rational structure of rules and regulations (Graham, 1991, p. 255). This dimension is close to “job dedication” (Scotter, Matowidlo, 1996, p.526). Behaviours falling into this category are characterized by employee’s conscientiousness, acceptance of the code of rules and organisational regulations, keeping order, respect towards organisational authorities and self-discipline. Sportsmanship is behaviour aiming at cooperation, readiness to tolerate certain inconveniences even in the situation and the course of action is disadvantageous for the organisation. This category covers kindness, acceptance of inconveniences, readiness to scarify one’s own good for the sake of all, forgiveness in case of incompliance with orders or advice, not taking refusal or remarks personally. This category has been also named as ‘helping coworkers’ (George, Jones, 1997, p. 154). Organisational Loyalty, described as good will and protection of organisation, keeping and defending aims, care about the image of the organisation, staying with organisation despite disadvantageous conditions, identification with organisation and its leaders. Individual Initiative is a group of behaviours concerning manifestations of individual initiative. Such behaviours are about going beyond one’s organisational role voluntarily, crossing minimum requirements towards oneself or expected level of the undertaken task. Those behaviours are connected with creativity, innovativeness, enthusiasm towards work, responsibility, inspiring other participants to professional life and above standard involvement. Civic Virtue is a group of behaviours described as interest and involvement in the organisation. It manifests as willingness to participate actively in organisational management, searching for opportunities and threats and paying attention to the interest of the organisation. Such behaviours reflect the sense of being part of a whole and acceptance of responsibility connected with it. George and Jones distinguished two dimensions in this category: making constructive suggestions and protecting the organisation.
Self Development is a set of behaviours connected with voluntary acquisition and development of skills and abilities. This category covers activities which are connected with expanding knowledge, skills or abilities in order to support organisational activities in the best possible way. The list of citizenship behaviours is very long and their basic role is to facilitate cooperation and co-existence in a team (Schmidt, 2014, p. 31). Citizenship behaviours facilitate, improve and make everyday work more pleasant. They are often said to “lubricate the social machinery of the organisation” (Bateman, Organ, 1983, p. 588; Podsakoff, MacKenzie, 1997, p. 135) as they are in important correlation with positive relations among employees in the workplace (Peyrat-Guillard, Glińska-Neweś, 2014, pp. 82-96) and they facilitate creating relations between employees and managers (Turnipseed, Rassuli, 2005, pp. 231-244). Their positive impact on performance has been proved by research conducted in recent years. Citizenship behaviours create positive climate for work and stimulate development of organisational knowledge. P.L. Teh i Ch.Ch. Yong state that citizenship behaviours are one of the strongest predators of sharing knowledge and organisational learning (2011, pp. 11-21). Research conducted by P.H. Turnipseed i D.L. Turnipseed showed positive and crucial statistical interdependencies between OCB and innovative climate, readiness to take risk and create new ideas (2013, pp. 209-216). Thus, they are employees’ behaviours which can constitute one of the most decisive factors in the competitiveness of business organisations. The question arising in reference to this article is how citizenship behaviours can help in the process of talent management. It can be surmised that for the process of talent management such behaviours can be helpful on some, chosen stages. Literature shows a connection of OCB with talent management, as such behaviours (attitudes) allow to emphasise ability of the organisation to attract and retain the best employees (George, Bettenhausen, 1990, pp. 698-702). Are there other areas of talent management which can be supported by citizenship behaviours? This is the question the authoresses of this article are trying to answer in the light of the presented research.

4. METHOD
Talent management and citizenship behaviours were two key areas of the research project „Strategic management of the key areas of Positive Organisational Potential – determinants, solutions and models recommended for companies operating in Poland”. The project was funded by the National Science Center research, grant number DEC-2011/01/B/HS4/00835 and was carried out 2011 -2013. It was the second project undertaken by the same team in the area of POS, which became basis for the concept of Positive Organisational Potential (POP) (Stankiewicz ed., 2010). POP was defined as “a state, level and configuration of company resources, which by stimulating positive climate and positive organisational culture foster positive, development, supporting employee behaviours.” (Glińska- Noweś, 2010, p. 46). Both, talent management and citizenship behaviours were defined as key areas of POP and subjected to further research. The research project was divided into several stages. The first stage was literature study which allowed to describe manifestations of key areas of POP, including talent management as well as citizenship behaviours. Talent management was characterized by the following manifestations:
- A company makes Talent Management an element of its strategy,
- A company knows what talents are required,
- A company has relevant methods to identify and select talents,
- A company makes an effort to attract the best employees,
- A company establishes individual paths of career and methods of development for talents,
- A company creates opportunities for talents to meet ambitious projects and challenges.
A company creates conditions for learning and knowledge sharing. Citizenship behaviours were characterized by the following manifestations:
- Employees help each other in solving important, job-related problems,
- Employees tolerate minor, short-term inconveniences in their workplace – they do not complain about trivial details, they show willingness to make efforts for the sake of a company,
- Employees avoid making job-related troubles for their co-workers,
- Employee behaviours significantly exceed the standard expectations at their positions,
- Employees are interested in and participate in the company’s everyday life.

The next stage was the panel of experts, in which a group of experts analysed and assessed correctness of described manifestations in the researched areas. Another stage included survey studies. In the survey studies, the survey sheet was sent to over 1000 best enterprises operating on the Polish market. As the result 73 responses were collected. In this sample there was a dominance of large (i.e. employment over 250) Polish companies (100% of Polish capital), representing production sector, with average employee age of 30 – 40. In the questionnaire respondents were asked to evaluate the state of the listed items in their companies by answering to the question: ‘to what extent, in your opinion, each of these statements characterize your company?’ The scale used in the question was between 0% (I fully disagree) and 100% (I fully agree).

5. FINDINGS
Researched enterprises assessed the intensity of manifestations of talent management and citizenship behaviours, remarking on many significant problems and shortages. The results are shown in Table 1.

TABLE 1: Talent management and citizenship behaviours in companies operating in Poland – means and standard deviations (elaborated by the authors based on the research findings)

<table>
<thead>
<tr>
<th>Variables – Talent management manifestations</th>
<th>Mean</th>
<th>s.d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A company makes Talent Management an element of its strategy</td>
<td>62.88</td>
<td>29.46</td>
</tr>
<tr>
<td>A company knows what talents are required</td>
<td>72.88</td>
<td>24.69</td>
</tr>
<tr>
<td>A company has relevant methods to identify and select talents</td>
<td>59.72</td>
<td>30.71</td>
</tr>
<tr>
<td>A company makes an effort to attract the best employees</td>
<td>73.42</td>
<td>26.83</td>
</tr>
<tr>
<td>A company establishes individual paths of career and methods of development for talents</td>
<td>59.86</td>
<td>29.37</td>
</tr>
<tr>
<td>A company creates opportunities for talents to meet ambitious projects and challenges</td>
<td>75.21</td>
<td>21.42</td>
</tr>
<tr>
<td>A company creates conditions for learning and knowledge sharing</td>
<td>76.57</td>
<td>20.91</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variables – Citizenship behaviours manifestations</th>
<th>Mean</th>
<th>s.d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees help each other in solving important, job-related problems</td>
<td>75.07</td>
<td>16.677</td>
</tr>
<tr>
<td>Employees tolerate minor, short-term inconveniences in their workplace – they do not complain about trivial details, they show willingness to make efforts for the sake of a company</td>
<td>71.51</td>
<td>20.661</td>
</tr>
<tr>
<td>Employees avoid making job-related troubles for their co-workers</td>
<td>72.47</td>
<td>20.601</td>
</tr>
<tr>
<td>Employee behaviours significantly exceed the standard expectations at their positions</td>
<td>65.21</td>
<td>22.980</td>
</tr>
<tr>
<td>Employees are interested in and participate in the company’s everyday life</td>
<td>71.23</td>
<td>18.024</td>
</tr>
</tbody>
</table>

According to the data collected in Table 1, the following practices were listed among the most developed elements of talent management in the surveyed companies: creating conditions for learning and knowledge sharing (76.57%), creating opportunities for talents to meet ambitious projects and challenges (75.21%), making an effort to attract the best employees (73.42%) as well as knowing what talents are required (72.88%). The lowest assessments were received by: applying relevant methods to identify and select talents (59.72%), establishing individual paths of career and methods of development for talents (59.86%) as well as making talent management an element of a firm’s strategy (62.88%). First of all, researched enterprises suggest problems in all formal aspects of talent management. Enterprises do not possess any tools necessary to identify and then recruit talented employees. They also struggle with problems in terms of creating and using methods of supporting development of talented
employees. The reason may stem from inappropriate approach to talent management. This process is not perceived as an element of a strategy for any of the researched enterprises. That is why it is difficult to find any clear guidelines concerning the enterprise’s needs in terms of talented employees and skills required for the previously set strategic aims, which hinders the ability to define career paths for talented employees. The assessments of talent management practices are characterized by high standard deviations (from 21% to 31%). It may suggest wide discrepancies between the high-flyers of outstanding achievements and the companies which are less advanced in talent management implementation. Citizenship behaviours were not highly assessed either, nevertheless their assessment was on a higher level than manifestations of talent management. It is worth mentioning that there is one variable which got the lowest possible rate (65.21%). In the opinion of the managers of the researched enterprises their employees do not go beyond responsibilities and standard expectations ascribed to them. It is difficult to say what is the reason for such behaviour, as it may be a complex issue. Among the mentioned manifestations of citizenship behaviours the highest rate was given to mutual help among employees in reference to solving professional problems (75.07%). A crucial research problem was relations between talent management and citizenship behaviours, which allowed for the surmised possibility of correlation between the presented areas. The level of such interaction is presented in Table 2.

**TABLE 2. Pearson correlation coefficients (r) between Talent Management and Organisational Citizenship Behaviours (elaborated by the authors based on the research findings)**

<table>
<thead>
<tr>
<th>Talent Management</th>
<th>Organisational Citizenship Behaviours</th>
</tr>
</thead>
<tbody>
<tr>
<td>A company makes Talent Management an element of its strategy</td>
<td>Employees help each other is solving important, job-related problems</td>
</tr>
<tr>
<td>A company knows what talents are required</td>
<td>Employees tolerate minor, short-term inconveniences in their workplace they do not complain about trivial details they show willingness to make efforts for the sake of a company</td>
</tr>
<tr>
<td>A company has relevant methods to identify and select talents</td>
<td>Employees avoid making job-related troubles for their co-workers</td>
</tr>
<tr>
<td>A company makes an effort to attract the best employees</td>
<td>Employee behaviours significantly exceed the standard expectations at their positions</td>
</tr>
<tr>
<td>A company establishes individual paths of career and methods of development for talents</td>
<td>Employees are interested in and participate in the company’s everyday life</td>
</tr>
<tr>
<td>A company creates opportunities for talents to meet ambitious projects and challenges</td>
<td></td>
</tr>
<tr>
<td>A company creates conditions for learning and knowledge sharing</td>
<td></td>
</tr>
</tbody>
</table>

\( \ast p<0.01; \ast\ast p< .05 \).

High coefficients of Pearson’s correlation allow for the surmised presence of crucial relation between talent management and citizenship behaviours. Nevertheless, it is the highest values that are the most noticeable. Mutual help in solving problems at work has an important impact on all aspects of talent management. First and foremost, cooperation facilitates realisation of difficult projects. Apart from that, the potential of learning in a team is bigger (more opinions, more viewpoints to share). Consequently, cooperation and mutual help create perfect
conditions allowing knowledge and experience sharing. Moreover, employees who help each other, know their competencies better, which makes it easier to design individual career paths matching predispositions and skills of each employee. Mutual help also allows to identify competency gaps (we ask for help when we struggle to solve a problem) in the team as well as in the organisation. It facilitates the search for talents in order to fill these gaps. Such talent management actions can be efficiently supported by employees’ behaviours connected with exceeding one’s standard responsibilities and expectations towards their organisational roles. When an employee is involved and contributes to a higher level than is expected from him, in this way shows his potential and his abilities. It is easier to recognise his predispositions as they become apparent. It facilitates talent identification as well as designing individual career paths for them. Moreover, employees exceeding their organisational roles often come up with new ideas and new solutions, creating novelty. Talent management can be significantly supported by employees’ responsible participation in the life of the enterprise. Employees participation in the life of the organisation means participation in its management, in creating plans, setting aims and taking decisions. It is easier for such employees to create their own career paths and make sure that the organisation has aims and areas which they are interested in, which translates into their development. What is more, employees taking part in the company’s life know one another and know each other’s talents. Consequently, they can share this knowledge with managers and support them in the talent management process, which can contribute to more appropriately taken decisions. It turns out that talent management can be seriously affected by employees’ behaviours which show that they do their best not to create professional problems for one another and tolerate small inconveniences as well as can endure difficulties for the company’s sake. Such attitudes are good conditions for peaceful cooperation, which makes it easier to carry out ambitious projects, learn and share knowledge.

6. CONCLUSION
The above research results allow to conclude that citizenship behaviours support the implementation of certain areas of talent management. Above all, they facilitate identification of talents, designing career paths and sharing knowledge for the sake of employee and organisational development. Citizenship behaviours present in the organisation create also positive image of organisation as they are responsible for work friendly climate in the organisation. Such workplace is more wanted and more valuable for talented employees in the first place and such organisation becomes a more desired employer. Therefore citizenship behaviours should be supported and employees ought to be motivated to go beyond standard expectations and roles ascribed to them due to the fact that the connection between such attitude and talent management is extremely important and in the managers’ opinion it is still the most underdeveloped. One may also wonder about the reverse relation - the significance of talent management for stimulation of citizenship behaviours. It is an interesting area for further analysis and perhaps material for another article.

LITERATURE


CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: EVIDENCE FROM SAUDI ARABIA

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ABSTRACT

Purpose: This study aims to discover the Corporate Social Responsibility (CSR) disclosure practices and the potential influence of Corporate Governance (CG), ownership structure, and corporate characteristics, in an emerging Arab country, Saudi Arabia. This study extends the extant literature by investigating the drivers of CSR disclosure in a country that lacks research in this area.

Methodology: This study examines 267 annual reports of Saudi non-financial-listed firms during 2007-2011 using manual content and multiple regression analyses and a checklist of 17 CSR disclosure items based on ISO 26000.

Findings: The analysis finds that the CSR disclosure average is 24%, higher than 14.61% and 16% found by Al-Janadi et al. (2013) and Macarulla and Talalweh (2012) for two Saudi samples during 2006-2007 and during 2008, respectively. This improvement may be due to the application of Saudi CG code in 2007. The analysis also shows that government and family ownership, firm size, and firm age are positive determinants of CSR disclosure, firm leverage is a negative determinant, while effective AC, board independence, role duality, institutional ownership, firm profitability, and industry type are found not to be determinants of CSR disclosure.

Originality/value: This study is important because it uses agency theory to ascertain the influence of specific board characteristics and ownership structures on disclosure. As a result, it provides important implications for CG regulators and different stakeholders and provides an evaluation of the recently applied Saudi CG code from CSR disclosure perspective.

Keywords: Corporate Social Responsibility, Corporate Governance, Ownership Structure, Content Analysis, Saudi Arabia.

1. INTRODUCTION

The “business is business” culture has been prevalent for centuries. In 1924, Sheldon (1924) introduced the concept of “Corporate Social Responsibility” (CSR) for the first time in the business environment. Since that time, awareness across the globe of the impact of businesses on society has increased significantly and firms have come under greater pressure from society, governments, and other stakeholders to behave responsibly. One driver for the increase in pressure of businesses is the greed of firms in consuming scarce resources in order to realize profits, regardless of the negative implications for society. The negative implications of firms’ operations have been apparent in several social and environmental disasters. For example, a toxic gas release tragedy occurred on 3 December 1984 in India and leaving around 16,000 dead in a few days. Furthermore, on 26 April 1986, the Chernobyl Nuclear Power Plant in Ukraine exploded causing several deaths, in addition to creating dangerous social and environmental conditions. Accordingly, firms face a greater pressure to act socially and operate responsibly than ever before.

International concerns in relation to the business-society relationship have resulted in the establishment of organizations and standards that aim to monitor and help firms behave socially and responsibly. Examples of these organizations include AccountAbility which is based in London, the African Institute of Corporate Citizenship (AICC), Business for Social...
Responsibility (BSR) in the USA, and Business in the Community (BiTC) in UK. Furthermore, the International Organization for Standardization (ISO) issued ISO 26000 as an international standard that provides guidelines on social responsibility for all public and private firms. This standard aims to help firms undertake and manage their social responsibility strategies and activities that affect society and the environment.

The rising pressure on firms to behave socially entails measuring and demonstrating how their activities affect different stakeholders including societies and the environment. This extends the accountability of managers to incorporate social and environmental dimensions in their accounting measurements and disclosures. This is based on the assumption that CSR disclosure can play an important role in communicating whether or not firms behave socially and to what extent firms respect society and the environment. Moreover, CSR disclosure can be argued to be one of the most important voluntary disclosure types, since it highlights the influence of firms’ operations on world resources and human life and welfare. Accordingly, rising global awareness of the social responsibility of firms has increased the need for high quality CSR disclosure.

Concurrent with the increased concern for CSR disclosure, Corporate Governance (CG) objectives have evolved to accommodate new relationships never previously been deemed necessary, i.e. business-environment and business-society relations. For example, Claessens (2003, p. 7) states, “In its broadest sense, CG is concerned with holding a balance between economic and social goals and between individual and communal goals”. Furthermore, CG has developed to incorporate ethics, accountability, disclosure, and reporting (Gill, 2008). Accordingly, the different CG mechanisms, such as boards of directors, audit committees, and auditors are responsible for monitoring and controlling managers’ decisions and firms’ activities that affect all stakeholders including society. This may reveal a correlation between effectiveness of CG systems and quality of CSR disclosure. An effective CG system is likely to be concerned with disclosure and transparency in general, and with disclosure of material activities that affect society and environment in particular. Empirically, Said et al. (2009) find a positive significant correlation between government ownership and audit committee and CSR disclosure. Moreover, Khan (2010) and Das et al. (2015) find a positive significant correlation between board size, ownership structure, and independent non-executive directors on the board and CSR disclosure. These findings support the hypothesis of a potential positive correlation between CG and CSR disclosure.

The main objective of this study is to determine the extent of CSR disclosure in a sample of Saudi non-financial listed firms and identify the main drivers of CSR disclosure by investigating a comprehensive and diversified set of variables involving CG variables, ownership variables, and corporate characteristics. The analysis finds that the average CSR disclosure is 24% and that government ownership, family ownership, firm leverage, firm size, and firm age are the main drivers of CSR disclosure in Saudi Arabia.

This study is important for the following reasons. First, the study starts to fill the literature gap on CSR disclosure in Saudi Arabia; we find a clear paucity in this research area. Second, the study evaluates the Saudi Arabian CG reforms, especially after the recent application of the CG code in 2007. Third, Saudi Arabia accounts for 25% of the Arab world’s GDP and is one of the largest oil exporters in the world.

This study is organized as follows. The second section reviews the relevant studies and highlights the literature gaps. The third section formulates the study hypotheses. The fourth section reveals the study methodology. The fifth section discusses the results. The final section provides conclusions, implications, limitations and recommended future avenues for research.
2. LITERATURE REVIEW

This study examines the CSR disclosure determinants; therefore, this section reviews studies that focus on investigating these determinants, with a greater focus on emerging countries. Then it discusses the relevant studies conducted on Saudi Arabia.

First, Haniffa and Cooke (2002) investigate a sample of 167 Malaysian firms in 1995. The findings indicate a significant negative relationship between independent non-executive directors, chairperson and the proportion of the family members on the boards and the social and environmental disclosure. The authors extended their study in 2005 by examining samples of Malaysian firms for two separate years 1996 and 2002. Each sample comprises the same 139 firms. The analysis finds a significant positive correlation between CSR disclosure and boards dominated by Malaysian directors, boards dominated by executive directors, Chair with multiple directorships and foreign ownership. Furthermore, the analysis finds a significant positive correlation between four corporate characteristics (size, profitability, multiple listing and industry type) and CSR disclosure. The results were similar in both study years. Moreover, Said et al. (2009) examine a sample of 150 firms listed on the Malaysian Stock Exchange in 2006. Authors find the mean for the CSR disclosure index is 13.90 and find a significant positive correlation between government ownership and audit committee and the CSR disclosure level.

In a study conducted on banks, Khan (2010) examines a sample of all private commercial banks for 2007 and 2008 in Bangladesh. The results display no significant correlation between women’s representation on the board and CSR disclosure. However, the results indicate a significant positive correlation between the ratio of independent directors on boards of directors, foreign ownership, firm size, and profitability and CSR disclosure. Furthermore, Siregar and Bachtiar (2010) examine 87 publically listed firms on the Indonesian Stock Exchange in 2003. They find a positive and statistically significant correlation between board size, and company size and CSR disclosure. Moreover, Oh et al. (2011) examine a sample of 118 large Korean firms in 2006. The results indicate a significant positive correlation between institutional and foreign ownerships and CSR disclosure. However, the results indicate a significant negative correlation between shareholding by top managers and CSR disclosure, while outside director ownership is found to be not significant.

In addition, Hussainey et al. (2011) examine a sample of 111 Egyptian listed firms during 2005-2010. Authors find that 66% of the sample firms disclose 10-50 CSR statements on average. Furthermore, they find that profitability is the main determinant of CSR disclosure. However, they find no correlation between ownership structure, company size, gearing, and liquidity and CSR disclosure. In another study conducted on Egypt, Soliman et al. (2012) examine a sample of 42 highly active Egyptian firms during 2007-2009. The findings indicate a significant positive correlation between CSR disclosure and institutional ownership and foreign ownership. However, the authors find a significant negative correlation between top management ownership and CSR disclosure.

In a study conducted in the USA, Mallin et al. (2013) analyze the social and environmental disclosure of the 100 U.S. Best Corporate Citizens during 2005-2007. The empirical results indicate that the stakeholders’ orientation of CG is positively correlated with corporate social performance and social and environmental disclosure. In a further study conducted in the USA, Giannarakis et al. (2014) investigate 100 large-sized US firms listed on the Standard & Poor’s 500 Index during 2009-2012. The findings indicate that the higher polluting firms tend towards greater CSR disclosure and that CEO duality and presence of women on the board do not affect the CSR disclosure.

One recent study conducted on the banking industry in the Arab Region by Bukair and Abdul-Rahman (2015) investigates a sample of 53 Islamic banks in 2008 from five of the six Gulf Cooperation Council countries. The analysis finds that the average CSR disclosure score is
83.3 sentences. Furthermore, the results indicate insignificant correlation between governance structure variables (board size, board composition, CEO duality) and CSR disclosure level. However, a significant positive correlation was found between bank size and the CSR disclosure level. In another recent study conducted on banks, Das et al. (2015) examine all 29 listed banks in Bangladesh from 2007 to 2011. The authors find that the average CSR disclosure increased gradually from 59.02% in 2007 to 76.87% in 2011. The results indicate a significant positive correlation between bank size, board size, ownership structure, and independent non-executive directors on the board and CSR disclosure. However, a negative significant correlation was found for banks’ profitability and age and CRS disclosure.

Finally, the disclosure literature provides very few studies on Saudi Arabia. In one relevant study, Mandurah et al. (2012) examines CSR activities in Saudi Arabia; however, the study does not examine the determinants of CSR. The study surveys a sample of 120 managers to assess their awareness of CSR, the extent of CSR integration in their corporate policies, and the nature and extent of these firms’ CSR activities. The response rate was 65%; the results signal a reasonable level of CSR activities in Saudi Arabia, and to an adequate level of integration between social objectives and the strategic objectives of firms. In addition, Macarulla and Talalweh (2012) examine 132 Saudi listed firms in 2008. The findings indicate a very low level of CSR disclosure (16%) and that the main CSR determinants are firm size, firm profitability and industry type. Moreover, Khasharmeh and Desoky (2013) evaluate online-CSR disclosure in the Gulf Cooperation Council (GCC) countries including 44 Saudi firms representing 26.99% of total sample. The results find that the average online-CSR disclosure in Saudi Arabia is 21.86%; the second highest after Qatar (22.50%). The results indicate that firm type, firm profitability, firm size, and firm risk could be main determinants of online-CSR disclosure. Furthermore, Al-Janadi et al. (2013) investigate annual reports of 87 firms listed on the Saudi stock market during 2006-2007. The authors find that the average CSR disclosure is very low, at only 14.61%. The authors also find a significant positive correlation between non-executive directors, board size, CEO duality, audit quality, government ownership and the voluntary disclosure levels including social and environmental disclosure.

To conclude, this study finds a paucity of studies conducted on Saudi Arabia in relation to CRS and CG. Furthermore, the studies conducted on Saudi Arabia suffer from several limitations. First, although Mandurah et al. (2012) examine CSR activities in Saudi Arabia, they do not examine any of the CSR determinants. Second, Macarulla and Talalweh (2012) focus on only corporate characteristics as determinants of CSR disclosure with no investigation of CG or ownership variables, and examine only 132 annual reports during 2008. Third, Al-Janadi et al. (2013) examine only two years (2006-2007) both of which are date and use a small sample size of only 87 annual reports. Accordingly, our study contributes by filling these gaps through investigating a comprehensive set of variables across CG, ownership, and corporate characteristics, during a larger study period (2007-2011), and with a larger sample size of 267 annual reports.

3. HYPOTHESES DEVELOPMENT

3.1. Audit Committee

The audit committee (AC) is supposed to ensure the integrity of financial reporting through monitoring and control (Fama, 1980; Fama & Jensen, 1983; Abdel-Fattah, 2008). However, this aim cannot be achieved unless the AC is effective. AC effectiveness depends on its composition and characteristics. According to Section 14 of the 2006 Saudi CG code, each firm should construct an AC of at least three non-executive directors, with at least one director specialized in financial and accounting affairs.
The literature finds that effective AC is likely to affect positively the disclosure quality. For example, Soliman and Ragab (2014) find that effective AC, characterized by frequently meetings, improves the financial reporting quality. Furthermore, Xie et al. (2003) and Madawaki and Amran (2013, p. 1072) state: “It is expected that independent AC members will be more objective and less likely to overlook possible deficiencies in the misappropriation and manipulation of financial reporting”. This argument is congruent with agency theory that argues that independent directors on boards and committees reduce information asymmetry. Accordingly, this study believes that effective AC could be a successful monitoring tool for managers’ decisions, especially those related to the business social responsibility, which will be reflected in high quality CSR disclosure. Therefore, the study’s first hypothesis is:

**H1:** There is a positive correlation between audit committee effectiveness and CSR disclosure.

3.2. Board Independence
Boards play an essential role in monitoring and directing managers to satisfy the interests of stakeholders. However, the boards’ monitoring effectiveness depends on its composition. Independent boards are more likely to inspire managers towards high transparency and disclosure quality levels (Forker, 1992; AbuRaya, 2012). Agency and stakeholder theories argue that a high ratio of independent directors on the board could be an important element of the CG structure that would help to resolve agency problems and advance the interests of other stakeholders, such as employees and local communities (Amran et al. 2009; Chen & Roberts, 2010). Empirically, a large number of studies, including Barako and Brown (2008) and Khan et al. (2013) find that appointing non-executive directors on the board positively affect CSR disclosure. Accordingly, this study believes that non-executive directors on the board are more likely to encourage managers to act socially, and thus, provide high quality CSR disclosure. Congruent with the agency theory, the study second hypothesis is:

**H2:** There is a positive correlation between board independence and CSR disclosure.

3.3. Role Duality
Role duality occurs when the Chief Executive Officer (CEO) also holds the Chairman position at the same time. Role duality could impair the boards’ governance role regarding disclosure policies (Li et al., 2008; Elzahar & Hussainey, 2012). Generally, segregation of duties is a principle for several internal control systems. Regarding disclosure, several studies argue that CEO/Chairman segregation is more likely to optimize voluntary disclosure quality including the CSR disclosure (e.g. Forker, 1992; Haniffa & Cooke, 2002; Abdel-Fattah, 2008; Said et al., 2009). Furthermore, agency theory suggests that role duality increases the concentration of decision-making power and that an independent Chairman provides strong power to the boards, which is reflected positively on the disclosure quality (Al-Janadi et al., 2013). Congruent with agency theory, this study believes in a negative correlation between role duality and CSR disclosure. Accordingly, the study’s third hypothesis is:

**H3:** There is a negative correlation between role duality and CSR disclosure.

3.4. Government Ownership
Generally, governments have political, economic, and social goals to achieve. The nature of governments’ work is socially-oriented. This orientation could result in conflict between goals of governments, as owners, and the goals of profit maximization of private investors (Ntim et al., 2013). However, this study argues that government ownership could maintain a degree of balance between the two competing goals, which may improve the profits of firms and
effectively influence the society. Moreover, governments set and regularly issue regulations that protect society and therefore governments could be a good example of sponsoring and complying with these regulations through their ownership in firms. Furthermore, Eng and Mak (2003, p. 327) state: “The government sees corporate governance and disclosure as necessary measures to protect shareholders”. Consistent with the arguments of Eng and Mak (2003), Said et al. (2009), AbuRaya (2012), Ntim et al. (2013) and Al-Janadi et al. (2013) that government ownership could promote good governance, social responsibility, transparency, and disclosure practices, the study’s fourth hypothesis is:

**H4: There is a positive correlation between government ownership and CSR disclosure.**

### 3.5. Institutional Ownership

The literature provides two competing hypotheses, active and passive, explaining the influence of institutional ownership on monitoring and disclosure (Al-Fayoumi et al., 2010; Alves, 2012). First, the efficient-monitoring hypothesis suggests that institutional investors are sophisticated investors which have experience and resources, thereby enabling the effective monitoring of managers’ decisions including disclosure-related decisions (Abdel-Fattah, 2008; AbuRaya, 2012). Moreover, agency theory suggests that institutional investors have extra incentives to closely monitor disclosure policies (Jensen & Meckling, 1976; Elzahar & Hussainey, 2012; Ntim et al., 2013). In contrast, the passive hands-off hypothesis suggests that institutions are passive and short-term investors which prioritize their interests (Al-Fayoumi et al., 2010; Alves, 2012). This implies that those investors will be less interested in social activities and related disclosure. Based on these contrasting views, the study’s fifth hypothesis is:

**H5: There is a correlation between institutional ownership and CSR disclosure.**

### 3.6. Family Ownership

The ownership structure in Saudi Arabia is family-concentrated (Albassam, 2014). In relation to social responsibility, Block and Wagner (2014) argue that family firms are more interested in social responsibility and are more open to considering social responsibility issues. Furthermore, the literature suggests that family firms foster social responsibility initiatives (e.g. Deniz & Suarez, 2005; Block & Wagner, 2014). However, Ho and Wong (2001) and Haniffa and Cooke (2002) find that family firms are less likely to disclose information voluntarily. This study believes that family firms could gain several social benefits from their shares in firms in addition to the financial gains, such as building a strong social image, prestige, good reputation and social position for their families. This approach should reflect in greater concern for and respect to society, and thus, in high quality CSR disclosure. Accordingly, the study’s sixth hypothesis is:

**H6: There is a positive correlation between family ownership and CSR disclosure.**

### 4. METHODOLOGY

#### 4.1. Sample and Data

The study population is all firms listed on the Saudi Stock Exchange during 2007-2011. Thus, this study starts with the year after the Saudi CG code was issued in November 2006. Table 1 exhibits the distribution of firm-year observations across the study years. First, the total initial sample comprises 694 observations distributed across the five years. Second, this study discards 172 observations which belong to financial and insurance companies. Third, this study excludes 255 observations with missing data on the study variables. Thus, the final sample comprises 267 observations. This study notices that the number of observations has increased gradually across the study period which in part may be due to the application of the
Saudi CG code starting from 2007. In relation to the data sources, this study depends mainly on the firms’ annual reports published on the firms’ websites and on the website www.tadawual.com.sa.

Table 1: The Study Sample

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Sample</td>
<td>111</td>
<td>129</td>
<td>146</td>
<td>152</td>
<td>156</td>
<td>694</td>
</tr>
<tr>
<td>Less: Financial and Insurance firm-year</td>
<td>(28)</td>
<td>(32)</td>
<td>(36)</td>
<td>(38)</td>
<td>(38)</td>
<td>(172)</td>
</tr>
<tr>
<td>Less: Firm-year observations with missing data</td>
<td>(64)</td>
<td>(58)</td>
<td>(52)</td>
<td>(44)</td>
<td>(37)</td>
<td>(255)</td>
</tr>
<tr>
<td>Final Sample</td>
<td>19</td>
<td>39</td>
<td>58</td>
<td>70</td>
<td>81</td>
<td>267</td>
</tr>
</tbody>
</table>

4.2. Regression Model

This study employs the following Ordinary Least Squares (OLS) regression model to examine the study hypotheses:

\[ \text{CSRD}_t = \beta_0 + \beta_1 \text{ACscore}_t + \beta_2 \text{Brdind}_t + \beta_3 \text{DulRol}_t + \ldots \beta_4 \text{Govown}_t + \beta_5 \text{Instown}_t + \beta_6 \text{Famown}_t + \beta_7 \text{Levrg}_t + \beta_8 \text{Asst}_t + \beta_9 \text{ROA}_t + \beta_{10} \text{Age}_t + \beta_{11} \text{Ind}_t + \epsilon \]

4.3. Dependent Variable

The extent of CSR disclosure is the model’s dependent variable. To measure its extent, this study follows four steps derived from previous studies (e.g., Botosan, 1997; Rizk et al., 2008; Said et al., 2009; AbuRaya, 2012). First, this study prepares a checklist comprises 17 disclosure items of CSR based on ISO 26000. ISO 26000 is an international standard issued by ISO and provides guidelines on social responsibility for all public and private firms. It is noteworthy that the number of checklist items differs among studies; Rizk et al. (2008) state that the checklist items range from 17 to 224 items. Second, this study applies manual content analysis to analyze the sample firms’ annual reports and identify the actual CSR disclosure items compared to the checklist. Third, this study follows the dichotomous scoring procedure by assigning one if the item is disclosed and zero otherwise. Fourth, this study sums the total number of items actually disclosed for each annual report and divide this number by the maximum number of the checklist items to get the ratio of CSR disclosure by applying the following equation:

\[ \text{CSRD}_t = \frac{\sum \text{Actual Items Disclosed}_t}{\text{Maximum Checklist Items}} \]

Content analysis is a common reliable and valid approach to measure the disclosure quantity and quality (Abdel-Fattah, 2008; Branco & Rodrigues, 2008; Elzahar & Hussainey, 2012; Krippendorff, 2013). Moreover, Krippendorff (2013) argues that content analysis ensures repeatability and valid references from data. Content analysis can be computerized (e.g. Hussainey et al., 2003; Kothari et al., 2009) or manual (e.g. Linsley & Shrives, 2006; Abraham & Cox, 2007; Elzahar & Hussainey, 2012). Although computerized content analysis could save time, cost, reduce subjectivity and analyze large samples, this study employs manual analysis, since a number of requirements for the computerized analysis are not available in many of the sample annual reports. For example, the computerized analysis requires the availability of annual reports in the same language; English in most cases (Abdel-Fattah, 2008), which is not available in most Arab countries including the Saudi Arabia. Thus, similar to Abdel-Fattah (2008), this study employed manual analysis primarily due to the language barrier.
4.4. Independent Variables
This study presents a comprehensive diversified set of eleven independent variables to examine different CSR disclosure determinants. The first three are audit committee effectiveness, board independence, and the dual role of CEO and chairperson. The second three are ownership structure variables: government ownership, institutional ownership, and family ownership. The remaining variables are corporate characteristics presented as control variables: leverage, firm size, firm profitability, firm age, and industry type. It is noteworthy that this study measures audit committee effectiveness by an aggregate score similar to that used by Brown and Caylor (2006) and Jiang et al. (2008). This study also depends on the characteristics of audit committees recommended by the Saudi 2006 CG code. Table 2 summarizes the measurements and definitions of the study variables.

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Definition</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD</td>
<td>CSRD Index</td>
<td>The ratio of CSR items disclosed by a firm i for the year t to the maximum number of social disclosure items in the prepared checklist.</td>
</tr>
<tr>
<td>ACscore</td>
<td>Audit Committee Score</td>
<td>A proxy for AC effectiveness that takes the value one if the AC of the firm i and the year t, consists of fully independent members, with at least three members, one of whom is a financial expert, and holds at least three meetings a year, and zero otherwise.</td>
</tr>
<tr>
<td>Brdind</td>
<td>Board Independence</td>
<td>Board independence is measured by the ratio of outside directors to total number of directors on the board for the firm i during the year t.</td>
</tr>
<tr>
<td>DulRol</td>
<td>Role Duality</td>
<td>A dummy variable that equals one if the board chairman is also the CEO of the firm i and the year t, and zero otherwise.</td>
</tr>
<tr>
<td>Govown</td>
<td>Government Ownership</td>
<td>The ratio of shares held by the Saudi government or any of its agencies to the total number of outstanding shares of the firm i and the year t.</td>
</tr>
<tr>
<td>Instown</td>
<td>Institutional Ownership</td>
<td>The ratio of shares held by institutional investors to the total number of outstanding shares of the firm i and the year t.</td>
</tr>
<tr>
<td>Famown</td>
<td>Family Ownership</td>
<td>The ratio of shares held by family members to the total number of outstanding shares of the firm i and the year t.</td>
</tr>
<tr>
<td>Levrg</td>
<td>Firm Leverage</td>
<td>Total debts divided by the total assets of the firm i and the year t.</td>
</tr>
<tr>
<td>Assta</td>
<td>Firm Size</td>
<td>The natural logarithm of total assets of the firm i during the year t.</td>
</tr>
<tr>
<td>ROAs</td>
<td>Return on Assets</td>
<td>It is a proxy for firm performance, that is the ratio of total net income to the total assets of the firm i and the year t.</td>
</tr>
<tr>
<td>Age</td>
<td>Firm Age</td>
<td>The natural Logarithm of period from first establishment of the firm i to the year t.</td>
</tr>
<tr>
<td>Inds</td>
<td>Industry Type</td>
<td>This variable is divided into three dummy variables, each equals one if the firm i during the year t belongs to one of the following industries: Cement, petrochemicals and engineering, and real estate, and zero otherwise. The three selected industries are the biggest industries in the Saudi Arabia.</td>
</tr>
</tbody>
</table>

5. RESULTS
5.1. Descriptive Analysis
Table 3 shows the descriptive statistics of the study variables. First, the mean value of CSRD variable is 4.114, indicating that the average CSRD of the sample firms is about 24% (4/17). This average is higher than the averages for two samples of Saudi firms of 16% and 14.61% found by Macarulla and Talalweh (2012) and Al-Janadi et al. (2013), during 2008 and 2006-2007, respectively. This signifies an improvement in CSR Disclosure which may be linked to the application of the Saudi CG code in 2007. Second, the mean value of ACscore is 0.26,
indicating that, on average, 26% of the sample audit committees meet the criteria to be effective, i.e., they consist of fully independent directors, at least three directors, one of whom is a financial expert, and meet at least three times a year. Third, the mean value of Brdind variable is 0.52, implying that, on average, more than half of the sample boards’ directors are independent. This average is lower than the 68.14% found by Elzahar and Hussainey (2012) for a UK sample and 83.52% found by Al-Janadi et al. (2013) for a sample of Saudi firms. Fourth, the mean value of DulRol is 0.85, indicating that, on average, 85% of the sample boards’ Chairmen are also CEOs. This indicates that the majority of our sample boards’ Chairmen have a dual role. This average is very high, compared with 0.04 found by AbuRaya (2012) for a UK sample. Fifth, the mean value of Govown is approximately 0.08, lower than 11.19% found by Al-Janadi et al. (2013) for a sample of Saudi firms, while the mean value of Famown is 0.15 and the mean value of Instown is 0.13. Furthermore, the maximum value of Famown is 95%, higher than 83% for Govown and 66% for Instown. This implies that family ownership dominates the ownership of Saudi firms, as argued by Albassam (2014).

Table 3: Descriptive Statistics (N= 267)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
<th>SD.</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD</td>
<td>4.114</td>
<td>0.000</td>
<td>17.000</td>
<td>0.4505</td>
<td>3.000</td>
</tr>
<tr>
<td>ACsscore</td>
<td>0.260</td>
<td>0.000</td>
<td>1.000</td>
<td>0.814</td>
<td>0.330</td>
</tr>
<tr>
<td>Brdind</td>
<td>0.525</td>
<td>0.000</td>
<td>1.000</td>
<td>0.223</td>
<td>0.500</td>
</tr>
<tr>
<td>DulRol</td>
<td>0.852</td>
<td>0.000</td>
<td>1.000</td>
<td>0.356</td>
<td>1.000</td>
</tr>
<tr>
<td>Govown</td>
<td>0.077</td>
<td>0.000</td>
<td>0.830</td>
<td>0.172</td>
<td>0.000</td>
</tr>
<tr>
<td>Instown</td>
<td>0.132</td>
<td>0.000</td>
<td>0.660</td>
<td>0.194</td>
<td>0.000</td>
</tr>
<tr>
<td>Famown</td>
<td>0.151</td>
<td>0.000</td>
<td>0.950</td>
<td>0.238</td>
<td>0.000</td>
</tr>
<tr>
<td>Levr</td>
<td>0.085</td>
<td>0.000</td>
<td>0.596</td>
<td>0.136</td>
<td>0.022</td>
</tr>
<tr>
<td>Asst</td>
<td>9.242</td>
<td>7.185</td>
<td>11.047</td>
<td>0.685</td>
<td>9.216</td>
</tr>
<tr>
<td>ROA</td>
<td>0.075</td>
<td>-0.108</td>
<td>0.310</td>
<td>0.090</td>
<td>0.071</td>
</tr>
<tr>
<td>Age</td>
<td>1.207</td>
<td>0.000</td>
<td>1.740</td>
<td>0.394</td>
<td>1.279</td>
</tr>
<tr>
<td>Indcmntt</td>
<td>0.115</td>
<td>0.000</td>
<td>1.000</td>
<td>0.319</td>
<td>0.000</td>
</tr>
<tr>
<td>Indptroen</td>
<td>0.129</td>
<td>0.000</td>
<td>1.000</td>
<td>0.336</td>
<td>0.000</td>
</tr>
<tr>
<td>Indrlstat</td>
<td>0.169</td>
<td>0.000</td>
<td>1.000</td>
<td>0.375</td>
<td>0.000</td>
</tr>
</tbody>
</table>

5.2. Pearson Correlation Test

The Pearson correlation test shows the strength and direction of correlations between the study variables and helps diagnose for any Multicollinearity problem. Table 4 shows that the highest independent variables’ correlation is 0.46, which is between firm age and institutional ownership, followed by 0.40, between governmental ownership and cement industry.

Table 4: Pearson Correlation Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>CSRD</th>
<th>ACs</th>
<th>Brd</th>
<th>Dul</th>
<th>Gov</th>
<th>Inst</th>
<th>Fam</th>
<th>Levr</th>
<th>Asst</th>
<th>ROA</th>
<th>Age</th>
<th>Indcmntt</th>
<th>Indptroen</th>
<th>Indrlstat</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACs</td>
<td>0.29</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brd</td>
<td>-0.04</td>
<td>0.20</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dul</td>
<td>0.16</td>
<td>0.17</td>
<td>0.01</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gov</td>
<td>0.35</td>
<td>0.03</td>
<td>-0.04</td>
<td>0.07</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inst</td>
<td>-0.05</td>
<td>-0.01</td>
<td>-</td>
<td>0.06</td>
<td>-</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fam</td>
<td>0.16</td>
<td>0.07</td>
<td>-</td>
<td>0.18**</td>
<td>-</td>
<td>0.24</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levr</td>
<td>-0.05</td>
<td>0.00</td>
<td>-</td>
<td>0.01</td>
<td>0.06</td>
<td>0.22</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst</td>
<td>0.46</td>
<td>0.16</td>
<td>-</td>
<td>0.16*</td>
<td>0.37</td>
<td>0.17</td>
<td>0.20</td>
<td>0.33</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>0.09</td>
<td>-0.06</td>
<td>-0.05</td>
<td>0.17**</td>
<td>0.39</td>
<td>0.14</td>
<td>-0.02</td>
<td>0.06</td>
<td>-0.03</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.03</td>
<td>0.10</td>
<td>0.25</td>
<td>-0.08</td>
<td>0.15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.17</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indcmntt</td>
<td>0.17</td>
<td>0.01</td>
<td>0.22</td>
<td>0.16*</td>
<td>0.40</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.08</td>
<td>0.36</td>
<td>0.13</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indptroen</td>
<td>-0.04</td>
<td>-0.04</td>
<td>0.11</td>
<td>-0.16*</td>
<td>-0.05</td>
<td>0.15</td>
<td>0.34</td>
<td>0.20</td>
<td>-0.09</td>
<td>-0.14**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indrlstat</td>
<td>-0.08</td>
<td>-0.06</td>
<td>-</td>
<td>-0.06</td>
<td>-</td>
<td>0.25</td>
<td>0.15</td>
<td>-0.10</td>
<td>0.02</td>
<td>-0.04</td>
<td>-</td>
<td>-0.16*</td>
<td>-0.17*</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*significant at 1%, ** significant at 5%, ***significant at 10%
However, this correlation does not represent a serious Multicollinearity problem between the independent variables, because is lower than 50%. For example, Hossain and Hammami (2009) do not consider a correlation of 52% to be a serious Multicollinearity problem. Furthermore, Bryman and Cramer (2001) argue that the correlation between independent variables represents a serious problem only if exceeds 80%. Nevertheless, the table shows that Asst, Govown, and ACscore variables are highly and positively correlated with CSRD at 0.46, 0.35, and 0.29, respectively.

5.3. Regression Results

This study estimates the study model using the OLS analysis. Table 5 highlights the results. Overall, the study model is statistically significant, where $F$-value = 6.600 and Prob>F = 0.000. Furthermore, the study model explains about 38% of the total variation of CSR disclosure, where adjusted $R^2$ = 0.38. In relation to the first set of variables, ACscore, Brdind, and DulRol, the analysis finds that none is statistically significant. First, the coefficient of the ACscore variable is negative, but statistically insignificant ($\beta1 = -0.358$, t-statistic = -0.840), which implies the existence of an effective AC may not be a determinant of CSR disclosure. This result contradicts those of Xie et al. (2003), Said et al. (2009) and Soliman and Ragab (2014) who find that existence of effective AC could play a positive role in enhancing the disclosure quality.

Second, the analysis finds that the coefficient of the Brdind variable is positive, but statistically insignificant ($\beta2 = 0.565$, t-statistic = 0.490), indicating that board independence may not affect the CSR disclosure, and thus, could not be deemed a CSR disclosure determinant. This result is not in line with our second hypothesis and that of agency theory that independent directors on boards ought to play a positive role in reducing information asymmetry, and thus, increase the disclosure quality. However, this result is congruent with that of Haniffa and Cooke (2002) and Bukair and Abdul-Rahman (2015) who find insignificant correlation with CSR disclosure, and with that of Ho and Wong (2001) and Elzahar and Hussainey (2012) who find insignificant correlation between board independence and disclosure quality in general.

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Definition</th>
<th>Coef.</th>
<th>t-statistic</th>
<th>P&gt; t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cons.</td>
<td>Model Constant</td>
<td>$\beta0$</td>
<td>-29.485**</td>
<td>-5.050</td>
</tr>
<tr>
<td>ACscore</td>
<td>Aggregated AC score</td>
<td>$\beta1$</td>
<td>-0.358</td>
<td>-0.840</td>
</tr>
<tr>
<td>Brdind</td>
<td>Board Independence</td>
<td>$\beta2$</td>
<td>0.565</td>
<td>0.490</td>
</tr>
<tr>
<td>DulRol</td>
<td>Role Duality</td>
<td>$\beta3$</td>
<td>1.576</td>
<td>1.560</td>
</tr>
<tr>
<td>Govown</td>
<td>Governmental Ownership</td>
<td>$\beta4$</td>
<td>4.621***</td>
<td>1.710</td>
</tr>
<tr>
<td>Instown</td>
<td>Institutional Ownership</td>
<td>$\beta5$</td>
<td>0.960</td>
<td>0.540</td>
</tr>
<tr>
<td>Famown</td>
<td>Family Ownership</td>
<td>$\beta6$</td>
<td>3.014***</td>
<td>1.790</td>
</tr>
<tr>
<td>Levrg</td>
<td>Firm Leverage</td>
<td>$\beta7$</td>
<td>-5.978**</td>
<td>-2.370</td>
</tr>
<tr>
<td>Asst</td>
<td>Firm size</td>
<td>$\beta8$</td>
<td>3.102*</td>
<td>5.000</td>
</tr>
<tr>
<td>ROA</td>
<td>Firm Profitability</td>
<td>$\beta9$</td>
<td>-0.764</td>
<td>-0.180</td>
</tr>
<tr>
<td>Age</td>
<td>Firm Age</td>
<td>$\beta10$</td>
<td>2.809*</td>
<td>2.630</td>
</tr>
<tr>
<td>Indcmnt</td>
<td>Cement Industry</td>
<td>$\beta11$</td>
<td>0.688</td>
<td>0.700</td>
</tr>
<tr>
<td>Indptroeng</td>
<td>Petro-engineering Industry</td>
<td>$\beta11$</td>
<td>0.379</td>
<td>0.380</td>
</tr>
<tr>
<td>Indrelstat</td>
<td>Real Estate Industry</td>
<td>$\beta11$</td>
<td>-0.409</td>
<td>-0.480</td>
</tr>
</tbody>
</table>

Additional Statistics

| N= 267 | F-value = 6.600 | Prob>F = 0.000 | Overall Adj. R-sq = 0.3773 |

*Significant at 1%, **Significant at 5%, ***Significant at 10%
Third, the analysis finds that the coefficient of $DulRol$ variable is positive, but statistically insignificant ($\beta3 = 1.576$, $t\text{-statistic} = 1.560$). This result concludes that CEO/Chairman separation may not be a determinant of CSR disclosure, which contradicts our arguments and those of agency theory that separation of board chairman and CEO roles could improve the disclosure quality. Our results agree with Giannarakis et al. (2014) and Bukair and Abdul-Rahman (2015) who find that CEO/Chairman separation does not affect the CSR disclosure, and with Ho and Wong (2001) and Elzahar and Hussainey (2012) who find insignificant correlation between role duality and voluntary disclosure in general. Accordingly, based on the results of the first set of variables, this study concludes that the three examined CG variables may not be beneficial in supporting and inspiring firms’ managers towards greater CSR disclosure, and thus, could not be considered to be determinants of CSR disclosure.

Regarding the second set of variables, ownership variables, Table 5 shows that there is a significant positive correlation between the $Govown$ variable and CSR disclosure at 10% ($\beta4 = 4.621$, $t\text{-statistic} = 1.71$), indicating that firms with higher government ownership are more likely to disclose greater levels of social information than other firms do. This result confirms the arguments and findings of Said et al. (2009), Ntim et al. (2013), and Al-Janadi et al (2013) that government ownership could promote social responsibility, transparency, and disclosure practices. The result confirms our argument that governments are socially-oriented, and thus, are more likely to be socially responsible in firms in which they hold ownership, which is expected to reflect positively on CSR disclosure. Accordingly, this study accepts the fourth hypothesis.

The results also show a positive but statistically insignificant correlation between the $Instown$ variable and CSR disclosure ($\beta5 = 0.960$, $t\text{-statistic} = 0.540$), which implies that institutional ownership could not be deemed a determinant of CSR disclosure. This result contradicts agency theory and the efficient-monitoring hypothesis that institutional investors ought to provide a strong CG mechanism that has a positive impact on monitoring and disclosure quality. However, our result is consistent with those of Eng and Mak (2003) and Elzahar and Hussainey (2012) who find insignificant correlation between the two variables. Accordingly, this study rejects the study’s fifth hypothesis.

Furthermore, the results show a statistically significant and positive correlation between $Famown$ and CSR disclosure at 10% ($\beta6 = 3.014$, $t\text{-statistic} = 1.790$), concluding that firms with a high percentage of family ownership are more likely to disclose higher levels of CSR information. This result is consistent with our argument and that of Deniz and Suarez (2005) and Block and Wagner (2014) that family firms are more likely to play a positive socially responsible role, which could be reflect positively on CSR disclosure. Based on results of the ownership set of variables, this study concludes that governmental and family ownerships could be determinants of CSR disclosure; however, institutional ownership could not be a CSR disclosure determinant.

Regarding the third set of variables, corporate characteristics, the analysis shows that only firm leverage, firm size, and firm age could be determinants of CSR disclosure, while profitability and industry type are not. First, the coefficient of $Levg$ variable is negative and statistically significant at 5% ($\beta7 = -5.978$, $t\text{-statistic} = -2.370$), implying that firms with higher leverage ratio are less likely to disclose more social information. One explanation for this result may be that highly leveraged firms may trade-off between two alternatives: (1) undertaking social voluntary activities and disclosure with additional costs or (2) paying existing debts. Choosing to reduce high debt levels instead of undertaking costly voluntary activities may appear to be a rational decision for majority of firms, which will be reflected negatively on the CSR disclosure.

Second, the coefficient of the $Asst$ variable is found to be statistically significant at 1% and positively correlated with CSR disclosure ($\beta8 = 3.102$, $t\text{-statistic} = 5.000$), which implies that
larger firms are more likely to disclose higher levels of CSR information. This result is consistent with agency theory that larger firms need to disclose more information in order to reduce the larger information asymmetry and agency costs (Elzahar & Hussainey, 2012). Another possible explanation may be that larger firms have sufficient resources to afford to undertake voluntary social activities, and thus, additional CSR disclosure.

Third, the coefficient of the Age variable is positive and statistically significant at 1% ($\beta_{10}=2.809$, $t$-statistic=2.630), indicating that older firms tend to disclose higher levels of social information than do newer firms. However, the analysis shows that both firm profitability and industry type variables are statistically insignificant in correlation with CSR disclosure, indicating that they are not determinants of CSR disclosure.

6. CONCLUSION

Although Saudi Arabia comprises 25% of the Arab world’s GDP and is one of the world largest oil exporters, this study finds very few studies that examine CSR disclosure in the Kingdom. In order to fill this gap in the literature, this study aims to determine the extent of CSR disclosure and its main determinants in one of the emerging Arab countries, Saudi Arabia. The study examines a comprehensive set of 11 variables across CG, ownership structure and corporate characteristics in order to determine the CSR disclosure determinants. This study is important since it evaluates the impact of the Saudi CG code which was applied in 2007, but from a voluntary disclosure perspective.

This study employ a self-constructed checklist comprising 17 items relating to CRS disclosure based on ISO 26000. The research uses both the manual content and multiple regression analyses to examine a sample of 267 annual reports during 2007-2011. The results indicate that the CSR disclosure average is about 24% which is higher than the 14.61% and 16% found by Al-Janadi et al. (2013) and Macarulla and Talalweh (2012) for 2006-2007 and 2008 in Saudi Arabia, respectively, implying an improvement in the CSR disclosure level. This may be due to the application of the Saudi CG code at the beginning of 2007. Moreover, the analysis finds significant positive correlations between government ownership, family ownership, firm size, and firm age and CSR disclosure, and a significant negative correlation with firm leverage and CSR disclosure. However, the analysis finds no evidence of correlation between an effective AC, board independence, role duality, institutional ownership, firm profitability, and industry type and CSR disclosure.

The study results provide a number of important implications. First, for CG regulators, the results confirm that the application of the Saudi CG code in 2007 may be one of the reasons for the improvement in CSR disclosure. Furthermore, CG regulators should also recognize the positive role that governments and families could play in enhancing the CSR disclosure through shareholdings. Second, for stakeholders, the findings suggest that they should exert greater pressure on managers to disclose extra social information, since the CSR disclosure average is relatively low. Moreover, stakeholders should not expect a high level of CSR disclosure from highly leveraged firms, since these firms appear to prefer to save the costs of extra disclosure in order to repay debts and reduce their high leverage rates.

However, this study suffers from a number of limitations. First, the study sample is relatively small. This is due to the use of manual content analysis that requires a considerable time and effort. Second, the study evaluates the period after the application of the Saudi CG code in 2007 and neglects the earlier period. Third, this study measures the quantity of CSR disclosure rather than the qualitative characteristics of the disclosed information. Fourth, the self-constructed checklist comprises a small number of CSR disclosure items, only 17 items. Rizk et al. (2008) state that the checklist items in previous studies range from 17 to 224 items; this means that this study applies the minimum.
Future research could overcome these limitations by enlarging the sample size and undertaking a comparative study between the periods before and after the application of the Saudi CG code in 2007. Moreover, it would be interesting to use computerized content analysis which is more accurate and valid. Furthermore, future studies could fill the voluntary disclosure literature gap by examining the economic consequences of CSR disclosure, i.e., the influence of CSR disclosure on the cost of capital, analyst following, or firm value. Finally, a cross-country study would be beneficial to understand the influence of differences in regulations and cultures on CSR disclosure practices.

LITERATURE


CORPORATE GOVERNANCE AND SUCCESSFUL COMPANY PERFORMANCE (FOCUS ON CROATIA)

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ABSTRACT
The corporate governance field determines the way in which a company is being managed and supervised. The topic of this paper is to research and analyse whether the practice of corporate governance influences the company performance. Limited companies in Croatia, unless there are legal requirements and regulations of certain segments of their businesses, do not necessarily respect all the principles and recommendations that can be found in the non-binding documents such as the Code of Corporate Governance. All of that has a negative influence on the company's performance success, and a broader scope is reflected in the overall economic situation in the country.

Following the introduction in the first part of the paper, there is a more detailed definition of the research topic. The continuation sets a theoretical framework of the corporate governance issues, as well as an overview of extracts of the papers dealing with theoretical and empirical research in this topic up to date. The analysis of those secondary data sources (literature review) draws to a conclusion that corporate governance is an important factor in explaining a company performance.

Keywords: corporate governance, company performance, Tobin Q

1. INTRODUCTION
Well conducted corporate governance is one of the prerequisites of a successful company performance that can be achieved by stopping the arbitrariness in making the decisions of the controlling stockholder or manager structure, as well as by ensuring the conditions for better and faster decision making. In achieving the mentioned conditions, the market value of the stock can simultaneously react to each positive information on better corporate governance, which is the area of the agency theory.

The key question of this paper is whether there is dependence between the company performance and its practice of corporate governance that is whether the practice of corporate governance is significant for explaining the variations in the company performance.

1.1 Problem defining
The goal of this paper is to give a more detailed insight into the issue of company performance and the challenging domain of corporate governance, as well as using the available literature and secondary data sources to analyse the dependence of the company success on the corporate governance practice. A successful company supports the development of capital market. The prices of stocks react positively to every improvement in
corporate governance, especially in the segment relating to establishment of an efficient business decision system. Klapper and Love (2002) have in their research proved that a stricter regulation of the corporate governance process influences the success of company and increase of value. There are different methods and measurements of tracking the company performance.

The most commonly used benchmarks for company performance are still the traditional accounting benchmarks based on data from the basic financial statements, balance sheet, and profit and loss accounts. Their advantage is the simplicity of calculations, while the biggest disadvantage is the fact that they do not reflect the real value for the stockholders, considering that the gained value has a historic character. Usually, the two basic company performance measures are being mentioned. The first measure is company gains in relation to the invested means, and the other is company profit in regards to its own capital. The returns on invested mean make an important category, and are measured in indicators of business profitability, most usually indicator of profitability of the overall assets, ROA (Return on Assets). Company profit towards the equity is measured by the indicator of equity profitability, ROE (Return on Equity) (Monks, Minow, 2005, p. 68). Along with the mentioned indicators of company performance, there is still a whole range of qualitative and quantitative indicators which are being used as benchmarks of company performance.

Modern indicators of company performance measure the company performance by a degree of value creation. One of the methods of evaluating the achieved value is the relation of market and book value, the so-called Tobin Q (Claessens, Djankov, Pohl, 1997). The relation of the market and book value in Tobin Q is dependent on the potential to achieve profit that is the company's activity. The basic goal of the company is achieving the value that is maximizing the value of the owner's principle (Orsag, 2003, p. 91). The measure in which the mentioned goal is achieved determines the company's business performance.

Tobin Q is a standardly used dependent variable in research of relations of corporate governance practice and company performance. It is considered that if the other influential variables are being kept constant, that is unchanged, and if it is presumed that the practice of corporate governance influences the company value, this must also be reflected in the value of Tobin Q (Black, de Carvalho, Gorga, 2009). In its original form, Tobin Q represents the relation between the sum of the market value of company's debts and shares, as well as the expenses of replacing the same. There are numerous researches which uses Tobin Q as a dependent variable that is as an indicator of company's performance. Although most of the companies do not apply the mentioned indicator in its original form, but as a type of approximation. In their research Black, de Carvalho and Gorga (2009) took a sample of Brazilian companies and used a logarithm value of Tobin Q, whereat Tobin Q is calculated by summing up the book value of company's debt and the market value of regular and preferential shares. The gained sum was divided by the property book value. Nigerian explorers Sanda, Mikailu and Garba (2005) conducted a research on a sample of 93 companies which were quoted in the period from 1996 to 1999 on the Nigerian stock exchange. The mentioned research also used the approximation of Tobin Q, in a relation between the market capitalisation and book value of the overall company assets. Black, Jang and Kim (2005) conducted a similar research in Brazil. They have, based on the inspection of the Korean market in 2001, created KCGI (Korean Corporate Governance Index) for 515 companies, and analysed the dependence of the index on the performance of the company as measured by Tobin Q. Tobin Q was assessed as a sum of market value of the regular shares, the book value of preferential shares and the book value of debts divided by the book value of the assets.

A modern method for measuring the company performance is the Economic Value Added (EVA). EVA was created in the 80ies, primarily for the purpose of measuring the added value
for the shareholders, and also as a concept which enables governance on all company levels. Besides the Tobin Q and EVA method, a significant modern method of measuring company success is SVA (Shareholder value added) which helps to determine the value of the company by discounting the pure cash flows (Cooper, Davies, 2004).

2. THEORETICAL FRAMEWORK
Theoretically, corporate governance begins by Adam Smith's capital work „The Wealth of Nations“ (1776) which outlines that directors, managers cannot take care of, and manage the company and the money, as well as the owners themselves can. Namely, corporate governance can be studied on a level of a certain country, as well as on a level of a certain company. From the point of view of a particular country the goal is to create microeconomic foundations and structures in order to increase the economic impact. The key element in improving the microeconomic efficiency is corporate governance. Corporate governance influences the development and functionality of the capital market, has a strong influence on resource allocation, behavior and company performances, it stimulates innovation and entrepreneurship, and influences development of small and medium-sized enterprises. The transition countries, such as the Republic of Croatia, the privatization process prompted thinking on the ways the companies should be governed. The solution can be found in good corporate governance which is reflected in good company results, and ultimately leads to a bigger economic growth (Maher, Andersson, 2000).

Individual private companies were founded by private property, however the differences among them reflect in company governance, decision-making, using the needed company resources, market orientation, company development strategies and so on. Therefore, individual private companies differentiate in the area of corporate governance. Traditionally, corporate governance was developed from the agency theory, where the accent is put on the relation between the principals, that is the owner or stakeholder and agent, that is manager, as well as at the expense which is an imminent result of such a relation. Namely, agency theory defines the relation between the owner of a certain company and hired managers which for them, as well as in their name lead the company in order to ensure the desired results for the owner (Knez-Riedel, 2006).

The founders of the agency theory are Jensen and Meckling, who refer to the contract between the principal and the agent as the „rules of the game“, and which define the specific rights and liabilities of each individual subject in the contractual relation, as well as the criteria by which the agents are valued. The company is the result of complex processes in which conflict interests of individuals are being balanced through a contractual relation, while the value of the company is determined by the allocation of the shares among the shareholders (Fama, Jensen, 1983).

According to Eisenhardt (1989) the fundamental hypotheses of the agency theory are reflected in the contrary goals of the principle and agent, hidden information before, as well as after the creation of a contractual relation, and different relations towards the risk which refer to different preferences in choosing the activities with different degrees of risk. The goal of corporate governance is reflected in reducing the principal- agent problem which negatively influences the efficiency and effectiveness of a certain company, as well as to the country's overall economy.

A significant contribution to the concept of corporation and private ownership is given by Berle and Means (1932) in their work „The Modern Corporation and Private Property“ which marks the development of corporate governance theory. From a practical point, corporate governance is linked to the previous century, and its development begins with the creation of modern corporation (Dropulic Ruzic, 2011). The requests according to a modern corporation relate to the creation of wealth for the key influence and interest groups, however
in a responsible manner. Namely, the corporation as a pluralistic system must coordinate different interests in order to fulfill its basic economic purpose (Tipuric, 2008, p. 3). In this regard, corporate governance has a crucial importance because it directs the corporations so they could be profitable and advance in their entrepreneurship, and it is especially important for those companies who have separate ownership and governance structure which characterizes the continental corporate governance model. The defined rules of corporate governance ensure the protection of shareholders’ interest, as well as all the other influence and interest groups (Dropulic Ruzic, 2011).

Corporate governance can be defined as a “system of supervising mechanisms by which all the crucial input suppliers must assure returns on their assets in the corporation, without endangering its long-term survival and prosperity“ (Tipuric, 2008). OECD’s definition of corporate governance says that the corporate governance is a system which leads and controls the corporations, while the structure of corporate governance defines the distribution of the rights and responsibilities among all the interest and influence groups, and it proscribes the rules and procedures for making decisions (OECD, 2005). Schleifer and Vissny (1997) define corporate governance as a way in which the corporations ensure the return on investments to the suppliers of financial means.

According to Racic and Cvijanovic (2006), well-conducted corporate governance must satisfy the goal which refers to the company transparency. Furthermore, it must meet the goal of efficient and effective usage of its resources, as well as establish a relation among the interest and influence groups which would contribute to the achievement of the company’s strategic goals. Such theoretical views of the corporate governance problems and its influence on the company performance are endorsed by the research conducted by Tschopp in 2005. Tschopp (2005) proved there to be a correlation between the quality of corporate governance and company performance measured by financial indicators, innovation rate and market share. Accordingly, it can be concluded that the quality of corporate governance certainly presents one of the sources of company’s competitive advantage.

2.1. Corporate Governance in the Republic of Croatia

Corporate governance in Croatia should have had a parallel development with the processes of company privatization, as a precondition of good company governance and meeting the shareholders’ and other subjects’ conditions. Croatia, as well as other transition countries, has a pronounced demand for the advancement of the application an implementation of the corporate governance principles. The application of the corporate governance principles presupposes a reformed legal and economic system on a national level. The goal is to establish harmonization and balance with the systems of corporate governance within the region, which would significantly facilitate the cooperation and exchange of data and business practice experience (Cingula, Klacmer, 2003). Corporate governance in the Republic of Croatia draws its beginnings from the privatization process, as well as the construction of the market economy institutions. In fact, as the result of the privatization process there is a large number of small shareholders, which together with the slow development of capital market leads to an unfavorable position of the small shareholders (Racic, Cvijanovic, 2006).

Franicevic (1999) emphasizes that the privatization process created preconditions for reconstruction of companies, as well as consolidation of ownership influences. However, the course of the privatization was slow, inconsistent and arbitrary in making the decisions. Besides the mentioned problems, Racic and Cvijanovic (2006) mention that the creation of the legal framework for corporate governance was slow, as well as inadequately efficient. The result of such environment was frequent unregulated takeovers, most often using credits and domination of concentrated ownership structures. All of the mentioned, ambience and surrounding brought to slowing down of the development and spreading the corporate
governance practice. Lack of knowledge and insufficient recognition of the importance of corporate governance practice, both from the business subjects themselves as well as from the professional public, had the same influence. All the mentioned had a negative impact on the transparency of the company activities as well as the protection of the shareholders’ rights, and consequently on the interest of the shareholders and the development of the capital market. Namely, the practice of Croatian companies related to long-term financing refers to bank loans, and not to financing by issuing bonds and stocks. A conclusion can be made that the capital market itself did not have a big influence on the development of corporate governance.

It is a fact that Croatia conducted research in the field of corporate governance only in the last decade. A significant research contribution in determining the basic characteristics of corporate governance in Croatian public shareholding companies was presented in a report entitled „Corporate Governance in Public Joint-Stock Companies in the Republic of Croatia“. The research was conducted in coordination with a Slovenian company Socius, Institute of Economics Zagreb and Veršić – Marušić Law Office (2005). During 2004 and 2005 in cooperation with the Zagreb School of Economics and Management and East-West Management Institute, two researches have been conducted. The researches related to corporate governance and corporate social responsibility, and there were 43 Croatian companies included in the research process from the quotation of public joint-stock companies at Varazdin and Zagreb Stock Exchanges. The research has shown that despite the high percentage of having company Internet sites (92%), only 42% of companies published their annual financial results on their sites. This makes Croatia significantly lacking behind the countries of the European Union in reporting the existing and potential investors (Croatia lags behind the EU in the investors’ reporting). Today, almost seven years since the mentioned research, the situation has significantly improved. According to the data from the annual questionnaires of corporate governance codex for 2010, all the companies listed in the CROBEX® index in the mentioned year had annual, semi-annual and quarterly reports available on the company Internet sites.

A contribution to the study of corporate governance topic in Croatia was given by Cengic (2005) who in his work „Managers and Privatisation: Sociological Aspects of a Company Takeover“ started a systematic research work on the relations of ownership forms and related ownership control. A contribution to the study of corporate governance was given by Tipuric (2008) who points out that the development of good corporate governance practice is as conditio sine qua non for companies wishing to prosper on markets, acquire added capital, achieve competitive advantage and sustain in the world of higher competitive challenges, inevitable in today's extremely volatile environment. Cingula (Ali, Gregoriou (edit.), 2006, p. 65) analyzes corporate governance as a dynamical approach which includes process analysis in the context of company development.

Furthermore, corporate governance in the Republic of Croatia as well as in the European Union countries is based on applying the principle „proceed or explain“. The basic rules about governance, supervision and control, internal or external, relate to a number of provisions, laws and regulations which govern the capital market, accounting, audit and similar, while concerning the topic of corporate governance the dominant is the Corporations Act (OG 137/09). Besides there is the National codex which contains recommendations that are not obligatory, although the companies quoted on the stock exchange must give a statement on whether their conduct was in line with the published recommendations, and if they were not, they have to provide an explanation why they have not proceeded in line with the recommendations (the principle „proceed or explain“). In this context, in a Code of corporate governance was presented in 2007 by the Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange (ZSE) aimed at protecting all the interest and
influence groups by means of good and responsible governance and by supervision over business and governing company functions. Such approach to the problems of corporate governance turned out to be very good in practice, because besides the fact it leads to the possibility of adjusting to the specific needs of every national economy, it also leads to harmonization of legal and regulatory framework of the EU member countries (Tipuric, 2008). The annual questionnaire is an integral part of the Codex, and all the questions in the questionnaire relate to a one-year period; to which analogously relate the annual financial reports of individual companies. The questionnaire consists of 71 questions, and from 2010 of 68 questions to which the companies respond either in a positive or negative way. In case of a negative answer, the company has to give an explanation for such an answer. Also, the company has to in its annual report, as well as on its internet sites, on a regulatory form, that is annual questionnaire, indicate whether they followed the recommendations set out in the Corporate Governance Codex (2007).

Bringing the principles and the corporate governance codex does not necessarily bring positive results in regards to improving the corporate governance, mainly because it is not compulsory to apply those recommendations, it is only advised. If there is a real wish to achieve certain improvements in the companies it is necessary for certain principles to be not only applied, but also to analyse and evaluate the results of their application constantly, or perform certain sanctions due to disregarding the principles.

The current problems appearing in corporate governance practice in the Republic of Croatia refer to the aversion of the Board and Supervisory Board members to give public statements about their income, as well as to conflict of interest in performing supervisory tasks, and to independence of supervisory board members, membership in multiple supervisory boards, and aversion of the companies towards business transparency (Tipuric, 2008).

Veršic Marušić (2004) emphasize that spreading the good practice of corporate governance implies recognizing the importance and value, especially in the area of availability and capital value, as well as increase of business efficiency by the business subjects. In the last several years there have been more significant changes in many areas relating to the issue of corporate governance in the Republic of Croatia. However, it is also important to continue developing a good practice of corporate governance by establishing an adequate legal framework, as well as applying national corporate governance codex. The emphasis on the latter is still necessary considering that the quality research of annual questionnaires of corporate governance conducted by Klacmer Calopa (2011) revealed that the Croatian companies in most cases still avoid public disclosure of the information relating to fees and awards of the supervisory board, management and independent external auditors on their Internet sites. In the context of business transparency, disclosure of such information should be a common practice.

3. OVERVIEW OF PAPER SELECTIONS OF THE THEORETIC AND EMPIRICAL RESEARCH

When corporate governance is well implemented it is possible to achieve a better supervision over the activities of managers, so the agency costs are lower. However, the data on connectedness of corporate governance and successfulness of the companies are still scarce (Nam, Nam, 2004). A cause for this can be found in the lack of adequate measures for measuring the quality of corporate governance. Despite the abundance of measures for measuring the level of company performance, the metrics for evaluating the quality of corporate governance are scarce, so it would be difficult to keep up with the relations of the

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88 Agency cost is a form of a transactional cost which occurs in a situation in which the principal cannot secure the action and activity of a manager to be in the best interest of the principal.
metrics and the practice of company's corporate governance. The data used to show the relation of corporate governance and company's performance are still insufficiently connected, and there is also a problem of their grouping. In fact, there is a dependence of this relation on legal, financial and institutional country framework, which is country specific. Gompers, Ishii and Metrick (2001) have pointed out in their research to the existence of a positive relation between corporate governance and company performance. The mentioned authors analyzed the size and structure of a supervisory board, which they have later connected to the company performance. Besides the mentioned elements, they used in their research a whole set of alternative measures which in long term influence the company performance. These are, for example, managerial remunerations and shareholders' activities. They established that companies in which all the shareholders have equal rights achieve higher market value from the point of view of market premium.

Claessens (2004) researched in his work the relation between corporate governance, company performance and country's economic development. Research showed that a well-established corporate governance framework enables the company to have a better approach to financing sources, lower capital expenses, diminishes the risk of recurring financial crisis, and also ensures a better cooperation with the subjects of interest and influence groups. In their research, Brown and Caylor (2004) proved that good corporate governance measured by the fees of executive and governing structures, is almost always related to company performance. Their research was based on studying businesses of 2,327 companies, and proved, among other, that the companies which are characterized by a better quality of corporate governance are unquestionably more profitable, have a higher value, and pay up higher dividends to their shareholders.

Research conducted in 2002 by a consulting company Mckinsey & Co. indicated that investors, as a rule, are willing to pay a market premium for company's shares in the range from 11% to 14%. The amount of a market premium largely depends on economic conditions of a country in which the observed company does business, as well as on the corporate culture of the company itself. Therefore, investors are prepared to pay more for the shares of the companies which apply some of the following principles (Cornelius, Kogut, 2003, p 403): (1) most of the board is made by external members, (2) external board members act completely independently from the board, (3) board member fees depend on the number of shares they own, (4) there are evaluation mechanisms of the board members, (5) openness of the board towards requests and demands of the shareholders.

Corporate governance has been a current topic for a while. To support this statement there is research done by Coombes and Watson (2000), McKinsey Global Investor Opinion Study (2002) and Corporate Governance rating by ICRA Ltd. (2004). The mentioned research indicated that investors are ready to pay more for the shares and dividends of well managed companies. Coombes and Watson (2000) established this in a research conducted on a sample of 200 institutional investors. McKinsey's research (2002) showed that more than 70% of investors are ready to pay a premium on shares of well-managed companies. In the research, conducted by ICRA (2004), 85% of examinees stated they would be willing to pay a higher premium on company shares which are characterized by a good quality of corporate governance (Samontaray, 2010).

In the article „Institutional ownership and corporate value“, the authors Navissi and Naiker (2006) researched the connectedness between the values of companies and branch offices of institutional investors in their respective supervisory boards. On a sample of 123 companies they realized that there was a positive relation between the existence of the institutional investors' representatives in supervisory board and company performance of a joint-stock company. In order to evaluate whether the choice of corporate governance policy influences the company's market value, Durnev and Kim (2005) have researched their relation on a
sample of 859 large companies form 27 different countries. They concluded that the higher values of CLSA (Credit Lyonnais Securities Asia) corporate governance index and S&P (Standard & Poor's) transparency index prejudice a higher company performance rate as measured by Tobin Q.

Black, Jang and Kim (2005) questioned the existence of a correlation between the created index KCGI (Korean Corporate Governance Index) and success of 525 out of 560 companies listed on the Korean stock exchange. The research results pointed to the existence of an economically significant correlation between KCGI index and company market value. The same research indicated that the Korean companies with 50% of external directors are being perceived as more valuable, regardless whether the companies were legally bound to adopt such a practice, or it was arbitrary adopted.

The research results conducted by Black (2001) on a sample of only 21 large companies in Russia drew attention to a correlation of corporate governance index and the share price that is the company's stock in the sample. Black, de Carvalho and Gorga (2009) formed a Brazil Corporate Governance Index (BCGI) while doing their research, and have noticed that the higher value of index they get, the higher is the value of subindex representing ownership relations, board procedures and the minority shareholders' rights, suggest to a higher level of company performance as measured by Tobin Q. However, it is interesting to note that the results of the mentioned research, as opposed to the results of other relative research, reveal that the existence of a negative correlation between the independence of board of directors and Tobin Q.

The relation of corporate governance practice and company performance was integrated to a large extent by Kajola (2008). In his paper he was researching the relation between the mechanism of corporate governance (board size, board composition, executive director's status, and auditing board) and two company performance measures (Return on Equity (ROE) and Profit Margin (PM)) on a sample of 20 Nigerian companies listed of the Nigerian stock exchange in the period from 2000 to 2006. The results indicated the existence of a significantly positive relation between ROE and board size, as well as between ROE and the status of chief executive director. The mentioned implies that the board size should be limited at a certain level, as well as that the chief executive director and board that is board of the directors, president should not be incorporated in one person. Furthermore, the results reveal there is a significant positive relation between the Profit Margin and the status of the chief executive director. However, the research did not indicate the existence of a significant relation between the used measures of the company performance and the composition of the governing that is auditing board, which is consistent with earlier empirical studies.

The research on the mentioned relationship was done by Sanda, Mikailu and Garba (2005) on a sample of companies listed on the Nigerian stock exchange. These authors researched the relationship of corporate governance and company performance on a sample of 93 companies listed on the Nigerian Stock Exchange in the period from 1996 to 1999. It is interesting to note that the results did not support the idea that the boards with a bigger proportion of external directors achieve better results. However, they proved that the companies governed by external chief executive directors achieve better results than the ones governed by internal chief executive directors. The remainder of this research is consistent with the existing literature on the subject of relation of company performance and corporate governance practice. The issue of relation between the company performance and corporate governance practice was addressed by Samontaray (2010) who has within his study researched whether the factors of corporate governance influence the share market price of the 50 companies listed on the Indian index National Stock Exchange's Fifty. The research applied to the period from 2007 to 2008. The results of the regression analysis demonstrated the existence of a
significant relation between the market price as a dependent variable and independent variables used in the research (EPS, Sales, Net Fixed Assets and corporate governance factor). The analysis of company performance in some transition countries indicates that in case the ownership structure is more than 50%, the indicators of performance can also rise. For example, such a correlation was noticed in the companies listed on Warsaw Stock Exchange (Poland) (Błaszczyk, Hashi, Radygin, Woodward, 2001). Damijan, Gregoric and Prašnikar (2004) conducted a research on Slovenian companies listed on the Ljubljana Stock Exchange. The sample included 150 large and medium-sized companies, and the data which was processed was from the period from 1998 to 2002. In their research they discovered that the ownership concentration positively influences company performance.

4. CONCLUSION
The main areas of corporate governance deal with the issues of power, authority and responsibility in performing the main company activity. Corporate governance as such has to give an answer to the following questions: who supervises the corporation and why; how do you manage a corporation and in whose interest; who do managers’ report to; what are the relations between managers and owners like; in which way are the rights of minority shareholders being protected; what is the relation of the corporation towards the public and potential investors; how can you include other interest and influential groups into corporate businesses; how do you protect their rights and consider their requests; how do you show company’s social responsibility, and similar (Tipuric, 2008).

When looking into the corporate governance, two models that is corporate governance systems can be discerned. These are the open and the closed system. From geographical point of view the open system is called the Anglo-American system, characteristic for the United States of America, the Great Britain and Australia. The closed system is also called continental, and it is present in the continental Europe and Japan. Accordingly, the Republic of Croatia belongs to the closed model of corporate governance.

Expanding the good corporate governance practice implies recognizing the importance and usefulness, especially in the availability area and capital value, as well as increasing efficiency of company performance. In this context it should be pointed out that during the last several years there have been significant changes in many areas related to corporate governance issue in the Republic of Croatia. Despite that, it is necessary to continue developing the good practice of corporate governance by establishing an adequate legal framework, as well as applying the national codex of corporate governance. It is important to keep in mind that by doing an overview of papers on theoretical and empirical research of the domain in concern, it was established there is the existence of positive correlation between the company performance and the corporate governance practice.

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MARKETING OF INNOVATION IN TURBULENT MARKET: INTRODUCTION OF AN AMBIDEXTROUS MARKETING INNOVATION PARADIGM

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ABSTRACT
Turbulence, risk and uncertainty are now the normal situation of firms, markets and industries. This normality is underlined by periodic and irregular upturns and downturns which has two main effects. One is vulnerability, against which companies deploy their defensive shield. The latter is opportunity, which should be constantly exploited. This study aims to present a new ambidextrous marketing innovation paradigm for firms which running in a turbulent and complex environment. The model is composed of four main vectors as content, channel, community and context which seem to be influential on stimulating companies’ dynamic capabilities to achieve competitive advantage in turbulent markets. It is assumed that these vectors might influence companies’ capabilities to tackle their two substantial issues of survival in turbulent environment which are their vulnerability against ever changing environment as well as discovery and exploitation of opportunities. This study is supported by establishing common domain between complex theory, dynamic capability theory and innovation theory. The theoretical underpinning of relationship between innovation approach and turbulent environments are investigated. The approaches suggested by complex theory are contrasted with innovation orientation approaches to evaluate the validity of model. With finding a clear gap in this research area, the proposed model will provide an illustration of how companies might be survived successfully in a complex and turbulent environment.

Keywords: Competitive advantage, Innovation, Sustainability, Turbulence

1. INTRODUCTION
In year 2000, A.G. Lafley, CEO of P&G realized that they couldn’t deliver their planned growth by only increasing on the spending amounts of their in-house R&D. Hence, he shifted from the company’s age-old innovation approach which was “invent it ourselves” and instead adopted a "connect and develop" paradigm. P&G realized it could create more effective and cheaper products, even faster, by identifying great feasible ideas across the world and applying its own capabilities to them. For instance, they found better solution for one of their problems by connecting to external communities, and receiving service from a freelancer chemist who geared them with a better solution that they could not get in-house (Huston and Sakkab, 2006). The same holds true for the story of commercialization of automobile by Henry ford. There is his famous statement saying, “If I had asked people what they wanted, they would have said faster horses” (Shih, 2013). Ford did not limit himself to existing customer needs and went far beyond that, however, this does not mean that he had ignored the customers’ needs and wants but it emphasizes on the point that looking for better opportunities through the core of the business would not always lead to adequate innovative result. Better solutions usually could be found out of the box and beyond existing core
business and capabilities. The abovementioned examples imply that there are strategic opportunities outside the core of business which are called white space and firms usually facing great challenges, while trying to identify and harness them (Johnson, 2010). On the other hand, the example of P&G brings this issue on the surface that firms have significant limitation to generate all new ideas, concepts and solutions in-house. To tackle this obstacle they need to be connected to the huge and powerful sources for idea generation out of their own core capabilities and core business. This study intends to present an ambidextrous marketing innovation paradigm which aims to illuminate how companies from marketing perspective can manage to concurrently explore and exploit the strategic opportunities in the white space of market through enhancing organizational ambidexterity to sustain in turbulent market (O’Reilly and Tushman, 2008). The model hinges on four vectors namely content, channel, community and context from marketing innovation standpoint. This study is based on comparison of three main theories such as complex theory, dynamic capabilities theory and innovation theory. The emergence of web 2.0, empowerment of customers, democratization of distribution channels, expansion of the communities and connectedness of society, among other factors have driven companies to a quite new and complex context in which they have to differently devise their marketing strategies and their interactions with market stakeholders. Despite many research conducted in innovation and marketing field, there are very few studies undertaken to broaden the literature specifically in this area. Hence, study at hand draw on existing literature to fill the gap and contribute to adding value to the body of knowledge.

2. SUPPORTING THEORIES
There is bilateral interaction between innovation and increasing level of the complexity and turbulence of business environment (Mason, 2014). The scarcity of resources, necessity for sustainability, and propensity for growth and competitive advantage drive innovative firms to make changes in their business. These changes range from incremental change on the product line, process, technology, channel, business model and to the radical changes which reform the industry structure and business environment (Tinoco, 2009). For instance, the need for broad utilization of computation capabilities in daily life and mandate to overcome such an important shortage drove Apple, IBM and Microsoft just name a few among other major market players to make huge changes in social, economic, and environmental dimensions of society (Kotler and Caslione, 2009). They set new culture, new trends, new industries, new markets, and so forth while delivering new value to the society. In the nutshell, it is to be stated that as Schumpeter (1934) suggested in his creative destruction manifest, the chaotic and complex environment, per se, will result in innovation and those innovation which lie in the radical change, would lead society to another level of uncertainty and complexity which today is becoming as a normality of business environment. Having had this premise, it is perceived that there is intimate similarity and complementing characteristic between innovation, dynamic capabilities and complex theory (Mason, 2014).

2.1. Complexity and chaos theory
Marketers need to be capable of anticipating, tackling and adapting to the external environmental changes. Adaptation in a predictable business environment seems to be relatively manageable. But as the complexity of the environment increases, and changes take place more swiftly, adaptation turns out to be a more difficult and challenging task (Kotler and Caslione, 2009). Edward Lorenz (1963) discovered one of the substantial principles of chaos theory known as the Butterfly Effect. He suggested that the organizational environment consists of a set of relationships among actors, stakeholders and other dynamics that might be out of the control of the organization (Mason and Staude, 2009). Application of the number of
2.2. Dynamic capabilities in turbulent

Eisenhardt and Martin, (2000) argue that dynamic capabilities in turbulent environment are highly experimental and fragile processes with unpredictable consequences. Dynamic capabilities are the key organizational mechanism to match and even to develop changes in the turbulent environments. Hence, effective routines should be greatly adaptive, to fit or generate the required changes, which can make dynamic capabilities with unpredictable results (Cao, 2011). Zollo and Winter (2002) believe that dynamic capabilities originate from the “co-evolution of tacit experience accumulation processes with explicit knowledge articulation and codification activities”. They argue for an equilibrium between explicit learning (Nonaka, 1994; Nonaka et al, 2006) and implementation activities (Christensen, 1997b; Von Hippel and Tyre, 1995), stressing on the critical need for allocating efforts consistently between thinking and practicing. Particularly, in turbulent environment, firms need to tap into dynamic capabilities to be able to sustain their long-run competitive advantage. Cao (2011) suggests that in such environments, dynamic capabilities can develop a path breaking strategic logic of change which can be applied to work out new resource configurations in order to lead the firm into new positions, markets, capabilities and products. Teece (2007) disaggregated dynamic capabilities into three capabilities. (1) to feel and form opportunities and threats, (2) to grasp opportunities and (3) to uphold competitiveness through revolutionizing and reconfiguring the firm’s intangible and tangible assets. He also identified the crucial activities of the firm that are linked to these different capabilities.

2.3. Innovation theories

There are plenty of theories explaining different aspects of innovation. This study picks the most related ones among others to support the concept of ambidextrous marketing innovation paradigm in the context of turbulent environment. Kristal et al (2010) discussed that exploration is the pursuit for novel external opportunities and knowledge. Sarkees et al (2010) emphasized on radical innovation development and enhancing and organizational capability and agility to adapt to the changes of the market. On the other hand, exploitation refers to the employment and alignment of firm’s internal knowledge (Kristal et al., 2010) and processes that enable the firm to figure out incremental changes and tap into opportunities exist in the streamline markets (Sarkees et al., 2010). Subramaniam and Youndt (2005) suggest that exploration and exploitation both playing critical roles in generation and diffusion of innovation. Andriopoulos and Lewis (2009) believe that these innovation processes are also significant factors to keep organizational capabilities in evolutionary process and in turn assist the organizational sustainability. Another theory of interest is the distributed innovation which suggested by Sawhney and Prandelli (2000b). They defined it in conjunction with “communities of creation”. They believed that firms can no longer develop their required knowledge alone in such context but rather they have way to collaborate with their counterparts, external communities, users and customers to generate knowledge. They refer that communities play very important role in knowledge development and specialization, a mechanism that creates linkage between thoroughly open-source approach, closed and
autonomous firm-based approaches. Other approach supporting this study is open innovation paradigm. Open Innovation stresses on integration of technological competencies and various capabilities, outside or inside the firm, and links them to commercial ends (Chesbrough, 2010). NineSigma and InnoCentive are proper example for these type of organizations that tapping into the capabilities of crowd knowledge, freelancers, and specialists and empowering communities of interest to explore and exploit novel knowledge and business value.

3. AMBIDEXTROUS MARKETING INNOVATION PARADIGM

Ambidextrous organization is considered as a new topic in organizational adaption studies (O’Reilly and Tushman, 2013), which is defined as capability of organization to balance explorative and exploitative practices concurrently. Ambidexterity is a sort of reconceptualization of the discussion on dynamic capabilities, which emphasizes on the organizational choice over flexibility and stability, as well as the mode of dealing with innovation, risk propensity, and handling environmental threats and opportunities. The central point that gains interest of researcher about ambidexterity is how dynamic capabilities – the organizational learning methods – which are developed in ambidextrous organizations can tackle the effects of the turbulent market (Güttel and Konlechner, 2009). This paradigm assumes that firms can and should identify and integrate their strategic marketing capabilities in constant discovery and generation of innovation from one side and also diffusion and exploitation of innovation at other side to become fast responsive in interaction with external environment. This takes place through constant receiving and sending signals and content from and to the external stakeholders and market players. The ambidextrous marketing innovation model (figure 1) suggests that four elements namely Content, Community, Channel, and Context, are the main factors which connecting internal capabilities of the firm to its external environment (Sawhney and Prandelli, 2000b). Customers identify and give credit to companies based on the integrity and feature of these essential vectors (Pulizzi and Barrett, 2009).

![Figure 1: Ambidextrous marketing innovation model](image-url)
This model emphasizes on four major factors which seem to be essence of marketing approach. These vectors as presented in (Table 1) can have direct and indirect impact on each other which in turn influence the architecture and design of business model of the firm. The famous statement of ‘Content is king’ refers to the value that embedded in information, massage, knowledge, discourse, and etc. that being transmitted from creator, diffuser and sender to receiver, through channel of communication. Content needs to be of enough value and impact on experience of audience to be attracted, entertained, reacted and probably be transformed in the process of communication by the receivers who in business context are referred to as consumers, users or market actors. The value of innovation content and the rate of its circulation depend on the nature of context, efficiency of channel and collaboration of communities. The theory of reasoned action (TRA) and also the extension theory both support the idea that market actors demonstrate positive behavior towards adoption and diffusion of innovation content only if it is communicated in right context and through proper channel and the actors experience some benefits from that interaction (Röling, 1988, Parminter and Wilson, 2003).

<table>
<thead>
<tr>
<th>Vectors</th>
<th>Exploratory marketing</th>
<th>Exploitative marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>Novel, disruptive, trend setter, multi actor generated, value based, flexible</td>
<td>adopted, incremental, trend exploitation, ROI based, brand centered, structured, manipulated</td>
</tr>
<tr>
<td>Channel</td>
<td>Organic, disruptive, democratized, assimilator of ideas and innovation, Omni potent and present channels, socially integrated</td>
<td>Mechanistic, structured, authoritative, Diffusion oriented, assimilator of attention, multiple channel, economically integrated</td>
</tr>
<tr>
<td>Communities</td>
<td>Multidimensional, connected externally and internally, Value creators, value oriented, Interactive, heterogeneous Innovativeness, flexible, risk seeking, democratized, Trust based, transparency, consumer empowerment, cooperative, future back, co-creation, co-design, value exploration based, long term orientation, opportunity generation, social shopping</td>
<td>Formal, department based, strategic partners, organized, homogeneous</td>
</tr>
<tr>
<td>Context</td>
<td>Efficiency, stable, risk averse, autocratic, Profit based, limited information, brand empowerment, competitive, present</td>
<td>forward, co-production, co-development, value exploitation based, short term orientation, opportunity exploitation, personal shopping</td>
</tr>
</tbody>
</table>

Marketing innovation paradigm mainly substantiates the generation and flow of innovation content which is the essence of innovation through community and channel in a appropriate context (Hafkesbring and Schroll, 2014). Basically this model emphasizes on the opportunities exist for companies to generate diverse spectrum of marketing strategies based on what features of these vectors they decide to use as ingredient of their marketing strategy.

4. CONCLUSION
The main redeeming feature of this model is being ambidextrous which is combination of explorative and exploitative perspective that illuminates how companies with high dynamic capabilities can identify their surrounding opportunities and threats in order to tap into or handle them while interacting with their turbulent environment. There is not one best fit-size innovative marketing model for all companies, because the main components of the firm and environment are quite dynamic and they keep changing based on the interaction of the actors in different times and contexts. Any small change on a component such as content has potential to lead to a significant change in context, community and channels’ nature and vice versa.
LITERATURE


ENTERPRISE ACTIVITIES AIMED AT SHAPING PRO-INNOVATIVE EMPLOYEES ATTITUDES – THE EXAMPLE OF POLISH COMPANIES

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ABSTRACT

In the contemporary economy the need for enhancing firm’s ability to innovate is highlighted by several researchers. Such focus on enterprise’s innovativeness results from the belief that the ability to introduce some novelty inside or outside an organization is one of the key factors determining its long-term potential to be competitive. The level of enterprise innovativeness depends on several variables. However, nowadays there is considerable agreement among writers and practitioners on the view that human resources are those that significantly influence firm’s competitiveness and innovativeness. It is due to the fact that enterprise’s innovativeness refers to the ability and willingness to absorb innovation and involve employees in an innovative processes. The importance of enterprise’s human resources is highlighted by several theorists and researchers in organizational sciences. Taking this into account, enterprises aspiring to increase the level of their innovativeness should concentrate of treating employees’ knowledge, skills as well as their attitudes as significant resources enabling creating innovations. Given the fact that the enterprises aiming at developing their capacity to innovate have to focus on employees creativity, attitudes and their commitment to work, we can say that the priority of such firms should be creating the organizational climate encouraging employees to creative thinking and acting, risk taking, their cooperation and openness to change. The major purpose of the paper is to highlight the importance of influencing employees in order to engage them in innovative processes in the company. The paper adopts both a conceptual and empirical approach to aforementioned problem. The first part of the paper provides an theoretical overview of the issues concerning enterprise’s innovativeness and the role of human resources in enhancing firm’s capacity to innovate. Moreover, it discuss different approaches to pro-innovative organizational climate pointing out its relations with employees attitudes. The second, empirical part of the paper explores different activities undertaken by Polish enterprises to create employees’ openness to change and influence their attitude towards innovations created by these enterprises.

Keywords: firm’s innovativeness, pro-innovative employees attitudes, pro-innovative organizational climate,

1. INTRODUCTION

In the contemporary economy there is a growing consensus that enterprise’s competitiveness is mainly based on its capacity to innovate and on the ability to manage its intangible resources, especially human and social capital. Today many researchers and practitioners agree on the view that human capital is a key factor to remain a firm competitive and innovative and thanks to these sustainable. The significance of enterprise’s human resources is highlighted by several theorists and researchers in organizational sciences (Moroko, Uncle, 2008, pp. 160–175; Mandhanya, Shah, 2010, pp. 43–48). The focus on developing firm’s
intangible assets, in particular human resources, entails the necessity of attention to suitable employees’ attitudes and behaviors. These are consequence of particular incentives for employees to create new ideas, engage in developing those proposed by other workers, learn new things, exchange knowledge and experience as well as be open to change. In recent years it has been recognized that in order to stimulate people’s creativity and commitment to their work, the executives have to perceive an employee as the subject of innovation process (Bal-Woźniak, 2013, pp. 404-423). Such approach takes into account the needs and objectives of employees participating in the enterprise’s innovation process. What is important, employees take attitudes towards novelty depending on individual benefits perceived by them as a result of taking part in firm’ innovation process. In the light of above mentioned correctness, the challenge that is spreading the innovative behaviors within a firm and thus enhancing its innovativeness requires: firstly recognizing employees working needs and trying to meet them, secondly creating particular organizational climate fostering creativity of employees and encouraging them to commit for innovativeness. The literature includes a number of articles that focus on the role of organizational climate in determining enterprise ability to innovate (Burke, Litwin, 1992, pp. 523-545; Woodman, Sawyer, Griffin, 1993, pp. 293-321; Ekvall 1996; pp. 105-123; Isaksen, Lauer, Ekvall, Britz, 2000-2001, pp. 171-184; Naranjo-Valencia, Jimenez-Jimenez, Sanz-Valle, 2011, pp. 55-72). According to aforementioned sources, organizational climate is said to be reflected in employees’ perceptions of or believes about the environmental attributes influencing expectations concerning outcomes, contingencies, requirements and interactions in a work place (Hunter, Bedell, Mumford, 2007, p. 70). It is also seen as intervening factor which affects both individual and organizational performance. However, if we search for the origin of such organizational climate, it is necessary to underlie that creating specific climate fostering innovativeness is highly dependent on the leadership existing within an enterprise. The attitudes of leaders combined with variety of instruments they apply to motivate and inspire employees are said to have strong influence over workers’ pro-innovative thinking and acting. Company’s executives who aim at innovativeness increase should create organizational ambience promoting employees participation in the creative processes, favourable to their initiative, encouraging them to seek unconventional solutions and providing people with sens of security and lack of fear concerned with criticism, both by managers and co-workers. Moreover, the necessary task for leaders who desire to create pro-innovative employees’ attitudes is promoting cooperation that leads to knowledge exchange and thus to learning and rewarding employees for taking challenges (Szczepańska-Woszczyna, 2014, pp. 223-224). Having to bear in mind that fostering employees attitudes is a multi-dimesional problem, involving a number of factors, in our paper we refer to meeting employees needs due to the fact that it seems to be foundation of people’s behaviour.

2. INNOVATIONS AND ENTERPRISE INNOVATIVENESS
Organization’s innovativeness refers to the efforts aimed at finding new opportunities and novel situations that enable to maintain or enhance organization’s effectiveness in today’s challenging environment and so create valuable outputs over time. Innovativeness and innovations are not identical concepts, although they are very close to each other due to the fact that firm’s innovativeness is usually measured by number of innovations created and implemented by the company as well as by the firm’s expenditures concerning firm’s activities in this field. The literature review shows that there are several approaches to define and divide innovations. According to Baregheh, Rowley, Sambrook who have studied a number of different innovation’ s definitions (from several fields of knowledge), innovations is defined as a multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves.
successfully in their marketplace (Baregheh, Rowley, Sambrook, 2009, p. 1334). Nevertheless, common to most approaches to describe the nature of innovations is the idea of the application of new solutions that meets new requirements and market needs. It is accomplished through new and more effective products or processes, services or ideas (Deffains-Crapsky, Sudolska, 2014, p. 5). The level of enterprise innovativeness depends on its ability and willingness to absorb innovation, involve employees in an innovative processes and on ability to acquire resources needed to participate in these processes (Szczepańska-Woszczyna, 2014, p. 221). In line with recent literature, the social dimension of enterprise innovativeness should be particularly noticed (Roth, 2009, p. 232; Berna-Martinez, Macia-Perez, 2012; p. 148-149; Szczepańska-Woszczyna, 2014, p. 223). Taking into account above mentioned definition of innovation, we can say that creating innovations is a collective process which requires the involvement of several employees within a firm. That is why many authors argue that innovation is a kind of social phenomenon (Kożusznik, 2010, p. 6; Szczepańska-Woszczyna, 2014, p. 223).

3. THE IMPORTANCE OF MEETING EMPLOYEES’ NEEDS FOR INNOVATION PROCESS IMPLEMENTATION

In recent years it has been recognized that enhancing enterprise ability to innovate requires respect for an employee’s needs. Managers who want their employees to engage in the activities focused on creating innovations, should perceive them not only as means of conveying human capital, but most of all as the subject of enterprise innovation process (Bal-Wozniak, 2013, p. 405-406). This means they have to remember about the necessity to meet the working needs of the employees. This requirement directly concerns the issue of employees’ satisfaction. It has been proved by several research that satisfied employees feel loyalty towards their organization and are committed to accomplishing its goals and objectives. They are also eager to learn new things or technologies. Moreover, employees who feel satisfied are willing to help their co-workers and cooperate with the company, even during emergency situations. Another social benefit of high level of employees satisfaction is the fact that it leads to positive ambience at the workplace. Satisfied employees spread positive word of mouth and stand by each other within an organization. While considering the role of human resources in the innovation process, there is also a necessity to underling the importance of employees commitment to their work. It is indisputable that in order to involve the employees in the innovation process within a company, they need to be passionate towards their work. However, employees’ passion results from their satisfaction with job and the workplace on the whole as well as from their happiness. According to the literature, happiness in the workplace results in higher employees’ willingness to work harder. This in turn result in higher organization’s productivity. Over the past few years, it has been observed that engaged employees carry about the future of their company and are willing to invest an extraordinary effort to see that it succeeds (Gregory, 2011, p. 33). As nowadays firm’s innovativeness is associated with human resources and some social issues, it seems significant to point out that executives who aim at increasing the level of their employees creativity and commitment to work must focus on proper communication with them. It is of great importance to give employees the feeling of being listened to as well as feeling of belonging and worth. Properly constructed communication system, strengthening employees’ feeling of belonging includes sharing both good and bad information. Such approach results in higher level of trust between coworkers. In turn they are more sincere with one another. Moreover, confronting several points of view within an organization frequently results in some novelty.
As highlighted by several researchers, managers who want their workers to engage more and to develop their knowledge and skills, should promote friendly relationships in an organization. This creates a healthy environment fostering creativity, cooperation and knowledge exchange. Many research studies prove that workers’ teams with high ability to cooperate among team members, trusting each other and exchanging knowledge leads to outperforming those individuals and teams that lack good interpersonal relationships (Davidson, James 2007, pp. 137-158; Gregory, 2011, p. 35; Rowe, Guerrero, 2011, pp. 203-204). Moreover, it is very important to provide employees with immediate feedback, particularly when their performance is good. Practice shows that usually workers receive feedback very quickly if their results are poor. But in case their outcomes are good, the recognition is much less common (Rowe & Guerrero, 2011, p. 203). While considering the activities that should be undertaken by executives in order to create a friendly work place encouraging employees to be creative and to commit to their work, executives have to show that they value their workers. Thus some employees-focused changes such as implementing work-life balance idea or profit-sharing seem very important (Rowe, Guerrero, 2011, p. 201). Also it is significant to involve employees in challenging and important projects that create the opportunities for their career advancement and let employees know that their efforts matter and thus they are contributing to firm’s success in a meaningful way (Rowe, Guerrero, 2011, p. 203). Such approach triggers workers’ creativity, initiative and increases their engagement in work.

4. CREATING ORGANIZATIONAL CLIMATE ENHANCING EMPLOYEES’ OPENNESS TO NOVELTY

Given the fact that today firm’s competitiveness is directly related to its innovativeness, it is of significant importance to create organizational climate that supports employees’ creativity, risk taking, their cooperation and openness to change. As highlighted by Isaksen et al., organizational climate is defined as the recurring patterns of behavior, attitudes and feelings that characterize life in the organization (Isaksen et al., 2000-2001, p. 172). However, without the knowledge and understanding of what components such climate consists of, managers are not capable of enhancing their companies innovative potential. The reference literature presents several theoretical frames used to specify and explain the variables of the pro-innovative organizational climate (Loewe, Dominiquini, 2006; pp. 24-31; Hunter et al., 2007, pp. 69-90; Isaken, Ekvall, 2010, pp. 73-88). For example, according to Amible et al. we can point out the following eight variables crucial for supporting innovations: work group support, challenging work, organizational encouragement, supervisory encouragement, organizational impediments, freedom workload pressure and sufficient resources (Amble et al., 1996, pp. 1154-1184). Another approach, proposed by Scandinavian researchers, focuses on several psychological issues and processes supporting organizations ability to innovate. They have distinguished nine dimensions of the climate fostering creativity and innovation: employees challenge and involvement, freedom, trust/openness of employees, time used for elaborating new ideas, playfulness and humor, presence of conflict, idea support, employees debating and risk-taking which means tolerance for uncertainty and ambiguity in the workplace (Ekvall 1996, pp. 105-123; Isaksen, Lauer, Ekvall, Britz, 2000-2001, pp. 171-184; Isaksen, Lauer, 2002, pp. 74-86). Loewe and Dominiquini, while conducting the research concerning the barriers to enhance companies’ innovativeness, pointed out four main areas that should be focused: leadership and organization, process tools, organizational culture and values as well as people and skills (Loewe, Dominiquini, 2006, pp. 24-31). In another attempt to identify the main dimensions of an organizational climate fostering firm’s capacity to innovate, Hunter, Bedell and Mumford have distinguished and described fourteen components including: positive peer group, positive supervisory relationships, resources facilitating the
implementation of creative ideas, challenging and interesting employee tasks, mission clarity, employee feeling of autonomy, positive interpersonal exchange, intellectual stimulation by debating and discussing new ideas, top management support for creativity, rewarding creative performance within an organization, approval for flexibility and risk-taking, product emphasis meaning that a company is committed both to quality and originality of its ideas, supporting employee participation and organizational integration (Huner et al. 2007, p. 74). All aforementioned approaches point out wide spectrum of issues connected to shaping pro-innovative organizational climate. However, it is indisputable that creating specific climate fostering innovativeness emerges partly as a function of leadership within an organization (Jaussi, Dion, 2003, pp. 351-368; Mumford, Hunter, Eubanks, Bedell, Murphy, 2007, p. 403). While considering an apparent impact of leadership on creating in the organization the climate and conditions necessary for novelty development, we should focus on such leaders’ capacities as creative thinking skills and social skills. First of all, leaders must be creative as they have to be able to envision the consequences of different new ideas proposed by employees. Secondly, they must generate the strategies which help resolve some crises that may occur whining the innovation process that involves several stages from the initial one to the final innovation implementation. Also managers’ social skills are said to be an essential factor influencing the success while talking about enhancing firm’s innovativeness. The most important aspect concerning leaders’ social skills is that they must be able to create a context in which different kinds of innovations can be initiated and maintained (Mumford et al., 2007, p. 404). Moreover, leaders who aim at creating innovations, should be able to engage employees emotionally in the projects being pursued (Mumford, Strange, Scott, Gaddis, 2004, pp. 205-223; Mumford et al., 2007, p. 404). According to Ibarra and Hansen, who also investigated the impact of leadership on firm’s innovativeness, successful executives should be able to engage workers and groups outside their formal control and inspire them to work toward common goals, despite some differences in convictions, cultural values and operating norms (Ibarra and Hansen, 2011; p. 73). As highlighted by aforementioned authors, such pro-innovative leaders are characterized by specific skills that concern the ability to influence the relationships within work groups and the ability to put the idea of cooperation into action. Another significant issue while considering creating organizational ambience fostering innovativeness is providing employees with the opportunity for growth and development. Involving employees in new projects allows them to present their creativity and skills in some novel areas. On one hand such approach broaden employees knowledge and experience. On the other hand if workers feel that they are firm’s valuable resources, they are more eager to engage in their tasks. Moreover, providing employees with such opportunities is a great contributor to their satisfaction (Gregory, 2011, p. 35).

5. RESEARCH METHOD AND FINDINGS
The study was a component of the comprehensive research project on shaping organizational environment fostering creating innovations by companies operating in Poland. The project was funded by the Polish National Science Centre grant on the decision number DEC-2013/11/B/HS4/00691. The research was conducted on a group of 200 companies operating in Poland. Target enterprises have been chosen from two rankings of the most dynamically developing enterprises in Central Europe: ‘Gazelles of Business’ by Bonnier Business and the ‘Deloitte Technology Fast 50 in Central Europe’. The survey was conducted by using the technique of questionnaire-based Computer Assisted Telephone Interview (CATI). The interviews have been conducted in October 2014. The interviewees in firms were mainly HR department managers, marketing department managers and deputy directors. The survey, among others, helped to determine the activities that Polish enterprises carry in order to meet employees needs and support them as people with both life and work conditions as well as
with their professional development. Moreover, we searched for the impact of such activities on employees’ behaviors and their attitudes towards creating and implementing innovations. As said earlier, people who are satisfied with their work place and job duties are usually highly engaged in accomplishing company’s objectives. Besides, the practice proves that they are also open to learn new things and create new ideas. Due to this correctness, the first issue that we studied concerned the activities carried by the analyzed firms in order to satisfy their employees. Table 1 presents the main identified enterprises’ activities aimed at recognizing and meeting employees needs, both concerning their work place or tasks and their private life, introduced in studied firms during last three years.

Table 1. The activities undertaken in the enterprises, focused on meeting employees needs (Elaborated by the authors based on the research findings).

<table>
<thead>
<tr>
<th>The activities focused on meeting employees needs</th>
<th>Percentage of enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing solutions focused on employees’ work conditions improvement</td>
<td>78.4</td>
</tr>
<tr>
<td>Implementing individual solutions concerning work organization or work timetable</td>
<td>69.4</td>
</tr>
<tr>
<td>Implementing solutions focused on employees’ social and life conditions improvement</td>
<td>68.4</td>
</tr>
<tr>
<td>Sharing with employees both good and bad information</td>
<td>67.3</td>
</tr>
<tr>
<td>Implementing activities focused on supporting employees’ individual and professional development</td>
<td>61.4</td>
</tr>
<tr>
<td>Changes concerning internal and external communication</td>
<td>58.1</td>
</tr>
<tr>
<td>Implementing solutions focused on work-life balance improvement</td>
<td>55.5</td>
</tr>
<tr>
<td>Integration meetings for employees</td>
<td>42.6</td>
</tr>
<tr>
<td>Employees’ satisfaction assessment</td>
<td>24.6</td>
</tr>
</tbody>
</table>

According to the research findings, majority of companies are active in introducing changes aimed at employees’ work conditions improvement. Such changes involve providing and improving health and safety within a firm, improving social conditions in a work place, eliminating threats connected to occupational diseases etc. Another important field concerning meeting employees needs and increasing their satisfaction resulting from working in a particular firm refers to the solutions focused on employees’ social and life conditions improvement. The conducted analysis allows to say that over two thirds of research participants realize the importance of such benefits for employees as: medical care packages, subsidizing sport and recreation ticket or employees holiday rest. Similar percentage of respondents declare also implementing individual solutions concerning employees work organization or their work timetable. Among these solutions research participants most frequently pointed out tele-work, flexible work hours or division of a workstation. The survey has also shown that many enterprises concentrate on implementing activities aimed at supporting employees’ personal and professional development. They offer to their employees several forms allowing to increase their potential, starting from e-learning and financing employees’ traineeships, through coaching or even financing or subsidizing employees’ studies. Research results indicate also that over half of research participants are active in implementing solutions focused on employees’ work-life balance improvement. In order to meet their workers’ needs and make their life easier for example they open kinder-gardens for employees’ children or create special rooms for breastfeeding mothers who work in their enterprises. Such organization’s gestures towards specific private needs of employees usually are highly appreciated by them. Therefore they influence workers attitudes towards their tasks. Moreover, over 50% of respondents introduce changes within their systems of internal and external communication. The most interesting of such changes involve creating organization’s fan-page or specific social network sites. We assume that above mentioned changes are mainly introduced intuitively by the enterprises as the executives know that
satisfied and happy people work more effectively. Our assumption results from the fact that only one fourth of research participants holds regular employees’ satisfaction measurements. However, the main research problem was to identify the link between carrying the activities aimed at meeting employees needs and increasing both their satisfaction and sense of security in a work place and their attitudes towards creating innovations. The data collected in the course of the quantitative survey allowed us to calculate Pearson correlation coefficients between activities aimed at meeting employees’ needs and employees attitudes towards introducing different kinds of novelty. The obtained correlations are given in table 2.

Table 2. Pearson Correlation Coefficients between activities aimed at meeting employees’ needs and employees attitudes (Elaborated by the authors based on the research findings).

<table>
<thead>
<tr>
<th>Low level of change resistance</th>
<th>Employees’ satisfaction assessment</th>
<th>Sharing with employees both good and bad information</th>
<th>Integration meetings for employees</th>
<th>Supporting employees’ individual and professional development</th>
<th>Implementing individual solutions concerning work organization or work timetable</th>
<th>Implementing solutions focused on employees’ work conditions improvement</th>
<th>Implementing solutions focused on employees’ social and life conditions improvement</th>
<th>Changes concerning internal and external communication</th>
<th>Implementing solutions focused on work-life balance improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.470</td>
<td>0.672</td>
<td>0.318</td>
<td>0.640</td>
<td>0.704</td>
<td>0.388</td>
<td>0.534</td>
<td>0.204</td>
<td>0.326</td>
<td></td>
</tr>
<tr>
<td>Innovations are proposed by employees regardless of their tasks and position</td>
<td>0.549</td>
<td>0.568</td>
<td>0.272</td>
<td>0.612</td>
<td>0.224</td>
<td>0.181</td>
<td>0.092</td>
<td>0.141</td>
<td>0.158</td>
</tr>
<tr>
<td>Employees engage in implementing ideas proposed by others</td>
<td>0.579</td>
<td>0.184</td>
<td>0.240</td>
<td>0.640</td>
<td>0.677</td>
<td>0.243</td>
<td>0.309</td>
<td>0.271</td>
<td>0.131</td>
</tr>
<tr>
<td>Employees do not want to do more than expected</td>
<td>0.355</td>
<td>-0.174</td>
<td>-0.076</td>
<td>-0.392</td>
<td>-0.139</td>
<td>-0.136</td>
<td>0.019</td>
<td>-0.142</td>
<td>-0.002</td>
</tr>
<tr>
<td>Relations between employees are positive</td>
<td>0.482</td>
<td>0.689</td>
<td>0.234</td>
<td>0.223</td>
<td>0.702</td>
<td>0.704</td>
<td>0.578</td>
<td>0.297</td>
<td>0.165</td>
</tr>
<tr>
<td>Employees are not afraid of showing criticism</td>
<td>0.271</td>
<td>0.492</td>
<td>0.279</td>
<td>0.609</td>
<td>0.271</td>
<td>0.580</td>
<td>0.494</td>
<td>0.242</td>
<td>0.284</td>
</tr>
</tbody>
</table>

As it is evident in table 2, there is relatively high positive correlation between the fact that company’s management implements such changes as individual solutions concerning work organization or employees work timetable and the low level of employees resistance towards changes. Many researchers and practitioners underline that one of the most significant obstacles while implementing innovation process, is people’s fear of changes. Due to this phenomenon, overcoming workers’ resistance towards any kind of novelty seem to be a
priority for contemporary organizations. As the analysis of presented correlations indicates quite high correlations between most of innovations aimed at satisfying employees needs concerning work and low level of employees resistance towards changes, we assume that introducing “pro-employees” organizational innovations makes them aware of the benefits resulting from the novelty. Such approach brings employees’ attention to the value of changes and innovations and thus it increases their openness towards any kind of new ideas.

The analysis of correlations presented in table 2 proves also that introducing new solutions focused on employees’ work conditions improvement and as implementing individual solutions concerning work organization of work timetable are positively correlated with positivity of relationships between co-workers. Taking into account enhancing employees’ eagerness to create and accept innovations, it seem important to focus on positive relationships at the work place. It has been recognized that positive relationships between employees result in their feeling of psychological safety and mutual trust. This in turn makes them more eager to experiment and learn from failures as well as to invest their time and energy in helping their co-workers. Moreover, positive ambience in the working environment makes employees more interested in continued growth and development (Chiaburu, Harrison, 2008; pp. 1082–1104; Carmeli, Brueller, Dutton, 2009, pp. 692-724). Additionally, implementing individual solutions concerning work organization or employees’ work timetable is positively correlated with the fact that employees engage in developing ideas proposed by others. It is significant as today we know that innovations cane occur only as the result of common work of different actors. It is no longer an outcome of individual work but the result of cooperation. Another activity aimed at satisfying employees needs - supporting employees’ individual and professional development - is also highly positively correlated with the fact that innovations are proposed by employees regardless of their tasks and position as well as the fact that employees engage in implementing ideas proposed by others. We assume that this proves employees’ commitment to work and accomplishing company’s goals resulting from their feeling of being appreciated. If the company invest money in its workers it proves that they are its valuable assets. Thus they feel needed and their self-confidence grows up. In turn it triggers employees commitment to work.

While considering the importance of employees’ behaviors and attitudes towards implementing innovations, we should also point out high positive correlation between supporting employees’ individual and professional development and the fact that employees are not afraid of criticism. It also of significant importance because successful creating and implementing any kind of innovation requires discussion and confrontation of different points of view. To obtain this, employees must feel free to say their opinions, even if they are critical. Here it should be emphasized that workers’ eagerness to constructive exchange of critical feedback is an outcome of positive relationships within a firm. If employees feel safe and satisfied at work, they are more likely to take others’ criticism and negative feedback as opportunities to learn and change. Summing up, above presented research findings lead us to the statement that to keep employees inspired, engaged and happy, the organization has to support them both as people and as workers.

6. CONCLUSION

The conducted analysis proved that contemporary enterprises realize the importance of introducing organizational changes focused on meeting employees needs and improving their work conditions. However, on the base of presented data it may be assumed that most of them implement those new organizational solutions intuitively as they feel the need to increase employees satisfaction from work and life as a whole. The research results presented in the paper show that introducing employee-oriented changes in the organization can bring about several positive effects concerning their attitudes towards novelty. The data analysed in the
paper confirm that the activities aimed at improving both people’s work and life conditions as well as supporting employees’ personal and professional development allows to make them more engaged in creating and innovations and developing ideas proposed by others, more open to exchange their points of view, even critical ones, and generally more open to changes. Moreover, while workers feel supported by their companies the interpersonal relationships between them become more positive. Notably, such climate, fostering employees pro-innovative attitudes and behaviors, results from the leadership existing within an enterprise. Managers who aspire to increase their firms’ innovativeness have to be able to link people, ideas and the resources that wouldn’t normally bump into one another. This is the necessary condition and first step to creating any kind of novelty.

**LITERATURE**

Entrepreneurship Caught Between Creativity and Bureaucracy
WHICH WAY IS PRODUCT PLACEMENT GOING? 11 EXPECTED TRENDS

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ABSTRACT
In a certain sense, product placement is the TV commercial of the 2010s. While traditional advertising, and, especially, 30-second TV spots face increasing difficulties, product placement is thriving. Most people grab their remote controls and switch to other channels during commercial breaks, so it seems logical that advertisers tend to place their products/brands in the film/programme itself.

But what about the future of this marketingcommunication genre? The following article discusses 11 predicted trends of product placement. However, we should not forget that the famous physicist Niels Bohr was right: "Prediction is very difficult, especially if it's about the future".

The 11 expected trends are:
1. Spending on product placement will increase
2. Product placement experts will take part in the production of films, programmes and games
3. New indicators of product placement effectiveness will continue to appear
4. It will be increasingly important to make product placement a part of integrated marketing communication, not just a standalone feature
5. More and more programmes will be sponsored by brands, but soap opera in the literal sense will not return
6. The most dramatic increase will be experienced in computer games
7. Post-production (digital) product placement will become increasingly widespread
8. Product placement will be customized
9. Product placement will become interactive
10. More and more consumers will oppose product placement
11. Product placement parodies will gain popularity

Keywords: branded entertainment, integrated marketing communication, product placement,

1. INTRODUCTION
James Bond asks for a vodka martini "Shaken, not stirred." Lady Gaga rides a Vespa scooter. President Obama campaigns in the racing video game Burnout Paradise. We can go to the movies with a bag of popcorn to see a Hollywood film, stare at a new reality show on TV, watch music videos on YouTube, or play with a game console with great enthusiasm, yet they all have something in common – they do not only provide entertaining content, but also display brands from time to time.

In a certain sense, product placement is the TV commercial of the 2010s. While traditional advertising, and, especially, 30-second TV spots face increasing difficulties, product placement is thriving. Most people grab their remote controls and switch to other channels during commercial breaks, so it seems logical that advertisers tend to place their products/brands in the film/programme itself.

This article discusses the expected trends of product placement. However, we should never forget that the famous physicist Niels Bohr was right: "Prediction is very difficult, especially if it's about the future". If we consider examples of movies set in the future, we may also see that they reflect a rather mixed picture.
When directing *2001: A Space Odyssey*, released in 1968, Stanley Kubrick was sure that mankind will establish a connection with alien intelligence in 2001 with the help of a PanAm spaceship. However though, not only there is no proof for it, but PanAm went bankrupt in the early nineties.

Or let us think about *Back to the Future Part II*, which suggested that we could fly with our cars in 2015. ”Roads? Where we're going, we don't need roads.” On the other hand, self-lacing Nike shoes did appear, although only 100 pairs were produced. Similarly, *Minority Report*, set in 2054, depicted a virtual computer programme which has mostly become reality by 2015.

All in all, it is not easy to predict the future of product placement. Still it is worth to define some theses that time may prove (or disprove).

### 2. SPENDING ON PRODUCT PLACEMENT WILL INCREASE

If we look at the numbers from past years, we may see that the tendency of advertisers requiring alternative placements besides traditional TV spots (or instead of them) can already be noticed. These alternative advertising forms include short sponsored spots that are just a few seconds long, prize games in connection with specific TV programmes, and product placement, among several others.

As for the international situation, data provided by PQ Media show that spending on all forms of product placement (including movies, TV programmes, and even videogames) is increasing, and this tendency will be further strengthened in the future.

Moreover, according to research conducted by the American Advertising Federation in 2011, 60% of advertisers incorporate branded entertainment in their advertising strategies (Castillo 2011).

At the same time, we must also consider the viewers when defining what percentage of a specific programme should be branded entertainment (that is, a commercial message), and what percentage should be edited content. The maximum ratio of the former must be one fourth, in order to avoid negative influence on the latter.

### 3. PRODUCT PLACEMENT EXPERTS WILL TAKE PART IN THE PRODUCTION OF FILMS, PROGRAMMES AND GAMES

There are heated debates about which player of product placement has the deepest understanding of this tool. For example, in the case of brand placement on television, is it the media owner, that is, the channel itself? Or is it the programme producer, who creates the specific programme, so he/she really knows what viewers want (but is not so much aware of the aspects of the brand)? Or is it the advertising agency hired by the advertiser, whose experts know all the creative options, but mostly focus on the 30 second commercial as product placement is a new genre? Or is it perhaps the media agency with its expertise in placing brands, but possessing little sense of creativity?

Of course this is not an easy question. As we can see from our experience, the best-case scenario is always cooperation – with meetings involving all concerned parties, and a joint decision regarding brand placement.

Moreover, agencies specialised in product placement have been created. In the work phase of creating film scripts or programme plans, these agencies find out which parts of the programme or film could involve support by products or brands, and contact them accordingly. Or it may be the other way round: they may have a list of potential placement partners having expressed what kind of placement they would be interested in. Of course, the role of the agency is usually more than just ”match-making”; they may also be responsible for the creative plan of placements, that is, where and how the brand would be featured in the
scenes. This practice is already common in the United States. This model also help all concerned parties focus on their own specific tasks.

4. NEW INDICATORS OF PRODUCT PLACEMENT EFFECTIVENESS WILL CONTINUE TO APPEAR
The measurement of product placement effectiveness is still a weak point. Although there are indicators for this purpose (and there are several of them), advertisers are still looking for the most appropriate ones.
At the same time, according to research by the American Advertising Federation in 2011, 60% of advertisers would like to know more about the effectiveness of branded entertainment before investing into product placement (Castillo 2011).
As the majority of big company marketing professionals grew up in a world of television, they best know the indicators relevant to this medium. They consider GRP (gross rating point) as the most important aspect, and they wish to convert product placement into GRP. The greatest problem with this approach, however, is that a methodology developed for other purposes is adapted forcefully to measure the effectiveness of product placement. For example, in our case, GRP would tell how many people saw the specific product placement (at least, their TV set was switched on), but would not explain if the placement was active or passive, how it affected viewers, etc.
Therefore we may expect more (and more sophisticated) methodologies for the measurement of product placement in the future. Advertisers already understand that using a combination of product placement and TV commercials is more effective than spending all the budget on TV commercials.

5. IT WILL BE INCREASINGLY IMPORTANT TO MAKE PRODUCT PLACEMENT A PART OF INTEGRATED MARKETING COMMUNICATION, NOT JUST A STANDALONE FEATURE
As mentioned in the previous passage, several people fail to notice that product placement should not be regarded as a stand-alone tool. Actually it is just an item of the marketing communications mix, and it is not even the most important one.
As we can see in dozens of examples, product placement only works really well if it supports the communications strategy and the brand message. It is also important to involve additional activities strengthening the effect of brand placement as exemplified by the cooperation of the Reese’s Pieces candy brand and the movie E.T. In this case Reese’s Pieces did not pay specifically for a placement in the movie, but spent a million US dollars on a campaign to spread the word that E.T. was eating Reese’s Pieces. These additional tools should not be limited to advertising, but also involve public relations (including online and social media).

6. MORE AND MORE PROGRAMMES WILL BE SPONSORED BY BRANDS, BUT SOAP OPERA IN THE LITERAL SENSE WILL NOT RETURN
In a report published in 2007, Deloitte, one of the “Big Four” consulting companies, went as far as to state that new channels fully financed through product placement will appear in addition to the two most popular models: free channels financed from advertising spots and pay television with no advertising, such as HBO (2007). It is a fact that the first pilot projects have already been introduced: ”Freezone” created by Cox Media declared that its aim was to broadcast ”long format advertisements, advertainment and sponsored TV contents”. Examples included one-minute cooking tips by Kraft, and a Diet Coke series with 13 parts, 10 minutes each. Being a digital channel, they also measured the response rate of each programme to see how many people have clicked through. However, ”Freezone” did not become as successful as they had hoped. (Multichannel News 2003, Phipps 2004)
The other case is when a brand supports a programme, and has behind-the-scene requests that affect programming to an exaggerated extent. If it goes public, the potential result is a huge media scandal. It is enough to think of the example of the quiz show “The $64,000 Question”. It was sponsored by Revlon cosmetics, and the scenery was also built by them. When it was revealed that the company even had a say in the contestants’ chances of winning, viewers were outraged at the brand and the channel.

7. THE MOST DRAMATIC INCREASE WILL BE EXPERIENCED IN COMPUTER GAMES

The increasing significance of in-game advertising (also known as advergaming) is also an important trend in branded entertainment. Consumers are looking for more fun and involvement, and computer games require active consumer participation, therefore they provide more of these than movies or television.

Just to mention an example: *The Avengers 3D* was a hit in movies in 2012; it generated 300 million US dollars in ticket sales within 2 weeks, and became one of the most successful movies of all times. *Black Ops 2*, a new sequel of the *Call of Duty* computer game franchise was released the same week, and it made 300 million US dollars within 2 days.

Another reason for the emergence of computer games is that although the movie industry introduced several developments (Dolby Surround, 3D, IMAX, etc.), it lagged behind in a technological sense as game console manufacturers introduced new products such as Nintendo Wii or Microsoft Kinect. In the case of the latter we must actually run, jump, squat, hit, fence, dance, etc., and a family of four, or a group of friends can also play together.

Online gaming means that we may also find fellow gamers on another continent. We can compete against them, or cooperate with them in certain games with the help of online technology.

Video games are also competitors of television as we connect games consoles to the TV set instead of watching TV. Even if we watch it, we often use our computer, laptop or tablet simultaneously. And we often play with them looking at their own screen, instead of paying attention to the TV.

Last, but not least, we usually do not watch movies or TV programmes on our smartphones, but we do play mobile games with them. In addition, we may find more and more free content developed for smartphones sponsored sponsors or brands. In return for the game, consumers gladly accept brand placements. Of course we should be careful not to overdo the branding of mobile games, but we should not worry, either: one of the most popular applications is actually a "logo quiz" where players match logos with the corresponding companies.

8. POST-PRODUCTION (DIGITAL) PRODUCT PLACEMENT WILL BECOME INCREASINGLY WIDESPREAD

Post-production placement, or an exchange of brands after the movie has been completed, are not at all unthinkable. The movie *Demolition Man*, released in 1993, is an excellent example. The police officer (Sylvester Stallone) wakes up in 2032 after lying cryogenically frozen for decades. He must fight a career criminal (Wesley Snipes) also restored to life recently. In one of the scenes the character played by Stallone says to his fellow officer (Sandra Bullock), “…and where does he take me... Taco Bell. I mean, hey, I like Mexican but come on...” and her answer is “You do not realize Taco Bell was the only restaurant to survive the Franchise Wars”. In the meanwhile, they park their car at a Taco Bell restaurant. However, while the brand is mostly popular in the USA, it is less known in other continents, therefore the scene was re-recorded for foreign markets including the Pizza Hut brand.

There are several similar examples. In the American version of *Spiderman 2*, the DrPepper brand by Cadbury Schweppes appeared, while the European version featured Pepsico’s
Mirinda. In *Looney Tunes: Back in Action*, the logo of the mobile phone service provider was that of Sprint for the American market, while the European version included the Orange brand.

Digital technology also created several further opportunities – it is enough to think of the remastered versions of *Star Wars* episodes IV, V and VI. For example, the city of Mos Eisley is much more sophisticated and detailed, and Jabba could also appear in *Episode IV*, although he was originally impersonated by a large man.

And, if all of that is possible, then brands can also be placed in movies digitally. And they are often placed there that way. In a scene of the popular comedy series *How I Met Your Mother*, a shelf in the background originally featured a clock. When the series was aired again a few years later, a DVD of the movie *Zookeeper* (released that year) could be seen on the shelf instead. Fans of the series noticed the change, and it also had wide media coverage (Letstalkabout.tv 2011).

Live football game coverages also have a unique branding feature. At the beginning of the game the logos of the two teams are projected digitally on the lawn – at least this is the perception of TV viewers, while people in the stadium do not see anything. In the case of baseball games the live audience sees a blue board, but at the same time an advertisement appears in the TV broadcast using blue box technology. (RC Business 2011, Sport Marketing and Advertising 2012)

A short promotional film by the MirriAd digital product placement agency well represents how brands can be placed in scenes after a film has been released. For example, posters can be placed in the background without much ado, and pizza boxes can also be branded later on. Products may also appear in movies: milk cartons can be inserted on breakfast tables, SUV’s can be placed in the parking lot, etc.

This may also mean that directors and editors can create movies with empty spaces for brands, and potential sponsors may see the specific spaces to be used for the placement of their brands. This way they can also find out the length of their placement (how many seconds), and the situations where the brand would appear. If the advertiser accepts the proposal (and pays the fees), their brand will be included in the film.

This also means that the advertising spaces of a movie may be sold not only once, but multiple times, or even continuously – the film may even be updated before each broadcast on TV. Digitalisation makes it possible to eliminate the preparation and production time of a product placement, or at least decrease it significantly.

The phenomenon may also lead to a sharp fall in prices: advertisers do not have to ”invest” globally in a movie, and may use product placement as a cost-effective alternative. Product placement in a promising Hollywood movie used to cost between 500 thousand and 1 million US dollars, but significant changes are expected in the future. According to Marsha Levine, the chairwoman of A List Entertainment, a company specialised in product placement, ”If you can replace a beer can in someone’s hand with another, it opens up exciting new vistas for the advertisers of the movie industry.” (Figyelő 2005) ”In the age of digitalisation, a replacement like that can be implemented with a cost of a few thousand or a few hundred thousand dollars, therefore advertisers serving a smaller specific geographical area or target audience may also use product placement”.

However though, we must not forget that this kind of product placement is regarded as passive product placement, that is, the integration of the product into a scene is not possible with this technology. Nevertheless, if we only consider technological aspects, any number of brands can be inserted into a movie as many times as possible, even after the movie has been released. But advertisers should still be careful. Consumers do not mind product placement, but only until it remains natural. (Geekosystem.com 2011)
9. PRODUCT PLACEMENT WILL BE CUSTOMIZED
It is conceivable that digital television and digital product placement shall enable advertisers to insert a certain product/brand in real time digitally, according to demographic data gained from the household, or the viewers’ field of interest. For example, the main character of a Saturday evening movie would drink different beers on various TV screens in different countries/regions. In the meantime, billboards would appear in the background with customized advertisements based on the preferences of that specific household.

10. PRODUCT PLACEMENT WILL BECOME INTERACTIVE
Renowned futurist Faith Popcorn said in the early 2000s that “Someday in the not too distant future, television will be like this: ‘I’m watching Ally McBeal. I like the dress she is wearing. I put my hand on the screen, she turns to me and asks: ‘Hey, Faith, do you like my dress?’- ‘Yeah, I love it’, I say.” Then Ally says, “It’s available in these colours” – and the colour scale appears. I say to her, ‘I like marine blue and black.’ ‘No, Faith you have enough blue and black stuff in your wardrobe. Why don’t you try red sometime?’ Then I say, ‘Okay, why not?’ And the next day the red dress in my size is delivered to my place.” (Ries – Ries 2004, p. 43)
Well, the idea has not been realized, especially not within five years as Popcorn predicted, but there have been a number of similar efforts. For example, one of the introduction videos of the Invisu agency proves that we can easily recognize the brands a woman is wearing if she is walking in a scene. Using a device similar to a mouse, you have to click on the right place to find out what clothes the woman is wearing, what make-up she has put on, and so on. Moreover, if you click on those items, you get to the corresponding website where you can order the item you have clicked on. This means that while product placement in its original sense is used for image building, and maybe awareness raising purposes, the development of technology even enables advertisers to achieve direct response.
By all means, digital technology does make it all possible. In the break of the Super Bowl in 2014, H&M published a commercial featuring David Beckham, which enabled viewers to order underwear advertised by the former football star directly with the help of their Samsung smart TV sets. Using this television commerce technology called t-commerce, a small pop-up menu appeared on the screens, and viewers could use it to place their orders. The solution even worked for people who did not watch the live broadcast (Mmonline.hu 2014).
It is likely that such e-commerce technologies will gain popularity among consumers and viewers in the future. This is also demonstrated by the fact that homo ludens digitalis has appeared in the terminology, which is more interactive and playful, and uses much more platforms than its predecessor, homo ludens televisiensis (Koltai 2012).

11. MORE AND MORE CONSUMERS WILL OPPOSE PRODUCT PLACEMENT
In addition, protests can take various forms:
- Consumers may protest against the great number of brand placements and their negative effect on creativity.
- They may raise the issue that in the case of a commercial it is clear that it is a kind of an advertisement, but in the case of a brand placed in a movie, programme, or game it is not so obvious.
- They may express concerns regarding programmes that have a certain content and age rating but include brand placements for older people, too.
- They can also say that we do not know much about the psychological aspects of product placement, and who knows what effect it may have on our subconscious.
Let us start with the first concern, that is, the consumers’ protest against excessive product placement. One of the directors receiving a particular amount of criticism is Michael Bay. His
movies are often characterized as films that only include two things, “explosions and product placement”. For example, we can see no less than 35 brands in his movie *The Island* (2005). Brands such as Puma, Speedo, Apple, Xbox, Budweiser, Reebok, Calvin Klein, Nokia and Adidas appeared in it among others.

Another movie by Michael Bay even exceeded this record as *Transformers: Revenge of the Fallen* (2009) already featured 47 brands including Mountain Dew, Air France, LG, Panasonic, Yahoo, Audi and Budweiser.

*I, Robot* (2004) by Alex Proyas is one of the movies that are criticized regularly. According to critics the movie is an example of too many and too straightforward brand appearances including Audi, Converse, FedEx, Ovaltine, Prudential, and XX.

Krisztián Simon, the chief editor the Hungarian professional magazine *Marketing & Média* raises a question regarding the James Bond movies (2012): ”Is it possible that many Hollywood productions are actually well-camouflaged commercials?” And he goes on, ”We are not even surprised if Hollywood film studios create scripts with a focus on companies that would be interested in product placement opportunities as today’s brands are just as important characters in productions as James Bond himself.”

Regarding Hungarian movies, *HVG* magazine published a noteworthy article on the topic (Hvg.hu 2006): ”As it turns out from these disturbing actions, movie makers do not have a clue about how to incorporate a product in the storyline to make it appear realistically. The real aim of product placement would be exactly this – that is, to use and popularize a brand without making the viewers see they are watching an advertisement. In an ideal case the product can be noticed, but its use is still not forced.”

As the second critical remark suggests, viewers know that they are going to watch advertisements during a commercial break, but this is not true for product placement. In Hungary, for example, a caption appears announcing that the programme includes product placement, but it does not say when and where it will appear within the programme. Moreover, channels in Hungary do not have to use such captions in the case of Hollywood movies.

There are rather extreme suggestions to resolve this issue, too. Robert Weissman, president of the Public Citizen consumer rights advocacy group thinks that it would be fair to display a pop-up bubble with a notice each time a brand appears in the scene. Some experts said that this would make the whole screen a total mess, but Weissmann’s response was that news programmes already feature such elements: there are one or two lines of text running in the bottom of the screen, pop-up windows appear, and sometimes they even have a notice in the top right-hand and left-hand corners advertising the upcoming programmes, etc. (Spurlock 2011)

Advertisers and films are also regularly criticized regarding content rating and age restrictions. For example, the first episode of *Spider-Man* was criticized because the movie was classified as suitable for 12 years and over, but in one of the chase scenes the main character was jumping around for some seconds on the top of a truck carrying Carlsberg beer. Consumer rights advocacy groups also have a problem with the talent show *American Idol* regarding age classification (12 years). They say that this is a family show that is watched by children, too, but Coca-Cola had previously announced that it would not promote its product for children under the age of 12, because sugar consumption at this age may easily lead to obesity. However, Coca-Cola argued that only 8% of American Idol viewers are under 12 according to statistics by Nielsen (Adweek.com 2011).

Last, but not least, there is a fourth aspect: we still know little about the psychological effects of product placement. Most critics are especially concerned about subconscious, so-called subliminal placements. To justify their argument they usually mention a famous experiment conducted by James Vicary in 1957, which took place in a New Jersey cinema with 45
thousand participants. During the experiment the sentences "Eat popcorn" and "Drink Coca-Cola" were displayed for three-thousandth of a second during the showings of the movie *Picnic*. The result was an almost 58% increase in the consumption of Coca-Cola, and an almost 18% increase in the sales of popcorn. At least that was what Vicary said at the time. The experiment was never repeated, and in 1962 Vicary finally admitted that the whole story was just a trick. (Robinson 2001)

Despite all of this, subliminal advertising has been prohibited in many states, and viewers still have concerns regarding it. One of the most peculiar examples is that whenever *Circus* (1928) by Charlie Chaplin is broadcast on television, several complaints arrive from viewers – they claim that a woman is using a mobile phone in one of the scenes, and wonder who the ‘moron’ inventing this post-production product placement was. The truth is that the woman passing by in the scene is actually holding something close to her ear, and this was already included in the original version in 1928...

12. PRODUCT PLACEMENT PARODIES WILL GAIN POPULARITY

And why do we discuss product placement parodies, a seemingly irrelevant point at the end of this study? Because the maturity of a genre is always justified by regular consumer and media attention. We can see the impact of a specific advertisement from the number of consumer remakes or parodies.

Product placement has also become a popular theme for cartoonists. In a caricature by Mark Parisi we can see the Tin Man of *The Wonderful Wizard of Oz* wearing a Pepsi can in the television. The comment of the viewer in the cartoon is ”This product placement stuff is officially out of hand…”

In a cartoon by Cartoon Stock, a staff member is sitting in the chair with the word ”BrandX”. His colleague steps up and says, ”Before product placement, that chair belonged to Brando” referring to Marlon Brando.

Another famous cartoon by Mark Anderson suggests that in old times it was enough to say ”Lights, camera, actors, and… action!” before recording a scene, but today it is more like ”Lights, camera, actors, product placement, DVD extras, merchandising tie-ins… and… action!”

Parodies of product placement also appear in commercials. Samsung produced spots titled *The Greatest Product Placement Movie of All Time* in cooperation with Sprint, a cell phone service provider. In the commercial an arrestee asks the detectives: “Can I make a call?” The policemen ask, ”Why just one call? Why don’t you send an email, or a text message, or update your Facebook status? Why don’t you make a video and send it home to your mum?” He says, puzzled: ”I just want to call my lawyer”. In another commercial we see a filming session, a scene with two guys fencing. All of a sudden a window cleaning product appears, and the director says, ”Stop! What the hell is this?” The production manager replies, ”Product placement, sir! Each time we show the product, we get free packs of it for free.” The director’s face lightens, and in the upcoming scenes we see the Bud Light beer brand appearing everywhere: in a rose window that is broken, as a lamp over the tables, in paintings, and even in the left hand of the main character while he is fencing with the other hand. At the end we even see a truck with Bud Light on it, entering the fencing scene…

A somewhat different example was when Mercedes asked renowned director Michael Mann to direct a trailer-like advertisement for a fictionary feature movie with the Mercedes brand and the SL500 model in focus. A 2½ minute trailer starring Benicio del Toro was produced and aired in cinemas in 2002, but the full movie titled *Lucky Star* was never released.

But let’s get back to parodies of product placement. Some movies use this tool as well. One of the first examples was *Return of the Killer Tomatoes!* (1988) starring George Clooney and
others. In one of the scenes the movie makers realize that they have run out of money. They decide to get sponsors to finish the movie. In the next scene brands such as Pepsi, Nestlé Crunch, Mosehead and Fosters beers, Crest toothpaste, and Kellogg’s cornflakes appear prominently, both in a visual and auditory sense. There is an even more famous example for product placement parodies. In one of the scenes of Wayne’s World (1992), Wayne’s manager warns him to be more attentive to sponsors, and his answer is: “Contract or no, I will not bow to any sponsor.” – and he opens a Pizza Hut box. Then he continues: ”Maybe I’m wrong on this one, but for me, the beast doesn’t include selling out.” – and he is seen holding a bag of Doritos chips.

“It’s like people only do these things because they can get paid. And that’s just really sad.”, says his companion Garth, wearing Reebok from head to toe.
Wayne replies, ”I can't talk about it anymore; it's giving me a headache.”
Garth says, ”Here, take two of these!” (and dumps two Nuprin pills into Wayne's hand)
Wayne: ”Ah, Nuprin. Little. Yellow. Different.”

Then the manager says, ”Look, you can stay here in the big leagues and play by the rules, or you can go back to the farm club in Aurora. It's your choice.”

“Yes, and it's the choice of a new generation” says Wayne, holding a can of Pepsi. (At the time Pepsi’s slogan was ”The choice of a new generation.”)

In the movie titled Truman Show, the main character called Truman (Jim Carrey) is the only person who does not know that he is taking part in a reality show, and is wondering why all his acquaintances mention brands in their conversations, or push him towards a citylight advertisement each and every day.

Another movie titled The Joneses (2009) may be an even more exciting example for product placement. There is an expression in English, ”to keep up with the Joneses”, which refers to comparing ourselves with our neighbours, trying to keep pace with them. In the story an ideal family moves to the garden city, and ask a neighbour passing by to use their new HTC phone to make a video of them so that they could send it to the grandma. When they give him the phone, we can see that he only has to push a button, the phone is easy to handle, and the picture could be forwarded immediately to the family members. Besides HTC, prominent brands such as Audi cars, Dell laptops and MBT shoes (to be exact, anti-shoes) appear. In addition, we do not only see most of these products, but the characters of the movie tell how much they like them. Everyone wants to keep up with the perfect family, so all the neighbours start to buy products they use, but the truth is that the Joneses are a sales team, whose task is to boost sales in the neighbourhood. Therefore the movie demonstrates how people become promoters or evangelists of brands – we could also say that they serve as a medium of product placement.

13. CONCLUSION
Can we imagine a full movie about brands? Yes, we can. There is Logorama, a 16-minute long French animated movie that won the Oscar in 2010. In the storyline we can see more than 2500 brands (or their logos), although their appearance is not official as the did not pay for their placement. The text of the exciting movie poster said ”Spectacular car chases, an intense hostage crisis, wild animals rampaging through the city”. We meet a Pringles truck driver courting an Esso waitress, and Michelin Man policemen chasing Ronald McDonald. When Los Angeles, and, actually, the whole world is destroyed, Ronald McDonald smiles in the camera once again.

We must also mention two other exciting movies about the topic: documentarist Morgan Spurlock created Super Size Me (2004) to target McDonalds, but in The Greatest Movie Ever Sold, released in 2011, he does this to the whole marketing and advertising industry.
His aim is to make a movie about product placement using product placement as a tool, that is, cover the 1.5 million dollar expense of his documentary from sponsorship money. In return he offers to describe each brand as the best of its category: "Brand X – the best shoes you have ever worn", "Brand Y – the best car you have ever driven", "Brand Z – the best drink you have ever had".

Spurlock’s experiment was successful: he found 12 sponsors such as Jet Blue (airline), Mini Cooper (car), POM (pomegranate juice), Merrell (shoes), Sheetz (petrol stations), Hyatt (hotels), Amy’s Pizza, or Old Navy (clothes). In addition, these brands sponsored the promotion of the movie, therefore we can say that cross promotion was complete.

A feature film about product placement? The Greatest Movie Ever Sold is an excellent example of fully functioning product placement. I wish you great branded entertainment for the upcoming years!

LITERATURE
DETECTING OPTIMAL FINANCIAL AND CAPITAL STRUCTURE: THE CASE OF SMALL AND MEDIUM ENTERPRISES (SME) IN REPUBLIC OF CROATIA

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ABSTRACT
One of the most frequent buzzwords nowadays in the economic science is word »optimum« or its adjective »optimal«. In most cases it includes the maximization of certain variables, but in the case of financial and capital structure it refers to the most favourable ratio of debt and capital. In order to determine the most suitable range of financial (capital) structure it must be associated with company's success. The question that arises is – how to measure success of a company? There are many ways – most common is definitely profitability. But nowadays profitability in many cases cannot be reliable indicator of company's success because there are many ways to embellish »bottom line« without substantial upturns. There is notable number of cases in which profitable companies go bankrupt. That is the reason why business continuity was used as a measure of company's success in this paper. Relation between financial (capital) structure and opening bankruptcy proceeding will be analyzed to determine which companies according to their affinities in financing are more likely to go bankrupt. Also, financial (capital) structure movement in years before bankruptcy occured and difference between financial (capital) structure of companies which belong to manufacturing and retail and wholesale activity will be analyzed. Sample consists of small and medium enterprises which operated in Republic of Croatia. They are divided in two subsamples – first subsample includes companies which have opened bankruptcy proceeding and second subsample includes companies which haven't opened bankruptcy proceeding and continued their business activity. Financial data was gathered from Croatian Financial Agency official website and data about bankruptcy proceedings was collected from Croatian Official Gazette.  

Keywords: Bankruptcy, Business Continuity, Financial (Capital) Structure, Croatia, SME

1. INTRODUCTION
Companies use various sources in financing their operations. The basic classification of funding sources can be viewed from the aspect of ownership (internal and external) and from the aspect of maturity (long term and short term). Financing sources are systematized in the liabilities and equity segment of the balance sheet which is fundamental financial report of the company. The financial structure is combination of different long-term and short-term sources which companies use to finance their operations. It, therefore, shows a method of financing the entire assets of the company. All companies (public limited companies and limited liability companies) must have a certain amount of equity. Capital structure policy determines the amount and the type of debt used with equity. Term capital structure usually refers to the structure of long-term equity, i.e. total equity and long-term sources borrowed from banks and other creditors and investors who are not owners or shareholders, and liabilities for issued long-term securities. In other words, the policy of capital structure includes the management

Theoretical achievements in the field of capital structure grouped the theories as: Miller - Modigliani theory, the traditional view, agency model and asymmetric information model. Economic theory, in some way, has set the theoretical relationships in the capital structure that is considered optimal, but have not gave an equation that could determine the optimal capital structure for each company. Optimum is the goal and purpose of the numerous procedures that should lead company’s activities to the most effective economic position of the assets, and capital structure as well. It is believed that the share of total liabilities to total assets should not be higher than 50% (Belak, 1995, p. 80).

Furthermore, in order to achieve business continuity and implementation of its activities, companies should invest in long-term assets, and then we can talk about financial decisions and financial structure. The area of financial structure and quality of decisions brought in that area directly affect the level of indebtedness and financing costs. Wrong decisions related to financial structure ultimately lead to business interruption and bankruptcy proceeding.

The globalization of economic flows, the development of modern means of communication and the transmission of information have imposed different criteria of competitiveness and different rules of management in all areas of business. Situation on capital market, alongside with internal determinants of the company, show the condition in which managers bring decisions in the sphere of capital management. Thereat, the problem of how to set up the financing sources structure optimally arises.

Detection of optimal financial and capital structure will be researched in this study on a sample of small and medium enterprises in the Republic of Croatia. In the developed market economies, grouping of companies is done by using different criteria. The application of criteria is based on the economic postulates of volume such as total revenues, total assets and average number of employees. According to the current legislation of the Republic of Croatia, small businesses are those which do not exceed two of the following criteria: total assets of 32.500.000,00 Croatian Kuna, total income of 65.000.000,00 Croatian Kuna and the average of 50 workers during the financial year. If a company exceeds two of the above mentioned criteria it is classified into the category of medium-sized enterprises.

The amendments to the Accounting Act introduced also the category of micro enterprises (Accounting Act, Croatian Official Gazzette 78/2015.), with an effect from 1st January 2016. Micro enterprises are those who do not exceed the limit in two of the following three conditions: total assets of 2.600.000,00 Croatian Kuna, total revenues of 5.200.000,00 Croatian Kuna and the average number of 10 employees during the financial year. Medium enterprises are the ones that are not micro nor small businesses and do not exceed the limits in two of the following three conditions: total assets of 150.000.000,00 Croatian Kuna, total income of 300.000.000,00 Croatian Kuna and the average number of 250 employees during the financial year.

2. DATA, HYPOTHESES AND RESULTS

2.1. Data

Financial data used in research was obtained from annual financial statements disclosed for financial year 2011., publicly available on Croatian Financial Agency official website. Sample consists of 96 small and medium enterprises which have been divided into two subsamples. First subsample comprises companies which have opened bankruptcy proceeding in 2012. and second subsample includes companies which haven't opened bankruptcy
proceeding in 2012, and continued their operation without experiencing financial difficulties. Data regarding bankruptcy proceeding opening was collected from Croatian Official Gazette.

2.2.1. Equity ratio
Equity ratio belongs to solvency financial ratios and it indicates the degree in which companies use their own assets for financing their operations and also indirectly shows their indebtedness. It is calculated as quotient of company’s equity and total assets. The main difference in comparison with debt ratio is that equity ratio “doesn’t have limited maximal value”, because it “substantially decreases business risk despite ignoring the possibility of using financial leverage to increase profitability” (Belak, 2014, p. 181). Equity ratio is calculated using financial data from balance sheet so “it is highlighted that it reflects static indebtedness” (Zager et al., 2008, p. 250). This financial ratio will be used to analyze financial structure.

2.2.2. Long term debt to equity ratio
Long term debt to equity ratio is financial ratio which indicates if company prefers financing its assets with long term creditor's assets or using it's own sources. It is calculated as quotient of long term liabilities and capital. This financial ratio will be used to analyze capital structure.

2.3. Hypotheses
Research will be directed into two main areas – financial structure and capital structure. Four hypotheses were established for both financial structure and capital structure as follows:

**Financial structure:**

**Hypothesis 1.1.** – there is statistically significant relationship between financial structure and opening bankruptcy proceeding,

**Hypothesis 1.2.** – there is statistically significant difference between equity ratios of companies which belong to manufacturing activity and companies which belong to wholesale and retail activity,

**Hypothesis 1.3.** – there is statistically significant difference between equity ratios of companies which haven't opened bankruptcy proceeding and belong to the manufacturing activity and companies which haven't opened bankruptcy proceeding and belong to the retail and wholesale activity,

**Hypothesis 1.4.** – there is statistically significant difference between equity ratios of companies which have opened bankruptcy proceeding and belong to the manufacturing activity and companies which have opened bankruptcy proceeding and belong to the retail and wholesale activity.

**Capital structure:**

**Hypothesis 2.1.** – there is statistically significant relationship between capital structure and opening bankruptcy proceeding,
**Hypothesis 2.2.** – there is statistically significant difference between long term debt to equity ratios of companies which belong to manufacturing activity and companies which belong to wholesale and retail activity,

**Hypothesis 2.3.** – there is statistically significant difference between long term debt to equity ratios of companies which haven’t opened bankruptcy proceeding and belong to the manufacturing activity and companies which haven’t opened bankruptcy proceeding and belong to the retail and wholesale activity,

**Hypothesis 2.4.** – there is statistically significant difference between long term debt to equity ratios of companies which have opened bankruptcy proceeding and belong to the manufacturing activity and companies which have opened bankruptcy proceeding and belong to the retail and wholesale activity.

3. **RESEARCH RESULTS**

When musing about possible relationship between the fact of opening bankruptcy proceeding and the equity ratio value, it is more likely that companies which have equity ratio lower than 50% will be more riskier and exposed to bankruptcy.

**Table 1** confirms our thesis because 97% of companies which have equity ratio higher than 50% haven’t opened bankruptcy proceeding in comparison to only 3% which had. Results for companies which have equity ratio lower than 50% are not so homogenous, but they also corroborate above mentioned presumption. Aggregate percentages of entire sample have shown that 82% of companies affirmed above presumption and 18% didn't.

On the other hand, long term debt to equity ratio movements correspond with equity ratio results because 81% of companies which had higher capital than long term debt haven't opened bankruptcy proceeding in comparison to only 19% which had. As well, 88% of companies which had higher long term debt than capital have opened bankruptcy proceeding in comparison to only 12% which had not. Aggregate percentages of entire sample have shown that 84% of companies confirmed the upper presumption and 16% did not.

<table>
<thead>
<tr>
<th>Equity ratio</th>
<th>Total</th>
<th>LTD/E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankruptcy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankrupted</td>
<td>43</td>
<td>1</td>
<td>44</td>
</tr>
<tr>
<td>Non-bankrupted</td>
<td>16</td>
<td>32</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>33</td>
<td>92</td>
</tr>
</tbody>
</table>

It is obvious even at a first sight (**Table 1**) that there is some relationship between bankruptcy and financial structure as well as between bankruptcy and capital structure, but results presented in **Table 2** give the statistical proof for that observation. Value of chi-square test is smaller than 0.05 which implies it's significance and indicates that there is a statistically significant relation between financial structure and opening bankruptcy proceeding as well as between capital structure and opening bankruptcy proceeding.
Table 2 Chi-square test (opening bankruptcy proceeding - equity ratio and opening bankruptcy proceeding – long term debt to equity ratio)

<table>
<thead>
<tr>
<th></th>
<th>Equity Ratio</th>
<th>Long Term Debt to Equity Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>df</td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>41.38</td>
<td>1</td>
</tr>
<tr>
<td>Continuity Correction</td>
<td>38.63</td>
<td>1</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>-49.44</td>
<td>1</td>
</tr>
<tr>
<td>Fisher's Exact Test</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>40.93</td>
<td>1</td>
</tr>
</tbody>
</table>

N of Valid Cases 92 96

*A.S. - Asymp. Sig. (2-sided), **E.S.(2s) - Exact Sig. (2-sided), *** E.S.(1s) - Exact Sig. (1-sided).
a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 15.47.
b. Computed only for a 2x2 table
c. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 21.50.

Table 3 indicates that there is no statistically significant difference between equity ratios of companies which belong to manufacturing activity and companies which belong to retail and wholesale activity. Likewise, there is no statistically significant difference between long term debt to equity ratio of companies.

Table 3 Comparing means between companies according to their affiliation to certain activity (manufacturing or retail and wholesale activity)

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Financial Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVA*</td>
<td>8,258</td>
<td>0.005</td>
</tr>
<tr>
<td>EVNA**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVA*</td>
<td>1.73</td>
<td>0.19</td>
</tr>
<tr>
<td>EVNA**</td>
<td>0.59</td>
<td>0.56</td>
</tr>
</tbody>
</table>

*EVA – Equal Variances Assumed
**EVNA – Equal Variances Not Assumed
***95% Confidence Interval of the Difference

Group statistics for non-bankrupted companies contained in Table 4 demonstrate certain difference in average ratio values for these two activities. They indicate that companies which belong to retail and wholesale activity are more inclined to debt financing than manufacturing
companies. Financial structure ratios signify greater tendency of non-bankrupted companies to finance their operations with capital. That finding is also supported by capital structure ratios which imply that manufacturing companies have significantly smaller value of long term debt than companies in retail and wholesale activity, which is a good indicator of instability and uncertainty of that activity.

It can be presumed that this difference is due to perception of higher stability and better growth potential of retail and wholesale activity in comparison to manufacturing activity which can be attributed to the deindustrialization process which have begun already in 1970s (Peračković, 2011, p. 89) and continued with economic transition in Republic of Croatia in 1990s and it still lasts. Croatia serves as an example of absolute deindustrialization (Penava, Družić, 2014, p. 154).

Furthermore, despite the difference between equity ratios of companies in these two activities, small and medium enterprises in retail and wholesale activity are not so prone to debt financing. This can be due to the fact that they don't have significant growth opportunities as large companies which operate in this activity. It is very indicative that among 10 leading retail companies in 2011, only 3 companies had debt level lower than 50% in their total assets and yet 4 companies had debt share 90% or higher in their capital structure (Anić, 2013, p. 14).

<table>
<thead>
<tr>
<th>Table 4 Group statistics for non-bankrupted companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
</tr>
<tr>
<td>Financial Structure</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Retail and Wholesale</td>
</tr>
<tr>
<td>Capital Structure</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Retail and Wholesale</td>
</tr>
</tbody>
</table>

It is also evident that small and medium-sized companies which continued their business without difficulties don't have high levels of debt. It can be attributed to fact that companies with lower leverage are less risky because they are not burdened with repayment of high debt instalments. These companies are not quoted on stock exchange and consequently their decisions are not influenced by opinion of shareholders and investors. However, they are influenced by different type of public opinion which refers to perception about their company created by their business partners and creditors who seek accountability and reliability in cooperation.
The values from Table 5 indicate that there is statistically significant difference between equity ratio of non-bankrupted companies which belong to manufacturing activity and non-bankrupted companies which belong to retail and wholesale activity. Same can be asserted for relation of long term debt and capital. It is evident from Table 4 that companies from manufacturing activity have higher average equity ratio (69%) than companies from retail and wholesale activity (53%) and also that manufacturing companies have lower share of long term debt (8%) comparing to companies which belong to retail and wholesale activity (39%).

That leads us to conclusion that manufacturing companies in Croatia which haven't experienced financial distress more significantly rely on their own capital than on debt financing in comparison to non-bankrupted companies from retail and wholesale activity.

On the other hand, t-test for bankrupted companies (Table 6) hasn't shown any differences between these two analysed activities. That implies that there are no statistically significant differences in equity ratios regarding company's activity which can be credited to the fact that companies which have opened bankruptcy had identical behaviour regardless of their activity.
affiliation. It included decapitalizing and high amount of debt which they couldn't repay by their maturity. Same conclusion can be drawn for long term debt to capital ratio.

4. HYPOTHESES ACCEPTANCE / REJECTION
In Table 7 systematized summary of research results in relation with established hypotheses is provided.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. There is statistically significant relationship between financial structure and opening bankruptcy proceeding.</td>
<td>ACCEPTED</td>
</tr>
<tr>
<td>1.2. There is statistically significant difference between equity ratios of companies which belong to manufacturing activity and companies which belong to wholesale and retail activity.</td>
<td>REJECTED</td>
</tr>
<tr>
<td>1.3. There is statistically significant difference between equity ratios of companies which haven't opened bankruptcy proceeding and belong to the manufacturing activity and companies which haven't opened bankruptcy proceeding and belong to the retail and wholesale activity.</td>
<td>ACCEPTED</td>
</tr>
<tr>
<td>1.4. There is statistically significant difference between equity ratios of companies which have opened bankruptcy proceeding and belong to the manufacturing activity and companies which have opened bankruptcy proceeding and belong to the retail and wholesale activity.</td>
<td>REJECTED</td>
</tr>
<tr>
<td>2.1. There is statistically significant relationship between capital structure and opening bankruptcy proceeding.</td>
<td>ACCEPTED</td>
</tr>
<tr>
<td>2.2. There is statistically significant difference between long term debt to equity ratios of companies which belong to manufacturing activity and companies which belong to wholesale and retail activity.</td>
<td>REJECTED</td>
</tr>
<tr>
<td>2.3. There is statistically significant difference between long term debt to equity ratios of companies which haven't opened bankruptcy proceeding and belong to the manufacturing activity and companies which haven't opened bankruptcy proceeding and belong to the retail and wholesale activity.</td>
<td>ACCEPTED</td>
</tr>
<tr>
<td>2.4. There is statistically significant difference between long term debt to equity ratios of companies which have opened bankruptcy proceeding and belong to the manufacturing activity and companies which have opened bankruptcy proceeding and belong to the retail and wholesale activity.</td>
<td>REJECTED</td>
</tr>
</tbody>
</table>

The hypothesis about existance of significant relationship between financial structure (capital structure) and opening bankruptcy proceeding. Also, there is statistically significant difference between equity ratio and capital structure of companies which haven't opened bankruptcy proceeding and belong to manufacturing activity and companies which haven't opened bankruptcy proceeding and belong to the retail and wholesale activity.

5. CONCLUSION
The globalization of economic flows, the development of modern means of communication and transmission of information have imposed different criteria of competitiveness and different rules of management in all business areas, including the area of financial and capital structure of a company. It should be assumed that managers in the sphere of capital management bring decisions that have been determined by the current situation on the capital market and also by the internal determinants of a company. Thereat, the problem of how to set up the financial and capital structure optimally arises.

The values and relations of capital and financial structure of a company are significantly associated with the business continuity interruption, i.e. the opening of bankruptcy proceedings. Bankrupted businesses showed similar patterns of behaviour regardless of the
activity they belong to. The patterns are same for the most of the companies and they involved high levels of debt and low levels of capital, which are obviously the signs that indicate that the business activity of a company is extremely unstable.

On the other hand, companies which maintained their business continuity preferred financing with their own resources which exceeded half of their total assets value. However, it was proven that there is statistically significant difference regarding financial and capital structure between these two observed activities. Manufacturing companies have significantly lower tendency to finance their operations with debt (especially long term debt) than companies which belong to retail and wholesale activity. Namely, this careful and so called conservative attitude about long term debt consequentially has detrimental and insufficient investment policy of manufacturing companies and their technological inferiority. That can be attributed to trend of deindustrialisation which unfortunately leads to slow «erosion» of this activity, although it should be one of the generators of healthy growth of Croatian economy.

Efficient capital management should be the aim of management and company owners with an objective to achieve optimal investments and bringing strategic investment decisions in order to ensure business continuity, maximize the value of the company and increase competitiveness. Therefore, macroeconomic policies and strategies should ensure adequate models for different financing sources of manufacturing activity which is the foundation for creating value and its further allocation, especially for Croatian SMEs.

LITERATURE
10. *Accounting Act (Zakon o računovodstvu)*. Official Gazzette (NN) 109/07 ...... 78/15
ANALYSIS OF ECONOMIC CRIME IN SLOVAKIA, WITH EMPHASIS ON THE ANALYSIS OF ACCOUNTING AND TAX FRAUD

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ABSTRACT
Economic crime can affect each market entity, regardless of whether it is or not aimed at achieving profit in its core activities. Especially for businesses could represent far-reaching and destructive consequences, even cause an existential threat or complete disappearance of the subject depending on the specific circumstances. The economic crime does not only cause material damage, it damages also suppliers, customers and other business partners; it can damage the image of the business entity and the morale of its employees. The economic crime in Slovakia is more and more frequent and its forms are more and more diverse. It is constantly developing and seeking new ways to “stay alive”. There is a paradox in that the more control mechanisms are implemented the higher is the rate of detection of fraud. This is why in the countries with more sophisticated tools the rate of economic crime is higher.

The aim of this paper is to examine the overall economic crime in Slovakia during the last ten years. In the analytical part of the paper, the emphasis will be put on the analysis of the most common ways of committing frauds by the business entities in accounting and taxation. The accounting frauds and the tax frauds distort the business environment and they represent also a significant threat to the public finances. The complex accounting and tax issues enable the defrauders to commit accounting frauds and tax frauds; this is because of the deficiencies in the legislation, inefficient control processes and complexity of management. Within the analysis of secondary data in this paper appropriate mathematical and statistical methods will be used. Based on the evaluation of the results of research, conclusions and suggestions will be drawn.

Keywords: Accounting Fraud, Economic Crime, Tax Fraud, Unfair Business Practices

1. INTRODUCTION
In the current European context, the issue of the crime of fraud is explained on different ways. According to Molin (2011) the fraudulence is a delinquent conduct that is aimed to bring an undue advantage to the detriment of another. According to ISA 240, the definition of fraud is that it is “an intentional act by one or more individuals among management, those charged with governance, employees, or third parties,
involving the use of deception to obtain an unjust or illegal advantage” (International Federation of Accountants, 2009).

According Koprlová (2008), in the specialized Anglo-American terminology the mostly term is “Fraud”, but in German speaking countries there are starting to prefer the term “Dolus-Proceeding”. In both cases it always means the same thing: economic criminal activities are crimes that arise in economic life in the context of violation of the existing trust rules. Economic life means that such crimes are committed in connection to the economic activities carried out. This does not necessarily mean that they occur only in the context of the business activities, as the economic activities are carried out also by other entities such as non-profit organizations. Based on the definition of the American Institute for Internal Auditors by “Fraud” we mean the fraudulent and illegal activities related to intentional mislead or misconception.

Modern economic crime – as it says also Jozef Čentěš (2011) – has a wide diapason. In the classical dimension it’s a matter of criminal acts threatening or violating market economy and economic discipline, crimes against currency and tax crimes, and so on. The common denominator of committing these crimes is that the perpetrators are abusing resources of the economic system and their conduct is motivated by profit.

In the widest meaning of the word – thus not in the legal meaning of the word – under the term 'Economic Crime' we mean all the legal and illegal practices under which the persons responsible for businesses – in particular their owners, managers, secretaries and other persons authorized to represent business entity – are causing damage to: people, nature, state, society, science, culture or to other legal subjects, in order to achieve, increase or safeguard profits (Suhányiova, Suhányi, Majiroš, 2015).

2. ANALYSIS OF THE ECONOMIC CRIME IN SLOVAKIA

Slovakia is located in the Central Europe; it is a multiparty state with a unicameral Parliament and the President. It has an area of 49,036 km², and about 5.41 million of inhabitants. It has borders with Czech Republic, Austria, Poland, Ukraine and Hungary. The capital is Bratislava. Slovakia is a member of NATO, OECD and UNO. It joined the EU in 2004. Since 2009 it is member of the European Monetary Union – Eurozone and the official currency became to be the Euro, which replaced the previous Slovak Crown. The International Code of Slovakia is “SK”.

According to the Statistical Office of the Slovak Republic, the Criminality is a summary of the crimes committed by criminally responsible individuals – either intentionally or negligently – at a certain place per a certain period (generally in the country per year). Total Criminality includes all crimes discovered by the police committed by individuals and groups of persons. Data on criminality involves accomplished crimes and attempted crimes. Total Criminality is divided into the following three groups (Statistical Office of the Slovak Republic, 2015):

1. General Criminality
   - Property Crimes: thefts, as well as damages to property
   - Violent Crimes: murder, robbery, intentional bodily harm, dangerous threats, kidnapping, extortion, torture and so on
   - Moral Crimes: rape, sexual abuse, child pornography or soliciting
   - Other General Crimes: hooliganism, illegal production of narcotics and psychotropic substances, as well as obstruction of an official decision

2. Economic Criminality

3. Residual Criminality: malpractice, bodily harm by negligence, traffic accidents, animal cruelty and so on.
Economic Criminality is a specific type of criminality, causing economic damages to the country, companies and individuals. These include (according to the Criminal Code) the crimes that are:

- endangering the market economy (e.g. unauthorized trading, illegal employment, the misuse of participation in the economic competition, etc.)
- against the economic discipline (e.g. misrepresentation of financial and commercial records, harming the financial interests of the European Communities, insider trade, machinations in public procurement and public auction, consumer detriment, unfair commercial practices against consumers, etc.)
- against currency and the tax crimes (e.g. falsification and unauthorized production of money, insurance and tax evasion, non-payment of taxes and insurance, obstruction of tax administration, etc.)
- against industrial rights or copyright.

The share of the detected economic crimes in the total number of detected crimes during the examined period is growing from year to year. While in 2005 the economic crimes accounted about 15.6% of the total number of detected crimes in 2014 this share increased already to the level of 21.4% (Chart 1).

The Chart 2 shows that the highest damage caused by economic crime during the examined period was in 2005. The largest share in the reported damages is represented by the damages for breach of obligations in the management of foreign assets in the amount of 845,181 thousand euros; by the defraudation in the amount of 524,145 thousand euros; and by the frauds in the amount of 251,831 thousand euros.
If you calculate the average loss per detected economic crime, the highest value to one economic crime is in 2005 in the amount of 90.84 thousand euros, and the lowest value is in 2006 in the amount of 15.79 thousand euros. In 2014, the average loss per detected economic crime is 20.38 thousand euros.

Economic crime is constantly evolving, adapting to new conditions and its forms are increasingly sophisticated. Companies must therefore continually look for new and more effective methods of combating economic crime in order to protect their property. According to the survey made by PwC (Chart 3) about 34% of respondents have met with economic crime in the last year in Slovakia, that is more than a third. Compared to the survey made in 2011, this number represents an increase of up to 13%. Globally, the level of economic crime in 2014 reached the level of 37% according to the survey (PwC, 2015).

![Chart 3: The number of companies affected by economic crime (in %) (self-elaboration based on PwC, 2015)](chart3)

In the survey it was also found out that the share of simple types of fraud is decreasing in favour of the growth of more sophisticated forms of the economic crime. However, the top positions in the ranking of the most common forms of economic crime in a long term period are the occupied by the following categories of fraud: asset defraudation, corruption and bribery and accounting fraud. Over time, by the PwC company were included in the rankings also new categories of fraud – that almost immediately occupied the highest positions in the rankings. There are the following types of fraud: computer crime and fraud in procurement processes. The following chart (Chart 4) indicates the percentage of companies with a given form of economic crime encountered.

![Chart 4: The most frequent forms of economic crime in the world (self-elaboration based on PwC, 2015)](chart4)

3. TAX FRAUDS AND ACCOUNTING FRAUDS IN SLOVAKIA
Business management is currently in a difficult situation and under an enormous pressure of the owners, of the market forecasting, of creditors and regulatory bodies. On the other hand,
the complex tax and accounting legislation allows defrauders to commit fraud by the use of the defects of the legislation, of the inefficiency of control processes and management complexity.

Often can be seen incorrectness in the financial statements that may originate from fraud or error. The factor that makes a difference between the fraud and error is the fact of the intention – if the conduct that resulted in the incorrectness in the financial statements was intentional or unintentional. The intentional covering-up – or let us say: setting accounting methods and procedures in the way of enabling to cover-up the reality – is called Creative Accounting. There are different definitions of Creative Accounting, but all of them agree that creative accounting can be defined as “an approach that allows the targeted distortion of the economic condition of the company shown in the accounting”. The most common use of creative accounting is the handling with financial accounting to meet the requirements of the state – especially of the tax authorities. Companies tend to understate the profit to reduce the tax liability – for this may be used various methods and procedures.

The following chart (Chart 5) shows the number of enterprises in Slovakia by legal status – who are registered with the tax authorities as a tax payers.

![Chart 5: The evolution of the number of registered tax payers – companies and cooperatives in the years 2010-2014 in Slovakia](chart5.jpg)

The total number of companies and cooperatives registered as taxpayers in 2014 is 237,270. Compared to 2010, when the number of these taxpayers was 177,889, there was an increase of 59,381. The largest share on the total number is represented by the limited liability companies; in 2014 their share was 94.97%. The smallest share in the years 2010 to 2012 was represented by the limited partnerships, and in 2013 and 2014 it was represented by general partnerships; in 2014 their share was 0.41%.

The control activities of the taxpayers are carried out by the Slovak Tax Offices of the Financial Administration Authority. Control activities of taxpayers are generally understood as tax audits, tax re-audits, accounting control, control of accuracy and timeliness of the collection and payment of administrative charges, control of state aid granted by the tax authorities, the search activity and related activities. The most extensive activity is the
performance of a tax audit, which detects and verifies the tax base or other circumstances decisive for correct determination of tax or tax points.

Table 1: Comparison of the results of control activities carried out by the Tax Offices of the Financial Administration Authority in Slovakia – in 2010-2014 (Annual reports on the activities of the Financial Administration in 2010-2014)

<table>
<thead>
<tr>
<th>Findings from the controls carried out (in thousands of euros)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>out of which VAT controls (in thousands of euros)</td>
<td>424,437</td>
<td>519,754</td>
<td>305,212</td>
<td>379,169</td>
<td>490,458</td>
</tr>
<tr>
<td>Effectiveness of tax audits (in %)*</td>
<td>53.6</td>
<td>49.3</td>
<td>56.6</td>
<td>56.7</td>
<td>63.8</td>
</tr>
<tr>
<td>Number of controls carried out</td>
<td>18,400</td>
<td>22,651</td>
<td>16,053</td>
<td>13,059</td>
<td>12,488</td>
</tr>
<tr>
<td>The average finding per 1 control (in thousands of euros)</td>
<td>30</td>
<td>31</td>
<td>33</td>
<td>44</td>
<td>52</td>
</tr>
<tr>
<td>The average finding per 1 controller (in thousands of euros)</td>
<td>347</td>
<td>451</td>
<td>375</td>
<td>388</td>
<td>428</td>
</tr>
<tr>
<td>The average imposition of sanctions (in thousands of euros)</td>
<td>457</td>
<td>674</td>
<td>438</td>
<td>273</td>
<td>386</td>
</tr>
</tbody>
</table>

* Effectiveness of tax audits: The number of findings from the total number of controls carried out (without the controls of excessive deduction of VAT)

During the examined period, the most controls have been made by the inspectors in the year 2011, when the findings from the controls carried out have been in the amount of 707,097 thousand euros. The lowest number of controls was made in 2014 with the findings in the amount of 52 thousand euros.

In 2014, controllers have realized 12,488 inspections. The controls made on VAT have the highest share of the total number of inspections – in the number of 10,097, representing 80.9% of the total number of inspections. Over the corporate income tax has been carried out 1,021 inspections; over the personal income tax has been carried out 1,100 inspections; over the wage tax has been carried out 56 inspections; over the tax on motor vehicles has been carried out 30 inspections; 175 inspections aimed to check the accounts has been realized and over the other taxes has been carried out a total of 9 inspections.

For the period 2010-2014, we examined the number and the development of the submitted notices of suspicion of tax crimes (Table 2).

Table 2: The number and the development of the submitted notices of suspicion of tax crimes – submitted to the tax authorities (Annual reports on the activities of the Financial Administration in 2010-2014)

<table>
<thead>
<tr>
<th>The number of submitted notices of tax crimes</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total damage (in thousands of euros)</td>
<td>186,132</td>
<td>246,272</td>
<td>123,207</td>
<td>94,758</td>
<td>184,878</td>
</tr>
<tr>
<td>The share of value added tax (in %)</td>
<td>71.67</td>
<td>68.53</td>
<td>61.92</td>
<td>74.30</td>
<td>42.30</td>
</tr>
<tr>
<td>The share of corporate income tax (in %)</td>
<td>16.04</td>
<td>24.52</td>
<td>35.32</td>
<td>19.92</td>
<td>55.41</td>
</tr>
<tr>
<td>The share of personal income tax (in %)</td>
<td>3.40</td>
<td>6.12</td>
<td>2.45</td>
<td>4.90</td>
<td>2.12</td>
</tr>
<tr>
<td>The share of other taxes (in %)</td>
<td>8.89</td>
<td>0.83</td>
<td>0.31</td>
<td>0.88</td>
<td>0.17</td>
</tr>
</tbody>
</table>

The highest number of notifications was submitted in 2010 and the lowest in 2012. The VAT has the highest share each year. But, it is interesting that in 2014, the share of the submitted notices of the damages related to the corporate income tax increased significantly – mainly because of increased criminal complaints about non-payment of taxes, in respect of which the share of VAT damage decreased.
As already mentioned above, the Tax Office of the Financial Administration Authority in Slovakia controls also the accounting of businesses and in the year 2014 it has carried out 175 inspections focused on checking of accounting data. In the case of revealed shortcomings imposes penalties to the entrepreneur.

We can see in the chart (Chart 6) that the sanctions imposed for deficiencies in accounting are decreasing from year to year. The most frequent motive for the manipulation of financial statements in the conditions of Slovak Accounting Legislation is to reduce taxes, especially income tax and value added tax.

In our experience, the most frequent frauds in the accounting of Slovak enterprises are: methods of falsification of financial statements; overvaluation of incomes and assets; undervaluation of expenses and liabilities; undeclared liabilities; incorrect or undeclared accruals of transactions; incorrect valuation of assets.

The correctness of the double-entry bookkeeping and of the financial statements is controlled/verified by the auditors. As already mentioned above, ‘fraud’ is a broad legal concept. In terms of ISA (International Standards on Auditing), the auditor is concerned with fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Although the auditor may suspect or, in rare cases, identify the occurrence of fraud, the auditor does not make legal determinations of whether fraud has actually occurred (International Federation of Accountants, 2009).

At the date of 13th of July, 2015 there has been 784 active auditors and 236 audit firms in the Slovak Republic. Audit provides an overall protection of society. In the case of corporate entities (trading companies and cooperatives) in the Slovak Republic, they are obligated for audit if they fulfil at least two of the three following criteria (in two consecutive years):

1. if their assets exceed 1 million euros,
2. if their turnover exceeds 2 million euros,
3. if the number of employees exceeds 30.

In addition, the audit duty is regulated by specific laws, for example, a duty to audit have all the cities, municipalities and higher territorial units (regions), also foundations, political parties, etc. In 2013, about 3% of Slovak business entities were obligated to have an audit (Slovak Chamber of Auditors, 2015).
The present economic situation makes more and more business entities to think about the destination on which will end the money they invested in the state in the form of taxes. In many cases it is this speculation that leads them to tax avoidance. For most countries, the tax evasion represents a serious problem. Legal tax evasion involves the use of Tax Havens. Since this is a legal business, there are no ways to reduce this phenomenon or to stop it. Slovakia is currently experiencing a boom in Tax Havens. The number of companies whose owner has an address in a Tax Haven reached the number of 4,266 at the end of 2014 and compared to previous year it increased by 9.3% (+364). The reason is that the entrepreneurs have a continual interest in tax optimization, in asset protection, in less red tape and in anonymous ownership. But, it can be partly attributed to the changes in legislation, e.g. to the introduction of withholding tax for offshore companies, or to the increased pressure on the anonymous ownership. But, it can be partly attributed to the changes in legislation, e.g. to the release of information – as more and more countries abolished the bank secrecy. The rate of the check-outs of companies will vary depending on the policy of the state and changes in the laws affecting the business environment.

Table 2: The number of Slovak companies with owners from Tax Haven (self-elaboration based on Bisnode, 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of firms</th>
<th>Nominal share capital in 2014 (in €)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Bahamas</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Belize</td>
<td>51</td>
<td>75</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>78</td>
<td>81</td>
</tr>
<tr>
<td>Gibraltar</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Jersey (United Kingdom)</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Cyprus</td>
<td>555</td>
<td>600</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Latvia</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>318</td>
<td>344</td>
</tr>
<tr>
<td>Malta</td>
<td>33</td>
<td>36</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Monaco</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Netherlands Antilles</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,050</td>
<td>1,052</td>
</tr>
<tr>
<td>Panama</td>
<td>25</td>
<td>38</td>
</tr>
<tr>
<td>Republic of Seychelles</td>
<td>18</td>
<td>65</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td>United States of America</td>
<td>601</td>
<td>671</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,846</strong></td>
<td><strong>3,119</strong></td>
</tr>
</tbody>
</table>

The highest absolute increase in 2014 was reached by the United States of America (+169), Panama (+64), Luxembourg (+39) and the Netherlands (+30). In relative terms the most interesting were Gibraltar (+100%), Panama (+68%), Malta (+53%) and Latvia (+41%). In 2014, for the first time in the history was noticed a decrease in the number of companies with owners from Seychelles (-15) and also Cyprus continues to decrease (-5). The continuing trend in the use of foreign companies for the business activities is no surprise. Entrepreneurs are more oriented to America, which has in the business environment more credibility. But Latvia came into the forefront; in 2014 it joined the Eurozone and adopted new tax laws that allowed the country to compete with the others.

The owners of the companies from the destinations considered as Tax Havens invested in the basic capital of businesses nearly 8,400 million euros in 2014. The most frequent companies...
with the owner from a Tax Haven are engaged in trade, in technical operations and in real estate business.

4. CONCLUSION
In Slovakia we can meet with the Economic Crime more and more frequently and its forms are more diverse. Its occurrence rate in businesses increases from year to year. So it is a fact that the economic crime continues to persist and affects business activities including all its processes. There is a paradox in that the more control mechanisms are implemented the higher is the rate of detection of fraud. In the field of taxation there has been experienced in Slovakia an increasing trend of the causes of economic crime in the context of value added tax. The entrepreneurs also take the advantages of legislative benefits offered by the Tax Havens; this is why they use foreign companies for their businesses. In terms of accounting, there are different ways to deceive shareholders, investors and even auditors in order to hide or to distort the actual results or the financial health of the company. In Slovakia there is a strong connection between the tax and accounting legislation. Businesses have to use the accounting information in determining the tax base for the most important taxes (VAT, income tax). The reason of the distorted reporting of accounting information is to pay the lowest possible taxes. Even though the cases of fraudulent reporting are less frequent than the other forms of economic crime, these frauds have the greatest impact.

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LITERATURE
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