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3D-Scapes Deliver New Decision-making Perspectives for Management and Economy

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Abstract

It is important to adapt alternative perspectives in order to make critical decisions. In economy, problems are interpreted through two-dimensional graphs and interpretation of strategies. In many cases, impressions of how something appears are perceived, without really touching or discovering it. Would a 3D animated image of an (in) visible subject help us to understand better? The 3DMM project group of the graduate study program 3D-Mind & Media at the Fresenius University of Applied Sciences in Cologne, Germany has approached this question and followed this target scientifically in various areas. Their 3D-Scapes present business methods or problems through defined parameters as a physical model. These models show a subjective reflection of a chronologic record. They may be applied effectively as reflection models in marketing or in human resources (HR) for example. Which parameters have to be identified to design 3D models of economic or social topics or problems? These are questions the project group pursues. The target is to answer the particular hypothesis of how relevant it could be for the future to design and present problems, methods, solutions and challenges in 3D. 3D-Scapes demonstrate possible triggers for future decision-making processes.

Keywords: 3D-Scapes, decision-making

Background

Business managers whose job is to take daily decisions often face complex situations with many different stakeholders and influencing factors. With the rising number of departments the degree and inefficiency of complex processes increases as well. This is the paradox position of many top-level managers who are confronted with a range of invisible interdependencies, but are involved with enhanced responsibility for the almost unpredictable results of their decisions at the same time. Consistent effort is spent to establish and coordinate decision-making processes in organisations. Therefore, a lot of established tools and methods exist which should help to simplify the circumstances and oversee the situative-relevant aspects. Most of the models represent data based on linear cause-impact correlations. An analysis based on causal principles enables the quick big-picture by simplicity, but exclude the multidimensional and so-called systemic perspective. Systemic effects in organisations consisting of interdependencies and interferences of elements are mostly the main driver of certain business phenomena and deliver important information for perspective steps and direction (Senge, 2006). Consequently, there is an explicit need in all business areas for tools and methods to visualize situations with multi-perspective options for reasonable decisions. The aim of this publication is to present new applications in 3D modelling, which can be used in different business settings with demand for decision-making. The model is composed of minimum three selectable parameters influencing each other. Once the parameters are identified and processed, the animated 3D image may be rotated, micro- and macro-analysed and even 3D printed. This 3D-scape offers a new way of combining parameters and gaining different perspectives and new triggers even for invisible or abstract subjects in business.
3D-Haptic Perception - From conceptual methods to tangible 3D models

By applying graphs and diagrams for decision-making, the deciders aim is to gain a specific insight into complex business situations and procedures. In general, an essential and crucial decision is to identify parameters, which allow a reflection of the focussed issue. However, consequently this also delivers a subjective and limited perception. Business parameters often involve price of shares, return, product sales, customer contacts or leads, market share and market growth. Sometimes methods even comprise categories incapable of measurement like the SWOT-analysis. The application of models helps to form a more calculable situation via abstraction, aggregation or reduction of information (Freudenthal, 1961).

Due to the modulation or generalization of parameters during the translation into diagrams, a certain loss of information occurs. The systemic consideration of data mostly represented by a time-dependent development lacks in most of the models. Beyond that, the comparison of diverse graphs often based on different assumptions and preconditions leads to lack or even misinterpretation of data. Moreover, the selective cognition of humans also contributes to filtered information and unidirectional decisions (Lazarsfeld et al., 1948; Festinger). Habituation and time-pressure are conditions, which influence decision-making according to generalization and distortion in perception of information and cognitive processing (1962; Klein, 1997; Orasanu, 1997). These cognition phenomena restrict overall-perspective decision-making and are strengthened by routine decision-tool application (Staw et al, 1981).

The application of the 3D model presented in this paper extends the analysis to a completely other dimension. The model holds both, the digital animated image and the printed tangible figure. The additional analogue level allows a kinaesthetic impression of business aspects and therefore triggers new perception levels for substantiated decision-making. The haptic experience with non-comprehensive facts represents a new justification-level, which may spark unusual solutions. The challenging step for 3D modelling is the definition of the parameters, which construct the design of the model. The generated design consists of an emersed and invaginated peak landscape, which contains the information of the underlying parameters. Due to the form of parameters and their interpretation, the volume format of the model includes a message as well. A column mainly presents time-variant parameters, whereas a sphere is used to construct a team model (Image 1 - 3). Actually, all volume bodies can be used to illustrate interdependencies and complexities in simple, tangible 3D models. Moreover, this model offers the possibility for micro- and macro-perspective. While rotating the digital image, the user can zoom into various point of views from which the interpretation of the situation appears to be different. In contrast, the macro-view allows meta-positioning and the awareness of the major relation between the parameters. The chunk-up/chunk-down option enables the alteration between detail- and overview-orientated perspectives and a change of the perception unit (Schmidt-Tanger, Stahl, 2007). This feature supports mental flexibilty and overcomes rigidity in decision-making. Furthermore, analogies and differences to comparable situations in the past can be carved out. With all these steps, the interpretation and possible solutions undergo further assessment. Intensive exploration comes up with more perception of the individual business landscape and an enhanced ability to come to an appropriate decision.

**Materials and methods**

The overall inspiration and development of visualizing business methods is related to the increasing software compatibility and usability. The particular software applied in this scientific approach is Maxon Cinema 4D (C4D). C4D offers the designer and the scientist sophisticated structure combined with innovative modelling applications enabling simple and swift visualization processing. The essential identification of parameters of the selected business method remains the initial step, while the interpretation of these identified parameters into algorithmic values to determine the 3D x-, y-, z-axis becomes the formula to crack. Once developed, this 3D formula is solely an attribute of the mathematical and design features of the Maxon software, which offers the final conversion coordinates to a realistic and factual 3D mesh model. The design of the model is an innovative reflection of the desired result, to express and offer evidence, perspective, perception and emotional access to a subject otherwise only featured as a basic 2D graphic visual.
The “3D-Mind & Media” Team (3DMM) of the Hochschule Fresenius University of Applied Sciences in Cologne has developed a variety of models, which visualize specific business methods. Three examples of these “BizScapes” are demonstrated in the following images:

**Team spirit sphere**

A ball and its quality to roll smoothly can be regarded as a symbol for team spirit and as a metaphor how homogenous the team works together. The construction bases on team-relevant parameters like conductive, coordinative or cooperative abilities, which are generated from the DISC-analysis (Marston, Geier, 1979) as a worldwide-established tool for team evaluation. It supports to answer the questions: how consistent is the team? Is the team composition well balanced? What kind of personality would fit to complete the team? (Image 1). Additionally, the team sphere is complemented with personal models for each team member (Image 2).

Image 1: Team Spirit Sphere. This model describes the overall reflection of a whole project team related to the individual assets each team member offers, therefore demonstrating its overall homogeneity and effectiveness. One crater is equivalent to one of the eight characteristics from DISC-analysis (Marston, Geier, 1979), marked with the corresponding colour. The depth of the crater represents the positive presence of the ability. The wider the crater, the more this ability is underrepresented in the team.

Image 2: Team Member Assets. In this case, the individual team member receives a 3D model reflecting his/her particular assets or deficits. A model designed to offer the individual member reconstructive analysis of their own features and position within the project team. The length of the spikes show the occurrence of one ability; respectively the shortness represents its’ absence. Each asset has its individual colour to supply easy reference.

**Identity-based brand management model**

Efforts to understand your own market position, support decisions and actions for development of a customer-orientated product and powerful brand.

For example, the management model of Meffert and Burmann (2005) brings up the concept of a whole brand identity, which consists of definite indicators reflecting the whole landscape of branding
conception. This or other company-established models can be transferred into a 3D-scape. Core parameters of those models express, for example, brand values, brand communication, distribution etc. (Image 3a). As a first impression, the model gives helpful hints for further actions to establish the product on the market. For a more concise analysis, the customers view can be included and visualized. The comparison between the two evaluations reveal important discrepancies and matching aspects. The practical application is demonstrated in Image 3b. The branding identity is visualized in columns – both from different evaluators (red and blue) – which can be fusioned to reveal the interesting inconsistencies or similarities. The physical 3D model also offers other advantages. It is well known that a branding strategy has to be expressed with life, which means an inner commitment of the employees for a more convincing communication to the customers. The continulative effect of the printed 3D-scape comprises the sustainable commitment of the participants because of the memory effect (Bandler, Grinder 1979). A tangible object can be placed into the groups’ meeting room, the entrance hall or reception or management offices in different sizes to remind everybody of the overall target. This holds the effect of inner commitment and a vivid strategy. To summarize, the 3D-scape can be used as a tool for successful implementation or maintenance of companies’ value strategy and branding. For the future, more than the presented concept will be realized and model design and construction is under further development. The introduced concept of self- and external-assessment comparison can easily be adapted to different analysis tasks and to an evaluation of the current and target status.

Image 3a: Identity-based Brand Management Model (Meffert et al. 2005). This model identifies image factors relating to a product or a company. This offers a company vital information to the truth about their image of their company or brand.
Conclusion

With regard to the dynamics in business contexts, analysis of business data and decision-making is a daily demand. Therefore, analytic tools like matrix models are very helpful, even though these diagrams often just present one time-point of development. For more sound insight into the business scenario, the inclusion of the time-variation of the parameters in a 3D model is an asset. 3D-scapes as developed by the 3DMM project group of Hochschule Fresenius, University of Applied Sciences, Cologne, circumvent some of the obstacles delivered by regular models and extends decision-making to another dimension. The time-dependency interpretation of parameters can be realized with column-shaped 3D-scapes on digital and analogue (physical) level. Apart from the time-aspect, more parameters and their interdependencies can be processed. Instead of using diverse models with different starting assumptions, the aim is to condense the aspects in one model. The digital image offers 3D rotation and the quick change of perspectives – the observing meta position and the detail-driven perspective as the most relevant ones (Schmidt-Tanger M., Stahl T., 2007). On top, the haptic experience with 3D printed scapes lead to a further justification of the decision process. The certain panorama of the scape reveals discrepancies, exposed polarities and self-obstructive structures and offers a basis for generating next steps. The flexibility in construction of the model, format and surface design, and alternative perspectives avoid routine-driven interpretation. The variable modelling process cuts the risk of selective perception based on standard model utilization and supports innovative solutions. Moreover, the special geography of a situation becomes symbolized and touchable and therefore provides a sustainable and memory effect to improve target implementation. Digital and analogue, the 3D model enables the verification of options from different angles and contributes to more efficiency in decision-making processes.
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Introduction

Venture capitalists have long understood that the quality of leadership process in new ventures is of paramount importance (Timmons, 1999). If entrepreneurial leadership is important, its nature should be understood in depth pertaining to more complex than a simple main-effects only relationship with effectiveness. Our approach deals with leadership as an independent variable at the organizational level. An enterprise cannot be regarded as a unitary actor. Entrepreneurship emerges as a result of social process, ripe for power and politics, embedded in an organizational ideology historical context. The political interplay of individual and collective interests has to be examined in order to understand entrepreneurial leadership better. Moreover, passion is the driving force behind entrepreneurial success and a powerful force in accomplishing goals. Understanding this process entails a focus on social actions and meanings: how do various actors in an enterprise interact to recognize, interpret and enact opportunities? Clearly, the answer to this question is complex and involves a very large number of variables. As will be in the literature review that follows, the entrepreneurial leadership model is based on contradictions that have been theoretically or empirically validated by other researchers.

New insights into entrepreneurial leadership construct

In this paper we talk about organizational entrepreneurship as a research domain and try to make additional contributions to theoretical background of traditional field of corporate entrepreneurship. We are specially concerned with the how and why of entrepreneurship in organizations and explicitly focus on contradictions as the main sources of organizational entrepreneurship dynamics.

We argue that it is critical to take dialectical approach into consideration in order to understand why and how entrepreneurship functions in existing organizations. The work follows the trail of prior work that stressed the importance of an organic perspective on strategy (Farjoun, 2002). Following and broadening organic approach, we suggest key progression based on dialectical assumption as vital to development of entrepreneurship research.

Recently an increasing number of researchers have adopted a dialectical perspective on organization, strategy and management (Benson, 1977; Brown & Eisenhardt, 1998; Cameron, 1986; Carter, 1999; Clegg, Cunha; & Cunha, 2002; de Witt & Meyer, 1998; Fabian, 2000; Farjoun, 2002a; Handy, 1994; Hampden-Turner, 1990; Hampden – Turner & Trompenaars, 2000; Kotler & Heskett, 1992; Lewis, 2000; McKenzie, 1996; Mintzberg, Ahlstand, & Lampel, 1998; Pascale, 1990; Poole & Van de Ven, 1989; Seo & Creed, 2002; Quinn, 1988; Townley, 2002). They have distinguished the dialectical approach from traditional approach. Briefly, some key dialectical assumptions may be characterized with the following features:

- The starting point is the entity of the organization that is further divided into mutually complimenting and contradicting areas. Contradiction reconciliation processes taking place in reality means coexistence and friction between juxtaposed tendencies in objects and processes, and particularly relations between events, whose coexistence creates their interaction. None of two contradictory forces can be removed. The emphasis on reconciling contradictions is matched by an encouragement of more systemic and holistic approach to management. The orientation toward contradictions and ways of their reconciliation provides a framework for more profound characteristics of organization. Ambivalences and tension between opposite forces stimulate continuous movement. Tension between actors or within and among
organizations stem from the variety of political, functional, social and institutional roots. Managers who see being and reality as continuous movement, a dialectical process can enable the development of their organization.

- The state of organizational equilibrium not only does exclude contradictions, but accepts them as the basis for radical changes of the existing organizational order. In particular, it implies that inherent contradictions, fused with external developments, create potential for change. The dialectical process model specifically highlights path-dependent organization’s formation in which past developments constrain and enable present multiple feasible trajectories. Observable organizational patterns are regarded as one among many possibilities and development path is not natural or determinate. Full management of organization’s growth is rare, and when it occurs, it is fragile.

- The task of managers is to synthesize contradictive views. They should strive to temporarily accommodate both factors at the same time and actually need to welcome contradiction and tension. Effective management requires avoidance of quick, fixed solutions. Faced with contradictions, we can try to find novel way of combining opposites, but will know that none of this creative reconciliation will ever be the ultimate answer. An organization which strives constantly to find extreme solutions may find that the process hinders its development and effectiveness. A reconciliation is a dynamic process, not a final state. It brings two extremes of contradiction together but excludes neither. A reconciliation is a local in that sense that it cannot be designed but emerges from situated practice.

In its developed form, Weick’s (1995) framework involves social sense making, identity construction, retrospection, plausibility, extracted cues, on-going sense making and enactment. An interesting corollary of Weick’s model is that entrepreneurs embedded in organizational/ environmental context (a) experience surprises, discontinuities, gaps – create opportunities, (b) enact context – shape opportunities, (c) retrospectively make attentions to signals with meaning from viewpoint of enacted context – recognize, identify opportunities, (d) interpret and retain meaningful versions of what signals signify to their and organization’s identity – interpret opportunity, (e) put into practice or change this credible meaning in subsequent enactment and retrospective perception – mobilize to seize and pursue opportunities. We may see organizational entrepreneurship as useful action strategies of creating, shaping, recognizing, interpreting, seizing and pursuing opportunities.

The process of organizational entrepreneurship consists of multiple, interdependent actions, because opportunities have to be searched for, chosen, and exploited. This notion has led us to describe it as a cycle of activities that organizational members engage in to create, shape, recognize, interpret, seize, and pursue opportunities that allow them to innovate, adapt, improve, and to create new value. These different actions complement each other and, together, constitute entrepreneurial processes. We suggest that these processes may be iterative rather than sequential but they each are necessary for entrepreneurship to occur.

On the basis of the sense-making perspective, we argue that exploiting a endeavor opportunity by seizing and pursuing is a process of resources acquisition, competence development and organizing co-evolutionary with organization and environment. It starts up with seeking opportunities by creating, shaping, recognizing and interpreting. By entering the unexploited arena, the enterprising actors hope to gain some basis for effectiveness. This building and sense making process is analogous to growth in terms of the accumulation of entrepreneurship activities over time.

However, Bamiatzi et al. (2015: 627) claim that as the business environment becomes more turbulent, complex, and dynamic, effective entrepreneurial leadership is increasingly viewed as a source of competitive advantage (Küpers and Weibler 2008), particularly critical in small business development (Thorpe et al. 2009).

On the one hand, recent study of the 100 largest organizational crises has shown that in majority of cases, the failure of successful organizations largely follows the same logic: they grew and changed too quickly (or too slowly), had too powerful (or too weak) leadership, nurtured an excessive (or lack of success) culture (Probst & Raisch, 2005). In the extreme cases organizations simply burnout (implode) or have premature aging syndrome (explode). Therefore, the extremes could be negative for
the enterprise in the long run (Finkelstein, 2003; Sull, 2003). Despite growing evidence showing that extreme, quick, fix solutions are ineffective, entrepreneurs still appear to make this a frequent practice. On the other hand, according to Gielnik et al. (2015:1012), research has shown that it usually takes several years to launch a new firm, during which the entrepreneur has to invest countless hours (Reynolds & Curtin, 2008). Entrepreneurs need to expend considerable effort to successfully start a new venture (Foo, Uy, & Baron, 2009). Scholars have proposed that, beyond other characteristics such as need for achievement (Rauch & Frese, 2007), entrepreneurial passion is an important personal characteristic fueling entrepreneurial efforts (Baum, Locke, & Smith, 2001; Cardon et al., 2009).

Patel’s et al. (2015:219) research contributes to a growing body of inquiry exploring passion in the leadership context. The research to date has conceptualized how passion differs from other work-related constructs, individual-level outcomes and general conceptualizations regarding its potential positive effects. Their study shifts the focus from passion as a one-dimensional construct to assessing the role of two types of passion and the contingent efficacy of each type of passion in the face of dynamic and complex environmental conditions. Thus, the study explains how under increasing environmental dynamism or environmental complexity project leaders with a specific type of passion may be more successful than others. Gielnik’s et al. (2015) findings suggest that there is substantial variance in entrepreneurial passion over time and changes in entrepreneurial passion are a consequence of entrepreneurs’ efforts. Entrepreneurs increase their passion when they make significant progress in their venture and when they invest effort out of their own free choice (Gielnik’s et al., 2015: 1027). Among the many leadership qualities, passion is essential to mitigating significant challenges and developing novel solutions (Baum and Locke, 2004; Baum, Locke and Smith, 2001; Cardon et al., 2009). However, passion could have both positive and negative effects on a business but in the case of passion and its contribution to entrepreneurial culture we expect it to have a positive effect due to the organization’s greater ability to be innovative and exploit opportunities. Some have argued there is a direct link between passion and performance with the two linked together (Hanft 2004).

In related literature, Chen, Yao and Kotha (2009) and Mitteness, Sudek and Cardon (2012) found that displays of passion increased the likelihood of receiving resources from investors. Passion has been shown to improve organization’s performance (Baum, Locke and Smith, 2001; Cardon et al., 2009), and in the face of uncertainty passion provides goal coherence, energy and task commitment (Cardon et al., 2009). Despite widespread anecdotal evidence in the entrepreneurship and management literature, the effects of the characteristic of passion in a leadership context remain less explored. In recent years, conceptual (Cardon et al., 2009) and empirical interest (De Clercq, Honig and Martin, 2012; Murnieks, Mosakowski and Cardon, 2012) in understanding the effects of passion on organization’s performance has continued.

Smilor claims that passion is perhaps the most observed phenomenon of the entrepreneurial process (Smilor 1997: 342). Passion has been identified as an important conceptual variable in the entrepreneurship process. Academics and practitioners argue that entrepreneurs who exhibit passion are more successful than those who are not (Baum & Locke, 2004). Entrepreneurs are defined as those who discover and exploit new products, new processes, and new ways of organizing (Baum and Locke, 2004: 588), and entrepreneurial efforts are generally defined in terms of the recognition and exploitation of business opportunities, notably through the founding of new ventures (Baron, 2008; Venkataraman, 1997). In the business world, passion is widespread and definitions of passion generally emphasize positive emotions. Baum and Locke call passion (for work) love for work (2004: 588), Shane, Locke, and Collins define it as a selfish love of work (2003: 268), Smilor defines passion as the enthusiasm, joy, and even zeal that come from the energetic and unflagging pursuit of a worthy, challenging, and uplifting purpose (1997: 342). Cardon et al., (2005) state that passion is at the heart of entrepreneurship. Moreover, passion can fuel motivation, enhance mental activity, and provide meaning to everyday work (Brännback et al., 2006: 6). It can foster creativity and the recognition of new information patterns critical to the discovery and exploitation of promising opportunities (Baron, 2008). Passion has been associated with entrepreneurs’ ability to raise funds from investors (Cardon et al., 2009b; Mitteness et al., 2012; Sudek, 2006), and to hire and motivate key employees (Cardon, 2008). Passion is a strong indicator of how motivated entrepreneurs are in building a venture, how determined they are in pursuing goals while facing difficulties (Vallerand et al., 2003), and it may be a key driver of entrepreneurial action. Therefore, scholars have argued for a deeper understanding of passion as a central element of entrepreneurial efforts (Cardon et al., 2009a; Chen et al., 2009). Chen et al. define entrepreneurial
passion as an entrepreneur's intense affective state accompanied by cognitive and behavioral manifestations of high personal value (2009:199). Entrepreneurial passion refers to consciously accessible intense positive feelings experienced by engagement in entrepreneurial activities associated with roles that are meaningful and salient to the self-identity of the entrepreneur (Cardon, Wincent, Singh, & Drnovsek, 2009: 517). Breugst et al. ( 2012: 172) claim that although leaders might display the same affect, its influence on followers can differ depending on the context. Entrepreneurs lead by passion invest higher levels of energy and effort into new ventures (Baum & Locke, 2004), they identify themselves with the success and failure of their ventures, and passion combined with vision mobilize energy of followers (Bird,1989). However, Cardon (2008) claims that the larger the company, the more difficult it is for entrepreneurs to engage in transformational leadership and spread passion among employees.

According to Thornberry (2006) leadership requires passion, vision, focus, and the ability to inspire others. Entrepreneurial leadership requires all these, plus a mind-set and skill set that helps entrepreneurial leaders identify, develop, and capture new business opportunities. Entrepreneurial leader (and other people), opportunities, actions, resources, competences, organizational architecture and to some extent passion and environment are the controllable components of organizational entrepreneurship that can be assessed, influenced, strengthen or weaken, thereby changing in positive ways to fill the gaps and improve the reconciliation to add new value and wealth creation. This iterative entrepreneurial process gives the unique combination of founders and venture team, opportunity, actions, resources/competences, and context at the particular time and space in the most important success factor of creating or adding value provided for the constituents. The highly dialectical character of organizational entrepreneurship underscores the criticality of leadership reconciling core contradictions and balancing reward and risk, or some likelihood that actual results will differ from expectations.

To start combining leadership and entrepreneurship, it is important to realize that whereas there are many definitions of leadership, two notions underling most of them are process and influence (Bass, 1990; Yukl, 2002; Zaccaro & Klimoski, 2001). For example, Yukl (2002:8) points out that leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplished shared objectives. Covin and Slevin define entrepreneurial leadership as a social influence process intended to facilitate the discovery, evaluation, and exploitation of entrepreneurial opportunities (2005: 95). Used in this sense, the term entrepreneurial leadership implies a specific type or dimension of leadership and not simply context in which the process is exercised (e.g. entrepreneurial organizations). Having a bearing on Hunt’s (2004) conception of a Contextual Antecedent Superstructure, we emphasize that entrepreneurial leadership should be conceptualized as (1) leadership of organization, (2) different from management but complementary, (3) embedded within broad organizational and environmental context, (4) focused on relational and networking aspects, (5) which is dynamic process of leading as opposed to leader, (6) constituting an important part of organizational entrepreneurship. Gupta, MacMillan, and Surie (2004) found empirical support for assumption that entrepreneurial leader is distinct from other behavioral forms of leadership. They define entrepreneurial leadership as a core element of entrepreneurial mind-set that creates visionary scenarios that are used to assemble and mobilize a “supporting cast” of participants who have been committed by vision to the discovery and exploitation of strategic value creation (Gupta, MacMillan, and Surie, 2004:242). Their construct of entrepreneurial leadership involves fusing concepts of the neocharismatic/transformational (Bass, 1985), value-based (House & Aditya, 1997), and team-oriented (Graen & Uhl-Bein, 1995) leadership with entrepreneurship theory that focuses attention on proactive enactment, that is, the creation of a new reality (McGrath & MacMillan, 2000:235), on eschewing conventional values to arrive at creative solutions (Amabile, 1996), and on participation and involvement by organizational members in an uncertain organizational context.

We suggest that entrepreneurial leadership is a mode of strategic entrepreneurship which focuses on how the dominant coalition of the enterprise influences the strategic process of entrepreneurship. Following Hambrick and Pettigrew (2001) distinction between leadership and strategic leadership, we argue that entrepreneurial leadership refers to top management level and not only to a relational activity but also to a strategic and a symbolic activity. Entrepreneurial leadership process, by shaping the internal and external environment inspires confidence and support among
people, who are needed to explore and exploit opportunities in – as Block (1993) notes – collective, proactive, and pro-organizational way. Although authorities disagree about whether an entrepreneurial personality exists, the general picture that emerges of an entrepreneurial leadership style incorporates the task-oriented, with an eye on the future, creative, and charismatic behaviors (DuBrin, 2004).

Power and politics recently has been acknowledged as the social energy connected to organizational learning (Blackler, 2000; Coopey & Burgoyne, 2000; Lawrence, Mauws, Dyck, & Kleyser, 2005). Hence, we argue that on organizational level the entrepreneurial leadership is an important part of strategic leadership process of providing the direction and inspiration necessary to create and sustain an enterprise, and to ensure a competitive fit between the enterprise and its environment. Furthermore, the components of strategic leadership require high-level cognitive activity, revolutionary thinking, anticipating and creating the future, creating and sharing a vision, gathering multiple inputs (DuBrin, 2004) are important components of an explorative learning and modifying behavior to reflect new knowledge, and, in consequence, constitute any integral part of perplexing strategic entrepreneurship and entrepreneurial leadership processes. Entrepreneurial leadership, however, must usually take the initiative to create the conditions whereby an enhancement of stakeholders’ capacities to recognizing and interpreting opportunities takes place as organizational members develop a common purpose and commitment to having the enterprise keep crafting an entrepreneurial strategy and creating new value and wealth.

Entrepreneurial leadership is conceptualized in terms of influence processes that make a multitude of specific contributions to performance by contributing to creating, sustaining and developing the power structure and entrepreneurial culture of an organization that encapsulate organizational capabilities to formulate vision and mobilizes motivation to materialize effectively. With an emphasis on leadership decisions and actions the entrepreneurial leadership model offers substantial potential to re-evaluate organizational entrepreneurship practice through which organizational change, development and success comes about.

Following Sashkin’s (2004) efforts to integrate various transformational, charismatic, and visionary approaches, we suggest four aspects that appear to be central to entrepreneurial leadership. These are (1) vision – constructing a vision of what the organizations might be, communicating a vision as a means of moving others to action in the collective enterprise, and to do more than they expected or intended, (2) cultural context – seeking general agreement between people in organization that certain values and beliefs are important and should guide their actions, concentrating on achieving success with others rather than focusing on avoiding failure, transforming the pattern of norms, values, beliefs, and assumptions commonly held by the members of an organization, (3) change and development - going against the status quo, intellectual stimulation by encouraging others to look at problems from different perspectives, (4) power – broadly using the non-economics sources of authority, emphasizing the moral and meaningful aspects of organizational events and situations, coalition forming and maintaining by persuading others that their interests and fates are intertwined, empowering by actively creating opportunities for others to make a vision of organization’s future real and building trust, respect and concern for people.

It is well-known that the good analytical perspective is no substitute for comprehensive view of entrepreneurial leadership with interconnecting, reinforcing, and balancing loops. The tension between order and chaos is inherent in entrepreneurial leadership. Moreover, this process is the whole context organization full of interactive relationships between thinking, planning and acting (Cook, 2001), which are shaped by network of feedbacks both positive and negative. Similarly, Shimizu and Hitt (2004) distinguish three decision-making processes that enable strategists to cope with the uncertainty in a dynamic environment: (1) paying attention (be sensitive) to the most important challenges, (2) objective assessing, especially negative data, and (3) initiating and completing action in a timely fashion. The only unchanging ingredients of entrepreneurial leadership are the particular types of its elements that are characteristic of entrepreneurial thinking (paying attention), valuing/deciding (objective assessing) and acting. Synthesizing their contradictory features leads to the establishing of three distinguishing forms of entrepreneurial leadership which, in fact, are the ideal goals and should be pursued in the process of creating consecutive cycles of the reconciling opportunities and actions spiral. Reconciling
contradictions should not be seen here as an aim in itself but rather as a means of building new organization, winning and maintaining the competitive advantage, and wealth creation.

Entrepreneurial leadership process can be supported through the development of internal dynamics that focus on contradictions reconciliation. In doing so, enterprises enhance their own governance adaptive capacity and are better able to enhance their effectiveness. A closer look reveals three fundamental elements that contain contradictions shaping the entrepreneurial leadership dynamics: (1) Top-down, individualistic versus bottom-up, teamwork in identifying and interpreting opportunities, (2) Economic effectiveness versus social responsibility in entrepreneurial wealth creation, (3) Extrinsic motivation, economic competition versus intrinsic motivation, social cooperation as a lever of involvement in entrepreneurial activities.

As Lewis (2015) points out the entrepreneurial leadership literature reflects a focus that is, in essence, a fusion of three concepts: entrepreneurship, entrepreneurial orientation, and entrepreneurial management (Gupta, MacMillan, and Surie 2004). The form and character of entrepreneurial leadership is accepted as being malleable in the sense of both enactment and exploration. For example, it can be a leader behaving entrepreneurially; an entrepreneur exhibiting leadership behaviors; and leadership in the context of a new venture, an entrepreneurial venture, or a venture that is small or medium in size (Ensley, Pearce, and Hmieski 2006). Both leadership and entrepreneurship can be conceived of as embodying a distinctive and identifiable set of underpinning traits, behaviors, and competencies (Engelen et al. 2012).


If we confine entrepreneurial leadership as a concept to the organization, then we have focused it to the process of building, among multiple constituencies, commitment to the enterprise’s vision, mission, objectives, and strategies as well as change or reinforcing existing patterns of behavior in the enterprise as the whole changing its structure processes, capabilities and developing an effective organizational culture, including infusion ethical value systems in making strategic decisions (Boal & Hooijberg, 2000). Our entrepreneurial leadership framework is developed within larger House and Shamir’s (1993) context of transactional/ transformational, charismatic, or visionary leadership. The approach, already suggested in leadership topics (Denison, Hooijberg, & Quinn, 1995; Thayer, 1988), joins that researchers who argue that the dialectical approach may be extendible to many domains of organizational enquiry. One especially interesting illustration is the competing values framework, where it is argued that effective leaders must be able to engage in both similar and contradictory roles (Quinn, Faerman, Thompson, & McGrath, 2003). Giddens’ notion of the dialectic of control holds that, no matter how asymmetrical, power relations are always two-way, contingent and to some degree interdependent (Giddens, 1987). This opinion is similar to that of Collins (2001), who concluded that great performance of leaders is based on combining a culture of discipline with an ethic of entrepreneurship. In a somewhat related vein, Collinson (2005) explores three interrelated dialectical dynamics (control/resistance, dissent/consent, men/women) and highlights the tensions, contradictions and ambiguities that typically characterize the relations and practices of leaders and followers as mutually constituting and coproduced. At the same time, Farson (1996) illustrates how apparent contradictions or absurdities could be the sources of leadership competences. These suggestions are not at all inconsistent with predictions derived from other studies that have pursued the important aspects of leadership in existing enterprises.

The entrepreneurial leader’s challenging task is to mobilize the competencies of the enterprise and its stakeholders by scenario enactment (creating a scenario of possible opportunities) and cast enactment (creating a cast of people endowed with the appropriate resources). Gupta, MacMillan and Surie (2004) argue that these two independent dimensions of enactment provide the theoretical framework for the construct of entrepreneurial leadership. Particularly first dimension, we suppose the
cognitive one reflecting explorative learning, is depicted by three specific entrepreneurial roles: (1) Framing the challenge – setting highly challenging but realistic standards and goals for the cast of knowledgeable actors to accomplish, (2) Absorbing uncertainty – taking the burden of responsibility for the vision and instilling others with confidence that they can accomplish desirable future, (3) Path clearing – diplomatic bargaining to obtain support from the stakeholders, persuading others of leader viewpoint, and encouraging them through reassuring and advising. The second dimension of entrepreneurial leadership, we suggest the ideological one because of leader’s appealing to a vision derived from a set of super ordinate values (institutional ideology), is characterized by next two roles: (1) Building commitment – inspiring emotions, beliefs, values and behaviors of others to work hard together and to seek continuous performance improvement, (2) Specifying of constraining limits – intellectually stimulating others and integrating people around shared understanding of what can and cannot be done, making decisions firmly and quickly to persevere in the face of environmental change, and encouraging others to learn. In summary, the key lever of an entrepreneurial leadership is a collective spirit of conscious opportunity-seeking.

In our construct of entrepreneurial leadership, we consider organizational participants and stakeholders that foster or facilitate the development of entrepreneurial processes (Bratnicki & Kozlowski, 2008). The internal environment makes demands for order and predictability. The external environment makes demands for attention, flexibility, responsiveness, and effectiveness. These potentially contradictory elements of organizations create a challenge for entrepreneurial leadership, who capture mental models of organizational members with clear vision of the future and motivate followers to realize the vision. In entrepreneurial areas that is in an environment of complexity, ambiguity, uncertainty, in which knowledge is the most critical success factor multiple perspective are needed to solve the problems, and stakeholders' shared vision and widely shared interpretations are required (Hirschorn, 1997; Raelin, 2003) and self-organization are required (Meindl, 1998; Wheatley, 1999). The question relevant to such entrepreneurial dynamic is the degree to which dialectic reconciliation may affect an enterprise effectiveness. Measuring how an enterprise deals with entrepreneurship contradictions, involved in the creation of new opportunities and in building new organizational entities, may provide clear and robust predictors of future survival, objective effectiveness, and subjective perceptions of success. However, as noted earlier, fewer studies have looked into the entrepreneurial leadership contradictions implications.

Above, we describe the major ideas and contributions related to entrepreneurial leadership. The process of entrepreneurial leadership requires engagement with many dimensions, and in this paper we have drawn out three that we believe are crucially important: visionary, transformational and motivational. We realized that the picture is quite incomplete. Therefore, we suggest that it is worth including passion into the entrepreneurial leadership framework. Of course, not always creating vision and common direction, transforming organizational culture, and mobilizing motivation of stakeholders of organizational mind is clear path for entrepreneurial success: other organizational processes (strategic, administrative, behavioral) and external circumstances will also play important roles. But the presence of the above mentioned ingredients certainly combines to create an effective entrepreneurial leadership and increases the probability of enterprise’s high effectiveness.

This entrepreneurial perspective posits that an organization can leverage the effectiveness impact of existing management through opportunities exploration and exploitation, but little theoretical and empirical research address these issues. Developing the dialectical perspective on entrepreneurial leadership further, we theorize that contradictions’ reconciliation shapes opportunity creating and shaping. More specifically, we focus on explicating the strategic role that entrepreneurial, dialectical dynamics can play in enhancing organizational effectiveness. It seems that reconciliation of entrepreneurial leadership contradictions may positively impact creating and shaping opportunities.

Given the scope and magnitude of benefits conferred by dialectical approach it seems reasonable to suggest that it might provide similar benefits for entrepreneurial leadership research. For this reason, and taking into account the interdependence of contradictions reconciliation through associated processes, we posit that entrepreneurial leadership involves three interlinked contradictions. Although this finding may be unsurprising to many, we are unaware of any existing study that has presented evidence of the link between contradictions reconciliation and entrepreneurial wealth creation.
Discussion, implications for research and implications for practice

We present a theoretical analysis of the leadership role in the organizational entrepreneurship process. Specifically, we argue that effective entrepreneurial action is impeded by a simplistic understanding of leadership – one dominated by a non-dialectical perspective. By using dialectical theory as a new lens through which to view leadership in entrepreneurial studies, we describe how reconciliation of contradiction can affect corporate entrepreneurship, as well as organizational effectiveness. Our entrepreneurial leadership model integrates theoretical perspectives such that research on the charismatic transformation and organizational leadership is enlivened with entrepreneurial reconciliation of dialectical contradictions. Using the concept of dialectical dynamics, we distinguish three common leadership contradictions associated with entrepreneurial phenomena in existing organizations: (1) top-down versus bottom-up entrepreneurial initiatives in creating vision and common direction, (2) economic effectiveness versus social responsibility in shaping organizational culture for entrepreneurial wealth creation, and (3) economic competition versus social cooperation in mobilizing motivation for entrepreneurial partnership. The contradictions framework, as indicated above provides a sound foundation for the advancement of new ways to uncover and effectively manage challenges pertaining to leadership in entrepreneurial organizations.

Implications for Research

Our aim in this paper has been to establish what we believe are the most critical elements of entrepreneurial leadership process. To do so, we have explored the dialectical dynamics of contradictions’ reconciliation. The described model contributes to research on leadership and on entrepreneurship in organizations by identifying entrepreneurial leadership through which organization members experience and deal with complex demands of entrepreneurship. Having defined entrepreneurial leadership as the strategic process of influencing by which organizational participants and stakeholders recognize, interpret and enact opportunities using common purpose, shared values, and commitment to keep strategic value creation in proactive, innovative, risk-taking way, we adopted a dialectical perspective that highlights the role of contradictions. We believe that any theory of leadership without an understanding of its dialectical dynamic will always be incomplete.

Further, since our interest is in identifying dialectical dynamics in entrepreneurial leadership, we need some framework against which organizational contradictions are discovered and assessed. This requires that we carefully specify the contradictions that enterprise reconcile and ensure that these are comparable across organizations. More subtly, we have to ensure that we not only look at dialectical output, but also account for difference in the quality of entrepreneurial available to different organizations. In addition, one has to ensure that entrepreneurial leadership contradictions are compared across similar external conditions.

Our analysis explicitly acknowledges that the formation of different types of entrepreneurial leadership relationships operates within the constraints and possibilities presented by dialectical dynamics. The dynamics includes visionary, transformational, and motivational dimensions. Furthermore, our theoretical analysis acknowledges that the nature of the entrepreneurial leadership process produces reconciliation of three main contradictions. More specifically, we have discussed theoretical possibilities for a synthesis of three entrepreneurial leadership contradictions, as well as some explanations of behaviors of organizational actors attempting to develop effective entrepreneurial relationships.

However, we see a methodological obstacle to achieve such reconciliation in practice. Since the research questions and instruments employed have not reflected a dialectical view of leadership, it is possible, that academic community present understanding reflects current theory more than organizational reality. Few measures exist for constructs such as vision creation, cultural transformation or motivation mobilization; therefore, developing measures of integrated constructs will be particularly challenging. Obtaining a more accurate account of entrepreneurship contradictions requires new instruments to capture a more integrated view of leadership and its relationships with variables like “accuracy”, “amount” or “effectiveness” of entrepreneurship.
Additionally, the entrepreneurial leadership construct/model suggests that effectiveness can be influenced by interactions between contradictions and processes that are remote from effectiveness in time and in the casual chain. From a research implications perspective, the proposed model adds to the theoretical development of corporate entrepreneurship. We need to widen our gaze from the narrow focus on simple direct effects and to the more significant world of interactions as part of the social fabric where entrepreneurship would create value. Research should seek to demonstrate how the entrepreneurial leadership model can be translated to actionable knowledge (Argyris, 2004) to bridge the gap between theory and practice.

More specifically, the strategic quest for opportunities and mainstream thinking about entrepreneurship need some key questions to be answered. What are organizational entrepreneurship building activities and processes and how can enterprises best balance the desire for entrepreneurship against other imperatives? Are certain managerial orientations more successful in leveraging and protecting entrepreneurship? The important entrepreneurship policy question is whether existing organizational infrastructures are effective in meeting the needs and expectations of entrepreneurial people. We will explore the effect of entrepreneurial leadership on wealth creation through new endeavor creation, proactivity, innovation, risk taking and aggressive opportunity seeking. While considerable progress has been made, we believe that substantial components and manifestations of entrepreneurial leadership and its contingent influence on corporate entrepreneurship and its outcomes are yet unexplored, providing new areas for scholar inquiry. In this vein it may be possible that the need for special organizational infrastructure (resource and competences) deserves further, more critical evaluation.

It should be noted that the entrepreneurial leadership model is simple enough so that the key issues can be monitored at glance and is holistic enough to highlight the interactions of contradictions and outcomes of entrepreneurial leadership. For space and parsimony reasons, we have illustrated only dominant processes that are involved in leadership competence as the ability of enterprises members to create, shape, recognize, interpret, seize and pursue opportunities of relevance to the organizational effectiveness. The results extend prior research on entrepreneurship by showing an overarching framework of driving a coherent research agenda centered on interlinked concepts, revealing perspectives on leadership issues to underpin further direction of future knowledge creation and accumulation. Additionally, due to their complementary nature, these elements provide a synergy. In a related vein, it will prove useful to develop a categorization of types of entrepreneurial leadership configurations and to relate to appropriate time frames, knowledge and attention requirements.

We discuss the entrepreneurial leadership in the light of the dialectical framework. The process should be mapped out in detail so as to enable managers to focus on the desired scope, depth an intensity of entrepreneurship in a given enterprise. Thus, to achieve a quantum leap in the effectiveness of entrepreneurial leadership we need to look into this process – what the process does, and how it does to ensure that it provides new value and create new wealth.

The entrepreneurial leadership is an organizational process with a dialectical dynamics contours that are consequential for creating and maintaining entrepreneurship, and leadership acts affect both the effort and directions of subsequent entrepreneurial actions. We extend this observation to suggest that in future research scholars look at how leadership might serve as the means by which enterprises may adjust and align their entrepreneurial orientation with the positive impact on performance. We join the growing number of voices urging scholars to include the role of contradictions in their thoughts and actions as vehicles of change and to allow the possibility of entrepreneurial synthesis. This perspective highlights the importance of developing theory that attends to the dynamic nature of entrepreneurial process. A research implication concerns the factors that facilitate the maintenance of tensions between entrepreneurial leadership competing needs of participants in ongoing process. It is unclear how such reconciliation can be managed effectively. Thus, in the future research scholars should pay close attention to specific ways of maintaining tensions that produce effective entrepreneurial leadership.

We claim the critical issue is what the processes are by which entrepreneurial leadership is constituted into successes or failures of new value creation. Therefore, the aim of the present study has been directed specifically toward searching for evidence of universality of entrepreneurial leadership, and for this to be done through a theoretical analysis. We believe it is likely there are three generic entrepreneurial leadership contradictions and universal/near-universal effective entrepreneurial leadership processes. However, various writers perceive problems of generalizability arising form the
significant cultural and organizational differences affecting leadership (Javidan & Carl, 2005; Holt, 1998; Hunt & Peterson, 1997; Triandis, 1993). Consequently, our results challenge a number of long held and taken for granted assumptions about the contingent nature of effective leadership. Nevertheless, our findings appear both valid and robust. Furthermore, there is only spares empirical evidence relevant to this issue, which, as yet represents theoretical speculation that needs to be demonstrated empirically in a wide and culturally diverse range of contexts – across organizations, industries and cultures.

It can also be counter-argued that our model entrepreneurial leadership could be further extended to include contextual variables. For instance, times of difficult and challenging tasks, turbulence, and need for innovation increase the likelihood that organizations will be more susceptible to the entrepreneurial leadership which appears uniquely qualified to recognize and interpret opportunities. A next research implication concerns the role of stakeholders giving the mutual influences between stakeholders and their collaboration more attention.

We suggest that these leadership actions need to be taken at the organizational level and extend analysis by outlining the enterprise processes that shape entrepreneurial leadership. We hope that scholars and practitioners alike will focus the spotlight on the development of effective contradictions reconciliations end synthesis, as well as on effective leaders and entrepreneurs. In our view, understanding dialectical dynamics is as important as understanding leaders. This dialectical framework extends our understanding of leadership in entrepreneurial organizations and offers a novel approach to thinking about leading in exploring and exploiting opportunities for new wealth creation. Not only do we contribute a description of what entrepreneurial leadership is and it gets accomplished; we also consider how the process of contradictions’ reconciliation are intertwined in organizational situations and provide means to explore what makes opportunities meaningful.

**Implications for Practice**

Forming vision and creating strategic direction, transforming organizational culture, and mobilizing motivation constitute the basic elements of entrepreneurial leadership. But as we already noted, without a theory of the dialectical dynamics that support these processes, a general model of entrepreneurial leadership will always be incomplete and unable to fully explain or predict which opportunities will be identified and interpreted as viable way to new wealth creation.

Participants first need to produce a collective vision through the responsibility establishment of both top-down individualistic and bottom-up entrepreneurial activities. Practically speaking, the opening sequences of leadership process should involve shared ideology that connect potential participants and articulates specific direction for them in identifying and interpreting opportunities. Through forming vision, entrepreneurial ideas are made explicit, named in terms of opportunities, and incorporated into organizational mindset that relates the new ideas to new strategic direction. The process involves the perception of holistic patterns and improvisation based on these perceptions, allowing for the development of creative vision, along with the facility to channel that vision in entrepreneurial strategies.

Once a collective vision and common direction is socially constructed, entrepreneurial leadership participants need to shift their perceiving, thinking, and acting toward the ongoing valuing and deciding related to entrepreneurial wealth creation. Our analysis suggests that this can be facilitated by building organizational culture that focuses simultaneously on repeatedly articulating concerns of economic effectiveness and social responsibility. The resulting business ethics helps to maintain the salience of both financial and social performance, as well as helps to maintain the distinction between them, by including in leadership process joint learning. A key factor in this process is the power and political will of those attempting to make cultural transformation. The institutionalization of new norms, values and beliefs depends on the actions of interested participants and stakeholders who work to embed new ideas in the organizational culture. Thus, entrepreneurial leadership supports and shapes consistent bases for business ethics, and subsequent entrepreneurial wealth creation.

Facilitating involvement in entrepreneurial activities requires an ongoing tension between extrinsic motivation, economic competition and intrinsic motivation, social cooperation. At a minimum, the importance of this contradiction suggests the value of building and mobilizing community of entrepreneurial actors who adopt potent vision. The importance of this contradiction also suggests the
need for entrepreneurial partnership that arises in resource acquisition and legitimacy outside as well as inside the enterprise. In addition, more use might be made of structures and processes that help to prevent one individual or a group from dominating. If the organizational participants and stakeholders engage in the processes described here, they should increase their chances of achieving partnership and entrepreneurship while also meeting their respective interests, expectations, and needs. The focus of mobilizing entrepreneurial motivation is the accomplishment of coherent, collective, organizational action. A final practical implication concerns the boundaries of when the entrepreneurial leadership can and should be applied. Our intent has been to develop a leadership model for ambitious, proactive, innovative, and risk-taking enterprises. Opportunity seeking, entrepreneurial organizations demand large investment commitments in terms of ambiguity that people have to tolerate, as well as sets of supportive resources, processes, capabilities, and competences to be set. Not all enterprises have such entrepreneurial orientation and significant proportion of leadership relations is not intended to explore and exploit opportunities. In such case we do not argue that organizational participants and stakeholders should engage in the leadership process described above.

References:


Creative Strategy of Organizations: The Construct, Paradoxes and Relations with Performance

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Objectives

The objective of the paper is to theoretically develop and empirically test the construct of creative strategy. The construct is understood as reconciling strategic paradoxes in four key areas: innovativeness, entrepreneurship, leadership and creative design of the organization. We argue that by animating creativity on the strategic level, organizations can unleash innovativeness of their members and develop competitive advantage. We propose that organizations should first look at new and useful ideas of their members rather than focus on economic results and competitive advantage. In this sense, the construct of creative strategy can serve as a tool revolutionizing the approach towards innovativeness of organizations.

Prior Work

Although the concept of creative strategy is mentioned in the literature (Kuhn 1989, Leigh 2012), the construct of creative strategy was first described by Bilton and Cummings (2010). Their perspective is, however, consultative. We develop this construct by adding the strategic management concepts, where creativity can be analyzed on the organizational level, and seen as a dynamic capability that leads to competitive advantage. In this sense, creative strategy is top management’s strategic choice to shape conditions for developing creativity and thus revolutionize the way innovations are developed.

Approach

Our approach concentrates on developing existing theory, identifying the research gaps, and testing the theoretical construct throughout quantitative analyses. We have carried out our literature review in order to identify and develop the construct of creative strategy. Research hypotheses were identified, tested with descriptive statistics, factor analysis, correlation analysis, and hierarchical regression.

Results

From the research carried out among 606 organizations in the transition economy in Poland, it seems that the theoretical dimensions of creative strategy (innovativeness, entrepreneurship, leadership, and design) are well-reflected in business practices. However, only a small number of organizations are able to reconcile paradoxes present in the dimensions of creative strategy, thus being able to transform creative ideas into innovations. The dimensions of creative strategy are not positively related to financial measures of performance. They are however related to performance measured with non-financial, subjective measures. It was possible to build an empirical model of relations between dimensions of creative strategy and performance.

Implications

The research shows, that in order to be more innovative and entrepreneurial, organizations need to strategically strengthen the conditions for unleashing individual creativity. Instead of focusing on

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results and competitive advantage, they should reach for new and useful ideas of their members, and the economic and strategic outcomes will consequently come.

Value
This paper is the first attempt – to our best knowledge – that develops the theoretical construct of creative strategy as offered by Bilton and Cummings (2010). It adds the strategic management perspective, operationalizes it, shows the link with firm performance, and develops recommendations for business practice.

Introduction
Innovativeness is usually presented as a stand-alone construct, and described by variables showing positive relations with dependent variables such as growth, performance, or sales figures. In this vein, innovativeness is treated as a remedy for company performance, and a stimulator of flexibility, higher level of entrepreneurship, strategic and competitive advantage. Innovativeness – as a process of bringing innovations into life at an organizational or strategic level is seen as an indispensable element of contemporary companies.

In fact, innovativeness itself usually requires considerable financial investments. Turning creative ideas into innovations – new products, services, technologies, business models or management processes – rarely is positively correlated with performance, or creates value by itself in the beginning. Allocating assets for preparing the new products or services on the basis of creative ideas requires some financial efforts at first. It is only a successful commercialization of the creative idea turned into innovation that creates value, results in performance, or animates and rejuvenates the organization in the long term.

In this paper we argue, that innovativeness, analysed on the organizational level should be the part of organizational strategy. Following Bilton and Cummings (2010) we label it ‘creative strategy’, a sequence of processes from selecting and developing creative idea (organizational creativity), turning it into innovation (strategic innovativeness) and commercializing it (strategic entrepreneurship). In order to be successful, this process sequence requires a support of proper strategic leadership and creative organizational design.

This paper therefore, calls for a certain kind of revolutionizing the approach to researching innovativeness. Instead of focusing on the outcomes – strategic advantage, competitive advantage, sales figures or firm performance – we suggest to look at the source of the outcomes – the creativity of organization members and teams, and creative ideas generated in organizations. To us, the proper process of selecting creative ideas, developing the most promising ones into innovations, and finally commercializing them in the dynamic and turbulent competitive marketplace is the source of contemporary companies’ success. Revolutionizing innovativeness – as we see it – is not focusing at the innovations by itself, but focusing at the sources of innovations – the creative ideas of people, which can be further developed into innovative products and services.

Following this line of reasoning, we argue that processes of supporting creativity in organizations should be strongly connected with the strategy of the organization. Structures and design, leadership, power in action and strategic processes should be revolving around supporting organizational creativity, and selecting the most promising ideas that could be potentially successful innovations.

First, we would like to present the dilemmas of linking organizational creativity and strategy. Then, we present the construct of creative strategy, and describe its dimensions. Third, we outline the paradoxes present in the process of preparing and implementing creative strategy. Finally, we attempt to operationalize the concept of creative strategy developed by Bilton and Cummings, and show the results of the research carried out in 606 Polish organizations. We decided to select the sample from organizations operating in Poland, as a region of intensive economic growth, high level of entrepreneurial opportunities exploitation, and steadily growing innovativeness. The research outlines the empirical dimensions of creative strategy, shows their level in transition economy, and tests the relations of creative strategy dimensions with financial and non-financial performance. Conclusions are
presented, some discussion with the theoretical model is led; limitations and future research results are proposed.

This study contributes to the creativity literature and strategic management theory by theoretically developing, and empirically operationalizing dimensions of creative strategy, and testing the relationships between particular dimensions and firm performance.

**Creativity and strategy – two juxtaposing constructs**

Change, innovation, entrepreneurship, and creativity represent key processes to organizations operating in the 21st century (Chell, 2001). Despite the central role of creativity as the basis of competitive advantage and a primary source of firm growth, our understanding organizational creativity representing a strategic asset remains limited. Creativity scholars have created a vast body of literature regarding a large number of contextual and individual factors, which can enable or inhibit the generation of creative ideas (Amabile 1996, Mumford, 2012: Weinzimmer, Michel & Franczak 2011). Unfortunately, little is known about the strategic role of creativity in entrepreneurial organizations. Moreover, while most previous studies considered micro-level characteristics of creativity, examining this phenomenon on organization-level performance can holistically increase the understanding of creativity. To address, this needs, strategic management concepts can be applied to examine the assumption that increased organizational creativity promotes firm performance.

Our focus is on the role of creative capability in the shaping of organizational strategy, and in consequence in firm performance. Given that a considerable rhetoric surrounds creativity in organizations, it is perhaps surprising that organizational creativity has received comparatively little attention from mainstream business and management researchers. In this study we develop a research framework, which integrated organizational creativity and strategic management, and explore the relationship between these constructs, as well as firm performance.

Bilton and Cummings (2010) convincingly argue that creativity and strategy usually regarded as constructs quite distant from each other, have actually much in common. One can integrate them into the concept of creative strategy that is based on four pillars: innovation, entrepreneurship, leadership and organizational design. Within these four key dimensions, paradoxes – contradicting situations that appear at the same time, and none can be removed – also have to be managed (DeWit, Meyer 2010), of in order to revive and integrate the entire organization (Weick, 1987). The idea presented by Bilton and Cummings does not offer specific solutions, but provides a theoretical framework encompassing a wide range of concepts and models.

Scholars suggest that strategy and creativity are two juxtaposing constructs. First of all, the process of creativity cannot be directly planned, while strategic management is connected, generally speaking, with planning. Strategic plans require coherency and some degree of predictability in further implementation. Therefore, in this respect creative strategy would mean strategic orientation of the organization on future and effective goal implementation with parallel discovering of the individual potential of organization members, with their unplanned paths and individual ways and methods of fulfilment of the objectives.

Second – according to Bilton and Cummings arguments – creativity requires constant reconciling of contradictions, bissociative thinking, moving between extreme solutions, and thinking out of the box. Strategic management, on the other hand, concentrates on classifying, grouping, and generally thinking inside the box. Creative strategy, therefore, could be treated as a process of stepping beyond the predefined status quo as well as adopting a more eclectic approach towards product, organization or sector, as well as switching between different strategic approaches. Third, creativity requires a holistic, comprehensive, and multi-lens approach. As Steve Jobs said, it requires crossing technology and art. (Isaacson, 2011). Traditionally, strategies in organizations are formulated by workers of one type (accountants, consultants, engineers), who got promoted for top management positions. The concept of creative strategy therefore, would focus on multi-level, multi-lens approach and multitude of points of view, perspectives, insights and dimensions of thinking.
Another reason why strategy seems to be in conflict with creativity is the approach to making mistakes. Creativity requires acting flexibly, in a non-standard way, reaching beyond the accepted framework, which can result in making mistakes. Strategic management, through proper planning and goal formulating assumes that every mistake is an undesired situation, which should be avoided. Therefore, the organizational capability to formulate creative strategy would mean identifying failures and flexibility in adopting to deal with them, instead of predicting mistakes and avoiding undesired situations. Strategic management concentrating on control and effectiveness misses the link between failure and success. Examples of many contemporary organizations show, that failures are often the source of breaking-through innovations or future successes.

The creativity process requires slack, relaxation and laziness from time to time, while strategic management focuses on effectiveness, deadlines, systematic effort, and efficient time management. It turns out, however, that the time of slack or laziness, though seems to be ineffective, lets people think, invent and analyse ideas and relations, observe and implement good practices, which can’t be fulfilled under time pressure. What is more, managers think that strategic management, focused on goal realization assumes that creativity is a process typical for artists, not managers. The creativity process is indeed natural for all organization members on all levels of management, and strategy reflects many creative elements.

Bilton and Cummings further argue that stimulating imagination with non-standard incentives or impulses as well as communicating with images instead of texts unleashes creativity in organizations (Bilton & Cummings, 2010, p. 26). In their opinion, in the strategic management process organization members are being used to strategy as a forty-page report, while creative strategy should use images. It will be more understandable, dynamic, full of positive tensions and therefore more creative. Yet another difference between creativity and strategy concerns the nature of organizational culture and routines shaping. Strategic management views strategy creation as a process shaping strong organizational culture and mission. Creative strategy, on the other hand requires more open and varied organizational culture, which juxtaposes extreme ideas and values instead of finding and fixing “the golden middle” (Ford, 2002). Strategic management concentrates on verified recipes and on imitating best practices of the latest successful companies. This leads to quick, fixed solutions. Creative strategy formulation should be the effect of constant learning from the mistakes made, connected with further enthusiasm for new ideas (Fisher & Amabile, 2009).

Though contradicting at the first glance, creativity and strategy have much in common. As it was suggested above, there is a possibility in reconciling the contradictions of creativity – usually associated with chaos, improvisation, flexibility, disorder, illuminations and art, with strategy – typically associated with planning, predicting, systematic work and order. On the basis of this reconciliation, the concept of creative strategy, as presented by Bilton and Cummings (2010) will be developed in the next part.

Theoretical basics of creative strategy
In this section of the paper, we present the construct of creative strategy, and describe its dimensions: strategic innovativeness, strategic entrepreneurship, strategic leadership and creative design of the organization.

Christensen (1999) points out, that a source of problems, dysfunctions and pathologies in developing innovative products and services by organizations is lack of coherent strategy, that would act as a guide in selecting valuable projects, economically assessing feasibility of their success, as well as objectively rating their novelty, usefulness, and appropriateness. Therefore it is important to tailor strategic framework for the processes of organizational creativity, innovativeness and entrepreneurship.

Vicari (1998, in: Leigh 2012, p. 45) treats creative strategy as a combination of individual creativity and organizational creativity with low and high intensity of each dimension. As a confrontation of these two dimensions a typical four-field matrix is proposed, where four normative strategies are described: (a) strategy of stagnation or decline with no support for creativity, (b) strategy of Japanese business
model with long-term orientation and innovativeness development, (c) strategy of passive approach towards developing creativity, as well as (d) strategy of entrepreneurial organizations seeking and exploiting opportunities.

Kuhn (1989, p. 11-13), when analysing strategies of over hundred organizations, indicated ten types of creative strategies. A closer look at the proposed framework shows, that in many cases these strategies are based on the positioning school of strategic management, and the label „creative” refers only to dynamic and unusual exploitation of processes that shape strategic advantage, by concentrating on actions and goals, stimulating entrepreneurship, know-how of the sector and its trends, or focusing on flexible and creative approach towards planning budget.

As it was mentioned earlier, Bilton Cummings (2010, p. 30) suggest, that the nature of creative strategy lies in stepping beyond the contradiction between the aspects typically associated with creativity and features typically associated with strategy. Attempting to reconcile the contradictions and developing some recommendations for organizations, one may conclude, that: (a) creativity in organizations requires both strategic approach with planning and controlling, as well as more flexible approach with slack time, maturing of ideas, looking for opportunities and finding solutions, (b) creativity in organizations requires linking of the processes of formulating, implementing strategy and strategic control with fun, (c) creative strategy should focus on rational approach, data-based planning, as well as on spontaneity, improvisation (Miner, Bassoff, Moorman 2001), innovativeness not limited by resource constraints (Stevenson & Jarillo, 1990).

Following the Mintzberg’s 5P concept, one may say, that creative strategy is a set of plans, positions, patterns, ploys and perspectives that will generate and increase the value basing on new ideas. Furthermore, creative strategy is also connected with implementing actions at a strategic level, that help unleash organizational creativity for identifying and exploiting opportunities in order to increase firm performance. The concept of creative strategy assumes, that increasing value coming from innovative ideas is possible by reconciling paradoxes in four key dimensions of creative strategy: (a) strategic innovativeness, that is supporting organizational processes that will result in innovations based on creative ideas, (b) strategic entrepreneurship, that is turning the innovations into marketable products and services (commercialization), (c) strategic leadership, that promotes creativity and entrepreneurship, (d) strategic design of creative organization, that stimulates the processes of creativity, innovativeness and entrepreneurship. Strategic innovativeness, generally speaking, concentrates on exploiting creative idea in order to generate value. Strategic entrepreneurship builds a bridge between the art of innovation and the real market outside the organization. Strategic leadership focuses on consolidating, sustaining and developing innovative projects in organizations, as well as supporting all the processes of creative strategy: creativity, innovativeness, and entrepreneurship. Strategic design concentrates on generating proper structures, processes and organizational features that will unleash creativity throughout the whole organization. In the next section, the four dimensions of creative strategy will be analysed.

The dimensions of creative strategy
Strategic innovativeness is a combination of innovations that are developed by, and inside organizations, (Miller, 1983) with strategic thinking (Graetz 2002, p. 456). It is defined as reorienting the strategy of organization, aiming at creating new value for customers and the organization itself (Johnston and Bate 2007, p. 4). Strategic innovativeness is a long-term process of introducing innovations, which makes it possible to fulfil goals on the strategic level of management. It embraces a set of coordinated actions and efforts, starting with generating the idea, its approval and dissemination. These processes require planning, bottom-up ideas, skills, tacit and explicit knowledge, information flow, knowledge sharing, as well as securing funds for commercialization. The level of strategic innovativeness depends on the nature of the organization, sector of activity, age, size and other control variables, as innovations are differentiated, uncertain, and require cooperation and support from functional teams (Pavitt 1991). Companies that develop strategic innovativeness, strengthen their structures and infrastructure (Pycraft, Singh and Phihlela, 1997, p. 169). They can be flexible in the short term, and deal seamlessly with threats from competitors; they also are capable of introducing new
products and ideas in a relatively short time, as the strategic level of innovativeness strengthens the organizational culture, and creates certain routines. Van de Ven (1988) indicates certain challenges connected with managing innovations in organizations, among which most important are: (a) proper management of organizational members’ attention, that will make them focus on developing new ideas, (b) managing social and political dynamics of innovation; remembering about social aspects of management, and processed of organizational politicking, (c) managing the processes of creating proper organizational infrastructure, that will be a strong driver for innovations. Organizations treating innovativeness as a strategic process can result in a number of positive outcomes (Alsaaty 2011, p. 3): (a) organizational and strategic renewal, (b) increasing performance in the long term, (c) increasing productivity and decreasing costs, (d) dominant position in the market, (e) securing assets with sustained and constant access to them, (f) exploiting opportunities (g) increasing market value, (h) competitive advantage.

The second dimension of creative strategy is strategic entrepreneurship, understood as commercializing the innovation, or – in other words – turning the selected and promising innovations based on creative ideas into marketable products and services. Strategic entrepreneurship is therefore connected with implementing large-scale or important innovations into the market, which will create competitive advantage. These innovations may result in new businesses started within organizations (Moris, Kuratko & Covin 2008). Strategic entrepreneurship processes can also result in innovations that appear in the strategy itself, offered products, serviced markets, modes of organizing and in the business models. Therefore, different forms of strategic entrepreneurship can appear: strategic renewal, constant regeneration, re-definition of the domain of activity, rejuvenation, or reconstructing the business model.

Strategic management concentrates more and more on the entrepreneurial activities of the organization. Integration of strategic management and corporate entrepreneurship processes creates strategic entrepreneurship that focuses on exploiting organizational capabilities and competences in the process of seeking, identifying, exploiting and commercializing opportunities (Shane 2003). In order to strengthen these processes, scholars indicate a number of managerial activities that help to stimulate strategic entrepreneurship (Morris & Kuratko 2008, p. 161): (a) formulating entrepreneurial vision, (b) strengthening the perception of opportunities, (c) institutionalizing change, (d) strong motivation for developing innovative behaviours, (e) investing in human resources, (f) sharing responsibility, risk, and rewards, (g) accepting failure, and learning from it.

If the understanding of strategic entrepreneurship, as a process of turning innovations into marketable ideas can be accepted, researchers identify five phases of the process (Bilton & Cummings 2010, p. 112): (a) phase of identification, based on realizing, that a certain idea has a potential for commercialization, (b) phase of development, focusing on preparation for turning the innovation into products or services, (c) phase of assessment, which answers the question if the innovation is worth further development, (d) phase of preparing new products or services, (e) implementation phase – launching the product and selling it. The five phases create a complete cycle of strategic entrepreneurship, where first two are associated with dilettantness and fun, while the last two are connected with diligence and hard work.

As a further development of this conceptualization of strategic entrepreneurship, Hitt, Ireland, Simon and Trahms (2011) offered a dynamic, multi-level, input-output framework, where creativity is treated both as individual and organizational resource. The proposed framework describes three important elements of strategic entrepreneurship: resources and organizational features, environmental factors (environmental wealth; resource richness), processes of resource orchestration, and organizational outcomes. It is important to notice, that this framework focuses on the ways resources are used by organization in order to commercialize innovations.

The processes of creativity in organizations that lead to developing and commercializing innovative products or services cannot be effective without the support on the strategic level. The sequence: creative idea-innovation-entrepreneurship (commercialization) requires the organizational support of strategic leadership.
The task of strategic leadership is to consolidate, sustain, and develop business projects and ventures, as well as to coordinate and inspire the processes of innovativeness. Scholars find it difficult to define the scope of strategic leadership (Guillot 2003, p. 67). Canella and Monroe (1999) point out, that research concerning strategic entrepreneurship focuses predominantly on the CEO perspective, which confirms the common belief, that strategic entrepreneurship is directly connected with leaders on the top level of company structure. In this stream of research, certain attributes and behaviours of leaders are indicated as a source of strategic success, such as hard work, leadership and interpersonal skills, motivating, ability of learning, skilful combination of strategic planning with strategy implementation, innovation management and organizational change (Charlton 1993, s. 13). In a more extensive approach, strategic leadership is understood as a combination of two perspectives: orientation on people on the top level of management, with concentrating on their actions and strategic choices (Canella 2001, p. 40).

As long as leadership concerns influencing people, strategic leadership concerns organization as a whole, as a higher level of analysis. Strategic theories of leadership discuss the problems of leading the organization in a holistic way, with regard to co-evolution, and changing goals and capabilities (Boal i Hooijberg 2000, p. 516). From this perspective it is vital to understand the organization as a unity, with the task environment (Louw & Venter 2006). To-date, it is accepted, that strategic leadership in organizations is shaped by six key elements (Ireland & Hitt 1999, p. 47): (a) formulating vision and mission, (b) exploiting and sustaining core competences by knowledge and intellectual capital development, (c) developing human capital and investing in it, (d) developing strong organizational culture, (e) sustaining ethical practices across the organization, (f) balancing financial control with strategic control. On the other hand, Bilton and Cummings (2010) define strategic leadership as a capability of formulating strong vision combined with the skills of building social capital and strong networks, both inside and outside organization.

Stimulating organizational creativity, turning ideas into innovations, and marketing them, requires – apart from strong leadership on the strategic level – a proper organizational design. The challenge of this dimension of creative strategy lies in creating and developing such a structure, and such vital features of the organization, where the processes of creativity and innovativeness will be further developed. Creative organizational design should create a proper organizational context, where strategic potential and effectively orchestrated resources will result in desired outcomes, such as higher level of organizational creativity and increase in value creation. The organizational context stimulating creativity requires both tight and loose structures, as well as balancing between concentration time and slack time (Bilton & Cummings, 2010). Tight structures assure implementing of the strategic plan, whereas loose structures allow bottom-up ideas, and innovative approaches to problem solving. Concentration time, with proper intensity of actions and behaviours will result in meeting the requirements expected in the strategic plan. Slack time makes it possible for organization members to think and reflect on new ideas, and facilitates the “eureka” effect.

Structures and time aside, proper organizational design that promotes creativity, should feature certain attributes that will unleash creativity within, and outside the organizational structures. According to Bilton and Cummings, strategic design of creative organization needs to develop the following features: (2010, p. 207): (a) strong organizational culture, that on one hand integrates and unifies the organization, but on the other hand allows it to adopt to environmental changes and introduce innovative ideas, (b) proper organizational climate, where promising creative ideas are assessed objectively and promoted depending on their value, regardless where they come from, and by whom they are introduced (c) environment that leaves room for idea exchange between experts and naive enthusiasts, (d) entrepreneurship processes (Pinchot 1985), with new idea generation both inside and outside of organization, (e) multitasking, (f) ambidexterity (Tushman, Anderson, O’Reilly 1997), (g) optimal approach towards introducing change; avoiding change for the sake of changing.

In this section, four dimensions of creative strategy were described: strategic innovativeness, strategic entrepreneurship, strategic leadership and creative organizational design. Scholars indicate, that these
elements of creative strategy are not uni-dimensional, and that each of them is torn with tensions and contradictions. The next section presents shortly the dilemmas of creative strategy, with regard to each dimension.

**The paradoxes of creative strategy**

Juxtaposing creativity and strategy will create unavoidable tensions in the process of strategy formulation. The concept of creative strategy assumes, that there are contradictions in four areas: (a) innovativeness, (b) entrepreneurship, (c) leadership, and (d) organizational design. The first area where dilemmas or contradictions appear is innovativeness (Bessant & Tidd, 2011). It requires combining or reconciling two factors (a) observing and discovering phenomena that were present, but were not revealed, (b) creating new things through opinion and idea exchange.

The second area of creative strategy where contradictions are present is entrepreneurship, understood as bringing innovations into the market. Entrepreneurship, proactive opportunity seeking, requires reconciling the contradiction between dilettantness and diligence. Entrepreneurs are often seen as people, who look for interesting ideas in a non-standard, informal ways. They look for opportunities by travelling, testing and having fun. On the other hand, they must be precise and diligent in order to introduce new product that seems to be a marketable idea.

The third element in the process of formulating creative strategy that requires reconciling paradoxes is leadership. Strong leadership in organization allows integrating powers and resources necessary to capture the innovativeness potential and entrepreneurial actions. It requires managing the paradox of (a) being the visionary on one hand, and (b) building relations and acting together inside and outside of organizations. The last area of creative strategy where contradictions appear is the design of organization. The contradiction concerns the structure that would promote developing the initiated innovations. Such a structure would require reconciling the paradox between (a) focusing and (b) loosening. Concentration and proper intensity of actions allows implementing the strategic plan as well as to be effective, and efficient in time management. Loosening, on the other hand, gives people and organization the time to thinking, where new ideas and innovations occur, creating the ‘eureka’ or illumination effect.

Assuming the existence of four dimensions of creative strategy we posit, that developing creative organization is realized effectively by reconciling contradictions in the multidimensional processes of innovativeness and entrepreneurship, leadership and organizational design which results in animating and integrating the whole organization. Thinking in the category of paradoxes and their reconciliation requires developing solutions that will sustain stability and continuity, keeping the satisfying process of adaptability and innovativeness. A set of such solutions – in the case of creative strategy – could be creative discovery, professional dilettantness, diligent venture preparation with improvising and experimenting; formulating vision through interaction, as well as lose concentration.

**Creative strategy dimensions and performance**

Organizational performance can be defined as the ability to secure assets needed for its survival (Stone, Bigelow and Critenden 1999, s. 378) or ability to create value that will be accepted by customers and other stakeholders (Epstein & Manzoni 2008). Lim (1995) points out, that performance is a level of effective realization of the goals, connected with the characteristics of given organization. According to Yeo (2003) performance in empirical research is usually associated with financial effectiveness or the level of profits earned. It is important, when discussing performance, to take into consideration both quantitative measures (sales figures, ROA, ROE, etc.) as well as qualitative, and subjective, non-financial ones (efficiency, stakeholder satisfaction, turnover, employee satisfaction, growth).

Contemporary challenge of strategic management lies in increasing performance (Venkatraman & Ramajunan 1986). However, there is no consensus as to universal performance measures (Cameron 1986). Usually, in the research concerning innovativeness, entrepreneurship and strategy, financial measures as indicators of performance are used. (see eg. Zahra & Das 1993, Zahra & Covin 1993). These indicators are analysed for past three years in order to see the influence of time on effectiveness.
Both objective, financial measures of performance, as well as subjective, non-financial ones have their advantages and disadvantages. Financial measures are typically assumed as more precise, controllable and reflecting the existing standing of the organization. It seems however, that subjective measures can hold precise information as well, completing the picture presented by financial measures (Dess & Robinson 1984, Shea, De Cieri, Sheehan 2010). As much as financial measures are the picture of the past, subjective measures reflect intents, desires, and future prospects of the top management. What is more, subjective measures used to analyze large samples, are biased with similar statistical errors as financial ones (Davidsson 2005). It is important therefore to use both types of measures in the empirical research (Rajan & Reichelstein 2009).

Having discussed the challenges concerning performance measurement, we can focus on some theoretical relations between the dimensions of creative strategy and performance. The analyzed relations usually concern new technology firms, or companies operating in the production sector (Nicholson, Rees & Brooks-Rooney 1990). Many scholars indicate the relation between innovativeness and effectiveness or competitive advantage of organizations, wealth creation and market success (Davila, Epstein & Shelton 2006). Recent research proves, that social capital is a moderator between strategic innovativeness and performance (Rass, Dumbach, Danzinger, Bullinger & Möslein 2013). However, investing in the innovation may relate negatively to cash flow and effectiveness. It is therefore vital to analyze the relations between innovativeness and performance together with the next phase of creative strategy, i.e. strategic entrepreneurship.

The relation between entrepreneurship and performance is much analyzed in the literature (Rauch, Wiklund, Lumpkin & Frese 2009, Zahra, Jennings & Kuratko 1999). Entrepreneurship on the strategic level is mostly understood as entrepreneurial orientation of the organization, which is a leading construct in the entrepreneurship theory (Lumpkin & Dess 1996, George 2011).

Relations between strategic leadership and performance have also been recognized by researchers (Finkelstein, Hambrick & Cannella 2007, p. 204). The attention is however shifted towards the effects of managerial work, differences in personal characteristics of leaders, level of mentoring, or managerial structure and effectiveness. Still there is a body of research indicating the positive relations between strategic leadership and outcomes of organization’s functioning such as adaptability to challenges (Hitt, Ireland, Hoskisson 2005), competitiveness (Ireland & Hitt 1999) financial effectiveness (Alvesson, Sveningsson 2003, performance (Maritz 1995, Bass 1997, Charlton 2000) or implementation of radical change (DuBrin 2012, p. 22).

There is some discussion on the relation between organizational structures and performance as well (Child 1972). It is argued however, that that the relation between structures and performance cannot be analyzed separately, and that other contextual factors such as task environment, market choice or sector of activity will determine structures, which in turn will influence performance.

**Operationalization of creative strategy**

The dimensions of creative strategy and relations depicted in the theoretical section of the paper may be presented in the research model (Figure 1)

![Figure 1: The research model](image)
Basing on the research model, the following hypotheses were formulated:

**Hypothesis 1.** The construct of creative strategy is composed of four dimensions: strategic innovativeness, strategic entrepreneurship, strategic leadership and creative organizational design.

**Hypothesis 2:** Organizations implement creative strategy by reconciling paradoxes in each dimension.

**Hypothesis 3:** There are positive relations between creative strategy dimensions and performance.

**Research tool**

We decided to collect data by means of survey. Dimensions of creative strategy, contradictions of creative strategy, and performance measures were operationalized and presented as variables, whose level was assessed by statements in the questionnaire. The respondents’ task was to assess the statements on the 7-point Likert scale.

The dimension of strategic innovativeness was described by ten statements, strategic entrepreneurship by seven statements, strategic leadership by six statements, and creative design by nine statements. The fifth part of the questionnaire consisted of statements describing four contradictions in the dimensions of creative strategy. This part was designed in a way, making it possible for the respondent to assess each contradiction by two statements (eight statements altogether.). In the sixth part of the questionnaire performance measures were operationalized. Following the discussion in the theoretical section, we used both objective, financial measures (return on sales, return on equity, return on assets) as well as non-financial ones, using the scale items proposed by Antoncic and Hisrich (2003).

**Sample and empirical research**

The questionnaire has been sent to over 2000 top managers of business organizations operating in Poland in 2012. The companies were randomly selected from all sectors of activity. The choice of the transition economy organizations is justified by the drive towards innovation, relatively high speed of change, orientation for creativity and opportunity exploitation. 606 questionnaires qualifying for further empirical analyses were returned. The return rate was relatively high due to phone calls or personal visits in the companies. 50.5% of organizations were small, 16.1% medium-sized, and 33.4% were large corporations. 18.2% of the researched organizations operate in services, 16% in trade, 11.1% are involved in production, 10.7% operate in the building and constructions sector, 9.7% deal with finance and insurance. The remaining branches represented less than 10%.

For analysing the data and hypotheses testing, we used IBM SPSS 20 and MPlus 3.0 software.

**Empirical dimensions of creative strategy**

In order to empirically test the dimensions of creative strategy, we used factor analysis (Table 1).

<table>
<thead>
<tr>
<th>Creative strategy dimension</th>
<th>Scale summary: Average=42.33 Std. dev.=9.31. Cronbach alpha: 0.908</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Strategic innovativeness</td>
<td>Scale average when statement removed</td>
</tr>
<tr>
<td>Statement 1</td>
<td>38.462</td>
</tr>
<tr>
<td>Statement 2</td>
<td>38.205</td>
</tr>
<tr>
<td>Statement 3</td>
<td>38.059</td>
</tr>
<tr>
<td>Statement 4</td>
<td>38.107</td>
</tr>
<tr>
<td>Statement 5</td>
<td>38.056</td>
</tr>
<tr>
<td>Statement</td>
<td>Score 1</td>
</tr>
<tr>
<td>-------------</td>
<td>---------</td>
</tr>
<tr>
<td>Statement 6</td>
<td>38.14</td>
</tr>
<tr>
<td>Statement 7</td>
<td>37.649</td>
</tr>
<tr>
<td>Statement 8</td>
<td>37.922</td>
</tr>
<tr>
<td>Statement 9</td>
<td>37.975</td>
</tr>
<tr>
<td>Statement 10</td>
<td>38.165</td>
</tr>
</tbody>
</table>

### II. Strategic entrepreneurship

**Scale summary:** Average = 29.4736  
Std. dev. = 6.89964, Cronbach alpha: 0.897

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score 1</th>
<th>Score 2</th>
<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
<th>Score 6</th>
</tr>
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<tbody>
<tr>
<td>Statement 1</td>
<td>25.667</td>
<td>36.919</td>
<td>6.076</td>
<td>0.550</td>
<td>0.900</td>
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</tr>
<tr>
<td>Statement 2</td>
<td>25.351</td>
<td>34.446</td>
<td>5.869</td>
<td>0.747</td>
<td>0.877</td>
<td></td>
</tr>
<tr>
<td>Statement 3</td>
<td>25.243</td>
<td>34.887</td>
<td>5.906</td>
<td>0.788</td>
<td>0.879</td>
<td></td>
</tr>
<tr>
<td>Statement 4</td>
<td>25.299</td>
<td>35.573</td>
<td>5.964</td>
<td>0.732</td>
<td>0.879</td>
<td></td>
</tr>
<tr>
<td>Statement 5</td>
<td>25.162</td>
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<td>6.001</td>
<td>0.733</td>
<td>0.879</td>
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<tr>
<td>Statement 6</td>
<td>25.083</td>
<td>35.340</td>
<td>5.945</td>
<td>0.711</td>
<td>0.881</td>
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</tr>
<tr>
<td>Statement 7</td>
<td>25.038</td>
<td>35.426</td>
<td>5.952</td>
<td>0.664</td>
<td>0.887</td>
<td></td>
</tr>
</tbody>
</table>

### III. Strategic leadership: first factor

**Scale summary:** Average = 17.9538  
Std. dev. = 4.39020, Cronbach alpha: 0.755

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score 1</th>
<th>Score 2</th>
<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
<th>Score 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement 1</td>
<td>13.606</td>
<td>11.651</td>
<td>3.413</td>
<td>0.556</td>
<td>0.696</td>
<td></td>
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<tr>
<td>Statement 2</td>
<td>13.475</td>
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<td>3.357</td>
<td>0.612</td>
<td>0.665</td>
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<tr>
<td>Statement 3</td>
<td>13.206</td>
<td>11.830</td>
<td>3.440</td>
<td>0.523</td>
<td>0.714</td>
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<tr>
<td>Statement 4</td>
<td>13.574</td>
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<td>3.475</td>
<td>0.517</td>
<td>0.717</td>
<td></td>
</tr>
</tbody>
</table>

### III. Strategic leadership: second factor

**Scale summary:** Average = 8.327  
Std. dev. = 2.572, Cronbach alpha: 0.549

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score 1</th>
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<th>Score 4</th>
<th>Score 5</th>
<th>Score 6</th>
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<tbody>
<tr>
<td>Statement 1</td>
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<td>5.042</td>
<td>0.522</td>
<td>0.707</td>
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<tr>
<td>Statement 2</td>
<td>21.802</td>
<td>24.875</td>
<td>4.987</td>
<td>0.571</td>
<td>0.693</td>
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</tr>
<tr>
<td>Statement 3</td>
<td>21.533</td>
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<td>5.103</td>
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<td>0.722</td>
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<tr>
<td>Statement 4</td>
<td>21.901</td>
<td>24.769</td>
<td>4.977</td>
<td>0.585</td>
<td>0.690</td>
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</tr>
<tr>
<td>Statement 5</td>
<td>21.977</td>
<td>25.914</td>
<td>5.091</td>
<td>0.475</td>
<td>0.719</td>
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</tr>
<tr>
<td>Statement 6</td>
<td>22.257</td>
<td>26.640</td>
<td>5.161</td>
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</tbody>
</table>

### IV. Design of creative organization: first factor

**Scale summary:** Average = 12.5198  
Std. dev. = 2.97351, Cronbach alpha: 0.755

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score 1</th>
<th>Score 2</th>
<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
<th>Score 6</th>
</tr>
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<tbody>
<tr>
<td>Statement 1</td>
<td>8.315</td>
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<tr>
<td>Statement 2</td>
<td>8.482</td>
<td>4.454</td>
<td>2.111</td>
<td>0.601</td>
<td>0.654</td>
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</tr>
<tr>
<td>Statement 3</td>
<td>8.243</td>
<td>4.438</td>
<td>2.107</td>
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### IV. Design of creative organization: second factor

**Scale summary:** Average = 8.429  
Std. dev. = 2.204, Cronbach alpha: 0.745

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score 1</th>
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<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
<th>Score 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement 4</td>
<td>13.076</td>
<td>10.133</td>
<td>3.183</td>
<td>0.680</td>
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<td>Statement 5</td>
<td>13.213</td>
<td>10.207</td>
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<td>3.186</td>
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<tr>
<td>Statement 7</td>
<td>13.165</td>
<td>10.055</td>
<td>3.171</td>
<td>0.655</td>
<td>0.815</td>
<td></td>
</tr>
</tbody>
</table>
The results of factor analysis show, that the empirical dimensions of creative strategy fit theoretical categories well. All four dimensions, when analysed separately, could be described by the statements included in the questionnaire. The values of Cronbach’s alphas are high, which means that the proposed operationalization of the creative strategy construct is proper, and that certain dimensions of creative strategy can be described by variables proposed in the questionnaire. For the sake of curiosity, however, we also carried out the factor analysis for all dimensions of creative strategy, and rotated all the items. According to the criterion of eigenvalues, the factors are presented as it is shown in Table 2.

Table 2
Factor analysis of the whole scale measuring creative strategy – the criterion of eigenvalues

<table>
<thead>
<tr>
<th>Statement in the questionnaire</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innov. 1</td>
<td>0.716</td>
<td>0.221</td>
<td>0.134</td>
<td>0.094</td>
</tr>
<tr>
<td>Innov. 2</td>
<td>0.728</td>
<td>0.216</td>
<td>0.224</td>
<td>0.057</td>
</tr>
<tr>
<td>Innov. 3</td>
<td>0.663</td>
<td>0.170</td>
<td>0.350</td>
<td>0.117</td>
</tr>
<tr>
<td>Innov. 4</td>
<td>0.630</td>
<td>0.158</td>
<td>0.343</td>
<td>-0.003</td>
</tr>
<tr>
<td>Innov. 5</td>
<td>0.638</td>
<td>0.212</td>
<td>0.343</td>
<td>0.171</td>
</tr>
<tr>
<td>Innov. 6</td>
<td>0.633</td>
<td>0.044</td>
<td>0.078</td>
<td>0.271</td>
</tr>
<tr>
<td>Innov. 7</td>
<td>0.361</td>
<td>0.107</td>
<td><strong>0.623</strong></td>
<td>0.153</td>
</tr>
<tr>
<td>Innov. 8</td>
<td>0.527</td>
<td>0.085</td>
<td><strong>0.531</strong></td>
<td>0.292</td>
</tr>
<tr>
<td>Innov. 9</td>
<td>0.557</td>
<td>0.184</td>
<td>0.457</td>
<td>0.228</td>
</tr>
<tr>
<td>Innv. 10</td>
<td>0.664</td>
<td>0.268</td>
<td>0.151</td>
<td>0.233</td>
</tr>
<tr>
<td>Entrepr. 1</td>
<td><strong>0.654</strong></td>
<td>0.330</td>
<td>-0.052</td>
<td>0.070</td>
</tr>
<tr>
<td>Entrepr. 2</td>
<td>0.631</td>
<td>0.472</td>
<td>0.176</td>
<td>0.036</td>
</tr>
<tr>
<td>Entrepr. 3</td>
<td>0.615</td>
<td>0.479</td>
<td>0.230</td>
<td>0.028</td>
</tr>
<tr>
<td>Entrepr. 4</td>
<td>0.558</td>
<td>0.468</td>
<td>0.193</td>
<td>0.098</td>
</tr>
<tr>
<td>Entrepr. 5</td>
<td><strong>0.506</strong></td>
<td>0.499</td>
<td>0.321</td>
<td>-0.055</td>
</tr>
<tr>
<td>Entrepr. 6</td>
<td>0.442</td>
<td><strong>0.445</strong></td>
<td>0.399</td>
<td>-0.003</td>
</tr>
<tr>
<td>Entrepr. 7</td>
<td>0.436</td>
<td>0.390</td>
<td><strong>0.466</strong></td>
<td>0.016</td>
</tr>
<tr>
<td>Leadership 1</td>
<td>0.122</td>
<td>0.325</td>
<td><strong>0.597</strong></td>
<td>0.059</td>
</tr>
<tr>
<td>Leadership 2</td>
<td>0.102</td>
<td>0.223</td>
<td><strong>0.739</strong></td>
<td>0.115</td>
</tr>
<tr>
<td>Leadership 3</td>
<td>0.142</td>
<td>0.230</td>
<td><strong>0.649</strong></td>
<td>-0.028</td>
</tr>
<tr>
<td>Leadership 4</td>
<td>0.195</td>
<td>0.255</td>
<td><strong>0.486</strong></td>
<td>0.397</td>
</tr>
<tr>
<td>Leadership 5</td>
<td>0.169</td>
<td>0.314</td>
<td>0.264</td>
<td><strong>0.577</strong></td>
</tr>
<tr>
<td>Leadership 6</td>
<td>0.154</td>
<td>0.200</td>
<td>0.015</td>
<td><strong>0.776</strong></td>
</tr>
<tr>
<td>Design 1</td>
<td>0.254</td>
<td><strong>0.405</strong></td>
<td>0.370</td>
<td>0.065</td>
</tr>
<tr>
<td>Design 2</td>
<td>0.380</td>
<td><strong>0.491</strong></td>
<td>0.197</td>
<td>0.166</td>
</tr>
<tr>
<td>Design 3</td>
<td>0.335</td>
<td><strong>0.512</strong></td>
<td>0.364</td>
<td>0.269</td>
</tr>
</tbody>
</table>
The results of factor analysis that took into consideration all items in the measurement scale, indicates that there is possibility to define four dimensions of creative strategy, which – according to the statements in the questionnaire – can be labelled as follows: 1) strategic innovativeness and entrepreneurship, 2) organizational design based on diligent venture planning, 3) entrepreneurial leadership based on strong vision, network building, learning from mistakes and adopting best practices, 4) team support based on building the climate of trust as well as visualizing strategy. This analysis shows, that there are still four dimensions of creative strategy, with some reconfigurations.

What is interesting, according to this analysis strategic innovativeness and strategic entrepreneurship were linked together as one dimension. This could mean, that innovativeness itself is not a standalone strategic choice. The process of turning creative ideas into innovations has to be followed by proper opportunity recognition, idea evaluation and commercialization. Following this reasoning, innovativeness itself does not have strategic meaning, when it is not supported by processes of transformation into the marketable, economically feasible ideas. Second conclusion from this analysis, is the fact of enriching strategic leadership dimension with some variables describing innovativeness and entrepreneurship. It could suggest, that there is a certain level of importance as far as entrepreneurial style of leadership is required, when stimulating creativity in organizations. Leadership that supports opportunity exploitation should also be extended by learning processes, adopting good practices present in the market (and realized by competitors).

Third conclusion, when analysing the alternative dimensions of creative strategy is the emergence of a new factor from items describing leadership. We labelled it „team building and training”, according to the statements describing this factor. It is based on building the climate of trust, as well as visualising strategy with other means than just formal documents. Finally, while the innovativeness dimension proved to be based both on creating/generating new ideas and discovering existing ideas, the entrepreneurship dimension is based more on diligent planning than dilettantism and fun. To conclude, in order to successfully implement creative strategy, managers should rather concentrate on structures that support precise planning, strategic evaluation of feasibility and economic rationale. Dilettantism, amateur approach and fun in the process of opportunity seeking and exploiting can only be treated complementarily, not as a basis. Strategic dimension requires transforming creative ideas according to some implications of the planning school of strategic management.

To sum up, the factor analysis of separate dimensions of creative strategy confirmed the four theoretical dimensions as described by Bilton and Cummings (2010). However, the factor analysis of the whole scale indicated some reconfigurations between the theoretical dimensions. Still, the values of Cronbach’s alphas of the original items are high, which makes it possible to analyse further the four theoretical dimensions of creative strategy. In order to assess the level of creative strategy dimensions, we used descriptive statistics, and compared average values, as assessed on the Likert scale (Table 3).

### Table 3

| Design 4 | 0.307 | 0.522 | 0.446 | 0.170 |
| Design 5 | 0.288 | 0.605 | 0.294 | 0.265 |
| Design 6 | 0.290 | 0.594 | 0.292 | 0.045 |
| Design 7 | 0.200 | 0.679 | 0.261 | 0.139 |
| Design 8 | 0.158 | 0.656 | 0.131 | 0.150 |
| Design 9 | 0.122 | 0.694 | 0.122 | 0.291 |
| Explained variance | 6,801 | 5,144 | 4,345 | 1,805 |
| % | 0.213 | 0.161 | 0.136 | 0.056 |

Dimension 1, statements: Innov. .1-6; Innov. 9-Entrepr. 5;
Dimension 2, statements: Entrepr. 6; Design 1-9
Dimension 3, statements: Innov .7-8; Entrep. 7-Leadership 4;
Dimension 4, statements: Leadership 5-6.
Descriptive statistics for creative strategy dimensions

<table>
<thead>
<tr>
<th>Creative strategy dimension</th>
<th>N</th>
<th>Average</th>
<th>Std. Dev.</th>
<th>Median</th>
<th>Min</th>
<th>Max</th>
<th>Q25</th>
<th>Q75</th>
<th>Std. error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness</td>
<td>606</td>
<td>4.23</td>
<td>0.93</td>
<td>4.30</td>
<td>1.00</td>
<td>7.00</td>
<td>3.70</td>
<td>4.90</td>
<td>0.04</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>606</td>
<td>4.21</td>
<td>0.99</td>
<td>4.29</td>
<td>1.00</td>
<td>7.00</td>
<td>3.71</td>
<td>4.71</td>
<td>0.04</td>
</tr>
<tr>
<td>Leadership</td>
<td>606</td>
<td>4.49</td>
<td>1.10</td>
<td>4.50</td>
<td>1.00</td>
<td>7.00</td>
<td>3.75</td>
<td>5.25</td>
<td>0.04</td>
</tr>
<tr>
<td>Design</td>
<td>606</td>
<td>4.29</td>
<td>0.92</td>
<td>4.33</td>
<td>1.00</td>
<td>7.00</td>
<td>3.78</td>
<td>4.89</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Source: own study

The descriptive statistics indicate, that the average levels of creative strategy dimensions represent similar values, and are close to ‘4’. On average, strategic leadership scored highest, while strategic entrepreneurship obtained lowest value. Innovativeness and creative design indicate similar values. Interpreting the data, one can say, that the researched organizations represent good level of innovativeness (in the subjective opinions of top management) while commercialization of these ideas has been assessed slightly lower. Leadership is perceived as good, but it seems that is not always effective, as the entrepreneurship dimension scored relatively lower. When controlled for age, size, and sector of analysis, the researched organizations did not show statistically significant differences in the level of creative strategy. This could mean, that the empirical dimensions of creative strategy are universal for all types of business organizations.

This part of the research results has shown, that there is no basis to reject hypothesis 1 stating, that creative strategy is a construct composed of four dimensions: strategic innovativeness, strategic entrepreneurship, strategic leadership, and creative design. Of course, there are some reconfigurations between theoretical dimensions, but when analysed separately, the theoretical categories were confirmed.

**Reconciling the paradoxes in creative strategy dimensions**

The level of reconciliation of creative strategy paradoxes is presented in Table 4.

<table>
<thead>
<tr>
<th>Paradox between generating new ideas vs. discovering existing ideas in the environment</th>
<th>Value</th>
<th>No of organizations</th>
<th>Cumulated N</th>
<th>Percent</th>
<th>Cumulated percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 3</td>
<td>173</td>
<td>173</td>
<td>28.5%</td>
<td>28.5%</td>
</tr>
<tr>
<td></td>
<td>3-6</td>
<td>370</td>
<td>543</td>
<td>61.1%</td>
<td>89.6%</td>
</tr>
<tr>
<td></td>
<td>&gt; 6</td>
<td>63</td>
<td>606</td>
<td>10.4%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paradox between precise, diligent and hard-work preparing of new ventures vs. amateur and dilatant looking for opportunities</th>
<th>Value</th>
<th>No of organizations</th>
<th>Cumulated N</th>
<th>Percent</th>
<th>Cumulated percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 3</td>
<td>134</td>
<td>134</td>
<td>22.1%</td>
<td>22.1%</td>
</tr>
<tr>
<td></td>
<td>3-6</td>
<td>421</td>
<td>555</td>
<td>69.5%</td>
<td>91.6%</td>
</tr>
<tr>
<td></td>
<td>&gt; 6</td>
<td>51</td>
<td>606</td>
<td>8.4%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paradox between formulating strong vision ‘from behind the desk’ vs. building and using social networks</th>
<th>Value</th>
<th>No of organizations</th>
<th>Cumulated N</th>
<th>Percent</th>
<th>Cumulated percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 3</td>
<td>211</td>
<td>211</td>
<td>34.8%</td>
<td>34.8%</td>
</tr>
<tr>
<td></td>
<td>3-6</td>
<td>350</td>
<td>561</td>
<td>57.8%</td>
<td>92.6%</td>
</tr>
</tbody>
</table>

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When each of the two dimensions of a given paradox are assessed as ‘7’ on the seven-point Likert scale, we obtain a point with coordinates 7,7. The level of reconciliation of a given paradox is calculated as a distance (d) from this point, to the possible assessment (x,y). The formula for calculating this distance can be presented as follows:

\[ d = \sqrt{(7-x)^2 + (7-y)^2} \]

This formula indicates, that the possible values of paradox reconciliation score between 0 (for the (7,7) assessment on a questionnaire) and 8.49 (for the statement assessment at (1,1)).

The obtained range (from 0 to 8.49) can be arbitrarily divided into three sub-ranges. The first one, with values below 3, can be defined as featuring organizations, which are capable of paradox reconciliation, and thus creative ones. The second sub-range, between 3 and 6, characterizes organizations that are not fully capable of paradox reconciliation, thus finding themselves in the state of strategic alertness. Values above 6 characterize organizations that are not able to reconcile the paradoxes of creative strategy, and therefore find themselves in the situation of strategic threat. Relatively high number of organizations is capable of fully reconciling the paradoxes. Only seven per cent of the organizations is facing strategic threat, and choosing extreme solutions instead of benefiting from two contradicting options at the same time.

Analysing the level of each paradox reconciliation of creative strategy closer, the research results show, that as far as innovativeness is concerned, 28.5% organizations deal with generating and discovering ideas at the same time. 61.1% face strategic alertness, while 10.4% concentrate only on discovering of the existing ideas. As far as strategic entrepreneurship is concerned, 22.1% organizations benefit from diligent venture planning and amateur opportunity seeking. 69.5% cannot fully experiment, improvise and diligently prepare projects at the same time; 8.4% organizations choose only formal planning or only improvising.

With the third dimension of creative strategy, as much as 35% of the researched organizations benefit from formulating strong vision ‘from behind the desk’ and building social networks outside organizations at the same time. 58% organizations are not able to do so, and only 7% choose just formulating vision, and managing without building networks. As far as design is concerned, every fourth organization manages the paradox of loose vs. concentrated structures, every tenth organization chooses extreme solutions.

The obtained results partially confirm Hypothesis 2 – organizations implement creative strategy through paradox reconciliation, however the level of reconciling paradoxes in the dimensions of creative
strategy is relatively low – majority of organizations cannot fully benefit from implementing opposing and contradicting solutions at the same time.

**Dimensions of creative strategy and performance**

In order to assess the relations between dimensions of creative strategy and performance, we used Kendall’s Tau and Pearson correlation measures. For assessing performance, we decided to use three financial measures: return on sales (ROS), return on assets (ROA) and return on equity (ROE). We also used subjective, non-financial meta-measure of performance, based on the questionnaire developed by Antoncic and Hisrich (2003). The obtained values of correlations between creative strategy dimensions and performance are presented in Table 5.

**Table 5**

| Table 5 Correlations between creative strategy dimensions and firm performance |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| **Kendall tau correlations**    | Innovativeness  | Entrepreneurship| Leadership       | Creative design |
| ROS                             | -0.04           | -0.04           | -0.09           | -0.06           |
| n=339                           | p=0.260         | n=339           | p=0.160         | n=339           |
| ROA                             | 0.04            | 0.01            | -0.01           | -0.01           |
| n=351                           | p=0.322         | n=351           | p=0.691         | n=351           |
| ROE                             | -0.03           | -0.03           | -0.04           | -0.05           |
| n=347                           | p=0.524         | n=347           | p=0.536         | n=347           |
| ESUB                            | **0.24**        | **0.22**        | **0.19**        | **0.22**        |
| n=606                           | p=**0.000**     | n=606           | p=**0.000**     | n=606           |

| **Pearson's correlations**      | Innovativeness  | Entrepreneurship| Leadership       | Creative design |
| ROS                             | 0.01            | -0.00           | -0.16            | -0.04           |
| n=339                           | p=0.846         | n=339           | p=0.960          | n=339           |
| ROA                             | 0.04            | 0.03            | -0.04            | -0.02           |
| n=351                           | p=0.440         | n=351           | p=0.562          | n=351           |
| ROE                             | -0.01           | 0.01            | -0.03            | -0.03           |
| n=347                           | p=0.961         | n=347           | p=0.672          | n=347           |
| ESUB                            | **0.38**        | **0.35**        | **0.31**         | **0.36**        |
| n=606                           | p=**0.000**     | n=606           | p=**0.000**      | n=606           |

Source: own study

Statistically significant correlations are marked bold in Table 6. According to the results, one can say, that generally there is no correlation between dimensions of creative strategy and firm performance measured with financial measures. There is a negative, low, and statistically significant value of relation between strategic leadership and performance, meaning that with the level of leadership increasing, the sales figures go down.

Quite different results were obtained in the case of subjective, non-financial measures of performance. Generally speaking, with the increase of the level of creative strategy dimensions, performance measured with subjective measures increases, though the correlations are not high (Cohen, 1988, p. 109-115). The results are surprising, as they do not confirm theoretically found relations between creative strategy dimensions and tangible outcomes of the organizations. The explanation can be four-fold.
First, the researched organizations reluctantly present their financial results, being aware of the competitors. They also use different methods of accounting and booking the values, in order to sometimes influence the results in the short-term. Subjective assessment faces these obstacles. Second, the performance is influenced by many factors, not just dimensions of creative strategy. Our analyses have shown, that dimensions of creative strategy explain performance only in 18% of the variance. Third, dimensions of creative strategy are the pictures of dynamic processes taking place in organizations at present, while financial results are the static picture of the past. Using the same method (survey) for both creative strategy and performance addresses these differences. The above analysis partially rejects the hypothesis about relations between creative strategy and performance. There are statistically significant, but low correlations between creative strategy dimensions and performance measured with subjective, non-financial measures.

Conclusions

This paper attempted to look at the construct of creative strategy offered by Bilton and Cummings (2010). We tried to describe, and theoretically develop the dimensions of creative strategy, as well as operationalize them, test them empirically and link with firm performance.

The construct of creative strategy calls at revolutionizing the innovativeness. Instead of concentrating on the innovations themselves, organizations should analyse innovations as part of the more comprehensive strategic sequence that comprise selection of creative ideas, transforming promising ideas into innovations, and commercializing most marketable innovations through the process of strategic entrepreneurship. The proposed sequence has to be supported by proper strategic leadership and organizational design stimulating creativity at the organizational level.

The research carried out indicates, that the nature of creative strategy lies in its four dimensions: strategic innovativeness, strategic entrepreneurship, strategic leadership, and creative design of the organization. Factor analysis of the complete measurement scale that we developed, did not reduce any of the four dimensions of creative strategy, offered however some reconfigurations within the dimensions. Strategic innovativeness and strategic entrepreneurship dimensions formed one factor, which means that turning creative ideas into innovations and commercializing them on the market through exploring opportunities makes one sequence. It was interesting to see the emerging factor of teamwork building, which is based of building the climate of trust and less formal ways of visualizing strategy. It also seems, that for effective implementation of creative strategy, diligent planning and precise preparation of ventures and business projects is more important than uncoordinated looking for opportunities with improvisation and fun, which can only have a complementary effect on the process of strategic entrepreneurship.

The level of creative strategy dimensions is similar in the researched organizations. Strategic leadership obtained highest assessment, while strategic entrepreneurship scored lowest. It seems that the level of creative strategy dimensions does not depend on age, size or sector of activity, which makes the construct of creative strategy universal for all business organizations.

The results indicated that the researched organizations reconcile paradoxes of creative strategy on a satisfactory level. Majority of organizations find themselves in the strategic alertness, not being fully able to benefit from implementing opposing views at the same time. The research also shows that generally speaking, there are no relations between the dimensions of creative strategy and performance measured with financial measures. Only strategic leadership indicated some low negative relations with return on sales. There are, however low, but positive relations between dimensions of creative strategy and subjective, non-financial measures.

This study addresses the issues of organizational outcomes. We tried to shift the attention from the dependent variables, such as performance, competitive advantage, and financial outcomes, towards creativity. We posit, that instead of the managerial drive to concentrate on outcomes, organizations should look for the sources of outcomes – that is creative ideas born in organization. Only then, the
proper sequence presented here as creative strategy will be easily transformed into outcomes in the competitive, dynamic and complex environment.

For research purpose, this study addresses the various theoretical challenges that await those seeking to apply strategic management theory to the field of organizational creativity. Our efforts contribute to the literature in the following ways. First, the research extends organizational creativity theory by exploring the possibility of linking strategic management and the construct of creativity.

Second, the insights developed here advance strategic management literature by operationalizing the construct of creative strategy. Our general idea was to build a strategic management organization concept of creativity referring to whole organization, not forgetting about individuals as a source of creativity, which is the main focus of psychology, and where the traditional reference of creativity comes from. In this sense our perspective is more comprehensive than approaches used in prior studies mostly carried out from psychological and social viewpoint, while the lenses of strategic management and corporate entrepreneurship were largely ignored. This marks a departure from a substantial literature focusing on individual and team creativity.

While the described concept might yield new insights, further theoretical and empirical progress will ultimately be grounded in the substantial existing base of creativity in organizations and strategic management. Moreover, the results of this analysis suggest a need for further theoretical development of the underlying mechanisms which link organizational creativity with strategic management and firm performance.

Despite its limitations, our analysis takes stock of what is known, answers some questions in the organizational creativity and strategic management literature, and points out directions for future research. We believe that, for all the depth and scope of the literature, researchers have only begun to explore the challenges related to organizational creativity and its performance implications. Having further mapped the domain of organizational creativity, we hope future researchers study the dynamics associated with key relationships.

For practitioners, this paper has a very clear message: organizational creativity matters, and framing the creativity into the strategic sequence is vital. It is important to look for creative ideas, instead of focusing just on outcomes. What is more, creative organizations demand large investment commitments that people have to tolerate, as well as supportive resources, processes, and capabilities to be set. Nevertheless, empirical research is needed to better support these recommendations.

In conclusion, the present research takes a significant step forward and sheds some interesting light on the concept of creative strategy and its relationships with firm performance. It also calls for assessing the level of reconciling the contradictions in the process of formulating creative strategy. This research offers several key contributions, however, there are also a number of limitations and most of them highlight opportunities for further inquiry. Of course we are aware of the sample limitations, method limitations, and measures limitations. Perhaps a larger problem is the lack of consistency in measuring firm performance. Next, the idea of strategic innovativeness, and strategic entrepreneurship forms should be further developed. Special attention should be given to the assumption about relationships between innovativeness and performance in relations to other dimensions of creative strategy. Only then the call for revolutionizing innovativeness and including it in the strategic framework will be fully justified.

References:


How Does Cause-Related Marketing Work in the Case of Stigmatized Products?

Eun-Mi Lee, Izmir University of Economics, Turkey
Nora J. Rifon, Michigan State University, United States of America

Cause Related Marketing (CRM) can be understood as a marketing tool in which the company associates with a cause for multiple benefits for both the cause and the company. In 2015 companies in the United States alone spent more than $1.92 billion sponsoring social causes (IEG, 2015). There has been a large increase in sponsorship spending on social causes from stigmatized companies (e.g., tobacco and alcohol) which are major sponsors for sports (FMM, 2015). In stigmatized industries, companies may pursue CSR initiatives as a form of insurance to temper public criticism, manage a crisis, or change their negative image (Porter & Kramer, 2006). Although stigmatized industries have become more active in conducting CRM, it is still unclear whether or not the benefits of CRM can be extended to companies with stigmatized products and whether or not the CRM programs of stigmatized products are effective.

The Persuasion Knowledge Model assumes that consumers’ existing knowledge structure is very important to interpret and evaluate marketing actions taken by companies (Friestad & Wright, 1994). It suggests preexisting attitudes and information of the industry may influence a positive or negative attitude toward the companies. Research regarding the influence of attitude toward the industry on consumer responses to CRM programs of stigmatized products still has not been well established. Thus, this research develops and tests theoretical model of consumer responses to CRM programs based on theories and studies of Persuasion. The model investigates the role of attitude toward the industry in determining consumer perception of company motives and subsequent corporate credibility and attitude toward the company.

A total of 240 students were used for this test. This study used a fictitious company that manufacturers two stigmatized products (tobacco and alcohol). A short written scenario was viewed by the participants. Nicotine Anonymous and Alcoholics Anonymous were used assuming that most participants would be able to easily recognize these for stigma related causes. The AIDS cause was chosen as the stigma has an unrelated cause with respect to both tobacco and alcohol. Following the two-stage approach of model validation, this study tested the measurement validity of each construct appearing in the structural model and estimated the hypothesized model. The overall fit of the structural model was highly acceptable: CFI=.957, TLI=.950, RMSEA=.069.

The results indicate that attitude toward the industry has a negative effect on the congruence between the company and the cause (H1) (β=-.33, t=-4.13) and positive effect on altruistic motives (H2) (β=.65, t=8.87). The results show that the congruence between the company and the cause has a negative effect on altruistic motives (H3) (β=-.26, t=-3.73) while it has no significant effect on corporate credibility (H4) (β=-.042, t=-.56). H5 which proposed the effect of altruistic motives on corporate credibility was supported (β=.66, t=7.40). The impact of corporate credibility on attitude toward the company was supported (H6) (β=.53, t=7.25). Upon testing and analysis, all the hypotheses except H4 were supported. In the model comparison between the Tobacco and Alcohol companies, a significant difference was found in H1. The findings indicate that attitude toward the industry has a negative influence on company-cause congruence of the Alcohol company while it has no significant effect on the Tobacco company.

The results offer important implications for marketing theory and practice. This study suggests that consumers who have a positive attitude toward the industry perceive CRM programs to be more altruistic and socially responsible, consequently they perceive the company as being credible. These
results prove the important role of attitude toward the industry. Striving to create a positive reputation and favorable image is much more salient in stigmatized industries than in non-stigmatized industries. It is confirmed that perceived altruistic motives are a very important mediating variable between the attitude toward the industry and corporate credibility. The results provide insight on sponsorship for manufacturers of stigmatized products and shows that they need to make a greater effort to generate altruistic perceptions and consumer assessment about sponsor motives. It also proves that consumer reactions to CRM programs differed in stigmatized product categories. Based on the results, it is intriguing that the tobacco company generated more negative consumer responses than the alcohol company. It is possible that the consumers perceived their attitudes toward the tobacco industry as a societal rather than an individual’s point of view. Another explanation is that tobacco has received a great deal of negative publicity through mass media and cultural acceptance of smoking is decreasing in the U.S. (Sly et al., 2000). For this reason, the tobacco companies may not be able to derive expected benefits from CRM campaigns.
The Culture of Sharing: Critical Research of the Sharing Economy and its Cultural Consequences in Europe

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Abstract
The emerging sharing economy breaks down certain capitalist laws giving rise to a new concept of business characterized by concepts such as swapping, exchanging, collaborative consumption, shared ownership, self-management, shared value, cooperatives, renting, lending, peer-to-peer (P2P), collaborative economy and crowdfunding. The sharing economy is getting power over the classic. Economic patterns performing in a new online peer-to-peer market in which users become producers and consumers at the same time. As many experts anticipate, the most striking repercussion of such an economy would be the development of a market in which products and services are nearly free due to their low cost of production (Rifkin, 2014; Anderson, 2012; Gansky, 2010). Aspects such as the digitalization of physical goods or the shift from “ownership” to “access” are playing an important role in this new business model. This paper focuses on plans for researching the “Culture of Sharing” within a European context throughout the PhD period (2014-2017). Using a web tracking system the research will analyze the user’s evolution of the main businesses representative of the sharing economy in order to know their relevance within the population. The aims of the project are 1) develop a deep critical analysis of the study field with the purpose of understanding how “sharing business” works nowadays: 2) to understand which cultural facts make possible the integration of this new economic model in European countries and 3) draw a common user profile of this kind of sharing culture. The methodology to be implemented integrates qualitative and quantitative data; thus, the procedure contemplates bibliographic references and complete online research using data tracking, questionnaires and keywords’ techniques.

Keywords: sharing economy, capitalism, culture, exchange, peer-to-peer, financial crisis, collaborative commons, Internet.

Introduction
The new model of business promoted by the sharing economy establishes new rules and features based on online platforms and developed by a young generation of entrepreneurs. Among an endless list of consequences probably the most impressive one is the idea of performing in a market in which goods and services are stored with a nearly zero cost for the consumers. It is difficult to understand such a concept in capitalistic societies but in fact, due to the Internet phenomena, many brick and mortar services in the last decade have shifted to digital services reducing their prices to zero as for example; music and video games stores, journals and magazines, tourist agencies, cinemas, etc. If the tendency would continue many more products would have almost no cost of production and therefore, any user would be able to produce or consume (even update or modify) any product stored on the Net nearly for free. Many economist and experts on the field (Rifkin, 2014; Castells, 2012; Mason 2015; Anderson, 2012; Gansky, 2010; Stephany, 2015) have discussed what triggers have been responsible of the rise of the sharing economy. This paper analyzes the three most common facts found among the bibliographic references. These are the financial crisis, the collaborative commons and especially, the Internet.
Literature Review

Financial crisis
Manuel Castells (2012), the Spanish sociologist associated with such aspects as the ‘network society’ was the first who coined the term ‘Culture of the Crisis’ (quite close to the idea of the Culture of Sharing) on his book Aftermath, the Culture of the Economic Crisis. For him, this new culture is mainly being driven by the current financial crisis or as he argues “by the dynamics of a deregulated global capitalism”. Since 2008, the financial crisis in the United States inevitably provides a downturn in economic activity leading to the global recession and contributing to the European sovereign-debt crisis. Nonetheless, this fact has a positive consequence; a new movement of entrepreneurs with the aid of online resources have seen the crisis as an opportunity of social change. Castells puts it very simple, “if people cannot consume as much as they would like, they will have to find fulfilment in something else. But they cannot find fulfilment in something else unless they change their values; that is, unless they generate from within a new economic culture”. Castells uses the case of Spain where a deep economic crisis has shaken the economic system since 2008. His approach states that when people have no economic resources due to any economic crisis, people need, by force, to find alternatives to maintain their lifestyle. That is, the performing of parallel activities in which users can exchange products and services with a reduced cost. So in his view, the “Culture of the crisis” is imposed by the mistakes of the capitalism giving no choice to the population to continue consuming under the capitalism system. Nonetheless, crisis can be seen as a possibility of evolution, even more if we merge it with collaborative manners. Comparable to the Spanish crisis, Greece is nowadays suffering one of the strongest financial crises in Europe. The journalist Paul Mason (2015) sees the rise of Syriza as the beginning of the destruction of the capitalist market from above, replacing individualism by collectivism and solidarity, and giving rise to the “postcapitalist” period. He argues, “Capitalism, it turns out, will not be abolished by forced-march techniques. It will be abolished by creating something more dynamic that exists, at first, almost unseen within the old system, but which will break through, reshaping the economy around new values and behaviours. I call this postcapitalism”.2
Both authors agreed arguing that the financial crisis is a driving force of the sharing economy but, there have been several economic crises in the history all around the globe, so what makes it different now? Why is the sharing economy taking shape in the twenty-one century and not before? There is one essential factor in the development of such economy, that is, the Internet.

The Internet’s phenomenon
Regarding the sharing culture, if the crisis is its main cause, the Internet is its skeleton; in other words, the current sharing economy makes no sense without an online frame. As the paper mentions above, many crises have caused social changes, but now, the sharing movement is being made possible (only) through online platforms. The importance of the Internet is considerable if we analyze the “global” behaviour of the sharing economy. One of the most important features is its accessibility to everyone and everywhere, today only possible via Internet. The American economist Jeremy Rifkin3 (2014) presents a radical view on his book The Zero Marginal Cost Society in which he states that the societies are more often providing services and goods nearly free due to the advent of the Internet. In fact, he sees this phenomenon as the only one strong enough to unseat capitalism. For Rifkin there is essentially one cause, and this is, the development of the Internet of Things (IoT). Kevin Ashton, one of the founders of the MIT Auto ID Center, coined the term Internet of Things back in 1995 defining it as the first smart-infrastructure revolution in history, one that connects every machine, business, residence, and vehicle in an intelligent network. IoT is the sum of three principal ingredients; sensors, connectivity (devices and networks) and people. The primary objective of IoT is the optimization of resources and the

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key to reach it is to connect everything to everyone. Thus, for instance a business is saving resources, in consequence is saving production costs, and is therefore offering products and services cheaper or even for free. When a company replaces atoms by bits, there are almost no production costs and this is what is happening in current times, physical products are being reshaped into digital ones, minimizing manufacturing costs. At moment the most affected businesses are printing companies and music producers. Furthermore, the business patterns of all modern digital companies are designed to provide abundance of information and such information is freely replicable. Once a thing is made, it can be copied/pasted infinitely without losing quality, for example a music track has a production cost; but its cost of reproduction falls towards zero. Therefore, if the normal price mechanism of capitalism prevails over time, its price will fall towards zero, too (Mason, 2015).

Coming back to the Internet of Things, Jeremy Rifkin states, “The operating logic of the IoT is optimize lateral peer production, universal access, and inclusion, the same sensibilities that are critical to the nurturing and creation of social capital in civil society. The very propose of the new technology platforms is to encourage a sharing culture, which is what the commons is all about, it is these design features of the IoT that bring the social Commons out of the shadows, giving it a high-tech platforms to become the dominant economic paradigm of the twenty-first century”. Some data: in 2007 there were 10 million sensors connecting every type of human contrivance to the Internet of Things. In 2013, that number was set to exceed 3.5 billion, and even more impressive, in 2030 that is projected that 100 trillion sensors will connect to the IoT (Bryan Merchant, 2013)⁴. The data proves the exponential growth of the IoT, turning it into the only option, as Rifkin thinks, that can eclipse capitalism. The core of the IoT operating system is the coming together of the Communication Internet, Energy Internet and Logistic Internet in a cohesive operating platform; by the digitalization of communication, energy and transport one can manage power and move economic activity across every value chain and create aggregate energy efficiency (Rifkin, 2014). In a certain point Rifkin introduces artificial intelligence (AI) and develops a formula that will reproduce a self-sustaining society. He explains the possibility of combined natural resources, the Internet of Things and artificial intelligence in order to run an intelligent self-production factory. In this case, AI machines will replace manpower, they will extract raw material and energy from nature and they will manufacture the product by themselves, then IoT will manage the production optimizing every parameter and it will connect the final good to the consumer via sensors and GPS. In this futuristic scenario, the complete production line costs almost zero. In 2015, AI is not yet developed enough to cover such projects; nonetheless, entrepreneurs are already working in that direction as for example the largest Internet-based retailer Amazon. Delivery issues still being one of the headaches of those who promote products and services nearly free, delivery services require human labour, petrol, road tolls and especially, time. To avoid these problems, Amazon has designed a drone called Prime Air, a future delivery system designed to get packages into customers’ hands using small drones. This a good example of how IoT works, with the option “Bring It To Me” provided by the application and using GPS data from the consumer’s mobile device, the drone locates and delivers the item to the right user’s location. Once the customer places the order he or she does not have to remain in one place⁵. The patent is still waiting permission for experimental tests within USA, but probably one day, seeing delivery drones will be as normal as seeing mail trucks on the road. Almost every industry can benefit from investing in the IoT, which means adding data-collecting sensors to objects such as factory machinery, office buildings, and warehouse shelves (John Greenough, 2015) as Amazon does. According to a SAS study⁶, 18% of industrial machinery companies (i.e. manufacturers) are already using IoT devices and an exponential increase is expected in the coming years.

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Collaborative Commons

Both, Rifkin and Castells, agreed to the fact that the ‘sharing economy’ is shaped by the spirit of the Commons. This concept is not new and has had many orientations along the way. What makes it different this time is its own fusion with online platforms. One can define collaborative commons as a digitalized space where providers and users exchange goods and services peer to peer, as a human behaviour based on sharing – as opposed to private property, profits or competition – as a promoter of cooperative endeavours, hackerspaces and FAblabs. Also, the growth factor of alternative currencies, seed-sharing collectives and countless common services in which every participant enjoys equal access and inclusion. To understand better the meaning of the Collaborative Commons, this paper analyzes two representative examples; the “open source e-learning system” and secondly, the “Makers Movement and the 3D printer revolution”.

I would personally define the Collaborative Commons as a frame of participation of individuals integrated under a common interest and performing online global communities in which collaborators provide information in order to develop projects, all that realised on a non-profit basis. This meaning would be applicable to define open source software (OOS) as well as e-learning systems. Open source models are computer software with open source code available to anyone. OOS provides a license with which the holder offers the rights to study, change, and distribute the software for any purpose (Andrew M. St. Laurent, 2008). Open-source software may be developed in a collaborative public manner, based in a non-hierarchical structure and with no costs for participants. Years ago companies and public services were forced to pay huge amounts of money in order to get the yearly license of any software. Nowadays collaborative alternatives grow quickly within the sharing economy, as for example the computer operating system Linux. Eben Moglen (1999) founder of the Software Freedom Law Center argued, “the development of the Linux kernel proved that the Internet made it possible to aggregate collections of programmers far larger than any commercial manufacturer could afford, joined almost non-hierarchically in a development project ultimately involving more than one million lines of computer code – a scale of collaboration among geographically dispersed unpaid voluntaries previously unimaginable in human history”.

In this point, it is important to emphasize Moglen’s idea due to clarifying one of the factors that make different the sharing economy to the classical capitalist business. As Moglen noted a capitalist enterprise would never reach such a level of “workers”. Instead of it, the features of the Internet make possible enlarging the participation to anyone, anytime and everywhere. Online factories are now replacing the brick and mortar factories. Here, Cory Doctorow (2009) would add, “the days of companies with names like ‘General Electric’ and ‘General Mills’ and ‘General Motors’ are over. The money on the table is like krill: a billion little entrepreneurial opportunities that can be discovered and exploited by smart, creative people.”

But something similar happens to the educational model. Coming back to e-learning systems, we can find many different options and possibilities; online tutorials, tandem, universities free of charge, online classrooms or massive open online courses (MOOCs) among others. Again the goal of them is to share knowledge without any economic cost. This paper compares both, online and brick and mortar classrooms taking as a base Rifkin’s approach. First of all, the capitalist model of teaching was designed to be useful and pragmatic and created to prepare students to be skilled as industrial and productive workers. They were conditioned to follow commands, learn by repetition, and perform efficiency handing out standardized exams that required set answers in a given time frame. As Rifkin remarks, “The ‘why’ of things was less discussed than the ‘how’ of things.” On the other hand, e-learning systems promulgate something different, students learning together as a cohort in a shared-knowledge community of peers. The teacher acts as a guide, setting up inquires and allowing students to work in small group environments (in the case

8 St. Laurent, Andrew M. Understanding Open Source and Free Software Licensing, 2008
of MOOCs). The goal is to stimulate collaborative creativity, self-management and real interests. There is no hierarchy and every participant works as equal in a collaborative classroom (Rifkin, 2015). Here we can add some advantages as gratuitousness, flexibility, self-management, cooperation and accessibility. The integration of computers and the Internet in schools, institutes and universities changes the classical concept of education. In current times, lessons can be attended via Skype, practical exercises are sent via email and the content of the lessons are uploaded to internal online systems. Every single data about the students, professors, course’s content, exams, etc. is managed by Intranets. Today a university student doesn’t need to attend physically the lessons, so in certain way, the online classroom is already replacing the brick and mortar classroom. In that case, why would people pay for it if they can get the same service for free? In the next chapter this paper will analyse current enterprises of e-learning systems in order to know something of their evolution through the PhD period.

The second example to explain what Collaborative Commons means is the advent of the 3D printer and the Maker Movement. If e-learning practices are based 100% on the Net, the Makers or Do it Yourself (DIY) movements have a physical part, in this case, bits arrange atoms. What makes this movement interesting is its “shareable behaviour” and its low cost of manufacturing products. This kind of movement emphasizes self-production and the 3D printer is its best tool. Chris Anderson (2012), British-American journalist and publisher states that, “using open source design and 3-D printing (…) a generation of ‘Makers’ using the Web’s innovation model will help drive the next big wave in the global economy, as the new technologies of digital design and rapid prototyping gives everyone the power to invent”11. Anderson describes a future society in which every home will have its own personal 3D printer with a huge network library created by worldwide personal contributors that will provide files with digital goods ready to print to anyone. People will print their own products becoming producer and consumer. In this scenario, “Makers” can again get products nearly free, first, because 3D printer uses just the amount of material required, there is no waste material given to its additive process, afterwards the material can be recycled and reused again. Second, because all digital files are stored on the Internet for free, and in the case that the user prefers to design it by himself, many free applications, such as Google Sketchup, make the 3D modelling easy and accessible to everyone. And lastly, it will succeed because it requires very little human labour. In short, the expenses of production via 3D printers would be reduced to the raw material cost, the printer itself and the energy used. Anderson prefers to analyse traditional (injection moulding machines) and digital manufacturing in a different way covering three main aspects. For him the things that are expensive in traditional manufacturing become free because; (1) variety is free: it costs no more to make every product different than to make them all the same; (2) complexity is free: a minutely detailed product, with many fiddly little components, can be 3-D printed as cheaply as a plain block of plastic, the computer doesn’t care how many calculations it has to do; and lastly, (3) flexibility is free: changing a product after production has started just means changing the instruction code, the machines stay the same (Anderson, 2012).

Sharing economy and its classification sorted by the exchange value
The sharing economy makes a break in the capitalist market giving alternatives as the ones defined above. Alex Stephany, CEO of JustPark one of Europe’s most renowned sharing economy businesses states the importance of this new sector; “the sharing economy or ‘collaborative consumption’ lets people earn over $15 billion a year by renting and selling what they own: from cars and homes to money and time. And that’s almost nothing. According to PwC, the sharing economy will grow into a $335 billion market by 2025. TIME Magazine calls it ‘One of 10 Ideas that will Change the World’, and the Pulitzer Prize-winner Thomas L Friedman calls it ‘The real deal’”12.

In order to understand better the concept of the “Culture of Sharing” and its representative sharing economy this paper proposes the following classification in which a set of online activities are

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sorted by their exchange value; exchange of knowledge, exchange of resources and lastly, exchange of both, knowledge and resources.

**Exchange of knowledge**

As we have already mentioned that, in the last decade the way of learning is driving to a new concept of ‘shared knowledge’, from the brick and mortar school to the online classroom. The first classification, which is, exchange of knowledge, represents all of those learning activities free of charge, with participants and collaborators from all around the globe and characterized by online connections peer to peer. The principle goal is to build and expand knowledge to everyone independent of his or her economic position. An example would be the practice of “tandem”, a method of learning based on mutual language exchange between tandem partners. Basically both partners must meet each other face-to-face or via the Net. Half time of the meeting one partner teaching his or her own language and the second half time the other partner does the same in the other way around. It is also known as ‘peer teaching’ and ‘mutual system’ and its beginning goes back to 1971. We can also mention similar activities as for example online tutorials or non-profit online universities but nowadays the services that are succeeding between the new generations are the Massive Open Online Courses (MOOCs). MOOCs are an example of e-learning activities because they bring every kind of knowledge to millions of students for free, providing interactive user forums to support learning communities among professors, students and teaching assistants. The method consists of on-line videos around 15-20 minutes long developed by professors and with the implementation of graphic material and interviews as well as many other interactive resources that make the tutorial more attractive to the users. The students can stop and play the video as many times as they want concluding with a test in which users must prove their knowledge. The most interesting feature of this e-learning system is the facility of getting feedback peer to peer. MOOCs consist of chats, collaborative spaces and forums too; through these tools many project are being developed by thousands of non-profit collaborators. Users are sharing and improving their knowledge for free. Skype in the Classroom, a free online community has already registered 60,447 educators in its global classroom project and has set a global of connecting 1 million classrooms across the world\(^{13}\). Collaborative Classrooms, another Internet learning environment, allows thousands of teachers to co-create online curricula and share the best lessons plans with one another, for free, in a global education commons. More than 117,000 teachers are currently sharing open-source curricula, bringing learning communities together in a borderless global classroom\(^{14}\). Even in 2012, the New York Times headline declares “The year of the MOOC; nothing has more potential to lift more people out of poverty”\(^{15}\)

**Exchange of resources**

The second classification, exchange of resources, deals with all the activities in which there is any tool, gadget, material thing, artefact, etc. in exchange. Is worth saying that, among all three categories researched in this investigation this is the one that is reaching the highest number of users in recent years. It is useful to split it into subcategories; ‘accommodation exchange’ and ‘transport exchange’. The international social networking online platform CouchSurfing was founded in 2003 and is a clear example of ‘accommodation exchange’. Its objective is to provide members the ability to ‘surf’ on couches all around the world by staying as a guest. This service is also called as ‘hospitality exchange’ due to its free use. The members must introduce certain personal information which will form part of a huge data base. Users looking for accommodation can search hosts with similar profiles to them as in a social network. In 2015, CouchSurfing has around 10 million users in more than 200,000 cities\(^{16}\). On the other hand, we find Airbnb, a good option to practice self-management business emphasizing characteristics as self-advertisement, self-creation and self-administration. Airbnb began in 2007 and it is a privately owned

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\(^{16}\) [http://www.couchsurfing.com/about/about-us/](http://www.couchsurfing.com/about/about-us/) (Consulted 09/07/2015)
accommodation rental website which enables hosts to rent out their properties or rooms to guests who use the website to find somewhere to stay. As one of the founders, Brian Chesky said, “Airbnb is about so much more than just renting space. It’s about people and experiences. At the end of the day, what we’re trying to do is bring the world together. You’re not getting a room; you’re getting a sense of belonging.”

“Transport exchange” also known as “car sharing” is getting to be an enormous success in the last 5 years among communities as BlaBlaCar, Mitfahrgelegenheit, Jizdomat or the new American car-sharing company Uber founded in 2009 and established in 57 countries and 300 cities worldwide by June of 2015. Uber’s application allows users to fill out an online form indicating where they are and where they want to get to; it includes a map that permits users to see where drivers are locally and how long it will take for them to pick a passenger up. It gives clarity on what fares will amount to and lets users pay by card and share the cost with other riders. Uber becomes the World’s Most Valuable Startup with $18.2 billion in June, 2014. Car-sharing is being a more often requested service, and it proclaims a society with less owned cars. Actually, an American survey about young people’s preferences done by Gartner in 2011 showed a striking result; new American generations would prefer having Internet access over to own a car. Communities as Carpooling, Yerdle, Freecycle, Gumtree and Buy/Sell/Trade Facebook groups will be of interest too in this approach.

Exchange of knowledge and resources
The third and last category counts with the most complex structure, aspects as accommodation, tools and materials, knowledge and even time are the currency of exchange in different ways. To clarify this concept, the paper analyzes the international organization Workaway. In this case, ‘workawayers’ are expected to contribute with their knowledge and certain amount of work time per day in exchange for lodging and food provided by their host. Their slogan is “A few hours honest help per day in return for cultural exchange, food and accommodation”. This organization was born in 2002 and as all the activities described in this paper, users must create an online profile including personal details and any specific skills they might have, after that, they can contact hosts through the website and discuss a possible exchange. In July of 2015, Workaway offers 15,500 hosts in more than 130 countries and its users population increases year by year giving rise to a new way of travel reducing costs to the minimum. With the same features we can find similar communities as HelpX and Volunteers Base.

Fab Labs are included in this range of sharing economy, exchanging digital and mechanical tools by creative projects and providing open spaces to which anyone can join and use. Fab Labs are a special kind of marketplace built on a model developed in 2000 by Neil Gershenfeld’s Center for Bits and Atoms (Anderson, 2012). Each Fab Lab has a minimal set of digital fabrication tools as; laser cutters, vinyl cutters, CNC machines for furniture, basic electronic equipment, and sometimes even 3D printers. The Fab Lab community defines itself as a platform for learning and innovation: a place to play, to create, to learn, to mentor and to invent. To be a Fab Lab means to be connected to a global community of learners, educators, technologists, researchers, makers and innovators. Fab Lab includes laboratories in 30 countries around the world. This approach will research similar communities as the neighbourhood association Wirnachbarn.com in Germany and crowdfunding associations.

Methodology

17 http://www.statista.com/topics/2273/airbnb/ (Consulted 14/07/2015)
19 https://www.uber.com/cities (Consulted 10/06/2015)
22 http://www.workaway.info/ (Consulted 13/07/2015)
23 http://www.fabfoundation.org/fab-labs/what-is-a-fab-lab/ (Consulted 29/07/2015)
This project is dealing with heterogeneous socio-cultural structures and therefore it would require both qualitative and quantitative approaches. It is divided into two separate practices that will work in parallel:

1. Bibliographic references: research of authors, theories, concepts, ideas, forecast, examples, etc. in order to know and understand what is already done about the study field.
2. Online research: tracking and data compilation of a set of online activities representative of the sharing culture.

Regarding the second point, the online methodology implemented will use the following formula based in 3 steps: use of keywords, website tracking procedure and lastly, online questionnaires.

**Step 1: Searching for Websites**

In this step, the research will find online activities related to the study field (culture of sharing and sharing economy) in order to analyze the success and evolution of them. This is not always going to be easy due to the large amount of data stored on the Net so, to avoid this problem is necessarily the use of keywords. The keywords in this research are for example: shareable value, collaborative consumption, swap, tandem, university free of charge, exchange, co-operation, collaborative commons, Internet of the Things, Sell/buy/trade group, social value, car-sharing, peer-to-peer, etc. Once we have our collection of keywords we are able to get two sets of information:

1. Typing the keywords on the browser we will be able to find a huge amount of websites related to them, the researcher must take into consideration different parameters in order to reduce the range. For example, in the case of this project, we will estimate all those activities developed solely out of Europe.

Specific blogs and on-line discussions are also useful to get info regarding the topic. At the moment, the online communities tracked are:

- Workaway
- Mitfahrgelegenheit
- Carpooling
- Blablacar
- Wimbachbarn
- Airbnb
- Couchsurfing
- Uber
- Buy/Sell/Trade Facebook groups
- Jizdomat
- Klickstarter
- Freecycle
- Gumtree
- Zipcar
- Zilok
- ThredUP

![Figure 1: Stages of the online methodology.](image)
2. The second set will bring the “use” along at the time of the keyword itself, that is, for example, to know the evolution of the keyword, who many people are talking about it and where it is most used. We can also compare it with different keywords. Taking into account that around 3,000 millions\(^{25}\) of the global population is connected on-line, we can get very useful information with this procedure. We will use Google Trends\(^{26}\), a free online application.

**Step 2: Web Tracking System**
As Opentracker.net puts it, the mission of web tracking system is to know “who’s doing what”, getting the answer from the “Click”. A website tracking system is a tool that provides a full set of statistics to help monitor and track visitors; it collects statistical data about the visitor traffic and aggregates the data into meaningful reports. In this point, the group of websites collected on the first step are going to be tracked in order to know the evolution of them all along the PhD period. The goal is to know if such activities are getting success in the European population and if so, which countries are more open to develop this kind of alternative economies. Here it is important to note that, in the case of Facebook groups, tracking systems are useless, therefore, the counting of users needs to be manually, month by month.

The two main objectives of this part of the research is first of all, as already noted, the evolution of online communities where the main characteristics are defined by the sharing economy; but as important as the first one, the second goal is to analyze the common profile of the users of such activities. Two different concepts studied by two different methodologies.

![Diagram of types of data](image)

**Figure 2: Types of data provided**

**Step 3: Observation and questionnaires**
The investigation shifts to a qualitative method in order to study the profile, preferences, tastes, cultural backgrounds, and many other characteristics of the users; as Steve Jones (1998) would say, “in order to overcome problems in connection to heterogeneous socio-cultural structures”. Questionnaires will provide personal information with which is possible to understand the user’s behaviour in the face of activities described in this thesis. Online questionnaires are the last step and it will not begin until the steps one and two will be almost complete.

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\(^{25}\) EFE, *Casi dos tercios de la población mundial nunca se ha conectado a Internet*, 25-02-2015

http://www.elmundo.es/tecnologia/2015/02/25/54ee1c02e2704e557a8b456e.html (22-05-2015)

\(^{26}\) https://www.google.es/trends (Consulted 22/05/2015)
It is important to highlight the “flexible design” of the online questionnaires. As Joinson (2007) states, “Online questionnaires can provide a better interface compared to onsite surveys, as it is possible to make them more user friendly and attractive (...) they can also be included on a dedicated website which can be used as a platform to provide more information about the project.”

There are mainly three types of on-line questionnaires; web-based questionnaire, e-mail questionnaire and questionnaire attached to an e-mail. In this case, the research is going to use the first option, given that they can use word-processing or spread sheets which are very simple to produce; they can be more attractive than email questionnaires due to their design features; they can increase response rates as more visually appealing; few technical skills are required; and last, the data obtained is converted automatically in graphics and statistics.

This approach will use the technique of snowball sampling; that is first, identify a few initial individuals in the desired population and second, use these individuals to find further individuals and so on until the sample size is achieved.

**Objectives and Hypothesis**

The goal of this research is to achieve the following objectives:

1. Compile and study different theories about the study field in order to verify their approaches in current times.
2. Collect and track a set of online services representative of the sharing culture with the aim of determine their growth or decline along the research period (2014-2017).
3. Following the objective two, determine all their common features in order to design a business pattern of sharing company (structure, objectives, target, features, resources needed, etc).
4. Obtain and process qualitative information (preferences, age, tastes, cultural background) about users of the “Culture of Sharing” via online questionnaires. The aim is to draw a common user profile.
5. Develop a critical analysis of the sharing economy as opposed to capitalism.

It arises in the following hypothesis;

If “Shared” and “Common” goods and services continue rising exponentially (as they do up to today) among new generations, and the “sharing economy” model succeeds along the coming years, then we can say that, a hypothetic social change may led in a society where even more services and goods are nearly free, a society that emphasizes “access” over “ownership”, a society connected peer to peer in which anyone can be producer and consumer at the same time with no need of high investments. Furthermore, if the digitalization of physical products continues (Rifkin, 2014; Anderson, 2012; Gansky, 2010), and considering the aspects described in the previous sentence, how would be the standard model of factory in 2017?

Given that, the majority of shared businesses are initially launched in the USA, how will Europe react to the new “sharing economic model” in the following years?

**Discussion**

Concluding this analysis about the ‘Culture of Sharing” and taking into account the findings of this paper, we can say that during recent years it is easy to observe an important change regarding consumption and economy. New features promote the self-management, individual and public markets, online networks with rights and guarantees for users and the re-use of products among others; these characteristics are being implemented in the daily life of thousands of people trying to change the concept of the current global market (Rifkin, 2014). Everyday, new users are involved in the shared-network system in which everyone can make business without previous payments or physical establishments, but is the sharing culture just a fad or it will consolidate itself along the time? In any

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case, the sharing economy gives rise to a very interesting and creative concept of cooperative business. New accessible alternatives of production and consumptions are ready to be enjoyed by everyone, goods and services nearly free are stored on the Net and a new ‘sharing movement’ grows independent to the capitalist laws reshaping what we call ‘Culture of Sharing’.

References
Identifying Key Success Factors for Effective SME Advertising in the Tshwane area in South Africa

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Abstract

The high failure rates of SMEs, due to lack of managerial skills led to the initiation of training workshops at municipalities in the Tshwane area. The Small and Medium Enterprises (SMEs) skills development community engagement project SME skills transfer workshops are being presented on a monthly basis to these municipalities. The aim of this project is to improve managerial skills of small business owners of the formal and informal sectors in the Tshwane municipality area. In South Africa there has been an increase in the number of new small businesses, which increases competition among businesses. Advertising has been seen as a means to aid these small businesses to differentiate them from the competition.

Quantitative, exploratory research was used in the form of questionnaires with managers and owners of small businesses participating in the workshops.

The most successful advertising medium used by small businesses in the area according to the conducted research is wall painting. With an increase of tourists to the area, the Internet should be considered a more popular form of advertising.

Keywords: Tshwane area advertising, advertising media, Small business competition in the Tshwane area, advertising key success factors, word of mouth, taxi rank advertising

Introduction

Advertising for small businesses in the Tshwane area is becoming increasingly important. As infrastructure improves and more funds are invested in this area an increased number of small businesses emerge. If these businesses wish to survive it is imperative that they have effective advertising campaign in place and the correct means to implement it. It is also important that the business utilises effective low-cost advertising media to market their product/service successfully. With the development of the Tshwane area underway, the townships’ large population and the increase in tourism to the area, a great potential exists for small businesses to emerge, survive and grow. It is for this reason that small businesses are, and will continue to emerge in the Tshwane area as it becomes a commercial hub. This will result in greater competition among businesses and a flexible and destabilised business environment. Knowledge of advertising media and means to successfully implement such media is imperative for maintaining a competitive advantage and achieving overall success in the business environment.

As part of our departmental community engagement programme, SME skills transfer project workshops are being presented on a monthly basis by a team of facilitators and one project leader, Prof Louise van Scheers. The aim of this project is to improve managerial skills of small business owners of the formal and informal sectors in the Tshwane municipality area. As we believe community engagement should benefit the community as well as our department, we use these workshops as an opportunity to develop SME skills to improve the community. Therefore, we achieve these by liaising with industry, creating a culture of teamwork at the department and using the research to publish research articles in accredited journals.
Advertising helps to build a business identity and also helps people identify and remember the value and function of a product or service (Maravilla, 2000; Du Plessis et al, 2009:34). Small business will have to consider cost-effective advertising media due to the size of these businesses and lack of finances when starting a business. Due to the increasing number of small businesses in the Tshwane area, increased competition occurs, resulting in a greater need for differentiation in order to survive. Advertising provides the means to accomplish this. Therefore, it is important for these businesses to be able to identify, select and implement effective advertising programmes.

**Aim and objectives of the research**

This research report aims to determine the advertising media that small businesses are using in the Tshwane area to promote sustainable development and to reach the aim of the study. The objectives of this study were:

- To identify key success factors that make advertising in the Tshwane area effective
- To gather perceptions of small business owners concerning advertising media which are currently used

**Literature review**

Advertising is any form of mass communication about a product or services that is paid for by an organisation or an identified sponsor. Also, advertising helps sell products and helps companies build a product brand according to Maravilla (2000). Du Plessis et al. (2009:56) define media as a communications channel or a group of channels used to convey information, news, entertainment and advertising message to an audience. Two major advertising media types exist: broadcast media and print media. Television and radio are broadcast media, while newspapers, magazines, billboards, direct mail and leaflets are examples of print media. A small company in the Tshwane area would probably need to use different advertising to a larger company in more developed areas, such as advertising in taxis and various outdoor advertising media.
The Tshwane Area

The Tshwane area is being reinvented as a feasible centre of commercial and cultural activity (Anon, 2009; Thale, 2009). The government has made attempts to upgrade the overall standard of living in the Tshwane area by planting trees and providing basic amenities to parts of the townships (Anon, 2009). Thale (2009) explains that the Baralink project is an example of such new developments, promising to improve the overall infrastructure of the area and encourage the growth of a viable business environment. According to Thale (2009), this activity will lead to the emergence of a multitude of small businesses in the area. Therefore, a comprehensive advertising campaign is vital for these new businesses to survive and succeed.

SME of the Tshwane area

The Tshwane area is fast becoming a commercial hub with an increasing number of small businesses opening every year. This has led to increased competition in the area. Thus, it has become increasingly important for businesses to differentiate themselves from their competitors. This can be done effectively through the use of advertising; therefore it is necessary to be able to identify relevant advertising opportunities for these businesses.

Advertising

Advertising is a tool that can be used for companies to differentiate themselves and their product from their competition. Since the Tshwane area is becoming a commercial hub with more business opening, companies will need to use these tools to gain an advantage over other companies. It is important for business owners to understand the meaning of marketing, marketing communication and advertising before they implement any changes. Advertising can be defined as any non-personal form of mass
communication about a product or service which is paid for by an organisation or an identified sponsor (Du Plessis et al., 2009:31). Russell and Lane (2006:26) agree with this and mention that advertising is usually delivered through a form of mass communication. Thus, the key differentiating elements that define advertising are that it is a paid-for message, and the message is controlled by the advertiser. Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor (Cohen, 2009:5).

Advertising objectives

Advertising objectives are important to a company as Cohen (2009:123) observes because they will encourage the introduction and selection of consistent advertising alternatives. Also, they offer the company a standard against which it can evaluate the results of the advertising. Advertising can also be used to support other elements in the marketing mix. This can improve the effectiveness of the firm’s total marketing strategy with the ultimate objective of increasing sales. Advertising objectives are specific outcomes that are to be accomplished through advertising (Russel et al., 2006:24). The following different objectives a company may want to obtain from its advertising campaign are (Cohen, 2009:123):

- Increasing the number of customers: Advertising can help a company to be able to turn non-users into users, attract users from competitor’s brands and help former users to become interested in a particular product again.
- Increasing total demand: A company may use an advertising campaign in order to increase the total demand for a product so that the company’s share will generate sales volume.
- Attracting non-users: A company advertising campaign’s objective may be the attracting element of non-users in an effort to increase the number of customers.
- Marketing mix objectives: When a company wishes to introduce a new product, a product modification, or a new package, an advertising campaign is usually prepared to provide support.

Advertising media

Media is defined as a communications channel or a group of channels used to convey information, news, entertainment and advertising messages to an audience (Du Plessis et al., 2009:56). Choosing the right media to carry a company’s message is critical for the success for a company’s advertising (Anon, 2001). There are two major advertising media: broadcast media such as television and radio, and print media such as newspapers, magazines, billboards, direct mail and leaflets (Du Plessis et al., 2009:41). Television, radio, newspapers, magazines, out of home advertising, direct response and direct mail advertising are all forms of advertising media (Russell et al., 2006:221). Mass media such as newspapers, magazines, radio and television are especially well suited for delivering advertisements (Sissors & Bumba, 2006:7).

Key factors to making advertising successful

Advertising messages that are novel or unusual are more likely to attract attention and stand out among the rest of the information surrounding them. According to Foxall et al. (2008:54) other attention getting stimulus factors that can make a company’s advertising more successful are the size of the message, its placement in the environment, the colour of the advertisement, and how vibrant it is. It is important that consumers are exposed to a constant message from the advertising company. Egelhoff (2004) believes that this can be done by advertising regularly. Regular advertising is important even when a maximum level of awareness is already achieved. When an advertisement is repeated after a while it is possible for previous levels of awareness to be obtained again. Advertising campaigns do not have to be continuous, but they should be repeated at carefully regulated periods.

Key factors when advertising in black townships
When advertising in a black township, black and white people should be used in the advert, or even blacks only (Morris, 2002:95). One should not only use white people only in adverts for the black market. This representation helps the black consumer appreciate that the product is a universal product used by all. Advertisers must use situations and humour that black people can relate to (Morris, 2002:95). Sporting personalities should be used with care; the reason being biases could result from opposing team supporters. English should be used when advertising to people in the townships because most black people do understand English. There are so many different black languages that they can become confusing, even for the black consumer.

By reviewing various literatures on advertising opportunities for small business, with specific reference to the Tshwane area, one can see that although there are many different forms of advertising not all such media are necessarily suitable. This is due to factors such as cost, specific target markets and illiteracy.

Research methodology

The purpose of this research was to determine advertising media that SME workshop participants use in the Tshwane area. One hundred SME workshop participants completed the questionnaire during the SME workshops between March and May 2012. Quantitative, exploratory research was chosen for the research design. The questionnaire questions were developed to achieve the objectives of the study and contributing to the phenomenon of interest.

Analysis of research results

Advertising media

The questionnaire was designed to include the aim and objectives of the research. The researchers specifically formulated these questions to find detailed information that will justify the research report. Four open ended questions were used in the questionnaire to ask respondents information about the advertising media currently used in the Tshwane area. These questions also asked about the most successful advertising media for small businesses in the Tshwane area. They further asked about what are the key success factors that make advertising in the Tshwane area successful.

Advertising media used in the Tshwane area

Question 1 of the questionnaire asked respondents what advertising media are currently used by small businesses in the Tshwane area. Identifying the different advertising media small businesses in the Tshwane area use is the basis of the report. It is therefore very important to ascertain what advertising media current small businesses in the Tshwane area are using. Figure 1 shows which advertising media where chosen by small businesses owners and managers interviewed for the research report.
**Figure 1: Advertising Media Used by Small Businesses in the Tshwane Area**

Figure 1 indicates the results of question 1 of the questionnaire. This shows the advertising media used by small businesses in the Tshwane area by counting the number of respondents which have chosen each advertising media. According to figure 1, the most commonly utilised advertising media by small businesses include: brochures, the Internet, pamphlets, signboards, door-to-door, local newspapers, radio, shopping centre information boards, company cars, posters, directional signboards, product displays, word of mouth and wall painting.

Fifty-six percent of the respondents found that the Internet can be especially useful to reach external target markets such as tourists as it allows anyone in the world with a computer and an Internet connection to have access to the businesses information. This is essential as tourists allow these small businesses to expand their consumer base, thus increasing profits. This agrees with the literature of Anon (2001) and Stirling (2003) that states that the Internet allows a company to target a worldwide audience.

According to 35% of the respondents, brochures are a widely used advertising media utilised by small businesses in the Tshwane area. Brochures are usually made available at locations that are most likely to be frequented by the target market. This ensures that the correct type of consumer is targeted and money is not wasted. The respondents indicated that brochures are made available at various tourist sites in the Tshwane area such as the Hector Petersen Memorial due to the large amount of tourists who visit the area. This allows for a wider consumer base to be targeted.

The survey indicates that a substantial number of small businesses in the Tshwane area make use of wall painting in order to advertise their businesses. This is attributed to the fact that wall painting is inexpensive and if placed in the right area can be seen by a large amount of people. Wall paintings can be seen on a variety of walls and surfaces all over the area. Morris (2002:103) also echoes the sentiment that wall painting is an outdoor advertising media that is widely used by businesses in the Tshwane area.

Figure 1 illustrates that only 10% of the respondents found that door-to-door promotions and signboards are a favourite advertising method used by small businesses in the Tshwane area. This agrees with Morris (2002:106), as mentioned earlier in the article, that this form of advertising occurs when a business employs “runners” who can conduct door-to-door sampling and hand out pamphlets with information of their product. Door-to-door provides an effective way of ensuring that a company’s product sample gets to the consumer. Signboards can be hand or professionally made, and are erected outside companies to serve not only as a form of advertising but also indicate to possible clients where the business is situated. The survey indicated that signboards are a reasonably cheap advertising media for small businesses in the area to use.

Three of the respondents, according to figure 1 regard community newspapers and pamphlets as advertising media available to small businesses in the area. However, newspapers are not widely utilised by small businesses in the area as other forms of advertising due to the price of advertising in them. Morris (2002:92) observes that newspapers are an effective way of advertising in townships because they enjoy a fairly high penetration rate. This agrees Du Plessis et al., (2009:59) that pamphlets are cheap to produce and to distribute. Pamphlets are flexible in design and easy to modify to display the latest specials. The respondents add that the individuals who hand out the pamphlets can be given t-shirts or wear display boards over their shoulders displaying the company’s details and product. This is an effective way to increase awareness of the companies brand around the townships.

Figure 1 also shows that two respondents considered word of mouth as an advertising method used by small businesses in the area. Word of mouth is a cost-effective advertising media which is suited for small businesses, especially situated in areas such as the Tshwane area. The area is a densely populated community in which positive information about a business can easily be communicated among people. This agrees with the literature of Foxall et al., (2008:27) word of mouth communication is an excellent
form of advertising and can be more effective than formal advertising. According to the respondents for word of mouth to be a successful advertising media a small business needs to offer a high quality product or service. Satisfied consumers who spread positive information about the business are seen as more credible and are trusted by other potential clients.

Shopping centre information boards, radio and company cars (see figure 1) are all other forms of advertising that are used by small business in the Tshwane area. Morris (2002:92) states that radio is one of the most effective forms of advertising in black townships as the majority of people living in the townships listen to the radio on a regular basis. By contrast, the respondents inferred that only the larger or more successful small businesses can afford to use radio as an advertising media as it may become costly especially when the business wishes to reach a large number of people.

Shopping centres provide a useful advertising media through their information boards. These boards provide an opportunity for small businesses in the Tshwane area to advertise fairly cheaply. Here A4 size information sheets with the company name and contact details are placed on these boards and often tear offs can be used in order to allow potential clients to tear the number of the company off the page. These are useful because potential clients do not need to copy down or remember the number, they will have a copy printed out for them.

Several respondents mentioned the use of directional display boards, especially if a small business is situated off the main road. These boards can easily and inexpensively be made at home and can be placed from the main road to the small business itself; making it easier for new clients to find the business. One respondent added that product displays can also be used as an advertising media and can be set up on the side of busy roads and in busy public places. These displays allow consumers to view the product and identify and associate the product with the company. Morris (2002:102) agrees that product displays can be used as an advertising media and can be placed in busy areas such as store outlets and community centres.

Figure 1 also indicates that one respondent believes that company cars branded with the businesses name and relevant contact numbers are a media used by small businesses in order to advertise in the area. Due to the high amount of traffic in the area people have time to take notice and remember information on the car.

The respondents also indicated in figure 1 that posters are used as advertising media. Thus, they display the company name and contact details as well as the business’s slogan or perhaps a picture of the business’s product. According to Morris (2002:94) billboards and posters are a widely utilised outdoor advertising media.

Successful advertising media in the Tshwane area

The second question in the questionnaire asks the respondents what the most successful advertising media is in the area. Due to the large amount of advertising media mentioned by the respondent in the previous question it was important to find out which of the advertising media selected where viewed by the respondents as the most successful. Another reason for finding out which advertising media where the most successful is due to the fact that advertising is expensive for small businesses and therefore it is very important to find out which advertising media are the most effective in a particular environment. Figure 2 indicates which are the most successful advertising media used by small businesses in the area.

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Figure 2: Successful Advertising Media Used in the Tshwane area

Figure 2 indicates the most successful advertising media used by small businesses in the area according to the survey. There are numerous different advertising media indicated this is due to the vast diversity between the small businesses interviewed. According to figure 2, 25% of the respondents believe that wall painting is a very successful advertising media for small businesses in the area. This is possible, as wall painting is not a very expensive advertising media. Also, this is valuable as small businesses often do not have huge advertising budgets; so cost becomes an important factor when considering advertising media. Wall painting is useful as it gives a business creative freedom and allows advertisements to include bold, bright, eye-catching designs, making for very effective advertising. This sentiment is echoed by Russel et al (2006:341).

The respondents also pointed out that a company’s name, telephone number and product or service can also be painted on the facia of the small business. This provides a cost effective method for the business to stand out and differentiate itself from its competitors. It also assists consumers in that it allows them to easily identify the business, which is imperative. Morris (2002) states similar requirements for a business to stand out against its competitors.

Fifteen percent of the respondents indicated that newspapers provide a useful and effective advertising medium, particularly local, community newspapers. They also indicated that it is an expensive media and a company has to advertise in a newspaper regularly for it to be successful, which increases costs. For this reason newspaper advertising is not suited to most small businesses. Therefore, newspapers are not utilised by many small businesses in the Tshwane area. Du Plessis et al (2009:104) support this but still maintain that it is inexpensive when compared with television as an advertising media.

Figure 2 shows that only 5% of the respondents believe that directional boards provide an effective method in order for small businesses in the Tshwane area to advertise. This form of advertising can prove to be a viable option for small businesses because they can be home made and therefore extremely cost effective. Directional boards are particularly useful in directing potential clients to a small business’s location, especially if the small business is not located on the main roads that may make them more difficult to locate in a densely populated area such as the area. This media is not expressed in the literature and adds a new dimension in determining which advertising media will be effective in order for small businesses in the Tshwane area to advertise.

The Internet is an effective advertising media according to 5% of respondents. Because of the increase in tourists to the area, tourism is an important market and the Internet allows for a cost effective way to communicate with this market. This agrees with Du Plessis et al (2009:349) that Internet advertising is a cost effective advertising media. Email appears to be an affordable method of advertising that allows
small businesses in the Tshwane area to communicate directly with potential clients anywhere in the world. This is also the assumption made by Du Plessis et al (2009:344). The respondents felt that not enough small businesses are using the Internet as an advertising media, but they foresee this changing in the near future. They foresee more people in the Tshwane area becoming computer literate and small businesses in the area which have made the Internet accessible to the general public.

Five percent of the respondents (see Figure 2) indicated that pamphlets and door-to-door promotions are effective advertising media. Door-to-door promotions allow a two-way conversation to take place between the consumer and the business representative. In an area such as the Tshwane, which is densely populated, many houses can be visited in a short period of time. This makes door-to-door promotions more cost effective than in many other areas.

Figure 2 shows that 25% of the respondents indicated that signboards placed outside the small business are an important form of advertising for small businesses in the Tshwane area. Signboards erected outside the small business allows for potential clients to identify the small business’ location, name and service. Signboards outside the small business should show its contact numbers and trading hours allowing small businesses to differentiate themselves from similar businesses.

Five percent of the respondents judged that transit advertising is effective. This involves boards being placed with the business name and contact details on various cars and taxis. This advertising media is effective because it is inexpensive and also allows a greater exposure time, which means a large amount of people will see this form of advertising. This agrees with Morris’s (2002:102) statement that advertising on company cars and taxis is an effective way of advertising in the Tshwane area.

Key success factors for advertising in the Tshwane area

The last question asked in the questionnaire asks respondents what the key success factors that make advertising in the Tshwane area effective are. This is important for the researcher to ascertain because advertising needs to be effectively implemented for it to be a success for any small business. Respondents informed the researcher of the key success factors that made their companies advertising a success which is indicated in figure 3.

Figure 3 indicates the success factors that make advertising in the area effective. The answers where obtained from respondents’ responses to question 3 of the questionnaire. Figure 3 shows that 28% of the respondents stated that in order for outdoor advertising to be effective as an advertising media, it
needs to be placed in areas of high traffic in the area. This is essential because the higher the number of people who see the advertisement, the higher the response rate will be. This agrees with Morris (2002:94) as he suggests that outdoor advertising such as wall painting and posters is only effective when placed in high traffic areas where the opportunity of them being seen is high.

The respondents added that main roads and shopping centres are recommended high traffic areas in which to advertise. This is especially viable for media such as wall painting, product displays, posters and directional posters. Businesses should be placed on these main roads where they will be seen by a dense flow of people. By doing so, they will acquire more customers than business which are situated on side streets away from the flow of people and traffic.

Taxi ranks were also mentioned as another area in which many potential clients gather and would therefore be a successful location for advertising. The reason for this is that a majority of people living in the area make use of public transport. Therefore, a taxi rank is an important place for small business to target an advertising campaign.

According to the respondents, when advertising in high traffic areas, there are usually many different businesses advertising in the same area. So, it is important for a small business to make their advertising stand out from the rest. As shown in figure 3, 18% of the respondents stated that advertising needs to stand out from the other advertisements that it is surrounded by. This can be done by making the advertisement more eye-catching than other advertisements in the area. The respondents suggested that this can be done, for example by using a light background on the wall such as white and then paint the writing in a darker colour such as red.

Figure 3 indicates that 18% of the respondents thought that the size of the advertisement can also make advertising more effective. According to the respondents, to achieve this, small businesses can make the advertisement large enough to be seen. Also they can use bold print that can be read easily by a passenger in a moving car. The respondents add that when advertising on main roads, cars are travelling faster and people are generally too busy to notice every advertisement. Therefore, advertisements in these areas should be large, easy to read and eye catching. When erecting a signboard outside the business, the small business must ensure that it is large enough to be read clearly and seen easily. Thus, this will make it easier for potential clients to locate the business. The respondents add that for an advertisement to be successful, it is very important for it to be attractive and its layout needs to be appealing.

The respondents added that when using outdoor advertising and transit advertising, the name of the company, number, product or service and even a slogan can be used in the advertisement as indicated in figure 3. It is very important that the advertisement is not cluttered with too much information that makes it increasingly difficult for passing potential consumers to read it especially when driving.

Twenty-four percent of the respondents claimed that repetition is essential to the success of a business’s advertising efforts (see Figure 3). When a potential client sees the advert they may not make use of the business straight away, but through repeated and frequent viewing of the advertisement, they may need the product in future. That is, when the potential client needs that particular product or service they will then remember the advertised product and then will buy from that business. It is important for the advertising company to place advertisements all over a selected area, thus increasing the amount of times people notice the advertisement in a short period of time. This is helpful in increasing memory retention. The respondents added that repetition is important when using all forms of advertising. The more people see the advertisement, the higher the chance of it being remembered when needed. According to the respondents, repetition is also important when using posters as an advertising media. This is because posters are smaller than billboards and painted walls, meaning they are not as easily read by the target market. Posters must be placed close together in a line on a busy road so they can be read by passing motorists each section at a time. The respondents state that posters are used on main roads and that many posters need to be used for it to be successful.
Figure 3 shows that 12% of the respondents thought that regular observation of a small business’s name and product is very important; this is achieved by advertising regularly. The respondents state that advertising must be conducted regularly in order to remind consumers of the business and its offerings on a regular basis. Regular advertising keeps clients and potential clients informed about specials and the latest product news, which increases their likelihood to buy the businesses products or services. The respondents added that regular advertising is imperative when handing out pamphlets as potential consumers often do not read or loose the pamphlets after receiving them. When using pamphlets as an advertising medium, large amounts need to be handed out for pamphlets to be an effective advertising media. Pamphlets must also be handed out on a regular basis, when conducting door to door advertising, it is important for it to be conducted regularly for it to be successful. This is because different people hold varying schedules, so different people will need to be reached at different times.

The Tshwane area is becoming an area which is fast becoming a commercial hub. Research findings have shown that the business environment in the Tshwane area is changing with more business starting up in the area. Advertising has been proven to help companies differentiate their business and products from the competition. Findings have shown that advertising is a viable method in which a small business can differentiate its business and products from increasing competition that has been changing the business environment in the Tshwane area.

**Recommendations**

Selected small businesses in the Tshwane area were analysed and advertising media used in the Tshwane area was also identified. Respondents identified the following advertising media: brochures, the Internet, pamphlets, signboards, door-to-door, local newspapers, radio, shopping centre information boards, company cars, posters, directional signboards, product displays and wall painting.

Due to the cost associated with advertising and the limited budget small businesses in the Tshwane area have for advertising, it is important for any small business to choose the best advertising media available for their business. The selected media were chosen by small businesses in the Tshwane area due to the cost effectiveness, their ability to reach certain customers and their effectiveness in an environment such as the Tshwane area. The following media where chosen: wall painting, newspapers, directional boards, Internet, pamphlets, door-to-door, and transit advertising.

For advertising to be successful it needs to be implemented correctly and key success factors must be identified. According to the survey, the main success factor for advertising is the area which is chosen to place the advertisement. Advertising should be placed in high traffic areas where the advertisement can reach a higher proportion of the selected population. It was also found that if advertising is repeated regularly in this way, there is a higher chance of the advertisement being recalled from memory. Repetition of the advertisement in short period of time is also very important as it helps a person initially remember the advertisement. The size, colour, graphics and writing of the advertisement all have an effect on the advertising campaign and helps potential clients differentiate the advertisement from surrounding advertisements. This is especially necessary in areas which are cluttered with competitor’s advertisement.

Based on the outcome of the research the following recommendations should be considered:

- New and old small businesses in the Tshwane area need to advertise for their small business to succeed.
- Wall painting is a successful advertising media in the Tshwane area but in the future new advertising media should be looked at due to advertising clutter and limited space.
- Door-to-door advertising is a successful advertising media in the Tshwane area and should be implemented by current small businesses and should be considered by future companies entering the area. It was observed that during the research that the majority of household in the
area had at least one adult member of the family at home through the majority of the day. This helps with door to door advertising/promotions because they will have an increase hit rate.

- With an increase of tourist to the area, the Internet should be considered a more popular form of advertising in the area.
- More research in advertising media that can be used by small business in the Tshwane area and in similar commercial environments should be conducted.
- In densely populated areas such as the Tshwane area, word of mouth is an important method of advertising. It is therefore important for small businesses in the area to maintain a high level of customer service and make sure their products are of a high quality.
- It is imperative for small businesses in the Tshwane area to erect signboards by their businesses building. This provides a dual function; it shows potential clients where the business is located and is a form of advertising by helping potential clients to differentiate the business from its competitors.
- Mail order is becoming an increasingly popular means of purchasing among black consumers in townships. Marketers can make use of catalogues when trying to capture an audience in a township. Graphic or photographic images should be used heavily in print and visual media, accompanied by short copy statement. Using graphics and pictures in advertising in South Africa is very important due to the high illiteracy levels in the country.

**Concluding Remarks**

This research has exposed new ways in which small businesses operating in changing environments can advertise and which advertising media are effective. This research will present owners and managers of small businesses operating in changing business environments such as the Tshwane area, with an in-depth understanding of advertising and advertising media. This information can be implemented to increase the success of their small businesses and promote sustainable development. The research also displays results about advertising media and how it can help small businesses differentiate themselves from the competition. This is important in a changing commercial environment such as the Tshwane area where there is increasing competition.

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The objective of this article is to present an inventory of tools analyzing the different factors which impact on the internationalization of companies and to revisit the different internationalization strategies of organizations on global level, products in particular and brands specifically.

Faced with the standardization of processes and quality standards which led to the unification of products, the brand intervenes as an inimitable competitive advantage.

However, at the present time, the brand as a marketing branch has not adopted all that merits inclusion and has overlooked much of the utility of this discipline. Made in France, Italy, China…, the companies do not know borders any more. Several questions can be addressed such as which strategy to internationalize a business. Which marketing approach to develop a product in a foreign market? Which strategy to improve a brand internationally?

Keywords: Internationalization, Brand Strategy, Internationalization strategies.

Introduction

Globalization was long reduced to its commercial aspect, until the 1960s, with the appearance of multinationalization (Michalet, 2004). The paradigm of international configuration remains bound to the concept of specialization based on free trade (Smith 2004). From the 1980s, the emergence of new applications in various fields including information, communications, and technology has opened new routes to globalization to navigate towards international and multinational configurations...

Globalization refers to the convergence of markets around the world, through the action of a new form of enterprise, the "global firm" (T Levitt 1983). If large companies have affirmed themselves in a global market, what about the Small and Medium Enterprises (SMEs)? The interest generated by SMEs has become a global phenomenon (Torres, 1999). Indeed, during the last three decades we witness the emergence of an impressive body of research on the theme of the internationalization of SMEs (Torres, 1999; McDougall and Oviatt, 2000; Lu and Beamish 2001; Fillis, 2001; Hutchinson et al., 2005; Chtourou, 2006; Doole et al., 2006; Ruzzier et al, 2006).

Globalization from the marketing angle is characterized by significant environmental changes stimulated by workout effects. To live in America and to consume Chinese product becomes current. However, this phenomenon affects indirectly local businesses, which are facing strong competition of foreign companies. Thus, with globalization, local competition has been extended to an international competition (Croué 2012). In this context, developing a competitive advantage in an international environment (Porter 1990) has become a necessity. But beyond the internationalization of the entity, the main question is which approach can be adopted to internationalize the product, while taking into account the importance of the brand which is considered as an inimitable competitive advantage.

Several studies have discussed the internationalization strategies of companies and products, but only few works have been devoted to the part relating to the brand. Branding is considered as a young practice compared to marketing (Croué, 2012). Thus the internationalization of SMEs, known by its multi-dimensionality, cannot be developed from a single angle. This present article summarizes the different strategies of internationalization and develops a new approach associated with all business,
product and brand. The goal is to identify and recognize the theoretical approaches describing the SME internationalization process according to each of the three elements of the set (Company - Product - Brand); to establish in the second time a confrontation between different strategies already initiated and develop a comprehensive and synthetic model for the process of internationalization in the three cited elements.

Theoretical framework

Traditional approaches of internationalization of enterprises:

The environment of the 21st century became complex and dynamic. Emerging countries such as BRICS are countries where business dynamics is changing rapidly (E.KARSAKLIAN, 2009). Thus, the decision to internationalize the company in this context becomes a necessity rather than a choice.

Before beginning the subject, it is judicious to have a definition of internationalization, however, several authors have contributed to this purpose, each one according to his approach, we will take as reference Mercier 2013, who presents the internationalization as an irreversible revolution in the behavior of different actors tackle the economic and social survival, behavior dictated by an awareness of the needs of the inhabitants of the planet. This definition includes several aspects which converge towards a common major direction to attest that the environmental changes leads to satisfy a global demand rather than local.

The traditional current internationalization of SMEs, has developed three main approaches that explain the internationalization process for each period. The diagram below shows these approaches.

Figure 1: Traditional approaches of the internationalization process (Realized by our care)

The success of these approaches is not to demonstrate, but behind, several criticisms was raised. The table below shows the overall context and the major critical advanced for each approach.
## Approaches

<table>
<thead>
<tr>
<th>Concept</th>
<th>Critics</th>
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<tbody>
<tr>
<td>Economic approach</td>
<td>The economic approach only explains the process of international business development partially without taking into account the specificities of the SMEs. Short-term vision rather than long-term</td>
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</table>

### Approaches by stage

<table>
<thead>
<tr>
<th>Approach by stage</th>
<th>The aim is to study the internationalization of SMEs. Two models were developed:</th>
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<tr>
<td></td>
<td>* UPSSALA model (U-model) Johanson &amp; Valhon 1977; it is based on two concepts, the learning process that forms through the experience and the psychological distance, the less it is, the more successful will be confirmed.</td>
</tr>
<tr>
<td></td>
<td>* Innovation model (model I) (Bilkey Teaser 1977) is based on the adoption of a new product. (Roger 1962)</td>
</tr>
</tbody>
</table>

### Network Approach

| This approach focuses on the importance of the firm in its network. |
| Internationalization is therefore defined as a network which is developed through trade relations with other countries. For this, three stages are developed by Johanson and Mattson (1988): extension, penetration, and integration. |

| The main constraint of this approach is the limited resources. |

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Table 1: Traditional approaches of internationalization of SMEs (Realized by our care)

To gather all these approaches, it is important to incorporate a framework hence the concept resource - competence (Laghzaouï, 2009)

To understand the approach of the internationalization of SMEs, crossing the last three approaches is essential. By good control of resources - skills, the company can internationalize without following the classic stages.

The economic approach focuses on organizational capabilities (Creation); the phased approach developed around experiential learning, the network approach resides in relations with abroad. All these approaches implicitly include the two concepts: resource and competence. The resources - skills have an important role in the internationalization process. These resources and skills can be stimuli as they can be barriers. These are also major elements to the strategic, organizational and markets choices. This proposal also leads to put the resources and skills of SMEs at the heart of the analysis.
Beyond the traditional approach, the aspects of internationalization of SMEs

The dynamics of the international business is characterized by a ripple effect, in other words a company wishing to internationalize its network will lead with its suppliers and customers; we talk about the environmental mutation.

Companies that oppose the internationalization are enclosing to a local market and remain under pressure of the local suppliers that have a limited offer in terms of quality and cost.

Among the catalysts of internationalization, we found the style of management, the organizational dynamic based on the company's activities, and the organizational learning and administrative inheritance (exceeding the rigidity of administrative processes) (E.KARSAKLIAN, 2009).

The decision of internationalization according to Autio and al. (2000) is related to two factors: proactive factors, which are linked to the attractiveness of foreign markets (low cost, availability of MO, low legislation ...) and reactive factors, bound to the constraints of the local market (high cost, high competition, and organizational crisis).

The market study as a whole is paramount; it presents a double-edged sword: the opportunity of developing prospects and the difficulty of analysis facing a large market.

E. Karsaklian (2009) presented the internationalization process in four stages. Beginning with the national approach, the company focuses on its domestic market without thinking about internationalization. In the second phase, the company uses export or transfer licenses to sell its products abroad; we talk about the penetration of foreign markets. This stage is an important step to decide the future of the companies if they will move to a more advanced stage, or return to its original position and be restricted in a national market. The third phase is based on regional integration; the markets are not dispersed but grouped according to a regional system which simplifies the movement of products. The fourth and the last stage is the globalization, it is characterized by an opening in a global market.
From the internationalization of the firm towards the internationalization of the product:

The internationalization of the company covered in the previous section, showed us the different approaches used and their evolution. If these processes have had their share of successes, criticisms raised are mainly explained by the technological change, the increasing rivalry and the open borders. Internationalizing a company is not simple but complex case, which involves a multidimensional study. Thus in the marketing angle, what's hiding behind “the internationalization of firm”? If the leader sees a structure that transcends borders, the consumer sees the product.

To simplify the concepts, the internationalization of the company from a marketing point is reflected by the internationalization of goods (Product / Service) to a potential market beyond the borders to satisfy a request, or to reply to an existing or anticipated need.

According to Pasco-Berho (2002), product internationalization is a sequence of steps that allows a company to achieve a progressive learning in a foreign market. The product policy to adopt in an international market is a strategic component that can conduct to the success or failure of the company. Certainly a product that does not consider the local needs and which has a contradictory culture comparing to the host country will be in decline phase before the launch phase. Hence the importance of the strategic study through the Segmentation - Targeting – Positioning model that comes to direct the operational side and therefore the product marketing which is a component of the mix marketing.

Studying the product policy, is based on studying of a set of variables. According to Croué, product marketing is based on the study of political lines, brands, and positioning. For E.Jerom & McCarthy 1960, politics encompasses product design, ergonomics, technology, utility, the analgesic potency, value, quality, brand and warranty. Kotler introduced the three levels of the product policy. First, the heart of the product which is the good or service, the second level includes the packaging, design, quality, brand and features. And finally the third level includes installation, after sales services, warranty and delivery.

Through the contribution of these three authors, we can synthesized the elements that impact the decision of the product policy in two points: The visual point, which includes all the visible elements that the consumer can see to distinguish the product, like the design, ergonomics, technology, packaging, and materials elements ... and the mental point, which has the purpose of strengthening the visible elements by developing intangible variables such as product quality, value, brand, warranty, and annex services.

The product is not eternal. Developed by Verenon in (1966), the product life cycle is important to decide about the strategies to adopt and how to introduce goods in a foreign market. Indeed a product reaching its declining phase has two solutions: the destruction of the product or a founding a new market where it will be in the launch phase. The company in this situation will aim to find profitable markets offering opportunities to the product.

If a market presents an opportunity it also presents a threat to manage. Croué compiled the constraints of the internationalization of products saying they are based on two aspects: the internal constraints which include the financial resources, production constraint of relocation and logistics, and external constraints, namely sociocultural and political characteristics of the host country, its technological evolution, the adaptation or standardization strategy, and the degree of competition existing on the market. For a good positioning in a foreign market, the company must develop an inimitable competitive advantage we refer to the brand policy.

The marketing foundations rested on the identification of needs and desires of the markets, observing the consumer behavior in order to control their preferences, developing loyalty technique (Kelly Lazer 1962 Mc Carthy 1964 Kotler 1967). However, the brand remains the forgotten of the marketing universes (WatiN Aguard 2013)
2.3.1 The branding context

Going back to the basic foundations of the classical economic theory, especially in the conceptualization of market dynamics, the concept of "brand" was always neglected to focus on the product concept (Maillard 1991). At the time, the Industrial Revolution was oriented to two main concepts: offer and production. The major stakeholders were producers and consumers who constituted the product market (SEMPRINI).

However, with the technological developments, the high production, the gradual saturation of markets, the emergence of the communication culture and openness, the media pollution, the changes in consumption behavior (SEMPRINI), we redirect to a new concept that will change the balance to thoughtful consumption. This is how the market has evolved from a product market to a brand market, giving meaning to the products due to an immaterial value.

Thus, according to SEMPRINI, the productive system is actually split into two components, two stakeholders having equal importance: the classic offer product - constitutive of the product market - and the communication offers or direction offers - constitutive of the brand market.

To set the brand, several authors have given their contributions, thus referring to the Industrial Property, the brand is a name, term, sign, symbol, design or combination used to identify goods or services for a seller and differentiate them from competitors. According to Lewi, Rogliano 2007, the brand is considered as mental repair in the market, based on tangible and intangible values. Semprini (1992) refers the brand to all speeches made by all the different actors (individuals and groups) who were involved in its creation. A. Aaker 1998 is the first author who evokes the brand as an added value, certifying that it's a cognitive association that adds value to those already raised with the product.

If we gather all these thoughts, the brand presents itself as a semiotic approach as noted by A. Semprini, who comes to make sense to the product with an identity that personifies the abstract aspect.

The brand in the international market

Building a brand, and managing it becomes a real dilemma for the majority of businesses. Indeed the rigid rivalry existing, the high technological development, the market opening, the culture of exchange, the changes in consumer behavior; all these factors attest of the complexity of the mechanism.

Today, the majority of products are facing standardization of production criteria in compliance with quality standards. However, how can we differentiate between the different products in a unified approach? In this situation, the importance of developing an inimitable competitive advantage as brand became a necessity.

Brand started to take its current magnitude in these recent years, but what about the concept of the internationalization of the brand? It was only since the 1980s that the tendency of internationalizing brands has grown considerably.

According to Croué the international brand policy is a cross between the geographic dimensions, the products and their technological variations, and the customers gathered around common values. Internationalizing a brand is far from a simple reproduction on a new market, it is obviously a prior study that contextualizes a triadic analysis of the entire Company - Product and Brand.

Triadic strategy analysis

The internationalization phenomenon is not to demonstrate. However, the impact of the internationalization on a firm as structure, and the product as an answer to a specific need and the brand
as borrowing that comes to give meaning to how the product remains to be studied. The object of our study about the internationalization strategy as an overall concept will focus on a marketing analysis. Before developing the triadic analysis, it is important to demonstrate the link between the three components of the triadic strategy. Excluding all prior studies that the company must take into consideration before the internationalization decision in a strategic level, we will focus on the operational level. For consumers, internationalizing a company is the establishment of a foreign product on their local market. However, which identity should be adopted to introduce a product in a foreign market, and how to differentiate between the local and the broader product to create an inimitable advantage? Building a strong brand is the right solution. Thus, the company deciding on internationalization needs to adopt a coherent approach between its overall strategy, its product policy and branding. Hence the triadic approach.

For better analysis, we will present a summary table grouping the strategies of internationalization of all the three elements of the set. For this, we will take as reference the reflection of some authors who have contributed to this aim; to conceptualize a global model for internationalization for all the Company - Product - Brand.

<table>
<thead>
<tr>
<th>Entreprise</th>
<th>Produit</th>
<th>Marque</th>
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<tbody>
<tr>
<td>Charles Croué, 2012</td>
<td>1. From the national to the international product policy</td>
<td>1. Brand Portfolio</td>
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<tr>
<td></td>
<td>2. International Product Policy</td>
<td>2. International brand Policy</td>
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<tr>
<td>Anne-Gaëlle Jolivot, 2013</td>
<td>1. The international product</td>
<td>1. Brand Portfolio</td>
</tr>
<tr>
<td></td>
<td>2. Adaptation or standardization strategy</td>
<td>2. Local brands and global brands?</td>
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<td></td>
<td>3. Binational management products</td>
<td>3. The transfer of brands names in foreign market</td>
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<td></td>
<td>4. Launching Product in foreign markets</td>
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<tr>
<td></td>
<td>2. Launching Product in foreign markets</td>
<td>2. Conditioning Adaptation</td>
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<td></td>
<td>3. Product Lifecycle</td>
<td>3. Adaptation labeling</td>
</tr>
<tr>
<td>Walliser Bjorn 2011</td>
<td>1. Adaptation or standardization strategy</td>
<td>1. Characteristics and quality of brands</td>
</tr>
<tr>
<td></td>
<td>2. The impact of the country of origin</td>
<td>2. Advantage and disadvantage of the global brand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Transposition of a national name in an international level</td>
</tr>
</tbody>
</table>
The triadic model: Company

On a strategic level, all the writers brought their own reflection. Croué in his work about international marketing discussed the process of internationalization.

Concerning his reflection, internationalizing a company is developed through a number of steps. Starting by the markets studies, this step is an essential phase to reduce the rate of risk, and to identify the target market before taking a decision. Companies should opt for quantitative but also qualitative studies, to understand the market requirements and to limit it geographically. The companies also study the dynamic of foreign markets through different indicators relating to the economic policy, the market assessment, or the marketing aspects. Indeed the marketing indicators are represented by the size of the market, the consumer behavior, the distribution channels, and the competitive advertising and appearance. All contribute to the study of the global market in order to define its tendencies, its opportunities and cultural differences.

The second step in the internationalization process is about the segmentation and international positioning, the international segmentation approach begins with the identification of the product and service of the company to the customer segmentation, through the identification of macro segments countries, the creation of a portfolio of selected countries to identify customer segments and potential users.

In the final stage of internationalization, the company must make a strategic decision about her implantation, either with a classic economic way, which gathers between export and commercial intermediation (indirect export) or with a classic way that involves the direct introduction of the enterprise approach, or associated approaches as franchising and management contracts. There are also settlement patterns developed such as redemption.

For E. Kansaklian the process of internationalization focuses on the managerial and organizational dynamics and also on the competitive advantage, the internationalization process starts with the identification of internal and external factors. Thus the second step is related to the environmental analysis, several strategic tools are available to managers, we cites first the life cycle of the product, which is often the cause of internationalization of the company. The BCG (Bouston Consulting Group) matrix used to locate the position of each product in the portfolio and decide on the most appropriate markets. SWOT matrix, allows identifying an overview on the internal and external situation of the company to achieve segmentation based on psychological, socioeconomic or behavioral variables. In an international segmentation, the manager must use universal criteria by combining between sociodemographic variables and cultural values. Once the segmentation is made, the manager must decide upon the implantation strategy and establish a system of performance measurement.

To achieve their goals easily, enterprises can opt for alliances to reduce international competition and develop a stronger market position. The final step in the internationalization process is about the strategic planning. This step allows the company to decide how to anticipate risks and reduce uncertainty by analyzing the internal and external aspects, defining objectives for each market with their action plan. So the strategy should be formalized and communicated to facilitate teamwork. It should be noted that the strategic plan is not static but adapted according to market developments.
Anne-Gaëlle Jolivot mentioned the internationalization of the company according to three concepts: the complexity of the environment, the mindset, and the diversity uniqueness.

The complexity of the environment requires an analysis of the international marketing environment, two variables are presented, the controllable variables on which the company may have an impact (suppliers, competitors ...) and uncontrollable variables related to the external environment (Politics - Economy ...). Thus the definition of a global strategy depends on internal and external analysis that the company carries to a foreign market. Market segmentation depends on cultural variables creating an ethical homogeneity.

The state of mind is the second factor mentioned in the internationalization process, it falls within the cultural sensitivity, and the global strategy of the company is adapted to the country culture in order to reduce the difference between the markets and to increase the degree of acceptability. Companies are now in front of two important strategic choices: Standardization - Adaptation.

For Bjorn, the company's internationalization is discussed in four points, first the study of international markets to identify opportunities and threats, secondly the business motivation, which are linked either to the saturation of markets, the availability of resources across borders, and reducing the country risk. On a third plane the implementation according to the location of production, on the home market, it is a direct or indirect export and for a foreign market it is a license agreement, franchise, joint venture or subsidiary. Once the implementation method is identified, the international company is obliged to choose a referral system, even if it is an ethnocentric organization (centered on national culture), polycentric (considering markets as equal) regiocentric (the markets are divided to homogeneous groups), or geocentric (global market).

**The triadic model: Product**

The product is considered as the base of the brand development. We cannot introduce a strong brand without high product quality.

According to Croué the internationalization of the product depends on the internationalization of the range which is a component of the product policy. Thus the company is allowed to choose which product (range) for which market. To define the strategy the company takes into account the cultural and economic dimension of the market.

To develop an international range, the company is faced with an extraction policy, the construction of a range for a foreign market is done through an existing line while adapting it to the requirements of target market.

However, discrepancies between the objective and the result are frequent. To deal with it, the company has to calculate the coverage rate, which has rapport between the products of a source range and those extracted. The aim is to conduct a redevelopment by canceling some ranges and launching others. The concept of innovation is not to neglect by Croué.

The constraints are very frequent in the internationalizing product process. The first obstacle can be the price which is strongly impacted by the adaptation strategy; the second is related to the product design and also the conditioning that must comply with the country's culture and consumer tastes.

Once the range is selected, and the constraints identified, the product launch policy can be sequential (taking space in time between the launch of two products), or simultaneous (introducing two products at the same time or within a period of less than a year). Once the implantation mode is determined, the company goes for the segmentation and positioning after analyzing the skills of competitors and identifying the competitive advantage.
Another reflection on the internationalization of product policy has been advanced by Anne-Gaëlle Jolivot. Beginning with the right strategy to adopt, the product remains in the dilemma between the standardization and adaptation strategy. Thus companies are studying the product policy through three attributes: Physical variables which concern the composition, shape, size, weight, technical performance, colors, packaging and product packaging. Service variables, which include repair, maintenance, installation, user manuals, technical support, delivery, and warranty. And symbolic variables, which concerns associations linked to the image of the country of origin. Once the strategy is determined, the company must decide the right time of the product implantation into the foreign markets. And here we are faced with two strategies already raised by Croué, namely the sequential and simultaneous strategy.

From the perspective of Bjorn, product internationalization takes into account two elements, namely the strategic choice and the impact of the host country. The effect of the country indicates that the product image is strongly affected by the origin of the country but also the brand, the image, and the quality. Thus the client in the decision process considers the country as a global endpoint reducing the risk of purchase.

For Richard Lanneyrie Sophie, Devesa, Brigitte, the product internationalization process starts with the product selection by determining the offer, the range and the characteristics. The second step is represented by the dilemma that oppose companies namely the choice between a strategy of standardization or adaptation. The choice of strategy depends on some variables such the local regulations, the habits of consumption, and the cultural specificity. In a third phase, companies decide on the implantation strategy to adopt.

The cycle of international life product has an important role in the choice of the strategy. The launch phase allows economies of scale. The growth phase attests to the emergence of new competitors. The company can opt for a relocation of production to reduce costs and therefore the price will be more competitive. The phase of maturity and decline noted the critical situation in which the product is located; it is at this stage when the company begins to move to foreign markets.

However, the internationalization of the company in general and the product in particular must be accompanied by an adapted content and a referral message so as to be in harmony with the host country. Here is the role of the brand strategy.

**The triadic model: Brand**

Referring to Croué, the brand policy has become a central axis of the company's marketing strategy to build a strong brand portfolio that includes the entire product line and range in relation to their positioning image. Internationally, we can identify three brand dimensions: The regional, local, and global brand.

Jolivot discussed the brand portfolio and presented two strategies, the single-brand strategy and the multi-brand strategy. The migration of the local brand to a global brand as Croué raised, depends on different strategies whether local, regional or global. A local brand is marketed in a single country. A regional brand is sold on a defined geographical area. An international brand is aspiring to be presented and managed internationally, but with possible adaptations, we talk about the global brand.

The brands name has an important impact on their presence in a foreign market. According to Guidère 2000 there are four techniques to transfer the name in a foreign market. The transplantation strategy consist of keeping the same name without any adaptation, the literal translation often used for a generic brand, transliteration based on a phonetic correspondence if possible in the graphics world, and transmutation, which consists of an adaptation of the original name for the target audience, in order to preserve associations to the brand's products.
According to Bjorn, international brand management is a cross between three factors. First, the function and quality brand giving attributes to the product. Brand needs to be memorable, pronounceable without negative connotation. The second point relates to the advantages and disadvantages of the global brand. The global brand has many advantages such as the cost minimization, the strong reference on a large scale but it has also some disadvantages when a global brand doesn’t respect the specificities of the culture of the host country. This is the dilemma between the standardization and adaptation strategy. The third point is about the brand transposition from national to international level; companies can opt for a simplification of the name, a partial modification, transliteration, or new name to create an international name.

Richard Lanneyrie Sophie, Devesa, Brigitte, attest that the international brand management dependent on export conditions, the brand name should be easily pronounced, memorable, and should reflect good corporate image. Then there are the packaging export requirements, it must respect local customs, distribution and regulatory and climatic constraints, and finally the labeling export conditions which must comply with local and the language and culture of the host country.

5 The internationalization strategy: Triadic model

After a reinterpretation of the various authors’ reflections, we propose a synthetic model regrouping all the three elements of the triadic strategy. This model presents the internationalization strategy for the company, the product and the brand.
Internationalization is a complex phenomenon where several study topics are to be considered. And consistency should be ensured between the three elements: Company - Product and Brand. The model proposed below provides a logical connection between the three elements of the triadic strategy. It summarizes the reflection of the authors already cited.

Starting with the Company component, the internal and external factors are important indicators that help to identify the opportunities and threats. The internal factors present a global overview of the company situation; however the external factors present the environmental situation. These studies help companies to identify their potential markets to define a clear strategy of segmentation and positioning, and then a suitable mode of presence.

Once this step is completed it is essential to focus on the cultural aspect of the target countries to identify and understand the needs and the expectations of the consumers. In this level, companies have to select an appropriate range to internationalize in the foreign market related to the cultural dimension. The standardization or adaptation strategy remains a dilemma for a lot of companies, for this, it is important to make a connection between the company and product studies. Once we identify the product policy, we move to the brand strategy.

It is wise to choose carefully the brand name. In fact the brand strategy should be in harmony with the company and product strategy and should be also adapted to the host country culture. Brand develops an inimitable advantage for companies in an international market where rivalry is rigid. Hence the
importance of the brand identity, which gathers the company values to develop a strong positioning in the consumer's mind.

**Conclusion**

Globalization has had a great impact on changing the business climate. The markets are not in a unilateral or bilateral approach but in a dynamic approach. The international phenomenon has become obvious. How can a business open a foreign market and achieve its internationalization? This is the central question addressed in this present article. From the marketing angle, the approach of the triadic analysis of the entire Company - Product - Brand brings an answer.

This theoretical study presents the different approaches of internationalization of the company to demonstrate the link between the structure and the product which is the base of the brand development. Thus, these three components build the triadic strategy. Thus, the objective of this article is to draw a comprehensive model of internationalization of all Company - Product - Brand through a reviewing of reflection of some authors.

Developing a strong international brand require global reflection. In fact, there is a connection between the different elements of the triadic approach. Each component has an important role in the success of the internationalization process. The company strategy depends on the result of the different market studies, the segmentation and the mode of implantation. The product policy focuses on the study of the cultural dimension to decide on the appropriate range and therefore the adapted strategy. The brand approach is the result of the company and product strategy. It has an essential role in a foreign market where the rivalry is so rigid. The harmony existing between these three components is the key to success of the internationalization process.

Internationalize a company is a complex process that involves the study of all the components of the triadic strategy in order to develop a coherent strategy with which the firm addresses the market.
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A Study on the Management Potential with Creative Economy-Based Concept of Restaurant Entrepreneurs around Seaside Tourist Attractions in Thailand

Jittapon Chumkate, Silpakorn University, Thailand

Abstract

This research was conducted with a mixed method between quantitative and qualitative research methodology. Its purpose was to study the potential management of restaurant entrepreneurs located around seaside tourist attractions in Thailand, and to study an application of a creative economy-based concept of the restaurant entrepreneurs. As a quantitative approach, a questionnaire was used as a main instrument for collecting data and evaluating the management with CIPP model of Stufflebeam (1971). There were 40 restaurant entrepreneurs located in Hua-Hin and Cha-Am districts in western Thailand selected by purposive sampling methods. An in-depth interview was also applied in terms of the qualitative approach to study their concept and issues which occurred during their operation. The results revealed that 75% of the restaurants were verified from a public health agency with an uncertain period of time. According to the evaluation with CIPP model, the entrepreneurs had the potential to manage and enhance their business. The factors including context, input, and process were in medium level ($\bar{x} = 3.92, 3.86, 3.98$ respectively) whereas the entrepreneurs highly emphasized their products and outputs ($\bar{x} = 4.24$). For the descriptive data, it showed that the product and appearance were the most important factors for the entrepreneurs. They focused on creating an atmosphere at a storefront and providing a creative food menu to attract customers and promote awareness. The entrepreneurs expected to generate creativity in a customer relationship by applying various social media channels to promote, maintain their business image and increase efficiency of two-way communication with the customers. Theoretical and practical suggestions from the results were also included at the last part of this article.

Keywords: Management Potential, Creative Economy, Restaurant Entrepreneur

Introduction

Considering globalized Thai society, it is revealed that the way a company is run tends to change drastically, compared to previous times. A business sector in the industrialized era focuses on the mass market, leading to a main emphasis on the organization and quantity without considering the differences among groups of consumers. However, nowadays mass production may not make the business survive due to many factors such as higher competition, insufficient resources, and advanced information technology. There is also the influence of materialism that encourages the investment and the promotion for the best benefit to the firm. Moreover, the New Economy seems to be highly competitive and demands a relationship between the organization and information technology and electronic communication (Howkins, 2013).

The new economy concept results in various interesting and challenging phenomena to the entrepreneurs. The higher competition requires that the entrepreneurs have both internal and external supports to develop and make a difference so that they have more negotiating power. New knowledge and innovation for adding values to the products becomes mandatory. The new economy concept may be considered as knowledge-based economy, and involves the relationship between information technology and electronic communications (Howkins, 2013). As the revolution of the business competition emerged, in the future, Thai society may face a digital economy where information spreads so quickly that it becomes riskier and always calls for new information.

When boundless competition eases the product exchange to be more convenient and fast, crossing the boundary is no longer an obstacle for international trade. The consumers have their right to
choose the products freely in terms of quality and price. However, analyzing and improving products or services are still not enough appeal for them. Therefore, the Thai government has been encouraging creative economy policy in order to improve new products and services and avoid generating products for which competition is mainly based on price. The creative economy places precedence on ideas and approaches to add more value to the products and services without using excessive resources, but applying more wisdom and creativeness instead (Warapon Saamkoses, 2010).

The creative economy, thus, clearly conforms to the status quo, for it can be considered a way to add more value that derives from human’s ideas called intellectual property to the products to raise their commercial value. Technological innovation and traditional property are the main influences to economic development and growth. Furthermore, creative industries are the heart of the creative economy. They consist of a cycle of creative activities, production, and distribution with the main factor of creativity and intellectual capital (Sakchai Kiatnakin, 2010: 19-22). The creativity relies on three significant conditions - personality, originality, and meaning. Both creating a new product and introducing an outstanding one are intellectual property and are under patent and copyright laws (Howkins, 2013). Creative economics involves trading creative products. Each trade may relate to two types of values that promote each other – tangible and intangible intellectual values. Both values usually relate to culture, social wisdom, and technological innovation that facilitate the production of economic and social value added products to meet the consumers’ needs. The entrepreneurs tend to apply creative ideas as valuable resources to ensure stability and intelligent personality instead of relying on the working environment that is difficult to estimate (Chamaipon Wisesmongkol, 2010).

According to the influence of the creative economy, the eighth to eleventh National Economic and Social Development Plans (NESDP) have been encouraging the development of a creative domestic economy. The study of increasing economic value through cultural capital has been conducted in details in order to lay stress on the cultural strengths and advantages to be beneficial to the economy, and the production structure has been focused to add more value to the products and services. Moreover, the eleventh NESDP (2012 – 2016) has laid forth regulations and policies along with improving knowledge and research and developing infrastructure and environment in Thailand in order for the creative economy to be as beneficial as possible to large, medium, and small business at a policy level (Office of Knowledge Management and Development, 2012).

Small and medium scale restaurant entrepreneurs play an important role to the tourist industry such as accommodation and transportation business. The tourists need food during their vacation or travel. Having restaurants in the tourist attraction areas, therefore, is necessary and leads to convenience especially in the areas along the beach where a large number of tourists travel. The restaurant business can also be an advantage of the tourist spots and earn more income. During the first quarter of 2015, the Thai economy was growing by 3.0 percent which was higher than its previous quarter, and trends towards 4 percent thanks to better private consumption and investment and tourism growth for the rest of the year (Macroeconomic Strategy and Planning Office, 2015). Therefore, the development of the businesses at the tourist site should be supported and put in further practice.

However, the anticipation of the businesses still affects business development. The entrepreneurs can utilize the result of the anticipation to help make decisions on running and developing their business in terms of planning, processing, and assessments to make a more suitable and effective approach (Sirichai Kanchanawasee, 2009).

Regarding to the above mentioned, this research aimed to investigate the management potential based on the creative economy concept of restaurant entrepreneurs around seaside tourist attraction in western Thailand.

Objectives
1. To investigate the management of restaurant entrepreneurs around seaside tourist attractive spots in western Thailand.
2. To examine the potential management based on creative economy concept of restaurant entrepreneurs in western Thailand.
Conceptual Framework
After the secondary documents regarding management theories, assessment theories, data on medium and small business, as well as various other researches were analyzed, the conceptual framework was shown as in the following figure.

![Conceptual Framework Diagram]

Research Methodology
This research was undertaken through mixed method composing of both quantitative methodology and qualitative methodology, of which details are as follows.

1. The participants of this research were the restaurant entrepreneurs who ran their own business or the managers who had worked for at least one year. Their restaurants were obvious.
2. The research samples consisted of 40 restaurant entrepreneurs being chosen with purposive sampling.
3. The data collection was conducted at the tourist attractive places along the seaside in Cha-am District, Phetchaburi Province, and Hua Hin District, Prachub Khiri Khan Province, which are located in western Thailand.
4. The research instruments can be provided into two parts.
   - Questionnaire: developed by the researcher by studying from the documents and other research that covered details concerning restaurants. The CIPP model was used following Stufflebeam approach (1917, sited in Sirichai Kanchanawasee, 2009: 37). There were four parts in the questionnaire – 1) 5 questions regarding general information of the participants in multiple-choice style, 2) 11 questions regarding restaurant entrepreneur’s information, 3) 5 questions each of context, input, and process evaluations, and 4 of product evaluation, 4) open-end questions regarding problems and development of restaurant business.
   - Semi-structured interview was used to collect information from the main informants. The open-end questions prepared were flexible according to the situation so that all narrative information could be gathered and used to support the quantitative study. The questionnaire included the issues of business motivation, approach, management problems, competitive environments, importance of creative economy, and strengths and weaknesses needing improvement.
Data Analysis
1. Quantitative data analysis

After the data was collected using questionnaires it was checked for errors, and then analyzed using SPSS (Statistical Package for the Social Science for Windows). Demographic data was analyzed with descriptive statistics including frequency, percentage, mean, and standard deviation, interpretation which was of importance and covered five levels ranging from highest to lowest.

2. Qualitative data analysis

Descriptive analysis involves the description of the data obtained via the interview, arrangement, and analysis on purpose of revealing details concerning product’s sensory characteristics or their comparison with other brands. The descriptive test lets the entrepreneurs to evaluate their opponent’s products in deep details.

Results
According to the quantitative data, it can be characterized as follows.

1. General information

Most restaurant entrepreneurs were male (65.0%), aged 31 or more (57.5%). Their most frequent education level was that of a bachelor degree (85.0%). They earned 15,000 baht or more (100%), and were of married status (82.5%).

2. Restaurant formation and general information

According to the study, 75 percent of the restaurants had undergone the food cleanliness assessment conducted by the public health sector at unidentified times. 45 percent received the “clean food good taste” sign. 52.5 percent of the restaurants had location disadvantages, and 65 percent were in the same level of food quality and taste as their competition. There were 72.5 percent of the restaurants for which food and beverage prices were the same as others’, and 42.5 percent laid a policy toward satisfying its customers with good tasting and clean food.

3. The result of the restaurant management evaluation by using CIPP model can be concluded as shown in the below tables.

Table 1: Mean, standard deviation, and importance level of context evaluation

<table>
<thead>
<tr>
<th>Context factors</th>
<th>$\bar{x}$</th>
<th>S.D.</th>
<th>Importance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government introduces the tax measures to support the medium and small business.</td>
<td>3.58</td>
<td>0.78</td>
<td>medium</td>
</tr>
<tr>
<td>2. Government implements the policy on promoting the restaurant business.</td>
<td>3.60</td>
<td>0.78</td>
<td>medium</td>
</tr>
<tr>
<td>3. Recession leads to some changes in consumption behavior of the consumers.</td>
<td>3.88</td>
<td>0.88</td>
<td>medium</td>
</tr>
<tr>
<td>4. Consumers turn to healthier food.</td>
<td>4.18</td>
<td>0.64</td>
<td>high</td>
</tr>
<tr>
<td>5. Internet and social networks have an effect on business development and consumer behavior.</td>
<td>4.35</td>
<td>0.77</td>
<td>high</td>
</tr>
<tr>
<td>Total</td>
<td>3.92</td>
<td>0.83</td>
<td>medium</td>
</tr>
</tbody>
</table>

According to the mean, standard deviation, and importance level on Table 1, it was found that the sampling group put great importance on the effect of internet and social networking on their business development and consumer behavior ($\bar{x} = 4.35$), and the consumers turning to healthier food ($\bar{x} = 4.18$).
The factors for which the sampled group rated medium were the recession leading to changes in consuming changes of the consumers (\( \bar{x} = 3.88 \)), the policy promoting the restaurant business \( \bar{x} = 3.60 \), and the tax measures supporting medium and small business \( \bar{x} = 3.58 \).

**Table 2: Mean, standard deviation, and importance level of input evaluation**

<table>
<thead>
<tr>
<th>Input factors</th>
<th>( \bar{x} )</th>
<th>S.D.</th>
<th>Importance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There is enough staff to serve customers.</td>
<td>4.10</td>
<td>0.71</td>
<td>high</td>
</tr>
<tr>
<td>2. Quality ingredients are used.</td>
<td>4.28</td>
<td>0.68</td>
<td>high</td>
</tr>
<tr>
<td>3. Enough tables for the number of customers.</td>
<td>3.85</td>
<td>0.66</td>
<td>medium</td>
</tr>
<tr>
<td>4. Sufficient number of staff to the customers is considered.</td>
<td>3.70</td>
<td>0.52</td>
<td>medium</td>
</tr>
<tr>
<td>5. Staff is trained so that they can carry out efficient services.</td>
<td>3.35</td>
<td>0.74</td>
<td>medium</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.86</strong></td>
<td><strong>0.73</strong></td>
<td><strong>medium</strong></td>
</tr>
</tbody>
</table>

The result of the input evaluation on Table 2 shows that the sampling group put high importance on the having enough staff to serve the customers, and the quality of ingredients (\( \bar{x} = 4.10 \) and 4.28 respectively), and a medium level of importance on the sufficient number of tables for customers, suitable number of staff serving the customers, and the training for staff to be able to perform their service efficiently \( \bar{x} = 3.85, 3.70, \) and \( 3.35 \) respectively.

**Table 3 Mean, standard deviation, and importance level of process evaluation**

<table>
<thead>
<tr>
<th>Process factors</th>
<th>( \bar{x} )</th>
<th>S.D.</th>
<th>Importance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cooking process meets the standard and qualification.</td>
<td>4.40</td>
<td>0.55</td>
<td>high</td>
</tr>
<tr>
<td>2. There is systemized or computerized payment.</td>
<td>3.80</td>
<td>0.65</td>
<td>medium</td>
</tr>
<tr>
<td>3. To order is convenient and easy.</td>
<td>3.73</td>
<td>0.51</td>
<td>medium</td>
</tr>
<tr>
<td>4. The staff serves food quickly.</td>
<td>3.90</td>
<td>0.59</td>
<td>medium</td>
</tr>
<tr>
<td>5. The order is checked for correctness.</td>
<td>4.05</td>
<td>0.81</td>
<td>high</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.98</strong></td>
<td><strong>0.67</strong></td>
<td><strong>medium</strong></td>
</tr>
</tbody>
</table>

The mean, standard deviation and level of importance on Table 3 revealed that the highly important factors were standard and quality cooking process \( \bar{x} = 4.40 \) (and the order being checked for correctness \( \bar{x} = 4.05 \)). The factors of medium important were the food being served fast, systemized and computerized payment, and easy order \( \bar{x} = 3.90, 3.73 \) respectively.

**Table 4 Mean, standard deviation, and importance level of product evaluation**

<table>
<thead>
<tr>
<th>Product factors</th>
<th>( \bar{x} )</th>
<th>S.D.</th>
<th>Importance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There are various menus beautifully decorated.</td>
<td>4.08</td>
<td>0.73</td>
<td>high</td>
</tr>
<tr>
<td>2. The food is worth its price.</td>
<td>4.33</td>
<td>0.66</td>
<td>high</td>
</tr>
<tr>
<td>3. There are dishes with different tastes.</td>
<td>4.20</td>
<td>0.79</td>
<td>high</td>
</tr>
<tr>
<td>4. The food that is already cooked is consistently standardized.</td>
<td>4.38</td>
<td>0.63</td>
<td>high</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.24</strong></td>
<td><strong>0.71</strong></td>
<td><strong>high</strong></td>
</tr>
</tbody>
</table>

The evaluation of production factors shown on Table 4 suggested that the sampling group ranked every factor highly important, not only the consistent quality and standard of the cooked food, and price worthiness, but also the variety of tastes and the variety of menus beautifully decorated \( \bar{x} = 4.38, 4.33, 4.20, 4.08 \) respectively.

Regarding the in-depth interview of the informants who were restaurant entrepreneurs, they indicated that most restaurant hours were from 10.00 to 23.00, and the popular menus were seafood,
Som Tum (green papaya salad), Pad Thai (stirred fired noodle), and Tom Yum (sour and spicy soup). The motivation to run the business was that Hua-Hin and Cha-am were tourist attractive places that appealed to both domestic and international tourists, so many investors saw the opportunity to run a business including restaurants in the areas. Some entrepreneurs who had a house there usually modified it to be a restaurant to earn some income and to utilize it. Most entrepreneurs mainly managed the restaurant according to the customers’ needs. Each restaurant and its area were decorated in a shady style for the purpose of attracting customers to come and relax, especially during the day when the weather was rather hot. Some restaurants were designed like a wooden house which gave the image of traditional house, and some provided a photo-taking area for the customers to take a photo along the seaside.

In case of the problems raised among the restaurant’s staff or between the staff and the customers, verbal warning or punishment such as reduction of bonus was usually applied. Some restaurants talked to the customers right away to find out about the problems and their solution in order to satisfy the customers in terms of taking responsibility.

Creativity was vital to almost all restaurants because the entrepreneurs believed that the business nowadays changed rapidly. Access to the customers could be done through many channels, and there were more restaurants every day. Therefore, the restaurants should be creatively decorated, and online medium should be used to market the service. Renowned social media employed included Facebook, Twitter, and Instagram. Most restaurants encouraged their customers to post some photos or status and share their experience in travelling and restaurants to their friends on their social network. Plus, improved public relations through a provincial tourism guide was implemented and home delivery for the order from its neighborhood was available.

Nevertheless, some entrepreneurs refused to use social media as their instrument to broaden their market and public relations, for they still believed in the traditional marketing more than creative marketing through online media for their restaurants. Regarding the improvement of the restaurants, the owners saw that the parking area was insufficient because most restaurants were located on main streets with the resulting limits, so nearby parking areas should be provided for the customers to meet their satisfaction.

Discussion

The following interesting issues were raised and discussed after conducting this study:

According to the environment evaluation and the in-depth interview, the entrepreneurs were aware of the social media and internet as tools to promote two-way communication and also having an effect on the business’s image. This indicated that the entrepreneurs looked at the social media as their commercial opportunity to promote and enlarge their markets. The fact that the consumers paid more attention to health and clean and healthy food was considered, meaning that the entrepreneurs realized how much consumers’ behavior was affected by those issues. This conformed to the study of Jittapon Chumkate (2015) on the authentic evaluation and management approach of OTOP herbal product of SMEs entrepreneurs in the western region of Thailand. It was found that business competition under aggressive capitalism related to the increasing negotiation power of the customer, and the entrepreneurs should run their business in cooperation with each other and set the management standard together. However, the entrepreneurs were not really interested in the policy to support the business, the tax measures, and the overall economic situation.

Pertinent input factors also involved the entrepreneurs putting medium importance on the ingredient collections from qualified areas and the preparation of the cooking tools. This reflected that they should be more prepared of resources and capital for basic implementation. Moreover, human resource management, staff training to enhance their efficiency, and restaurant interior arrangement were important issues for which the entrepreneurs did not attach much importance. Likewise, the overall service was not paid attention enough. However, the standard and quality cooking process and the correct order that the customers would get were expected, and the highest importance was paid on the
products which were the quality food of a consistent standard. That is, the food needed to taste the same and to have the same standard every time it was cooked. This was controversial. If they would like their cooking process and the result efficient, they needed to improve all input factors – ingredients, tools and equipment, and serving skill training.

Meanwhile, the restaurant entrepreneurs had not been sufficiently supported by the government in terms of product standard maintenance. 75 percent of them were found not to have standard and cleanliness inspections by the public health sector, and only 45 percent of the sampling group received a ‘Clean Food Good Taste’ certificate, which reflected the government’s unsystematic management over the restaurants in the area. Moreover, the input factor evaluation indicated that the entrepreneurs did not realize the importance of the preparation and the quality conservation of their products.

According to the issues as discussed above, there is a guideline of restaurant management for the entrepreneurs based on the creative economy concept shown in figure 2.

![Creative Management Diagram](image)

**Figure 2: A guideline of restaurant management for the entrepreneurs based on the creative economy concept**

**Suggestions**

This study led to some suggestions that would be beneficial to the development or the solution to the problems toward the management under the creative economy in order to benefit the restaurant entrepreneurs as follows.

1. The entrepreneurs should clearly generate their human resource policies such as recruiting staff according to the designated qualifications and conducting service training for staff to meet the standard and to gain competitive business advantages.
2. The staff should be encouraged to improve their English so that they could serve foreign customers more effectively.
3. The entrepreneurs should pay more attention to the ingredients, tools and equipment, and focus on staff profession in order to carry out standard and consistently quality food products and services.
4. Government sector should provide useful information regarding the application of creative management, and engage in the inspection and issuing the certificate to the qualified restaurants. This may help raise the creditability of the restaurants.

References

Health Insurance case and Elder Policies in Thailand

Gumporn S., Rajamangala University of Technology Phra Nakhon, Thailand

Abstract

Purpose - The purpose of this paper is to analyze health insurance plans for senior buyers, and elders health policy in Thailand, and the response of Thai government in terms of public policy and social welfare for the large and growing number of elders in Thailand.

Design/methodology/approach - Using the case research method, the research examined health insurance plans and health policy for senior citizens in Thailand and also elder insurance buyers who purchased health insurance for their own benefit and life precautions. In total 20 elder health insurance buyers were interviewed and common themes were categorized in order to explain the reason in selecting health insurance plans and benefits of the public health policy from Thailand’s governance for senior citizens.

Findings - Extending the body of knowledge from exiting research, this study found that there are six themes in the case of health insurance and elder policies in Thailand. They are 1) benefits of buying health insurance, 2) reasonable price, 3) PR and commercials, 4) services and insurance broker, 5) group references, and 6) public policies and government supports. The results show that these elders in Thailand bought health insurance for their own health benefits that public policy has not covered and matters which supported and some elders to avoid being a burden to their descendants. Additionally, insurance buyers bought health insurance by way of media driven and insurance broker hospitality.

Originality/value - Students can learn what drives insurance buyers to consider buying health insurance in Thailand and how Thai Government formulated public policies and social welfare to supports a growing elder population in Thailand.

Keywords: insurance company/insurance broker/ insurance buyer
Introduction
In health matters, Thai elder is becoming large population in Thailand. There are support of a private clinic, private hospital and private medical institute but this could lead to million baht bill payment in Thailand. Insurance policies in Thailand are usually only valid for a limited certain of regulations. Legal health insurance policies are not generally cover protection outside of Thailand.

Table 1: Numbers of elderly in whole kingdom

<table>
<thead>
<tr>
<th>Province and region</th>
<th>รวมที่มีชีวิตอยู่ (Total)</th>
<th>ชาย (Male)</th>
<th>หญิง (Female)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ทั่วราชอาณาจักร</td>
<td>10,014,705</td>
<td>4,514,815</td>
<td>5,499,890</td>
</tr>
<tr>
<td>นนท์บุรี</td>
<td>683,396</td>
<td>327,396</td>
<td>356,000</td>
</tr>
<tr>
<td>ฉะเชิงเทรา</td>
<td>1,014,784</td>
<td>489,184</td>
<td>525,600</td>
</tr>
<tr>
<td>กรุงเทพมหานคร</td>
<td>2,597,682</td>
<td>1,151,182</td>
<td>1,446,500</td>
</tr>
<tr>
<td>นครราชสีมา</td>
<td>1,259,111</td>
<td>565,111</td>
<td>694,000</td>
</tr>
<tr>
<td>ชลบุรี</td>
<td>1,043,611</td>
<td>483,611</td>
<td>560,000</td>
</tr>
<tr>
<td>ปทุมธานี</td>
<td>1,039,870</td>
<td>485,870</td>
<td>554,000</td>
</tr>
<tr>
<td>สมุทรปราการ</td>
<td>907,261</td>
<td>393,261</td>
<td>514,000</td>
</tr>
<tr>
<td>สมุทรสงคราม</td>
<td>890,111</td>
<td>390,111</td>
<td>500,000</td>
</tr>
<tr>
<td>ปราจีนบุรี</td>
<td>866,011</td>
<td>396,011</td>
<td>470,000</td>
</tr>
<tr>
<td>ตราด</td>
<td>866,511</td>
<td>396,511</td>
<td>470,000</td>
</tr>
<tr>
<td>ชลบุรี</td>
<td>1,043,611</td>
<td>483,611</td>
<td>560,000</td>
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<tr>
<td>ประจวบคีรีขันธ์</td>
<td>792,311</td>
<td>355,311</td>
<td>437,000</td>
</tr>
<tr>
<td>เพชรบุรี</td>
<td>856,148</td>
<td>395,148</td>
<td>461,000</td>
</tr>
<tr>
<td>ระยอง</td>
<td>856,148</td>
<td>395,148</td>
<td>461,000</td>
</tr>
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<td>ฉะเชิงเทรา</td>
<td>1,014,784</td>
<td>489,184</td>
<td>525,600</td>
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<tr>
<td>นครราชสีมา</td>
<td>1,259,111</td>
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<td>1,043,611</td>
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<td>560,000</td>
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<td>485,870</td>
<td>554,000</td>
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<tr>
<td>สมุทรปราการ</td>
<td>907,261</td>
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<td>ปราจีนบุรี</td>
<td>866,011</td>
<td>396,011</td>
<td>470,000</td>
</tr>
<tr>
<td>ตราด</td>
<td>866,511</td>
<td>396,511</td>
<td>470,000</td>
</tr>
</tbody>
</table>

Source: The 2014 survey of the older persons in Thailand, National office Ministry of Information and communication technology

Table 2: Numbers of Thai population

<table>
<thead>
<tr>
<th>Region and area</th>
<th>รวมที่มีชีวิตอยู่ (Total)</th>
<th>ชาย (Male)</th>
<th>หญิง (Female)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ทั่วราชอาณาจักร</td>
<td>29,700,612</td>
<td>14,399,110</td>
<td>15,301,500</td>
</tr>
<tr>
<td>นนท์บุรี</td>
<td>37,109,414</td>
<td>18,337,014</td>
<td>18,772,400</td>
</tr>
<tr>
<td>ฉะเชิงเทรา</td>
<td>8,565,548</td>
<td>4,154,531</td>
<td>4,410,017</td>
</tr>
<tr>
<td>กรุงเทพมหานคร</td>
<td>9,715,652</td>
<td>4,218,874</td>
<td>5,496,778</td>
</tr>
<tr>
<td>นครราชสีมา</td>
<td>10,380,386</td>
<td>5,101,262</td>
<td>5,279,124</td>
</tr>
<tr>
<td>ชลบุรี</td>
<td>9,944,286</td>
<td>4,658,407</td>
<td>5,285,879</td>
</tr>
<tr>
<td>กรุงเทพมหานคร</td>
<td>7,020,535</td>
<td>3,799,952</td>
<td>3,220,583</td>
</tr>
<tr>
<td>นนท์บุรี</td>
<td>18,181,399</td>
<td>9,156,494</td>
<td>8,624,905</td>
</tr>
<tr>
<td>ฉะเชิงเทรา</td>
<td>9,847,134</td>
<td>4,671,209</td>
<td>5,175,925</td>
</tr>
<tr>
<td>กรุงเทพมหานคร</td>
<td>13,856,051</td>
<td>6,508,185</td>
<td>7,347,866</td>
</tr>
<tr>
<td>นนท์บุรี</td>
<td>5,101,555</td>
<td>4,406,688</td>
<td>684,869</td>
</tr>
</tbody>
</table>

Source: The 2014 survey of the older persons in Thailand, National office Ministry of Information and communication technology

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Government-funded care

In 2001, the Thai insurance system has improved the introduction of universal health that could cover the fee that the former system might not be able to cover. The elders are fairly charged at the lowest rate and the small amount is collected by government in term of commitment that hospital would like the patient to have. The private insurance companies have gone large number of open-up new insurance plan for elder and to return the benefit to the existing customer. Also the people buy the insurance for their tax deduction and they can use the benefit of buying the insurance for their health protection and recovery.

Method

In-depth interview

The in-depth interview was conducted with 10 participants. The researcher used detailed verbatim methods to compare and contrast the results. Combining this data with those from questionnaires, the result should be clearer. Semi-structured interviewing, according to Bernard (1988), is best used when researcher would like to have more chance to interview participants, and when researcher is in the field to randomly collect data. The semi-structured interview guide provides a clear set of instructions for interviewers and can provide reliable, comparable qualitative data.

Participants had been selected from in Bangkok metropolitan areas from various background. The criteria of participants (a) elder who buy the health insurance, and (b) elders who are going to buy insurance. The inquiry was permitted within 20 minutes of prompting question (and its answer). The participants’ responses were recorded on voice recorder for accurate recall of all the details of their sound, words, and any gesturer of the participants.

The interview protocol contained this study found out that there are five themes for case of Health Insurance and Elder policies in Thailand. They are benefits of buying health insurance, reasonable price, PR and commercials, services and insurance broker, group references, Public policies and Government supports. On the basic interview protocol, participants were asked to describe in detail about the Thailand Elder policy and how they decided to buy health insurance. Also the interviewer will be ask to explain about Thailand insurance policy benefit that they can received from buying insurance.

Research Procedure

The participants signed an informed consent for that detailed the expectations of the researcher and their voluntary agreement to participate in this study. Participants were asked to introduce themselves, and then response to following question from potential areas, afterward. The interview took place in Bangkok metropolitan areas, Thailand.

Data Analysis Procedure

1. The literature review and this research’s assumption about Health Insurance case and Elder Policies in Thailand were reviewed prior to data analysis.
2. The protocol was read for sense of the whole, and then was separated into their “meaning units”.
3. In order to minimize any error, researcher has tried to ask the precise questions and the language needed to be simple for all of the sample.
4. A situated structure (summary statement Health Insurance case and Elder Policies in Thailand) was created for each participants.
5. All situated structures were then clustered into commonly-occurring themes to create one general structure.
6. The situated structures were also divided into two groups-female and male elder to determine if there were any differences that emerged from the data.
7. Step 6 will be repeated for major differences, if there are sufficient major differences in the participant’s pool.
8. The result (situated structure and general structure) is presented in Result and Discussion part.

Result

The interview has categorized the personal data with the questions from the research (Participant, Sex, Age, Years of using Motor cycle, Residence, Factors influencing, consumers’ purchasing intention). This table illustrates the common data set, various factors and Health Insurance case and Elder Policies in Thailand.
Data interpretation by using common theme

In this section, the research finding described about and Health Insurance case and Elder Policies in Thailand. There are five themes for this case, there are reasonable price, PR and commercials, services and insurance broker, group references, Public policies and Government supports. There are explained below

1. Reasonable price
As the saving that they have for their daily life basis, they tend to buy the low cost of insurance plan to cover the fundamental basic treatment for their life.

2. PR and commercials
Buying Insurance, they have received the substantial information from TV and video that they have experience it every day. This media had led them to the brand that they believe they can have benefit from.

3. Services and insurance broker
Consumer buy the product that they have already used and they are prefer to have the same brand. Yet the service agent and insurance broker are close to the customer, so they have use the ways of communication to share the knowledge of the product and convince elders to buy the insurance from them. They also use word of mouth and strategy of acquaintance to make friend and ask them to buy product from trusted friends.

4. Group references
In media, Insurance companies have use the former celebrities and well known person (in generation X) to be brand ambassador.

5. Public policies and Government supports
Thai government has made the policies that can benefit to large elder population and provide funding from government to public hospital to subsidy the heath and insurance protection plan for elders. Generally, it would cover the basis treatment and assist elders to functionally stay heathy for their life.

Conclusion and Recommendation
It appears that influencers that drive consumer to choose health insurance for their heath protection and how Thai policy has response to the society of growing number of elder. Health Insurance product has changed significantly over time due to the needs of the market. In addition to that, the

<table>
<thead>
<tr>
<th>Participant</th>
<th>Sex</th>
<th>Age</th>
<th>Residence</th>
<th>Government Policies</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>F</td>
<td>65</td>
<td>BKK</td>
<td>Yes</td>
<td>Price</td>
</tr>
<tr>
<td>P2</td>
<td>M</td>
<td>59</td>
<td>BKK</td>
<td>Yes</td>
<td>PR</td>
</tr>
<tr>
<td>P3</td>
<td>M</td>
<td>62</td>
<td>BKK</td>
<td>Yes</td>
<td>Service</td>
</tr>
<tr>
<td>P4</td>
<td>F</td>
<td>45</td>
<td>BKK</td>
<td>No</td>
<td>Agent</td>
</tr>
<tr>
<td>P5</td>
<td>M</td>
<td>49</td>
<td>BKK</td>
<td>Yes</td>
<td>Agent</td>
</tr>
<tr>
<td>P6</td>
<td>M</td>
<td>62</td>
<td>BKK</td>
<td>Yes</td>
<td>Govt support</td>
</tr>
<tr>
<td>P7</td>
<td>F</td>
<td>47</td>
<td>BKK</td>
<td>Yes</td>
<td>Service</td>
</tr>
<tr>
<td>P8</td>
<td>M</td>
<td>46</td>
<td>BKK</td>
<td>Yes</td>
<td>Personal</td>
</tr>
<tr>
<td>P9</td>
<td>M</td>
<td>51</td>
<td>BKK</td>
<td>Yes</td>
<td>Govt support</td>
</tr>
<tr>
<td>P10</td>
<td>F</td>
<td>55</td>
<td>BKK</td>
<td>Yes</td>
<td>Govt support</td>
</tr>
</tbody>
</table>
insurance companies are recommend to look at the discount policy and warranty factors to attract the elder insurance holder to buy their product. Lastly, health insurance companies should have their own agents and representatives that can educate prospective and adapt their insurance plan with Thai health polies and being able to capture and respond to the emerging market now a day.

**Reference**

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An Efficiency Evaluation on Agricultural Cooperative Operation in Thailand

Prasopchai Pasunon, Silpakorn University, Thailand
Jittapon Chumkate, Silpakorn University, Thailand

Abstract

A component of this research is concerned about an efficiency evaluation of agricultural cooperative operations in Thailand. It was aimed to study an operation of agricultural cooperatives by focusing on their problems and efficiency. A mixed method was applied in the research. A qualitative research methodology was used for studying operation condition of the cooperatives with grounded theory approach, while a quantitative research methodology was used for evaluating an efficiency of the cooperatives with CCR (Charnes Cooper and Rhodes Model) and BCC (Banker Charnes and Cooper Model) of the Data Envelopment Analysis (DEA). The study focused on a location in Thailand in which the agricultural cooperative provided a best practice concept. The results revealed operation efficiency in an agricultural cooperative system in Thailand which was improved in various fields. Agriculturists understood more about the cooperative concept and became members since a policy about agricultural cooperative promotion was launched. However, there were five issues for management: personnel issues, management issues, governmental issues, political effect issues, and law issues. The researchers propose theoretical and practical suggestions from the research at the end of the article.

In the efficiency evaluation, we found that among the efficiencies of the cooperatives from CCR efficiency points from every combination, two factors including the total efficiency factor and the cost efficiency factor were the most significant. Considering the BCC efficiency score, two other factors rated very significantly: the efficiency factor in specific cost management in business and operation, and efficiency factor assets.


Introduction

Currently, there are 7,837 cooperatives in Thailand with 10,563,375 members and assets of 2.2 trillion baht approximately calculated to be 18.95% of gross domestic product (GDP) (Cooperative Promotion Department, 2012). Developing the agricultural cooperative would be a mechanism helping to develop society, economy, and culture. This development would be a tool for looking after and securing the living of farmers. Thailand’s cooperatives are divided into 2 main types including: 1) agricultural cooperative group consisted of 3 subtypes including: agricultural cooperatives, fishery cooperatives, and land settlement cooperatives; and 2) non-agricultural cooperative group consisted of 4 subtypes including: saving cooperatives, credit union cooperatives, consumer cooperatives, and service cooperatives. Agricultural cooperatives are considered as the highest amount of cooperatives in Thailand calculated to be 54.24% of total of cooperatives consisted approximately of 6,116,121 members (Cooperative Promotion Department, 2012).

This research focuses on developing agricultural cooperatives to be strong and grown sustainably in order to give good effects to Thailand’s economy in overall picture. Farmers are often ignored, received no attention, and taken advantages by unfair competition of capitalism. As a result, cooperative practices are a way of helping to improve the lives of farmers or cooperative’s members through efficiency measurement on the operation of agricultural cooperatives in Thailand. It can be said that efficiency measurement of production unit at the level of producer, organizations or agencies is necessary for current operations because it supports planning or establishing future policies as well as adaptation for being ready for competition. Moreover, it also helps to provide some information for improving the efficiency of each production unit. A guideline for measuring the efficiency of production
unit with the identical characteristics of operation is utilizing Data Envelopment Analysis (DEA) by applying DEA method to measure the efficiency of production unit based on the relationship between inputs and outputs, especially for measuring the operation of cooperatives in Thailand. How DEA methods reflect the efficiency of production unit clearly depends on how to select the relevant inputs and outputs that are important for operational efficiency (Prasopchai, 2006).

Hence, the researchers were interested in evaluating the efficiency of agricultural cooperatives in the area of Petchaburi province that was determined as the main research area. This research was considered as the pilot study before expanding to study in other provinces and it may be upgraded as the regional research of Thailand because there were 37 agricultural cooperatives in Petchaburi province and 24 of them were operating their operation normally while 13 of them was closed. The total members of those cooperatives were 46,853 with the approximate working capital of 2,976,355,898.01 baht and the total business volume was approximately 2,693,598,353.64 baht (Petchaburi Provincial Cooperative Office, 2013). Most of the population of Petchaburi province work agricultural fields including paddy farming, fruit gardening, palm sugar producing, livestock, and fishery, etc. The agricultural cooperatives are considered as an important financial institution for their occupation.

However, the researchers emphasized studying them for evaluating the operational efficiency of agricultural cooperatives in Thailand. To do a study on the operational conditions focusing on identifying the problems of Thailand’s agricultural cooperatives and evaluating the efficiency of agricultural cooperatives, a mixed method between qualitative research for studying the operational conditions of agricultural cooperatives and quantitative research for evaluating the efficiency of agricultural cooperatives was utilized to lead to planning and establishment of strategies for further operation of Thailand’s agricultural cooperatives.

Objectives
1. To study the operational conditions focusing on specifying the problems of agricultural cooperatives in Thailand.
2. To evaluate the efficiency of agricultural cooperatives in Thailand.

Conceptual Framework

![Conceptual Framework Image]

**Figure 1:** Conceptual Framework
Methodology

In this research, a Mixed Method was utilized between qualitative research for studying the operational conditions of cooperatives and quantitative research for evaluating the efficiency of agricultural cooperatives. As a result, the methodology of this research was divided into 2 parts as follows:

Part 1: It was the study on the operational conditions focusing on identifying the problems of agricultural cooperatives in Thailand by using grounded theory. This stage was a qualitative research based on grounded theory and the researchers used interpretivism and creativism according to the practices of (Charmaz. K.,2006) of government officers with experience in managing agricultural cooperatives in Thailand. The key informants were government officers with working experience in agricultural cooperatives not less than 20 years for providing in-depth information via in-depth interview as well as participating in providing their opinions toward the problems of agricultural cooperatives clearly in order to be able to create the data required for the study (Patton, M. Q., 1900). The key informants also consisted of some government officers of the Cooperative Promotion Department and Cooperative Auditing Department because these agencies were under Ministry of Agriculture and Cooperatives with direct and legal responsibility on the operation of agricultural cooperatives. The samples were selected by using purposive sampling and snowball sampling (Prasopchai Pasunont, 2012). The tools used in this research were research questions created through conceptual framework and theories in the form of open ended questions. The topics of those questions were related to the operation of the agricultural cooperatives that became problems or obstacles in various fields. In addition, there was also the observation in the operation of the agricultural cooperatives. The reliability of this research was inspected by using Theoretical Triangulation (Denzin, N. K., and Lincoln, Y. S., 2008).

Part 2: It was the evaluation on the efficiency of agricultural cooperatives in Thailand that was conducted in the form of the quantitative research for evaluating the efficiency of the agricultural cooperatives by using CCR model (Charnes Cooper and Rhodes Model) and BCC model (Banker Charnes and Cooper Model) of DEA (Data Envelopment Analysis) (Zhu, 1998; Jenkins and Anderson, 2003; Ho and Wu, 2009). The populations and data collection were obtained from 24 agricultural cooperatives in Petchburi province that were operating their operation normally. Primarily, the cooperatives’ data was inspected and the researchers determined the variables of data analysis based on the practices of Cooperative Auditing Department (Cooperative Auditing Department, 2011) in order to calculate the DEA method. The unit of these five variables was baht as shown in Table 1.
Table 1: Variables Used in Part 2 of the Research

<table>
<thead>
<tr>
<th>4 Input Variables</th>
<th>5 Output Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Main business cost represented by 1, i.e., the costs of selling products gained from credit business, products supplying business, product collection business, agricultural promotion and services business.</td>
<td>1) Revenue was represented by Y, i.e., total revenue earned from credit business, products supplying business, product collection business, agricultural promotion and services business, revenue from specific business, other revenues, and revenues from special transactions.</td>
</tr>
<tr>
<td>2) Specific costs in business and operation were represented by 2, i.e., remaining expenses from operational expenses, specific business expenses, and expenses of special transactions.</td>
<td></td>
</tr>
<tr>
<td>3) Total amount of debts were represented by 3, i.e., total debts were consisted of current liabilities, long-term liabilities, and other liabilities.</td>
<td></td>
</tr>
<tr>
<td>4) Cooperative capital was represented by 4, i.e., total capitals including equity capital, reserve capital, and other capitals.</td>
<td></td>
</tr>
</tbody>
</table>

Results
From the conclusion of the results of Part 1: the operational conditions focusing on identifying the problems of agricultural cooperatives in Thailand based on grounded theory, it was found that the results could be synthesized as the research’s theoretical conclusion as follows:

1. The operation of the agricultural cooperatives may be unsuccessful if there was no participation of members and if there was a lack of vision and explicit policies of cooperative committees as well as a lack of transparency and managerial skill of management department and failure of audit department to perform their duties accurately. The key of agricultural cooperative’s progress was the sense of cooperative’s ownership of personnel in 4 sectors.

2. Whenever the agricultural cooperatives were able to manage their knowledge and utilize information on business management, their services would be complete meeting with the demands of members and improving the competitive efficiency against the private sector.

3. If the Cooperative Promotion Department and Cooperative Auditing Department that are the government agencies with direct responsibility for supervising the cooperatives established the explicit and consecutive policies by solving the problem on workforce shortage through providing knowledge on new technology to all personnel sufficiently and supervising all cooperatives extensively as well as emphasizing the integration between the two departments, so the cooperatives development would be efficient and sustainable.

4. Political problems occur in agricultural cooperatives, local and national government agencies affected to the development’s direction of cooperatives in Thailand. Moreover,
exploitation of the political sector from agricultural cooperatives was also the danger threatening the living of farmers who were the members of the cooperatives.

5. Laws are the tools of government sector for supervising and auditing the cooperative’s operation that can be positive and negative tools. Since it is difficult to bill only one law to meet with all demands of all types of cooperatives, law enforcers must understand cooperative history and must be transparent and always consider the cooperative’s benefits.

6. Whenever any political party exploits any benefit under the cooperation of any government officer by using any legal policy and any gap in law, this may damage the operation of the cooperative and the adverse results of such action may affect cooperative members. Moreover, such political party may establish some policies to solve such problem for claiming favor from the cooperatives.

7. Although the overall picture of knowledge and skills on agricultural cooperatives management was improper, farmers were able to rely on it because it provided stable capital with non-performing loans and bad debt compared to other business units. As a result, if knowledge and skills in business operation of the agricultural cooperatives was improved along with morality, ethics, and loyalty, cooperatives can become another backbone of Thailand’s society and economy.

8. To develop cooperatives, it is impossible to consider any dimension specifically. To develop cooperatives sustainably for optimal benefits, it is necessary to consider the overall picture in all its dimensions. When considering personnel and management, they are considered as internal inputs requiring adaptation to meet with the stream of the world. Simultaneously, external inputs (e.g., public sector, politics, and laws) must facilitate and be consistent with internal inputs. This is because the good quality of life of farmers who are the majority of Thai populations should provide good conditions for developing Thailand in other fields.

In this research, the problems could be concluded from the study on the operational conditions focusing on identifying the problems of agricultural cooperatives in Thailand based on grounded theory as shown in Figure 2.

![Figure 2: Relationship of the Operational Problems of Agricultural Cooperatives in Thailand reflected by the Opinions of Government Officers of Cooperative Promotion Department and Cooperative Auditing Department](image)

The results of Part 2: the evaluation on the efficiency of agricultural cooperatives were able to be concluded by using CCR model (Charnes Cooper and Rhodes Model) and BCC model (Banker Charnes and Cooper Model) through DEA (Data Envelopment Analysis). From the result of calculation
of descriptive statistics of variables used in this research, it was found that most agricultural cooperatives had the lowest costs of 3 inputs including the main business cost, specific costs in business and operation, and total amount of debts. The overall result of calculation of the efficiency score on the operation of the agricultural cooperatives in Thailand showed that their costs were quite low with high operational efficiency as shown in Table 2.

Table 2: The Overall result of Evaluation on the Efficiency of Agricultural Cooperatives by Using CCR Model and BCC Model

<table>
<thead>
<tr>
<th>CCR Model</th>
<th>BCC Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Efficiency Score</td>
<td>SD</td>
</tr>
<tr>
<td>0.651</td>
<td>0.362</td>
</tr>
</tbody>
</table>

The results of analysis on the operational efficiency of agricultural cooperatives in Thailand within the studied area were shown in Table 3.
Table 3: Cooperative Clusters Classified by Characteristics, Efficiency, and Inputs from Efficiency Score

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Cooperative Members</th>
<th>Efficiency from all Classifications</th>
<th>Inputs from Efficiency Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall (CCR)</td>
<td>Real Technique (BCC)</td>
<td>Capital (PC_CCR1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Costs Management (PC_BCC1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Assets (PC_BCC2)</td>
</tr>
<tr>
<td>1</td>
<td>DMU1, DMU2, DMU3, DMU7, DMU18</td>
<td>Low</td>
<td>Very Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Very Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>2</td>
<td>DMU4, DMU5</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Very Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High</td>
</tr>
<tr>
<td>3</td>
<td>DMU6, DMU9, DMU14</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Very Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Very Low</td>
</tr>
<tr>
<td></td>
<td>DMU10</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Quite Low</td>
</tr>
<tr>
<td></td>
<td>DMU11</td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>4</td>
<td>DMU8, DMU13, DMU16, DMU12</td>
<td>High</td>
<td>Very High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Very High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>DMU14</td>
<td></td>
<td>High</td>
</tr>
</tbody>
</table>

From Table 3, it was found that Cha-am Agricultural Cooperative Limited (DMU1), Hub Kapong Agricultural Cooperative Limited (DMU2), Ta Yang Agricultural Cooperative Limited (DMU3), Khao Yoi Agricultural Cooperative Limited (DMU7), and Dr. Soil’s Organic Fertilizer Production of Ban Nai Dong Sub-District, Ta Yang District, Petchaburi Agricultural Cooperative Limited (DMU18) had low efficiency scores in all models of input classification, both CCR and BCC models. It was indicated that the operational efficiency of the cooperatives was at a low level compared with other cooperatives that was consistent with the score of PC_CCR1, PC_CCR2, PC_BCC1, and PC_BCC2, reflecting the overall efficiency on costs, specific costs in business and operation, and assets, respectively. It was found that the score of those 4 inputs was negative, especially PC_CCR1 and PC_BCC1, showing the inefficiency on their sizes explicitly.

Mueang Petchaburi Agricultural Cooperative Limited (DMU4) and Ban Lad Agricultural Cooperative Limited (DMU5) had low scores of overall efficiency and moderate scores of real technique in all models of input classification, for both CCR and BCC models. Both cooperatives had low efficiency on size, i.e., Mueang Petchaburi Agricultural Cooperative Limited was IRS requiring size increasing. For Ban Lad Agricultural Cooperative Limited, since it was DRS, its size should be reduced. When considering input scores, it was found that PC_CCR1 PC_CCR2, and PC_BCC1 were negative, especially PC_CCR1 that was quite low. On the other hand, the score of PC_BCC2 was explicitly outstanding.

Nong Prong Water User Cooperative Limited (DMU6), Song Tham Water User Cooperative Limited (DMU9), Nong Ya Plong Agricultural Cooperative Limited (DMU10), Nong Tien Water User Cooperative Limited (DMU11), and Don Sai Water User Cooperative Limited (DMU14) had moderate score of overall efficiency and efficiency of real technique in all input classifications with specific costs in business and operation (2). When considering the score of inputs, it was found that all cooperatives could be divided into 2 groups. The first group consisted of DMU6, DMU9, and DMU14, with the remarkable scores of overall efficiency (PC_CCR1) while the score of management of specific costs in business and operation (PC_BCC1) was moderate and the efficiency of costs (PC_CCR2) and assets (PC_BCC2) still required more emphasis. The second group was consisted of DMU10 and DMU11 with low scores of PC_CCR1 while PC_CCR2 was negative but not very low. In addition, PC_BCC1 and PC_BCC2 were quite swayed.
Kao Na Petchaburi Dairy Cooperative Limited (DMU8), Chaam-Huai Sai Dairy Cooperative Limited (DMU12), Don Khun Huai Agricultural Cooperative Limited (DMU13), and Petchaburi Agricultural Marketing Cooperative Limited (DMU16) were classified in a group with high score of overall efficiency and efficiency of real technique. Since DMU8 and DMU16 had the low score of efficiency in Y1, Y4, and Y14 models, both cooperatives had the drawback on the efficiency of cost but they were outstanding on the overall efficiency and efficiency on specific costs in business and operation. For DMU12, its full score was 1 in all models with the inputs of specific costs in business and operation (2) but it had low score in Y4 model. For BCC model, its full score was 1 in all model classifications and the operational efficiency of the cooperatives was at a high level. Compared with other cooperatives, it was outstanding on the overall efficiency, efficiency of specific costs in business and operation, and efficiency of assets. For DMU13, its full score was 1 in all models with the inputs of main business cost (1) and/or cooperative capital (4). It was a cooperative with high PC_CCR2 that was very different from other cooperatives but it had low score in models with input of all amount of debts (3) or Y3 model. As a result, it was a cooperative with high score of efficiency on cost and assets but its drawback was the input of all amounts of debt.

Mae Prachan Water User Cooperative Limited (DMU15) had a moderate score of overall efficiency and high score of efficiency of real technique, especially in models with input of specific costs in business and operation (2). In addition, it also had low score of efficiency in models with input of all amount of debts (3) and/or cooperative capital (4) (Y3, Y4, and Y34), namely, this cooperative was outstanding on specific costs in business and operation with serious drawbacks in the efficiency of assets.

Raisom Sub-District Agricultural Cooperative Limited (DMU17) had low score of the overall efficiency with high score of the efficiency of real technique in all models of input classifications, for both CCR and BCC models, except for Y4 model that used only cooperative capital (4) as input with a very low score. As a result, the drawback of this cooperative was cooperative capital. However, its score on the efficiency of specific costs in business and operation and efficiency on assets was quite high.

However, most agricultural cooperatives in Thailand had good inputs on the efficiency of management of specific costs in business and operation and efficiency on assets.

Discussion
This research was conducted to evaluate the efficiency of the agricultural cooperatives by using DEA method for analyzing the efficiency score caused by all input and output classifications in order to find the outstanding and drawback inputs or outputs of the cooperatives in the studied area. The executives of agricultural cooperatives are able to implement the results of this research, especially the results of efficiency on management of specific costs in business and operation and efficiency on assets, as the guideline for planning the action plan or establishing strategies. Since financial information was used as the factor of efficiency evaluation based on DEA method, it was another dimension of preferring efficiency evaluation of the operation of the agricultural cooperatives in Thailand. The operation of Thailand’s agricultural cooperative system was started to be developed in several dimensions and larger amount of farmers started to understand and participate as the members due to the agricultural cooperative promotion policies of public sector. However, there were 5 problems of management found in this research including personnel problems, managerial problems, problems caused by public sector, problems caused by politics, and legal problems. The problems of management of agricultural cooperatives were able to be divided into 2 factors including: 1) Internal Inputs consisting of personnel and managerial problems; and 2) External Inputs consisted of problems caused by public sector, problems caused by politics, and legal problems. These factors led some theoretical suggestions and practical suggestions obtained from this research that are at the end of this article. From evaluating the operational efficiency, it was found that the agricultural cooperatives had efficiency with respect to the factors from the CCR efficiency score. In all classifications, it was found that there were 2 factors including the overall efficiency and the efficiency on capital. When considering on BCC efficiency score, there were two factors including the efficiency on management of specific costs in business and operation and the efficiency on assets. Since the objective of the cooperative’s operation is not only earning revenue but the successful cooperative must also promote members’ participation and mutual assistance for benefits of members, communities, and society, for gaining better quality of life on living, economy, and other dimensions. As a result, evaluating efficiency in its various dimensions, both
quantitative and qualitative dimensions, is challenging and interesting for further researches in the future.

**Suggestion**

From the results, it was found that there were five dimensions of operational problems of agricultural cooperatives including personnel, management, public sector, politics, and laws. In addition, several problems are linked to one another. To improve the efficiency of the cooperatives for becoming the tool for helping farmers who are majority of Thailand’s population, the Thai government should address those problems as the primary problems prior establishing the national strategies on cooperatives in order to gain integrated solutions. However, although the information used in this research was obtained from agricultural cooperatives in Petchaburi province, the concept of this method is able to be expanded for using with agricultural cooperatives in other provinces or it may be even upgraded as the regional research or national research proceeds further.

**References**


A Systematic Policy about Integration of National R&D Project Application Processes Scattered Across Government Departments

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Abstract

For the management of national R&D projects, a total of 17 government bureaus and authorities have their own research management agency. These research management agencies launch a national R&D project and execute budgets every year and manage the research outcome. To launch a national R&D project, the details of the program are first announced - mostly through an online system. The research management agencies operate their own R&D management system and report the details of the R&D project announcement, and researchers log in to the system and apply for a project. For this, however, they need to approach the research management system and search the information they want. This study provides the details of national R&D project announcement in an integrated manner and suggests a plan to carry out the application efficiently without individually approaching the scattered research management systems. In addition, this study discusses a way to log in to heterogeneous systems, project application processes, and how to manage and provide the research information in an efficient manner.

Keywords

R&D project, Project application, NTIS, Research management system, SSO

Introduction

To take a dominant position in core future technology and have a leading R&D system, a portion for basic studies among national R&D budgets would be expanded up to 40% by 2017. In addition, the national R&D budget has annually increased, including expansion of technology innovation-oriented small and mid-sized enterprise-centered government-led R&D investments. For this, the related projects and programs have been actively promoted across bureaus. In particular, the current administration has emphasized the improvement of R&D management efficiency and researchers’ convenience [1]. A total of 17 bureaus and authorities in South Korea have planned a national R&D project and have their own research management agency. The research management agency plans the R&D projects and posts them in its research management system. The R&D announcement information in the research management system are collected and provided in an integrated manner by the National Science & Technology Information Service (NTIS) in real-time[2][3]. Researchers can approach the NTIS and check the bureau-wide R&D project announcement information at any time. To apply for a project, however, they need to approach the research management system and apply for the project individually. This study discusses an integrated login method between the NTIS and each agency’s research management system, project application process and how to utilize the project application information for the efficiency of bureau-wide R&D project application. In chapter 2, a method to realize bureau-wide national R&D project application processes is described. In addition, login between the NTIS and research management agency’s research management systems, bureau-wide announcement number-based project application process and the linkage and utilization of bureau-wide project application information are discussed. Conclusions are drawn in the final section.
Design of bureau-wide national R&D project application process

For years, each bureau’s research management agency has developed and operated a research management system to handle project announcement, receipt, negotiation, and management of research outcome. So far, researchers had to search all these research management systems to find the announcement they want in applying for a national R&D project. To improve this system, the NTIS has collected and provided bureau-wide project announcement information in an integrated manner. Under this system, however, researchers can check the announcement information only. They cannot apply for the project. This study attempts to provide a project application window through the NTIS to improve the researchers’ convenience, by allowing the bureau-wide project announcement information to be checked and applied through a single service. Here, the project application window means that researchers who log in to the NTIS can apply for the project by automatically logging into the research management agency’s research management system when they use the project application function after checking the announcement information. Importantly, the project application and receipt function is executed in the research management agency’s research management system. The NTIS aims to provide easily accessible windows only. Figure 1 reveals a conceptual diagram for the improvement of project application efficiency. Researchers can log in to the NTIS and check the announcement information without accessing numerous research management agencies to check the project announcement they want. Then, login between the NTIS and research management agency and project application are handled to allow the related project to be applied for. Furthermore, the application information in each research management agency is linked with the NTIS. Therefore, researchers are able to search and edit bureau-wide R&D projects in the NTIS.

Figure 3: Conceptual Diagram for Application Efficiency of Bureau-wide R&D Projects

Login solution between the NTIS and the research management agency’s research management systems

To free the researchers from the inconvenience of logging again in providing the project application window through the NTIS, a login process between the NTIS and research management agency’s research management system is needed. For the integrated login process between heterogeneous login solutions, a Single Sign-On (SSO) authentication server, login agent, and a personal identification key are used. For a personal identification key, the science and technology engineer registration number which has been used by both NTIS and research management agencies is applied. Those who want to participate in a national R&D project are required to get the science & technology engineer registration number in accordance with ‘Regulations on the management of the national R&D program’ [2].

Figure 2 shows a login process sequence diagram between the NTIS and research management agency’s
research management system. Once researchers log in to the NTIS and execute the project application function, the NTIS checks if the science and technology engineer registration number is issued. If the science and technology engineer registration number exists, the NTIS requests a token to the SSO authentication server and has it issued. The issued token is sent to the research management agency’s research management system. After the token is received, login is requested to the login agent. Then, the login agent checks the validity of the token transferred from the NTIS to the SSO authentication server. Once validity is confirmed, the login agent calls its own login solution and executes the login process.

Figure 4: Processing of login between the NTIS and research management agency

**System policy for the R&D project application process using bureau-wide announcement number**

As stated in the paragraphs above, even though the login process to the research management system is completed through the project application function provided by the NTIS, the research management system should check which category was selected for the execution of the project application. For this, this study uses the bureau-wide application number. An each bureau’s announcement numbering system is developed and used in examining the current bureau-wide announcements. Then, it is used as an identification key for project application. As soon as each research management agency posts the announcement in its research management system, an announcement connection API provided by the NTIS is created and collected together with the announcement information in the NTIS. The announcement numbers collected in the NTIS are transferred to the research management system when a project is applied for by the researcher. After being logged in and identified, they are utilized in suggesting the project application display.
Table 1. Bureau-wide announcement numbering example

<table>
<thead>
<tr>
<th>Category</th>
<th>Project year</th>
<th>Organization code</th>
<th>Announcement No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example</td>
<td>2004</td>
<td>KAIA</td>
<td>00000836</td>
</tr>
<tr>
<td>Description</td>
<td>The business year</td>
<td>Korea Agency for Infrastructure Technology Advancement</td>
<td>Project announcement number of KAIA</td>
</tr>
</tbody>
</table>

Table 1 shows an example data by a bureau-wide announcement numbering system. As suggested in this table, if a researcher applies for the project for Korea Agency for Infrastructure Technology Advancement (KAIA) among the NTIS’ bureau-wide R&D project announcement information, the login process mentioned above is executed. Then, the KAIA’s research management system checks the identification key using the announcement number from the NTIS ‘00000836’ and shows the project application display to the researcher right away. Then, the researcher can move to the project application page immediately, assuming that [Apply for the Project] button is clicked.

Information linkage and utilization for bureau-wide application of R&D project

Once the national R&D project application is completed by the researcher, the research management system saves the information entered during the application in the database. Among this information, ‘title of the application project,’ ‘name of the institute,’ ‘date of application,’ ‘project application number,’ ‘applicant’s name’ and ‘name of the research management agency’ are transferred to the NTIS in real-time through the project application information linkage API. As soon as the project application is completed in the research management system, it is defined in an XML format. The project application information collected through the encryption and decryption process is saved in the NTIS database in real-time by taking the applicant’s science and technology engineer registration number as a primary key. To solve data integrity caused by inability to transfer data because of a fault occurring from the linkage of the project application information, the information linkage system with the NTIS project application database from the project application information database in each research management system is developed through batch processing.

The project application information collected in the NTIS is available in two aspects. First, when researchers want to inquire or edit the R&D project they applied for, they just need to log in to the NTIS once to search their bureau-wide R&D project application information. To inquire or edit the project application information, the NTIS request the login process described above to the research management system. Then, the projects can be searched and edited in the agency’s system through the project application number. Second, the project application information is used in figuring out current status of bureau-wide project announcements and application information. All national R&D projects have bureaus and technology sectors. Therefore, the current status of project announcement and application by the following categories can be understood using the bureau-wide project application information collected in the NTIS: year, particular period, bureau, program, technology, and research management agency. This kind of statistical information can be used in planning a R&D project for the next year. It would also be available in analyzing what technology researchers are interested in and concentration of research activities.
Conclusion
To check the national R&D project announcements and apply for the project, researchers need only to log in to the research management agency’s research management system and search the information they want. For the easy and efficient application of national R&D projects, this study discussed how the NTIS should collect and provide bureau-wide announcement information in realtime and its connection with each research management agency’s research management system for integrated login, project application, and linkage of project application information. Researchers can get access to the NTIS and check bureau-wide announcement information without searching all project announcements. In addition, they can get announcement notice from the NTIS regarding the announcement they are interested in by registering their interested technology and keyword in the NTIS. This study also proposed the efficiency of the national R&D project application through integrated login between the NTIS and the research management system, project application through the utilization of bureau-wide announcement number and linkage of the project application information. Figure 3 shows an example of the bureau-wide announcement information provided by the NTIS while Figure 4 reveals a particular researcher’s bureau-wide project application information.

In each bureau are defined the regulations and related forms for the management of national R&D projects. In particular, the input items or forms submitted by the researchers in project applications vary among bureaus. In addition, unnecessary information could be received. To improve the efficiency of national R&D project application, the standard input items and forms needed for project application should be defined and applied.

Figure 5. Details of bureau-wide national R&D project announcement
Figure 6: R&D project application status by researchers

Acknowledgement

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References

[2] Presidential Decree No. 25544, Regulations on the Management of National R&D Programs
A Study of Need Assessment for Economy and Social Strategic Policy Development at the Province Level for Asian Economic Community

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ABSTRACT

This study was conducted as a quantitative research. The researchers selected 860 citizens living in Nongkhai province as a group sample by using probability sampling. A stratified research tool was a questionnaire to collect data and study the necessity for economic and social development for the ASEAN Economic Community (AEC). Descriptive statistics were applied including frequency, percentage, mean, and standard deviation. For inferential statistics, the researcher selected Chi-Square test, GFI, AGFI, RMR, SRMR and RMSEA to analyze data. The results show that according to confirmatory factor analysis of necessity towards provincial economic and social policy in citizen sector for AEC, a model from hypothesis is consistent to evident data at a good level, or the model is highly accurate. Considering with Chi-Square value at 973.39 and probability level is equal to .000, the Chi-Square statistics comparing to the degree of freedom is below the criteria. GFI value is at 0.95 and AGFI value is at 0.95, which is higher than the criteria (0.90). The RMSEA value is equal to 0.044 which is below 0.05. It can be concluded that the model from the hypothesis is consistent with the evident data. The researchers find that natural resource and environmental management with sustainability is the most influential to capabilities when the AEC begins. Providing connection within the regional countries for economic and social stability, as well as economic restructuring for a quality growth and sustainability are the following influential issues.

Keyword: necessity, economy and society, ASEAN Economic Community

Introduction

The world situation is changing rapidly in every field and development of science and technology is considered as an important factor affecting the way of life of people nowadays. As a result, we are required to be ready in developing ourselves to be able to help ourselves and other people properly leading to common development of Thailand. Thereby, education is considered as an important tool for using as the mechanism to build nation, people, and works in order to make all Thai people to have knowledge and potential in learning and developing themselves to earn a better quality of life and mutually develop Thailand to stand in global society peacefully (Jumlong Krutkhuntod, 2001). During these several years, Thailand has had to encounter with several economic crises. Consequently, the Thai government in each period wished to enable Thailand to establish some national strategies helping to improve the competitive capacity that is consistent with changes in the world economy. Hence, former Thai governments determined the strategic framework on economic development in national plans through considering the overall economy systematically and aiming to maintain economic growth sustainably and qualitatively. Such a strategic framework emphasized the balance between economic development ground level and connecting the domestic economy with the global economy wisely with the commitment that the potential of Thai society remained and possibly developed. The important part of this success has been national development plans (Thongpol Promsakha Na Sakhonnakhon and Utit Sangkharat, 2013).

When considering establishment of Thailand’s national development plans from the First National Economic and Social Development Plan to the Tenth National Economic and Social Development Plan, it can be seen that those plans have been developed continuously under changing conditions and situations in various dimensions domestically and internationally. It can be noted that the Eighth National Economic and Social Development Plan (B.E. 2540-2544) was the important
turning point of national development planning emphasizing participation of all sectors in Thai society as well as emphasizing on “human as the center of development”. In addition, it also emphasized on adjusting development methods to be the holistic integration for contributing to balanced development. Subsequently, the Ninth National Economic and Social Development Plan )B.E. 2545-2549( invited the “Philosophy of Sufficiency Economy” to be used as the guiding philosophy for national development and management along with the paradigm on holistic integrated development that was the consecutive policy from the Eighth National Economic and Social Development Plan. For the Tenth National Economic and Social Development Plan )B.E. 2550-2554(, the “Philosophy of Sufficiency Economy” was still used in practice. In addition, this plan also emphasized development with the “human as the center of development”. That was the consecutive policy from the Eighth and Ninth National Economic and Social Development Plan as well as emphasized on balanced development among humans, society, economy, and environment. The “immune system” was prepared by reinforcing the strength of domestic capital and risk management to be ready for encountering with domestic and international changing in order to achieve sustainable development and support entering ASEAN Economic Community equally as other countries.

ASEAN or Association of Southeast Asia Nations was established under The Bangkok Declaration on August 8th, 1967, by 5 countries including Indonesia, Malaysia, Philippines, Singapore, and Thailand. Subsequently, membership has expanded to include Brunei Darussalam and 4 new members including Cambodia, Lao, Myanmar, and Vietnam, that is briefly called “CLMV”. As a result, ASEAN members have become 10 countries in Southeast Asia region. ASEAN was established to promote political, economic, and social cooperation, peace and security of Southeast Asia region contributing political stability, economic, social, and cultural progress. In addition, since the international trading tends to be severe trade barrier, ASEAN more emphasizes on tightening and expanding economic and trading cooperation among members (Kritchayapak Unserere, 2011).

The assembly of ASEAN Community may affect Thailand in several fields because free trading will contribute higher level of international investment and trading in some industries, especially industries with labors as main factor, making those industries encounter with some disadvantages because the wage of labors from neighboring countries may be lower causing offshoring of foreign investors and manufacturers move their Kirida Bhaopichitr, 2015). On the other hand, it is expected that Thailand will never encountered with the problem on skillful labor shortage in the future because there will be free labor mobility and labors from Myanmar, Lao, and Cambodia, will work in Thailand increasingly. In addition, some Thai people with English skills will work oversea because English is the official language for AEC. However, several border provinces are required to adjust themselves highly because they are the first gate of the country.

From analyzing on opportunities and effects of entering AEC in 2015, it was found that there were both negative and positive effects to manufacturers, entrepreneurs, labors, farmers, consumers, and general people. When considering on which province may be affected from such situation, it can be considered that Nong Khai would be quite affected because it was next to the border between Thailand and People’s Democratic Republic of Laos. As a result, Nong Khai province prepares its readiness by appointing a working group to coordinate and prepare information with all sectors for entering AEC as well as orienting the direction to drive Nong Khai to AEC for the same direction of integration. In addition, such working group must conclude action plan/project plans of all sectors to support AEC entering as well as provide some training on AEC to public agencies, private sector, and entrepreneurs, etc. (Wirat Limswat, 2013)

Form above phenomena, it could be seen that Nong Khai province emphasizes on entering AEC in 2015 very much. However, it does not cover economic and social development. As a result, the researcher was interested in studying the needs for developing strategic policy on economy and society in provincial level in order to support AEC entering in the area of Nong Khai province through confirmatory factor analysis of needs toward economic and social policies in the provincial level of popular sector. In addition, the researcher also aims to study the possibility on responding to needs in popular sector’s social and economic policies in provincial level as well as to apply the economic theory on game theory for making decision on selecting appropriate social and economic strategies to be developed as the policies for responding to popular sector in provincial level for supporting AEC entering. Since economic theory is the concept and methodology on managing the existing and limited resources to gain ultimate efficiency or welfare, it is very useful to be applied with this research. It is
necessary for current national development to rely on economic knowledge for solving some economic problems in order to achieve the ultimate efficiency (Thailand Securities Institute, 2005). This allows us to perceive the factors that are urgently required to be developed for benefits of related agencies in using as the guidelines of social and economic development in provincial level as well as being ready for entering AEC.

**Objectives**

1. To analyze the confirmatory factors of needs toward social and economic policies in the provincial level of popular sector in order to support AEC entering.

2. To synthesize obtained information for preparing the pattern of needs responding in popular sector’s social and economic policies in the provincial level in order to support AEC entering.

**Conceptual Framework**

![Figure 1: Conceptual Framework](image)

**Whereas:**

- **FAI** means needs on building fairness in society.
- **DEV** means needs on developing people to lifetime learning society sustainably.
- **STR** means needs on agricultural strength, stability of food and energy.
- **ECO** means social and economic policy assessment on needs of economic restructuring to reach sustainable and qualitative growth.
- **LIN** means social and economic policy assessment on building the connection other countries in the same region for economic and social stability.
- **RES** means social and economic policy assessment on managing natural resources and environment sustainably.
- **AEC** means social and economic policy assessment on provincial society and economy for supporting AEC entering.
Literature Review

Concept on Needs

Need refers to something that is insufficient or sufficient but necessary for some purposes (Barrow and Milburn. 1990 : 222-224) or basic motivation or necessity of living creatures including food, accommodation, apparel, and clean air (Dunter and Andrew. 1996 : 219).

For Stufflebeam and other (1985: 6-7), he defined need as something requiring responding or causing some benefits after responding. Needs are classified into 4 different views including discrepancy view, democratic view, analytic view, and diagnostic view.

Needs Assessment

Needs assessment is an official process determining the gaps between product or current result and needed result or product. These gaps are managed upon the priority and the most important one would be chosen for solving problems. Suwimol Wongwanitch (2007 : 14) concluded that need assessment is the analysis process on the differences between current condition (what is) and expected condition (what should be) with priority system. Need assessment is to specify needs, to consider on conflicts judgment, to check natural conditions, to find the causes of needs, and to arrange the priority of something that will be occurred in the future, as the information for making decision on improvement, budget allocation, and preparing the organization’s action plan.

Concepts and Theories on Economic and Social Development

Economic Development is a process increasing the Gross National Product of Thai people in long term. However, income distribution of Thai people must not worse than before. Moreover, economic development is also the process of growth, development, and changing with the purpose on improving the standard of quality of life of Thai people. Moreover, it also covers changing in structure of economic system.

Economic and Social Development

It could be concluded in 3 main issues including lacking of production opportunity in the light of labor shortage, lacking of technology and capital leading to poverty, unemployment, debts, and external reliance. Consequently, it causes economic disadvantages, lacking of bargaining power with external organizations, and lacking of economic power. In addition, the effects of expansion of business system also cause the problems on utilizing and destroying natural resources.

Concepts and Theories on Community Economy

Department of Provincial Administration, Ministry of Interior (Ministry of Interior, Department of Provincial Administration, 1998 A: 6-9) has defined Community Economy as manufacturing, processing, consumption, trading, and service that is decided by the community to perform for community. In such view, it is in the light that Community Economy is a part of national economy and related agencies and/or persons must have mutual understanding and commitment to develop for progress and security of Thai society. In addition, it is necessary for all Thai people that the economic development from below, that is rural community, must relate with politics, administration, education, and culture of all Thai people. Community Economy is working for living with other people in the village. According to the implication of above definition, any villagers interested in establishing any agricultural group will be able to assemble to establish some farmer groups, cooperatives, foundation and association, as the center of occupational activities. Such operation of villagers will be operated in the community’s area with the cooperation of Sub-District Administrative Organization (SAO) that is the form of Community Economy development.

Methodology

This research is a quantitative research conducted by using Path Analysis. Populations and sample group used in this research was people in Nong Khai province. For sample group, the researcher considered on the research data requiring advanced analytical statistic that was path analysis. As a result, the sample size was determined to be consistent with basic statistic, i.e., the large sample size must be used as the criteria for determining the sample size, namely, the sample size must be 20 people per 1 sample’s parameter (Hair, Black, Babin & Anderson, 2010). The samples used in this research were people in Nong Khai province and there were 43 variables used in this research therefore the sample size of this research was 860 samples.
Tool used in this research was the questionnaire on needs toward social and economic development in the provincial level for supporting AEC entering. The case study of Nong Khai province was divided into 3 parts including: Part 1: questions on general information of respondents; Part 2: questions on needs toward economic and social development in the provincial level for supporting AEC entering; and Part 3: Suggestion.

The obtained data was collected from the source of primary data that was people in Nong Khai province as the information for developing economy and society in the provincial level for supporting AEC entering. Data was collected from the source of secondary data that was statistics, documents, concepts, theories, and researches related to needs toward social and economic development in the provincial level for supporting AEC entering. Data analysis was divided into 2 parts as follows:

Part 1: Analysis was conducted by using descriptive statistic, frequency, percentage Chusri Wongratana, 2007), Mean, and Standard Deviation Kalaya Wanitchbancha. 2005.

Part 2: Analysis was conducted by using inferential statistics and path analysis. (Hair; et al. 2010: 672) suggested that there shall be the report on 3-4 indices identifying the harmony of data created by models and empirical data that were sufficient for considering whether the data created by models was consistent with empirical data. Chi-square and degree of freedom must be mainly reported along with absolute fit indices, incremental fit indices or comparative fit indices (Hair; et al. 2010: 668) at least one index per group. The absolute fit indices that are generally used are consisted of chi-square, GFI, AGFI, RMR, SRMR, and RMSEA. The incremental fit indices (comparative fit indices) that are generally used are consisted of NFI, NNFI, and CFI.

The procedures of this research’s methodology were shown in Figure 2.

Figure 2: Flow Chart Showing Research Procedures
Results

More than half of sample group responding to the questionnaire were male with the age ranged from 41-50 years and personal income varied from 15,001 – 20,000 baht per month and they graduated in Bachelor Degree. For opinions on needs toward economic and social development in the provincial level for supporting AEC entering, the researcher studied on 7 dimensions of those comments including building fairness in society, developing people to lifetime learning society sustainably, agricultural strength, stability of food and energy, economic restructuring to sustainable and qualitative growth, building connection with other countries in the same region for economic and social stability, managing natural resources and environment sustainably, and capacity to support AEC opening.

In addition, the results also showed that the overall opinion level towards building fairness in society was in high level 3.92. When considering on each item, it was found that building economic and social stability for all Thai people and utilization of information technology and accessibility of data and information of occupational development were in the highest level followed by providing social services to all people upon their basic rights, emphasizing on building the immune in the level of building participation in decision making on national development, emphasizing on developing public service system to have good quality, and providing equal and extensive accessibility. The lowest opinion level was on reinforcing all sectors to increase the option of living in society and economic, social, and political participation with value and dignity enabling all people to express their thinking creatively and improve the potential and capacity of community in solving the community’s problems. For developing people to lifetime learning society, it was in high level 3.98. When considering on each item, it was found that promoting lifetime learning with emphasis on building the social stream to make the belief that learning was the duty of all Thai people, making all Thai people to seek for knowledge and love reading since childhood, and promoting mutual learning of people with different ages along with promoting organizations, groups of people, communities, Thai people, and all types of media as the creative learning sources, were in the highest level followed by reducing health risk factors by promoting Thai people to be healthy mentally and physically, developing knowledge and skills on taking care of health of themselves, their families, and communities building participation in developing public policy that was good for health. The lowest opinion level was restructuring and distribution of population that was promoting spouses with readiness to give more births of children and maintain the fertility rate not to be lower than current situation.

For the agricultural strength, stability of food and energy, the overall opinions were in high level 3.85. When considering on each item, it was found that adding value of agricultural products throughout the production chain, supporting production and services of community in adding value of agricultural products, food, and energy, were in high level followed by building the stability of occupation and income of farmers, emphasizing on developing income security system of farmers to be stable covering all farmers. The lowest opinion level was adjusting public management system for reinforcing the stability of food and energy by supporting farmers, village philosopher network, private sector, and community to have the roles and participate in orienting the direction and planning agricultural production. When considering on economic structuring to sustainable and qualitative growth, the overall opinions were in high level 3.68. When considering on each item, it was found that development of science, technology, research, and innovation drove economic restructuring to be grown sustainably and qualitatively by emphasizing on utilizing creativity, local wisdom, intellectual property to conduct researches for further development, passing on knowledge, commercial and social application, was in the highest level followed by economic restructuring to sustainable and qualitative development by building the strength of entrepreneurs, especially, SME entrepreneurs, as well as driving to develop domestic economy to be strong and able to compete with others. The lowest opinion level was developing the competitive capacity to be efficient, equal, and fair, as well as emphasizing on developing financial market, capital market, and labors to support economic restructuring, developing intellectual property management system, and developing infrastructure and logistic system of Thailand.

For building the connection with other countries in the same region for social and economic stability, the overall opinions were in high level 3.95. When considering on each item, it was found that reinforcing good international cooperation in supporting the economic growth with ethics and without any effect to environment was in the highest level followed by giving important participation in building the international society with good quality of life, preventing danger caused by terrorism, and...
crime, drugs, disaster, and epidemic diseases, emphasizing on developing potential and readiness in preventing and solving transnational problems on terrorism, drugs, and immigration problem. The lowest opinion level was promoting Thailand as the hub of investment and business operation in Asia as well as the hub of cooperation in regional development by providing some necessary privileges and conveniences for establishing the regional operation offices. For managing natural resources and environment sustainably, the overall opinions were in high level (3.97). When considering on each item, it was found that developing natural resources and environmental management to be efficient, transparent, and integrated fair, emphasizing on promoting rights and developing the capacity of community in accessing and utilizing natural resources, improving laws for solving the problem on disparity in accessing and utilizing natural resources of community, were in the highest level followed by increasing the roles of Thailand in the world stage related to international framework agreement and mission on environment, studying on details and building understanding on missions, following up the situation, negotiation, and attitude of each country, developing public personnel for reinforcing their skills on negotiation, developing cooperation among ASEAN countries and some important trading partners. The lowest opinion level was conserving, restoring, and building the stability of natural resources and environment, emphasizing on conserving and restoring forest and conserved areas, developing database system and managing knowledge as the tool for planning and managing. For the capacity on supporting ASEAN opening, the overall opinions were in high level (3.88). When considering on each item, it was found that the opinion on Community Economy was strong was in the highest level followed by providing works and income equally in all areas. The lowest opinion level was having complete utility system.

The result of analysis on the structure of needs toward economic and social policies in the provincial level of popular sector for supporting ASEAN entering was shown in Table 1.

<table>
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<tr>
<th>Item</th>
<th>Criteria</th>
<th>Calculated Value</th>
<th>Result</th>
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<td>$X^2$</td>
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<td>973.39</td>
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</tr>
<tr>
<td>p-value</td>
<td>$P&gt;0.05$</td>
<td>0.00</td>
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</tr>
<tr>
<td>$X^2/df$</td>
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<td>1.15</td>
<td>Pass</td>
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<tr>
<td>CFI</td>
<td>The approach 1.0</td>
<td>0.95</td>
<td>Pass</td>
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<tr>
<td>GFI</td>
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<td>Pass</td>
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<td>AGFI</td>
<td>The approach 1.0</td>
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<tr>
<td>RMSEA</td>
<td>The approach 0.0</td>
<td>0.044</td>
<td>Pass</td>
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</tbody>
</table>

From the analysis result of Table 1, it was found that hypothetical model was consistent with empirical data in good level with high accuracy that could be considered from chi-square with value of 973.39. The probability was .000 statistic of chi-square per independence level was less than specified criteria. Goodness of Fit Indices (GFI) was 0.95 and Adjusted Goodness of Fit Indices (AGFI) was 0.95 that was higher than criteria at 0.90. Root Mean Square Error of Approximation (RMSEA) was 0.044 that was lower than 0.05. As a result, it could be concluded that the hypothetical model was consistent with empirical data as shown in Figure 3.
Discussion

For opinions on needs toward economic and social development in the provincial level for supporting ASEAN entering, the factor on building fairness in society required building economic and social stability to all people in Thai society and development of utilization of information technology and accessibility to data and information in occupational development. For developing people to lifetime learning society sustainably, lifetime learning must be promoted by emphasizing on building the social stream making learning as duty of all Thai people and making them to seek for knowledge and love reading since childhood as well as promoting mutual learning of people with different ages. When considering on agricultural strength and stability of food and energy, Nong Khai province must add the value of agricultural products throughout the production chain, support production and services of community in adding value to agricultural products, food, and energy. For economic restructuring to sustainable and qualitative growth, it was found that it required development on science, technology, research, and innovation, to be the power for driving economic restructuring to be grown sustainably and qualitatively by emphasizing on utilizing creativity, local wisdom, intellectual property, and research for further knowledge, passing on knowledge, and commercial and social application. The results were consistent with those of Orawan Silawanch (2011) who studied on the readiness for entering to labor market of ASEAN community. The results showed that development on research would be the important mechanism for preparing the readiness of people in entering the labor market of ASEAN community.

On the other hand, needs toward development of building the connection with other countries in the same region for social and economic stability required reinforcing good international cooperation for supporting the economic growth with ethics without giving any environmental effect. For sustainable management of natural resources and environment, it required developing management system of natural resources and environment to be efficient, transparent, and integrated fair by emphasizing on reinforcing the capacity of community in accessing and utilizing natural resources as well as capacity in supporting ASEAN opening. The Community Economy must be strong by providing income equally to all areas. This result was consistent with that of Akeratch Amawal (2011) who studied on preparing the readiness of personnel to enter ASEAN community and she found that the factor on developing labor’s skills for increasing income was the important factor for preparing the readiness of personnel to enter ASEAN community.
When considering on confirmatory factor analysis of needs toward popular sector’s social and economic policies in the provincial sector for supporting AEC entering, the hypothetical model was consistent with empirical data in good criteria or the accuracy of model was very high. When considering on chi-square, its value was 973.39 with probability of .000. The statistic of chi-square per independence level was less than specified criteria. Goodness of Fit Indices (GFI) was 0.95 and Adjusted Goodness of Fit Indices (AGFI) was 0.95 that was higher than criteria at 0.90. Root Mean Square Error of Approximation (RMSEA) was 0.044 that was lower than 0.05. As a result, it could be concluded that the hypothetical model was consistent with empirical data. It was also found that management of natural resources and environment had the highest level of direct influence on the capacity for supporting ASEAN opening followed by building the connection with other countries in the same region for social and economic stability and economic restructuring to sustainable and qualitative growth.

**Policy Recommendation**

1. To build fairness in society, the social and economic stability must be built in order to make all people in Thai society to be sustainable and utilization of information technology and accessibility of data and information must be developed for occupational development.

2. To develop people to lifetime learning society sustainably, lifetime learning must be promoted by emphasizing on building the social stream making learning as their duty and making them to seek for knowledge and love reading since childhood as well as promoting mutual learning of people with different ages.

3. For agricultural strength and stability of food and energy, Nong Khai province must add value to agricultural products throughout the production chain and support production and services of community in adding value to agricultural products, food, and energy.

4. For economic restructuring to sustainable and qualitative growth, it was found that it required development of science, technology, research, and innovation, as the power for driving economic restructuring to be grown sustainably and qualitatively by emphasizing on utilizing creativity, local wisdom, intellectual property, and research for further development, passing on knowledge, commercial and social application.

5. For building the connection with other countries in the same region for social and economic stability, it required good international cooperation for supporting the economic growth with ethics without giving any environmental effect. For sustainable management of natural resources and environment, it required managing natural resources and environment to be efficient, transparent, and integrated fairly by emphasizing on promoting the rights and developing the capacity of community in accessing and utilizing natural resources.

6. For capacity in supporting ASEAN opening, it required building the Community Economy to be strong by providing works and income equally in all areas.

**Suggestions Obtained from this Research**

1. Sustainable management of natural resources and environment should be firstly emphasized because it had the highest level of direct influence on the capacity in supporting ASEAN opening. However, it must be emphasized along with development of agricultural strength and stability of food and energy.

2. Building the connection with other countries in the same region for social and economic stability should be secondly emphasized because it had the second level of direct influence on the capacity in supporting ASEAN opening. However, it must be emphasized along with developing people to lifetime learning society sustainably.

3. Economic restructuring to sustainable and qualitative growth should be thirdly emphasized because it had the capacity in supporting ASEAN opening after the level of building the connection with other countries in the same region for social and economic stability. However, it must be emphasized along with building fairness in society.

**Suggestions for Further Study**

1. The model of needs toward social and economic policies in the provincial level of popular sector for supporting ASEAN entering should be applied to nearby areas such as Loei, Nong Khai, etc.
2. Studied variables should be increased for improving the attractiveness and novelty of the research, for example, variable of providing occupational development to people in the community.

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Orawan Silawanitch. (2011). Readiness of Students of Social Administration Faculty for ASEAN Labor Market. Thesis on Welfare and Labor Development, Department of Social Administration, Faculty of Social Administration, Thammasat University.
The Impact of Particularisation and Generalisation on Political Communications in the Western Cape Provincial Parliament

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The WCPP is the only South African Parliament that is governed by the Democratic Alliance. This party serves as the Official Opposition in the National Parliament of South Africa.

Introduction

The socio-political culture in South Africa is one that is heavily invested in generalisations. It is largely attributable to the heterogeneity of the South African population. South Africans have, since the birth of their new democracy, been occupied with the nation-building enterprise, which has been done under the banner of the ‘rainbow nation.’ The rainbow nation can be said to be the effort to ‘re-socialise’ South Africans by transforming their ideas about heterogeneity and diversity (Balaam & Dillman 2014:138). It is an attempt by the post-Apartheid South African government, and the people who elected it, to unify a people that have been deeply divided along racial lines, which are resultant of the colonial history as well as the legacy of Apartheid.

Greater inclusivity (or broadness) comes at the expense of specificity, in that the specification of one is at the expense of that of the other, which is not mentioned or considered (Barker, 2012). In other words, if we are specific and detailed about certain phenomena in South African political culture, it means that other phenomena are neglected or excluded. Being that the South Africa of today exists in spite of the aforementioned history of exclusion, the project of the rainbow nation was set about in an effort to span inclusivity as widely as possible.

This paper will consider the impact that generalisation, as a practice, has on the outcome of political communication done by the majority party in the Western Cape Provincial Parliament, the Democratic Alliance.

The Framework

A consideration of what is meant by ‘generalisation’ and ‘particularisation’ as processes and as products provides the theoretical framework for this discussion. It affords the terms within which case study, which is drawn from the DA in the WCPP, may be analysed. The theoretical framework for this discussion also has normative implications for how political communications in the WCPP ought to be executed in that particularisation, as a process, implies an ethic of professionalism, which is undermined where generalisation, as a process, is implemented instead. Another critical contextualisation for this discussion is that of the narrow-cast consideration of the political landscape within which the DA in the WCPP operates. It is a unique environment in which the non-executive members are ordinarily squeezed out of the media coverage, in favour of the executive members who make up cabinet, and, the opposition parties. The objective of this consideration is to determine the link between an increased share in media coverage due to a particularised approach to the communication that is released by the DA in the WCPP, further drawing parallels between the low volumes due to ineffective communication where a generalised approach has been taken.

This paper, again, takes a largely normative approach to understanding the political communications operation of the WCPP. An analysis of the media coverage generated by pieces of communication will inform the determination of the efficacy of the pieces of communication in question. This will rely on
the examining of data that has been produced by monitoring the coverage generated by the pieces of communication that make up the case study, should any such data be available. The data sets will be analysed in terms of its efficacy in terms of the quality and quantity of the coverage generated. The two samplings in the case study are instances of (a) a generalised approach and (b) a particularised approach being taken to the formulation of the pieces of communication in question. The thesis is thus to determine whether the implementation of a particularised approach rather than a generalised approach to the execution of the political communications by the DA in the WCPP results in improved media coverage. The case study will comprise two press releases that were drafted and released on behalf of one of the DA Western Cape (WC) Spokespersons whose portfolio ordinarily generates comparatively low coverage in relation to other portfolios. Examining of the pieces of communication in question is an attempt at determining whether there is any validity in the supposition that a particularised approach, amid a culture (practice) of generalisation, is what marks the difference between an effective or ineffective political communications operation.

While this discussion is undertaken at the risk of being exclusionary in its emphasis and by extension, assigning a seemingly inherent priority to a particularised approach to political communications, it is also undertaken at the risk grand theorising, which is precisely what is suggested as being the cause for the low levels of coverage generated. Both of these risks are somewhat unavoidable. What can be said in the face of these risks is that the context of the WCPP is unique. Within that uniqueness lies a niche opportunity for this discussion to be had in the first place.

As such, while there is certainly value to be drawn from this discussion, this paper does not pose to be a grand and permanent solution, which can be taken as being a universal mechanism for political communications. It is rather a contemplation of a political contextualised layering, in the first place, which adds complexity and depth to the understanding of the execution of political communications as done by the Media Office of the Western Cape Provincial Parliament - and in the second place, this understanding will surely change should there be any change in the context. Lastly, an appeal must be made to the reader of this text, to engage with this product in a way that is critical and cynical. What is said here must be questioned and second guessed so that it may yield meaning and distil understanding.

Generalisation and particularisation

To generalise is to employ previous knowledge and adapt it to a current context, it is the building of grand knowledge which is to be applied in specific and relevant cases (D’Eredita & Ferro 2015: 246). Without this tandem relationship between the general and particular, it is hard to imagine quite how any learning and application would occur. The processes of generalisation and particularisation may be restated as the processes of idealisation and materialisation (Font & Contreras 2008). The difficulty arises when generalisation, as a process, renders a seemingly unchallengeable product and inalienable product. In other words, that which has been generalised become objectified and idealised and begins to take the appearance of being a thing in and of itself, when the abstraction begins to act as a universal. Generalisation, or abstraction, as a process seeks out regularities while generalisation as a product is the lingering on the generalisations made (Rivera 2015: 170). It is the predictive and inferential reasoning despite the initial constraint of having only an incomplete knowledge of the target objects for generalisation (Rivera 2015:166), while particularisation is the paying attention to parts or instances (Rivera 2015: 167).

While it is virtuous insofar as it enables the attainment of and application of knowledge, it cannot come at the expense of the particular. Particularisation is the consideration of a case. Beyond that, it is also the extent to which that which informs the case is considered. The detail or the parts. Granted, over time, these cases are theorised in that our experiences allow for the acquiring of knowledge, which we then use to premise future deductions. Firstly, to be particular requires the commitment to the case and as such, it secondly requires that the case be considered on its own merits rather than as an extension or necessary instantiation of an idealised knowledge.
It is important to identify that generalisation and particularisation are not binary opposites, with one being inherently better or worse than the other. The question here is rather a matter of what either of these phenomena means in a specific context – in this case, the efficacy of the political communication as released by the Democratic Alliance in the Western Cape Provincial Parliament. In other words, this discussion is concerned with the virtue of either.

The South African Context: Generalisation as a process and as a product

A brief contextualisation of the South African political landscape that gave rise to the value of and the consequence of the rainbow nation – generalisation as a process

The spirit of generalisation:

In a vein that is similar to the qualification provided in the introductory note of this discussion, the project of the rainbow nation is not the only contributing factor to the culture of generalisation and must not be seen as such in that it is the one that is discussed here. Other phenomena such as the centralisation of government, which might be also be labelled as the de-localisation or the de-contextualisation of government; can also be argued as adding significantly to the culture of generalisation. To identify the onset of the pursuit of the ideal of the rainbow nation as a point of origin of the culture of generalisation is to be exclusive and an act in reductionism (Barker, 2012).

That South Africa has eleven official languages is but one indicator of the heterogeneity that marks the South African population. It is also proof that the reductionist approach that is used in racial classification also serves to neglect particulars in the South African political culture, as the speakers of the more than eleven languages would fall into only four key race groups. A brief look at South Africa’s discourse will readily reveal just how often the concept of ‘diversity’ is employed in South African political discourse and it is used to reinforce the idea of the rainbow nation, the banner under which the new South African enterprise of nation building would occur.

This enterprise was set about to counter the historical implications of the Apartheid regime, which was based on the principle of racialized segregation, the first democratically elected government of South Africa (the African National Congress) sought to bridge divides between race groups. A very necessary effort indeed, following the divisive tactics employed by the Apartheid regime to keep the non-whites separate from whites and to further keep the non-whites from unifying. Yet, despite intense mistrust between race-groups during the transition to democracy and although there were pockets of and ad hoc surges of violence, South Africa managed to narrowly avoid civil war and have its very first democratic election in April of 1994.

The peace that marked South Africa’s first democratic election needed to be maintained so as to forge ahead and ‘build’ a stable political culture. The value of institutionalising political stability is indubitable as far as setting up functional state capacity in a new democracy is concerned. As such, the sentiment of unity in diversity was an attempt by the post-Apartheid ANC government, to unify a people that have been deeply divided by the racial lines. Greater inclusivity comes at the expense of specificity, in that the specification of one is at the expense of the specification of the other that is not mentioned or considered (Barker, 2012). In other words, if we are specific and detailed about one element in South African political culture, the other is neglected or excluded.

The Apartheid regime was one that was dominated by white males and that was beneficial to white South Africans, at the expense of the numerous other groups that came to be classified as non-white. It is often argued, in the fields of political studies and sociology that a homogenous population provides a much simpler vantage point for not only democratization but also the consolidation of democracy that follows it. By extension, this notion can be interpreted as positing that a heterogenous population group makes the democratisation and subsequent consolidation processes more complex and even questionable. Being that this is precisely what the current South African government wanted to avoid, it set about making an effort to span inclusivity as widely as possible. Whether it was effective in
achieving this end is largely questionable and equally a subject that can form the basis of another inquiry altogether.

While the intention was to (a) foster a peaceful and stable political culture by (b) avoiding exclusivity, the ‘rainbow nation’ comes at the expense of specificity, so as to accommodate cultural pluralism (Heywood, 2007). In the years following the birth of this nation building enterprise, there has been a consistent practice of the broadest possible inclusivity. By extension, the years that followed the genesis of the first democratic regime in South Africa has also meant the consistent practice of non-specificity, and, the abstraction that goes along with it. Much discussion and conceptualisation hovers in the sphere of the abstract in that the drilling down into any detail or any specifics would mean the exclusion of another detail or specification. The South African political culture is decidedly generalised in that it is decidedly broad and inclusive. There is much that is invested in grand theorising and sweeping statements, to the point where it has become a naturalised approach (Barker, 2012), one that seems inalienable to the South African political culture of today and it bears a grave consequence that is two-fold:

1. That there is little requirement for detail has come to mean that there is little will to take a detailed approach, in as far as it is not deemed virtuous or useful.
2. The lack of detail and the subsequent ambiguity has come to mean that there is a lack of specifics by which we hold ourselves, and others, accountable.

As such, South African political discourse – as a marker of political culture – is rife with vagueness that is a result of grand theorising and generalisation. This generalisation is a consequence of the post-Apartheid nation building enterprise. To understand its impact, it is important to consider localised practice, one case of such localised practice in particular, that of the Democratic Alliance (DA) in the Western Cape Provincial Parliament and its political communications operation. Before considering the DA in the WCPP, one must have some understanding the DA in South Africa.

**Who is the Democratic Alliance?**

The DA a liberal party and it is the official opposition in South Africa, with four million votes it has 22.23% of the electoral support in South Africa. Interestingly, it governs one out of the nine provinces in South Africa, the Western Cape, where it enjoys 57.26% of the electoral support (Independent Electoral Commission, 2015). This places the DA in the position of being in opposition while being in government, simultaneously in that it is the official opposition in National Parliament. While the DA is the official opposition in South Africa, it faces many challenges that threaten to undermine its efforts to make up the 28.77% gap between it and a winning majority. The most obvious of these challenges include that while the DA’s predecessor parties did oppose the Apartheid regime, they did so in a way that is typical of a liberal party, from within the existing frameworks, by opposing Apartheid legislation from within parliament (Heywood, 2007). This is often used to level an attack against the DA as being a racist white party, in that although it was in opposition to Apartheid, it was nonetheless operating within the Apartheid regime and thereby complicit to it. This criticism is one that is most damaging to efforts made by the DA to make gains in winning the votership that it needs to make up the 28.77% gap. The DA has largely captured the votes of the minority race groups. This in and of itself is not enough in that the South African population is a majority black population.

**The Democratic Alliance in the Western Cape Provincial Parliament: Communications Operation**

**The Media Office**

A non-political staff component:

As with any marketing or communications operation, a political communications operation aims to publicise the party within which it operates in a way that is favourable. As such, it is important that the key messages that embody the party values are publicised through the communication that is released. Where a political communications operation differs from the typical marketing operation is that the exposure or coverage earned. The party values are rather woven into communication released on issues, of public concern and
interest, which are likely to pick up traction in the news cycle. In order to achieve this, the communication that is released must be newsworthy (Davis: 2015), in other words, it must reveal something that is ‘new.’ In the case of the DA WCPP communications operation, this communication is done primarily by the means of press releases that are sent to journalists who would in turn pick up the issues to which the releases refer and cover it in various print and broadcast platforms, upon deeming it ‘newsworthy.’

Newsworthiness is critical in generating effective media coverage. It, along with detailed and evidence based argument, are essential in captivating journalistic interest and building the credibility of the political party that releases it. It is important to mention that newsworthiness and a brief, yet detailed released is often not enough to secure coverage as there may be other events that may dominate the media cycle for a period of time and can consequently squeeze even well researched, simply stated and newsworthy statements out of the news cycle.

The aspect of employing a detailed and evidence based argument forms part of the internal effort of political communications. It hinges on the operational elements such as capacity as well as creativity and commitment among the part of the communicators in question (Davis, 2015). This because it relies on the quality of the input into the communication that the operation produces, as it is this input that largely determines the extent to which it will be covered in the media or how many hits it will get.

Advert Value Equivalent (AVE) epitomises the distinction between paid and earned coverage in a rather obvious manner. AVE is a measure of how much a mention or a hit would cost, should it have been paid for as with paid advertising. It is not precise, however, it remains a crucial performance indicator for any political communications operation. The more hits a piece of communication receives, or the more times it is covered, the higher the AVE. Total AVE is further influenced by the reach of the platforms that covered a particular piece communication. In other words, the larger the audience or readership of a particular broadcast, online or print platform, the greater the AVE of the mention on that platform.

There is another important performance indicator that follows from this, which is influenced by more than just the internal input by the operation in question. This is the favourability of the coverage that a piece of communication received. It is subject to interpretation by journalists, editors and audiences, as such it is largely informed by elements beyond or external to a communications operation (Heywood, 2007). While it is not within the direct control of a communications operation, it can nonetheless be influenced by the aforementioned internal input. Here the concern is whether the piece of communication that was released was covered in a way that is in favour of the brand values and subsequent message of the party in question? If so, then it is quite obviously favourable or positive. If not, then it can be considered negative. Where coverage is composite, where it mentions the DA along other parties or entities, with differing lines or commentary, it may be classified or coded as mixed, it is important to note that more often than not, coverage is indeed composite, yet favourability can be clearly determined by assessing which line -from which party or entity- dominates the story or the headline, in other words one must ask who won the spin?

Whether a political communications operation is achieving its end can largely be ascertained by asking the two following questions:

1. Is the operation fulfilling its objective of generating exposure for the party?
2. Is the exposure that is being generated favourable or positive?

The Democratic Alliance (DA) in the Western Cape Provincial Parliament (WCPP) operates in a context that is unique as it is informed by a number of case specific dynamics. This is a critical point of departure, before any meaningful understanding of the communications operation and by extension, of the quality of the performance by the communications operation can be attained.

The communications operation for the DA in the WCPP is referred to as the ‘media office.’ Until recently, it has been an underperforming entity, in terms of the first of the two criteria set out above. In other words, the communication that was being released to the media from the media office, was simply
not being covered in the media. To blame for the underperformance is (a) the belief that the media simply is not interested in the members on behalf of whom the communication was drafted and released, and, (b) a number of technical and structural shortcomings, in particular, (i) the fact that an efficient tool for releasing pieces of communication and (ii) for tracking the coverage that these pieces of communication generated, was not being used. Of these two causes for underperformance, (a) was considered primary and (b) was thought to be secondary and of less importance. This assumption resulted in the acceptance on the part of those participating in the media office, that there is nothing that can be done about the low levels of coverage as the lack of media interest is something that exists outside of or external to the realm of direct influence of the media office.

The media and the public were believed to be inherently disinterested. The primacy of (a) meant a lack of acknowledgement for the actual impact of (b). In other words; the low levels of media coverage, which is quite obviously a critical indicator of the efficacy of the communication outputs by the media operation, was deemed resultant of an external phenomenon, and this meant that the need for consideration of the technical and structural shortcomings was not recognised, thereby resulting in the chronic neglect of the structural shortcomings which plagued the media office, those again being that neither (i) an efficient tool or mechanism for releasing pieces of communication and (ii) an efficient mechanism or tool for monitoring the coverage that these pieces of communication generated, was not being used. Before discussing (a) - that the media and public are inherently disinterested in the outputs of the media office, a brief consideration for (b) is necessary.

The technical and structural shortcomings of the media office
Briefly, the DA WCPP media office had two major structural deficiencies. Firstly, tools were not being used to release and track the performance of press releases. Secondly, the operation was plagued by a lack of willingness and capacity to seek out topical issues and use them as platforms to deliver a party message that is favourable to the brand of the DA overall. That an efficient tool for tracking and releasing coverage was not being used meant that although little to no coverage was being generated, often that which was being generated would go unnoticed in that only coverage mentioning the DA was being tracked. This meant that, as will be discussed in the following section, where the non-executive members of the WCPP were being covered in their capacity as Chairperson of a particular Standing Committee Chairperson and not in their capacity as the DA Western Cape Spokesperson, that coverage would go untracked.

To better understand the validity of the assumption that the media and the public was inherently disinterested, consideration must be given to the premises that informed it.

The belief that the media and the public are simply not interested
The assumption that the media and the public are inherently disinterested is based on three points, which are as follows:

i. The DA members of the WCPP are non-executive members. Non-executive members do not wield executive power and as such are seen as being of less importance in the public eye in the public is more interested in the executive members who make up cabinet as these executive members are the ones who implement DA policy and execute government. As such, the media is more interested in covering the cabinet members.

ii. As DA members of the WCPP, they are spokespersons on various portfolios such as Health and Finance, however, their scope is limited to that which is relevant to the province of the Western Cape. Thus it is the national DA spokespersons who would get more media coverage as they can more easily communicate on matters concerning their portfolios, regardless of provincial jurisdiction. Furthermore, the national spokespersons are in opposition and as such, they generate coverage off the attacks levelled against the national government. In short, the media and the public are more interested in the national DA spokespersons than what they are in the Western Cape DA spokespersons.
iii. The DA members of the WCPP are, in practice, chairpersons of the Standing (permanent) Committees in the WCPP. These committees oversee the Western Cape Government (WCG) departments and are responsible for holding them to account. However, the DA WCPP media office is a partisan operation, which is funded from the caucus (all of the DA members in the WCPP) budget whilst the role of Standing Committee Chairperson is parliamentary and non-partisan. As such, due to the principle of the separation between party and state, the DA WCPP media office cannot communicate on behalf the members in their capacity as chairpersons of the parliamentary committees. As such, again, the assumption is that the public would be more interested in coverage about the members in their capacity as committee chairpersons.

It is important to state categorically, that these are indeed valid statements and do have a continued impact on the level of coverage generated by the DA WCPP non-executive members, in their capacity as party spokespersons. What follows these three premises, is the conclusion that the DA WCPP media operation will continue to receive low levels of media coverage due to the aforementioned media and public disinterest. As such, the generalisation that the deduction made here amounts to is one that has normative implications for the political communications operation. As the deduction is naturalised, it begins to masquerade as a universal inalienable truth, a thing that is, in and of itself and cannot be altered (Barker 2012:78). As such, an acceptance that the low levels of coverage are unavoidable, became accepted as the norm among those participating in the media office.

This raises the object of this inquiry: The question that will be considered in this discussion is that of whether the naturalised assumption that there will always be little media coverage can be undone by taking a different approach to the understanding of, as well as the practice of particularisation, on the part of the media office.

Is there is any room for meaningful and consistent improvement on the extent to which media coverage is generated by the DA WCPP media office. If so, can a particularised approach to the communications released by the media office accomplish this improvement?

**Generalisation and Particularisation in a political context of the DA WCPP**

Generalisation and particularisation are practices that form the political communications done by the Western Cape Provincial Parliament and as such, amounts to being a key determining factor in as far as the quality and quantity of coverage that a piece of communication receives. This is exemplified here as generalisation is the sort of press release, especially, that does meet some of the requirements as aforementioned, but does so in a way that is abstract and without detailed content, argument or evidence provided. In other words, it may refer to a topical issue or something of public interest but without presenting an action step on the part of the member on the behalf of whom the communication is drafted and released. Alternatively, the statement may be loaded with political rhetoric that is to be expected of the non-executive members of the WCPP, who echo statements released by the executive members, offering little more than a repeat with a headline that begins with “The DA in the Western Cape Welcomes the decision by the Western Cape Government...”

Particularisation in communication by the WCPP, where it has thus far been employed as a formative process, has meant the meticulous inclusion of detail in the press releases that are not only inalienable in terms of evidence or premises that are in support of the argument or statement that the press release makes but also to do so in a way that is gripping or sexy to the media. Over time, this is what forges personal brand recognition for the DA Western Cape Spokespersons and does so in a way that builds credibility. Aside from being gripping and subsequently short (between two and three hundred words), a press release cannot be an aimless allegory, the aspects that a statement covers are as follows;

1. Highlight the problem (issue),
2. Highlight the solution (action to be taken),
3. Expand on the problem,
4. Expand on the solution, and
5. Close (Davis, 2015).

And so it is not only in terms of supporting the argument of the statement through research that is important but also the subsequent distilling of a well-researched piece of communication, into an equally consumable and newsworthy one. The problem that a press release addresses is called a news hook (Davis, 2015), it is what ‘hooks’ public and media interest. What follows is of equal importance as it makes the press release newsworthy, it is the action that the press release. It often proves challenging for the political communications operations to continue to be innovative in terms of action steps. It is nonetheless crucial for securing media coverage. What is the politician in question going to do about the problem? In the case of the DA WCPP, the action step (Davis, 2015) often refers to setting the committee agenda, in other words, the DA Western Cape Spokesperson on Education may issue a press release in which the action step reads “in my capacity as the Chairperson of the Standing Committee on Education, I will call the relevant party before the committee.”

**Case Study**

To achieve this, a comparative analysis will be done of two pieces of communication that were released during 2015 by one of the non-executive members of the DA WCPP caucus, will be considered. The pieces of communication in question were issued by the DA Western Cape Spokesperson on Cultural Affairs and Sport. One of the two press releases which will be analysed in the case study, represents a generalised approach while the other represents a particularised approach and possesses a clear objective. The pieces of communication in question were released in somewhat differing contexts, each of which impacting on its efficacy, relevance and how well it was covered in light of the criteria set out above – in other words, the quality and quantity of the coverage that it generated. As such, these pieces of communication will each be considered in terms of the media coverage they attained, according to the following criteria:

1. The number of hits (how many times the story was reported) and the subsequent Advert Value Equivalent (how much advertising space with the same audience reach would have cost).
2. Sentiment analysis of the hits obtained (whether it was in favour of the party and whether it contained the party message).

As previously mentioned in light of favourability, much of the coverage that is generated is composite, especially when the coverage follows a sitting of the Western Cape Provincial Parliament. Here, where the executive members and the opposition generally dominate the newspaper articles, to the exclusion of the non-executive members that the DA WCPP media office services, the aim is thus to (a) forge a space in the coverage the WCPP garners as it is, and, (b) extending the reach beyond what is currently attained and eventually ‘owning’ this new media territory. The case study will be made up of three samplings of WCPP activity, upon which communication was released, these are as follows:

**Sample one:**

The first instance for consideration is the cases study involving distinct pieces of communication that were released at different instances in 2015, on behalf of the DA Western Cape Spokesperson on Cultural Affairs and Sport.

The first example is a press release that was released on 23 February 2015. It is a congratulatory statement on an achievement of a local chess player, it reads as follows:

**DA honours Kenny Solomon as South Africa’s first International Chess Grandmaster**

With great pride, the DA congratulates Kenneth Terence Solomon from Mitchell’s Plain who will be awarded the title of International Grandmaster. Other than world champion, the International Grandmaster title is the highest official title bestowed for over the board play in the sport of Chess.

Kenny has played more than 100 times in international competitions as he has represented South Africa at every Chess Olympiad since 1998. He has also won the South African Championship on four occasions.
We are heartened that one of the world’s strongest chess players was born and bred in the Western Cape, in the City of Cape Town, in Lentegeur, Mitchell’s Plain. We honour Kenny Solomon as a true role model and an inspiration to our youth in the province. Undoubtedly, Kenny is a real life example of rising above the challenges with which one is faced. The DA welcomes the honour bestowed upon Grandmaster Kenny as sport contributes to social cohesion in the province. It is important to encourage the youth and communities to engage in positive sporting activities. This engagement has proven to be a powerful mechanism in combating social ills within our communities and affords youth opportunities to excel, despite the many challenges they face on a daily basis. This, in turn sparks a sense of achievement and optimizes social behaviour and in effect promotes social cohesion, which is indeed lacking in some parts of our country.

I was privileged to have invited Grandmaster Kenny Solomon to the official opening of the Western Cape Provincial Parliament on Friday, 20 February 2015. I have also been afforded the opportunity of accompanying him as he visits several places across Cape Town, including his hometown of Mitchell’s Plain. He is certainly a role model for the youth of our generation and I hope he will inspire them as much as he has me.

DA Western Cape Spokesperson on Cultural Affairs and Sport

The above press release won no media coverage on behalf of the DA WCPP. As such, its release did not manage to weave the DA brand promise into an issue that is topical and of public interest, one that voters care about. The statement was not current as it referred to something that has already happened and had no action step. As such, it was not newsworthy. While socially relevant, the content lacks detail. It leaves the reader unsatisfied in its reiterating political rhetoric that is already circulating in the public discourse.

Sample two:

The renaming of towns with colonial names and the removal of colonial and apartheid statues from public space in light of their irrelevance in post-apartheid South Africa, with specific focus on the Western Cape values and identity.

There are a number of dynamisms that influenced the issuing of the press release and that warranted its actioning, these are as follows:

1. The subject for discussion - debate - was proposed by one of the minority parties in the WCPP, the Economic Freedom Fighters (EFF).
2. The subject for debate came in the wake of a response to a call by the EFF in the Western Cape (WC) on the Western Cape Government (WCG) to rename 40 towns in the province, in light of these names being reflective of a colonial history.
3. The Minister of Cultural Affairs and Sport in the WCG (DA WCPP executive member) levelled a response that was interpreted as dismissive of the call by the EFF, regarding point 2.

These three points present one set of political significances that impacted on especially the quality of coverage for the party in the WC as a whole. This because the EFF played on one of the key criticisms that is continuously levelled against the DA, that being that the DA is a party for white, middle class South Africans, with little empathy or appreciation for the challenges that face non-white and especially black South Africans. The press release in question preceded the debate in an effort to win the spin or set the tone before the debate took place and as such, it had a particular aim. The second sampling reads as follows:
WC: Local heroes honoured in renaming N2 and M3 foot crossings
24 June 2015
Release: immediate

Name changes provide an opportunity to reflect our shared history in a fair manner. As such, I commend the City of Cape Town (CoCT) on the extent to which it has consulted the public in the naming of 7 bridges that cross over Nelson Mandela Boulevard (N2) and Rhodes Drive (M3).

The Naming Committee at the CoCT will today meet to consider and recommend to the Mayor the proposed names for the bridges.

The CoCT remains consistent in its engagement with the public. In this particular process, those living in the metro were afforded an opportunity to submit suggested names to the public participation office. Adverts were run in the media, notices were also placed on site at the crossings which are to be renamed, encouraging these submissions. The CoCT received an overwhelming number of submissions in turn. The responses were largely positive due to this being an authentic consultation process.

In January 2015, following a vetting process, the Naming Committee in the CoCT approved 7 names, which were then again made available for public input during the period of 1 – 30 April 2015. The 7 proposed names are as follows:

Father John Oliver - An Anglican priest from District Six who passed away in 2013.
Father Basil van Rensburg - A South African Catholic priest who gained international recognition for his fight against the apartheid regime’s forced removal of the people of District Six.
Tallep Pietersen - A renowned singer, composer and director of a number of popular musicals.
Tuan Guru - Imam Abdullah Ibn Qudhu Abus Salaam, is regarded as the Father of Islam in South Africa, he was banished by the Dutch settlers to the Cape in 1780 and was incarcerated on Robben Island for 12 years until 1792.
Dawid Kruiper - A traditional healer and leader of the Khomani San in the Kalahari, he spoke of the rights of indigenous people to the United Nations in 1994, and led the way for successful land claims for the San People in South Africa.
[!]kunta (Klaas Stoffel) - The first contributor to the Wilhelm Bleek and Lucy Lloyd Archive of /xam and !kun texts. He arrived in Mowbray on 29 August 1870 and stayed until October 1873.
Ingrid Jonker - The South African poet who drowned at the age of 31, in Sea Point. Her poem ‘Die Kind’ was recited by former President Nelson Mandela during the opening of South Africa’s first democratic parliament in 1994.

These crossings will be renamed after locals who made important contributions to our history. This initiative taken by the CoCT encourages the use of consultative processes, which serve to form an inclusive society. Name changes provide the opportunity to promote cultural diversity and strengthen community identity.

The DA in the Western Cape is committed to redressing the legacy of our past in a way that represents the will of the people, through the correct channels.

DA Western Cape Spokesperson on Cultural Affairs and Sport

The above press release received twelve media hits with an A.V.E. of R 295 514, 34 (Gate5, 2015). Each of the headlines generated read the line that the press release took. This means that the DA in the WCPP managed to set the tone, on the issue, in its favour and pre-emptively defend against a brand damaging attack in the parliamentary debate that took place the day after the press release was issued.

The following is a list of the hits or mentions that the statement in question received. From this, the favourability of the headlines and subsequent coverage, as well as the AVE, can be observed:

<table>
<thead>
<tr>
<th>Website</th>
<th>Headline</th>
<th>Date</th>
<th>A.V.E.</th>
<th>Address</th>
<th>Favourability</th>
</tr>
</thead>
<tbody>
<tr>
<td>iol.co.za</td>
<td>Iol News 7 names for 7 bridges in Cape</td>
<td>24-Jun-15</td>
<td>R 37</td>
<td><a href="http://www.iol.co.za/news/politics/7-names-for-7-bridges-in-cape-1.1875913">http://www.iol.co.za/news/politics/7-names-for-7-bridges-in-cape-1.1875913</a></td>
<td>positive</td>
</tr>
</tbody>
</table>
CT to honour seven citizens with landmark renaming

Cape Town to honour 7 South Africans

Local heroes honoured in renaming N2 and M3 foot crossings

City to honour its luminaries

WCPP Debate Speeches: Renaming of towns in the Western Cape

City of Cape Town

Renaming of foot bridges

City of Cape Town - Repeat

City of Cape Town - Foot bridges

City to honour its luminaries

Conclusion

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The scope of the DA WCPP media office is much larger than what would be assumed off hand. That it operates in a niche political environment is not necessarily limiting to its performance. Rather, it is in this niche environment that a particularised approach to the communications released can build the credibility of the media office.

In terms of media has meant that there is much room to explore meaningful action steps such as the aforementioned action step, some exploration has yet to happen in order to achieve this in that the DA media office in the WCPP is attempting to forge a space into existing coverage, out of which it is ordinarily squeezed. That there is much work to be done to carve a space in the media for the DA in the WCPP, pandering to the, very tempting, political culture of generalisation will sell this enterprise short.

While there is much to be said for the extent to which editors and journalists, media houses and the public filter and interpret the communications that is released by the DA in the WCPP, that which is within the ambit of control of the media office, must preferably be executed in a manner that is particular, rather than abstract. It is the particular and the detailed that will build the credibility of the spokespersons on the DA WCPP caucus and, over time, position them as trustworthy experts on their portfolios.

Bibliography

Dematerialization and Use of Social Networks in Public Administrations: Emergence of Citizen Relationship Management (CiRM) in Morocco

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Aomari Amina, Mohamed V University, Morocco

Abstract

The use of ICT (Information and Communication Technologies) as a way of transformation is no longer demonstrated in just the field of the CiRM (Citizen Relationship Management). Indeed, we have today at our disposal tools not only for our daily or professional life, but also in the service of our public institutions’ modernization to improve CiRM. Simplify procedures, allow decentralization of decisions, facilitate access to information, reduce extensions, better manage markets, and develop services are all benefits expected by those who are today the pioneers of e-Government. Morocco is not escaping this technological revolution. Its opening on Europe has enabled it to be particularly aware of these changes and to follow them when possible. The present work therefore aims to demonstrate how public administration in Morocco can benefit from dematerialization and social networks in their citizen relationship management, their internal management, relationships with suppliers and with other administrative bodies.

Keywords: ICT, dematerialization, Citizen Relationship Management (CiRM), e-government, social networks.

Introduction

The ICT have revolutionized all the management techniques from the late 20th century. The use of these ICT as way of transformation of the private sphere is not to be any more demonstrated in the field of the CRM. Companies have indeed developed offers and applications in order to have more proximity with customers, understand their needs, to better serve them and develop loyalty of them so.

However in the public sector, the Citizen Relationship Management (CiRM) still experiencing considerable delay. The states and the public administrations are therefore called upon to deal with new habits and expectations of their citizens.

By the mid-1990s, countries like Korea, France, the United States realize the potential of ICT to improve their relations both internally and with their audiences. Indeed, citizens have become more demanding today towards public administration. They hope in particular that it offers services more interactive, personalized and available that they find in the market sector.

Morocco does not escape this technological revolution. Its opening on Europe has enabled it in fact to be aware of these changes, but also to follow them as far as possible.

As for the Moroccan Public administration, it saw many reforms during this decade. Innovating experiments were undertaken in many fields. In spite of these many assets, the action of the administration and its operating process are the object of criticism both from its users and on the part of civil society.
This work aims to show how the Moroccan government can benefit from the dematerialization and social networks in their citizen relationship management, their internal management, their relationships with suppliers and other administrations.

So at first we will define the concept of CiRM and highlight the importance of dematerialization and use of social networks in government. We will also present the Moroccan e-government experience and the results of the database on the presence of government on social networks that we have developed. After the methodology part, we will present the results of our customer satisfaction survey towards government to obtain citizens’ opinions and assessments and therefore to integrate the field reality through a questionnaire.

2- The concept of Citizen Relationship Management (CiRM)
Customer Relationship Management (CRM) consists of a “corporate strategy to increase profitability, revenue, and customer satisfaction ... the realization of this strategy requires the development of processes and solutions that cover all customer interactions across multiple channels.”

CRM is therefore within private organizations one of the most difficult routes to implement but certainly the most profit generator for the company. Besides the purely cultural aspects of abandoning its product lines and services in the heart of its information system, the definition of such a strategy requires a complete overhaul of operational procedures between the company and its customers. This is not to “serve” evenly each customer but to regard each one as single requiring an offer and a personalized service. The challenge is simple, it is above all for a company to maintain and develop its customer capital.

However, in the public sector CiRM is often ignored. The use of ICT in the public sector is much less advanced than in the private sector in most areas. This is especially true when comparing customer orientation of companies to civic orientation of government. This is due predominantly to the fact that CRM systems used by companies to get closer to their customers are still no or little used in the public domain. While the instruments of CRM cannot be reused without adaptation by governments because they do not take into account the specificities of the relationship between administrations and citizens, but the many experiences and accumulated knowledge can still be used to improve the relationship with the citizen.

In order to improve this relationship, governments should put the needs of citizens at the center of their thoughts and offer them customized services, which are accessible 24 hours on 24 and 7 days 7 through a single access point. This implies integration of the different departments, collaboration between offices that goes beyond the established hierarchy. Indeed, the citizens expect today an administration which is more efficient, better services in terms of accessibility and navigation, speed, integrality and integration between the various communication channels, just as a better participation in democratic life.

Thus the first costumers’ approaches to government service was developed in the 1990s (Albrecht 1993; Gore, 1993; Kibler, Bogumil, Greifenstein and Wiechmann, 1997; Switzerland, 1992). A major objection is that the citizen government relationship is redefined as a passive commercial engagement.

The emergence of e-government in the late 1990s added a new impetus to reforms focused on NPM (New Public Management) and research on improving public services through online applications (Abramson & Morin , 2003; Ashford, Rowley, and Slack, 2002; Cadow, 1999; Cook, 2000; Fontaine, 2001).

Parallel to these developments, the first publications on the CiRM concept appeared (Accenture, 2003; and Saliterer Bleyer, 2004; Hewson Group, 2002 Freeland, 2002; Janssen and Wagenaar, 2002; Kavanagh, 2001; Richter, Cornford and McLoughlin 2005; Sharpe, 2000; Souder, 2001; Trostmann, 2002). At this stage it is not possible to identify a clear research stream of CiRM in the public sector, an
appropriate theoretical framework or model or to identify a broad existence of public managers responsible for CiRM. CiRM is not a theory but a concept of management.

Thus CiRM can be defined as a set of management practices, channels, and technological solutions that seek to use the customer relationship management (CRM) of the private sector in the public sector. CiRM aims therefore to design, develop, maintain and control the relationship between citizens and government that are economical and effective. Its integration in e-government approach is an important aid in order to customize the tender offer and develop relations with the population. Through the implementation of a CiRM system, public offices have the ability to store and access centrally to the huge amount of data available to the government on citizens of disseminated way and complete this information to obtain a complete profile of citizens. This should allow a better understanding of the citizens and their need.

Table 1: Major differences between private and the public sector CRM environment

<table>
<thead>
<tr>
<th>Private Sector CRM</th>
<th>Public Sector CRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition (some)</td>
<td>Monopoly</td>
</tr>
<tr>
<td>Market orientation</td>
<td>Jurisdiction</td>
</tr>
<tr>
<td>Million relationships</td>
<td>Billion relationships</td>
</tr>
<tr>
<td>Homogeneous product range/controllable quantity</td>
<td>Huge number of heterogeneous products (services)/uncontrollable due to political decision making</td>
</tr>
<tr>
<td>Personalization</td>
<td>“One size fits all”</td>
</tr>
<tr>
<td>Segmentation (Pareto rule 20-80)</td>
<td>Segmentation possible/no termination of unprofitable citizens</td>
</tr>
<tr>
<td>Processes flexible</td>
<td>Processes static</td>
</tr>
<tr>
<td>Budget/sunk costs</td>
<td>Budget/sunk costs</td>
</tr>
<tr>
<td>Legacy systems (IT)</td>
<td>Legacy systems (IT)</td>
</tr>
<tr>
<td></td>
<td>Poor service image</td>
</tr>
<tr>
<td>Organization culture</td>
<td>Organization culture</td>
</tr>
<tr>
<td></td>
<td>Human resources (lack of knowledge, salaries not competing with private sector)</td>
</tr>
<tr>
<td>Laws</td>
<td>Laws</td>
</tr>
<tr>
<td></td>
<td>Federalism</td>
</tr>
<tr>
<td></td>
<td>Political influence (planning cycle)</td>
</tr>
<tr>
<td>Profit orientation/maximizing the</td>
<td>Democratic understanding</td>
</tr>
<tr>
<td>shareholder value</td>
<td></td>
</tr>
</tbody>
</table>

3- E-government: vector of improving the relationship between public administration and citizens

- E-government can work more efficiently and improves services:
  ICT enables to perform more efficiently processing large amounts of files and tasks specific to public administrations. The use of Internet applications can result in savings in the collection and transmission of data, as well as providing information and communication with customers. Increased sharing of data within and between public authorities should lead the future of significant progress in terms of efficiency.

The adoption of an optical focusing the customer service is an essential point of the member countries reform programs. The effectiveness of the services provided depends on the understanding of user needs and online services are no exception to this rule. A service-oriented approach to customer provides the user of the obligation to understand the structures and complex relationships of administrations.

Internet can help achieve this goal by allowing administrations to present themselves as a unified organization, and provide for integrated online services. Like all services, those based on e-government should be developed in line with demand and their use value, as part of an overall strategy of supply channels.

- E-government contributes to the achievement of objectives:
  - The achievement of specific objectives
    Internet can promote the exchange of information and ideas among stakeholders, and contribute to achieve specific policy objectives. Thus, the availability of online information can encourage the use of an educational or training program, the exchange of information in the health sector can improve resource utilization and patient care and information sharing between central and sub-national governments can facilitate the implementation of environmental policies. However, the exchange of personal identifiable information will raise the issue of protection of privacy, and will need to carefully weigh the potential benefits and disadvantages of this type of exchange.

  - The achievement of general objectives of governments
    E-government contributes to the achievement of other economic policy objectives, since it reduces public expenditure through the implementation of more effective and efficient programs, improve business productivity through simplification of administrative procedures and promote development of the information society and the ICT sector.

- E-government can be an essential instrument of reform

All OECD governments are facing the problem of modernization and reform of public management. Given current trends - globalization, new fiscal demands, changing societies and strengthening customer expectations - this reform process must be continuous. The reforms were based on ICT in many areas.

- E-government can help build trust between government and citizens

ICT can contribute by facilitating the involvement of citizens in the political process, promoting openness and accountability of government, and helping to block corruption. In addition, ICT can help an individual make its voice heard in a general debate, they can be harnessed to encourage citizens to think constructively to issues of public interest, and may contribute to the evaluation of consequences of using technology to open up the political process.

Measures must also be taken regarding the quality of information and accountability. However, few are those who think that e-government completely replace devices in the near future, the methods traditionally used in information, consultation and public participation.
4. Evaluation of the Moroccan e-government experience

The e-government is part of the “Morocco Numeric 2013” Map program that is based on 18 initiatives declined to 53 concrete measures and budgeted whose planning and officials have been defined. The “Morocco Numeric 2013” strategy has indeed erected the e-Gov program as an axis priority. The goal of the program is the approximation of the administration to the citizen and the business needs, while improving efficiency, quality and transparency. Its governance is supported by the National Council of Technology and Information (CNTI), established by decree and chaired by the head of government. A budget to match the ambitions has been allocated; it amounted to 5.2 billion dirhams.

Other initiatives have been launched to implement a comprehensive program to develop e-government in Morocco. Initiatives that have contributed to the emergence of several tele-services include for example: the BADR system (Automated Customs Base in Network), which enables economic operators to register their customs declarations irrespective the geographical location where they are, the Moroccan biometric passport management system, the portal Service-Public.ma, bouquet tax e-services (Simpl-VAT Simpl-IS, Local taxes online), the portal for public procurement ... etc. This is a total of more than 280 public teleservices. This indicator, and more than thirty others, is the result of a mapping conducted by the Ministry of Civil Service and Modernization of Administration, in respect of 2013, on the use of ICT in public areas.


The WEF report is based on ten criteria including: policy and regulatory environment, Business Environment and Innovation, Infrastructure, Accessibility, Skills, Individual use of ICT, Use in business, Government use, Economic impacts and Social impacts. These criteria are themselves grouped into four categories: Environment, Availability, Use and Impact.

Morocco is ranked 24th in terms of accessibility of ICT with a score of 6.3. It also records a good standing in the use of ICT by government (41st), social impact of ICT (64th), for single use (70th) and political and regulatory environment (71th).

However, the Kingdom must put more effort in terms of the business environment and innovation in ICT (83th), infrastructure (87th) the use of ICT in business (105th) , skills (110th) and the economic impact of information and communications technology (120th).

In Africa, Morocco comes fourth in the ranking of WEF with an overall score of 3.9. It is preceded by Mauritius (4.5) which gained three places compared to 2014, the 74th Seychelles (4.0) and South Africa, 75th (4.0).

Morocco, for its part precedes all Maghreb countries: Tunisia (81th), Egypt (94th), Lebanon (99th), Algeria (120th), Libya (131st), Yemen (136th) and Mauritania (138th) but ends up behind the countries of the MENA region, it is the United Arab Emirates who monopolize the head with a 23rd place, followed by Qatar (27th), Bahrain (30th), Saudi Arabia (35th), Oman ( 42th), Turkey (48th), Jordan (52nd) and Kuwait (72th).

Furthermore, a net increase of 38 seats was recorded by Morocco in the world ranking of e-Government, established by the Economic and Social Affairs of the United Nations Department (UNDESA). Indeed, the UN organization that sets every two years a report on e-Government, places Morocco in its 2014 report to the 82nd in the world, an improvement of 38 points compared to the 2012 This ranking is made from the average of the three following sub-indices: online services, human capital and infrastructure of information technology.

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Table 2: Top 20 countries in Africa in the world e-government rankings

<table>
<thead>
<tr>
<th>Country</th>
<th>Level of Income</th>
<th>EGI 2014 Rank</th>
<th>2015 Rank</th>
<th>Change in Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunisia</td>
<td>Upper Middle</td>
<td>0.5327</td>
<td>75</td>
<td>103</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Upper Middle</td>
<td>0.5338</td>
<td>76</td>
<td>93</td>
</tr>
<tr>
<td>Egypt</td>
<td>Lower Middle</td>
<td>0.5129</td>
<td>80</td>
<td>107</td>
</tr>
<tr>
<td>Seychelles</td>
<td>Upper Middle</td>
<td>0.5113</td>
<td>81</td>
<td>84</td>
</tr>
<tr>
<td>Morocco</td>
<td>Lower Middle</td>
<td>0.5060</td>
<td>82</td>
<td>120</td>
</tr>
<tr>
<td>South Africa</td>
<td>Upper Middle</td>
<td>0.4869</td>
<td>93</td>
<td>101</td>
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<tr>
<td>Botswana</td>
<td>Upper Middle</td>
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<td>Namibia</td>
<td>Upper Middle</td>
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<td>123</td>
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<tr>
<td>Kenya</td>
<td>Low</td>
<td>0.3005</td>
<td>119</td>
<td>119</td>
</tr>
<tr>
<td>Libya</td>
<td>Upper Middle</td>
<td>0.3753</td>
<td>121</td>
<td>191</td>
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<tr>
<td>Ghana</td>
<td>Lower Middle</td>
<td>0.3735</td>
<td>123</td>
<td>143</td>
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<tr>
<td>Rwanda</td>
<td>Low</td>
<td>0.3589</td>
<td>125</td>
<td>140</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Low</td>
<td>0.3553</td>
<td>126</td>
<td>133</td>
</tr>
<tr>
<td>Cape Verde</td>
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<td>0.3226</td>
<td>137</td>
<td>118</td>
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<td>Gabon</td>
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<td>142</td>
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<tr>
<td>Nigeria</td>
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<td>0.2929</td>
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<td>Cameroon</td>
<td>Lower Middle</td>
<td>0.2762</td>
<td>144</td>
<td>147</td>
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<td><strong>Regional Average</strong></td>
<td><strong>0.2661</strong></td>
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<tr>
<td><strong>World Average</strong></td>
<td><strong>0.4772</strong></td>
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</tbody>
</table>


On another side, Morocco is ranked 17th place worldwide and first African on the index of the eParticipation. The UN report specifically welcomes the e-Participation Service of the General Secretariat of the Government to publish the draft regulations and collect proposals from citizens relating thereto. The good results of Morocco on online services and e-participation are the fruit of efforts under the e-Government program, priority strategy of “Morocco Numeric 2013”. These efforts included the establishment electronic services with high added value.

5- Moroccan government presence on social networks

In order to quantify the use of government ICT tools and social networks, the creation of a database is an essential step. To do so, a survey of Moroccan public administration borrowed mapping ICTs published in 2013 by the Ministry of Public Sector Modernization and then through an online search, we were able to evaluate their presence on social networks while taking into account the number of fans for each page, their presence on the web through an active portal and the various remote services it offers.

5.1 Distribution of the Moroccan government

The investigation has concerned 299 administrative units including 46 departments (including High Commissions) and split into groups:

Large Public Establishments (PE1: 63): such as crates (CNSS, CMR, CNOPS JFK, GCC, ...), offices (ONCF, OMPIC, OFPPT, OCP, ONDA, ...), agencies (ANAPEC, the ‘ANPME, ANRT, ...). These
establishments generally have a national scope and have or are expected to have, an information system with a high level of use of new technologies.

Other Public Establishments (PE2: 198): primarily operating at regional or local level, such as urban agencies, academies, boards, regional offices of Agricultural Development, agencies of watersheds, chambers of commerce and of industry, chambers of agriculture, craft rooms, Marine Fisheries, university hospitals, universities, schools and institutes.

5.2 Results of the database

Regarding the government departments, the majority have a web portal and even more sites depending on the nature of the services provided by the various departments. As for the presence on social networks, the latter is average, only 14 out of 46 are present on Facebook. However only eight departments are present on Twitter and LinkedIn.

Furthermore, large public institutions are most active on the net, there are 44 out of 45 that have a portal, 30 pages on Facebook are active. They are also present on Twitter, but practically no institution is on Google+.
Other public institutions are less active on the net; there are 34 out of 92 that have a portal. Facebook does not interest other institutions, only 14 are interested and virtually no institution is on Google+.
6- Methodology of the satisfaction survey

Our survey was designed to assess the level of citizens satisfaction towards Moroccan public administrations services but also the use of new technologies by them in the management of its relationship with citizens. We have no privileged class of citizens. Indeed, our survey was open to the public.

We developed a quantitative questionnaire of 34 questions, with first of all general questions about the use of ICTs by Moroccan citizens. The identification sheet at the end of the questionnaire allowed us to segment our sample according to occupational status but also according to geographical regions. The questionnaire of 34 questions divided into seven parts. The first part focuses on Internet use habits in general and more particularly the use of ICT by Moroccan citizens. Questions of the second part allow respondents to rate the quality of public services. The third part in turn allows highlighting the quality of the management of wait times. The fourth part deals with the way in which the citizen gets the information about the administrations. This section also allows citizens to propose the best way to get them, to assess the significance for administration of owning a website. And finally for respondents who have used an administrative website, the last questions allow them to assess the quality of content and site design. The fifth part concerns the quality of information provided by governments. Initially the respondents give their opinions about the speed of exchanges and access to information in the Moroccan authorities. Secondly, respondents are asked to propose the best solution to improve the quality of communication in those jurisdictions. The sixth part concerns the degree of satisfaction of respondents already made a complaint to a public authority. The last part concerns the socio-demographic data of respondents who allowed us, as said before, segmenting our sample.

The Responses were collected through a link posted on social networks (Facebook, Twitter), a link emailed as well as on paper questionnaires distributed in public places. Data processing was performed on Sphinx. As for the analysis, it will be made following the diagram of the questionnaire, that is to say, five distinct parts.

7- Citizen satisfaction study overlooked the Moroccan government

The investigation has mobilized 206 respondents spread across various cities including Rabat 59.2%, 11.7% for Salé, Kenitra 8.3%. They are mostly managers and higher professionals (48.1%), students (31.1%) and employees (11.7%). The survey mainly investigated the frequency of use and access to the
Internet, the use of social networks, the evaluation of the quality of government services and information issued by them. And also proposals for improvement of public services.

7.1 Patterns of ICT use by Moroccan citizens

The development of e-government raises the question of the possibility of access to technologies that take advantage of such an infrastructure. 59.7% of respondents profit from Internet access at home, and 35.9% of an access on the workplace. As for the support more used is the cell phone with 53.4% followed by the laptop with 23.3%.

We can see that broadband is the type of connection used by 51% of respondents, followed by 39.8% with 3G. Moreover, the use of the Internet is made in a daily way for 47.6% of respondents even several times a day for 39.3% of them.

As for the use of social networks, we noticed that Facebook is the social network most used by respondents with 92.7% followed by 67% with LinkedIn and Twitter with 50.5%.

![Figure 5: Places and supports of internet access](image1.png)

![Figure 6: Connection type](image2.png)
7.2 Evaluation of Moroccan public services quality

The table below is a summary recapitulating the level of respondents’ satisfaction with Moroccan government services. So this level of satisfaction is negative since the majority of respondents assessed this quality as poor with an average of 1.71. This is due to poor time management of waiting citizens (Figure 7). Indeed, 33.5% of respondents wait between 16 and 20 minutes to an hour for 26.2% of respondents. This waiting is mainly due to the slowness of the staff according to 83% of respondents followed by the absence of the employee with 71.8%.

Table 3: Evaluation of public services

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>Average</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of services provided</td>
<td>1.88</td>
<td>0.91</td>
</tr>
<tr>
<td>Confidence level</td>
<td>1.76</td>
<td>0.85</td>
</tr>
<tr>
<td>Quality of reception</td>
<td>1.71</td>
<td>0.68</td>
</tr>
<tr>
<td>Level of transparency</td>
<td>1.67</td>
<td>0.76</td>
</tr>
<tr>
<td>Guidance Quality</td>
<td>1.66</td>
<td>0.73</td>
</tr>
<tr>
<td>Quality listening</td>
<td>1.61</td>
<td>0.65</td>
</tr>
<tr>
<td>Total</td>
<td>1.71</td>
<td>0.77</td>
</tr>
</tbody>
</table>

(Valuation of levels: 1 (Poor) to 5 (excellent))

Source: Authors’ research

Figure 7: Waiting time

7.3 Obtaining information

42.2% affirm that Internet is the main tool used by the respondents to obtain desired information follow-up of the reception or information service of the administrations used by 35.4% of respondents.
Furthermore, 40% of respondents used a website of an administration are rather dissatisfied with the contained site and its design.

**Figure 8: Way of obtaining information**

![Chart showing the percentage of respondents using different methods to obtain information.]

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet (Portal, online services ...)</td>
<td>42.2%</td>
</tr>
<tr>
<td>Reception/Information Office</td>
<td>35.4%</td>
</tr>
<tr>
<td>The procedure was indicated to me by...</td>
<td>20.4%</td>
</tr>
<tr>
<td>Other</td>
<td>1.5%</td>
</tr>
<tr>
<td>A publication of administrative Service</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: Authors’ research

### 7.4 Information quality

The respondents are rather dissatisfied with the quality of information both in terms of clarity, the transmitted volume, the correlation between expectation and reality, transparency, timeliness and quality of the exchanges. This is explained by the lack of communication lavished by the Moroccan government to the extent that the respondents were “not at all satisfied” with it.

**Table 4: Evaluation of the information quality**

<table>
<thead>
<tr>
<th>Evaluation Area</th>
<th>Average</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The clarity of the transmitted information</td>
<td>1.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Quality of the transmitted volume</td>
<td>1.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Quality consistency</td>
<td>1.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Transparency of information</td>
<td>1.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Speed of obtaining information</td>
<td>1.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Quality of exchanges</td>
<td>1.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Total</td>
<td>1.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Valuation of levels: 1 (Not satisfied at all) to 4 (Very satisfied).

Source: Authors’ research
Important investments in means of communication (Website, information channels…) is the best way of improving the administrations communication according to 40.8% of the respondents followed by a greater availability of staff (31.6%).

Figure 9: Evaluation of communication quality

Figure 10: Best solution to improve Moroccan government communication

7.5 Claims Management
The two graphs below show that only 32.5% of respondents have already made a claim and are not very satisfied for managing it. If respondents do not conduct complaints, this is due to the complexity of the process accompanied by public indifference service.
8. Discussion, conclusion and research paths

Citizen Relationship Management is a new concept that is beginning to arouse great interest on the part of public services. So we define it and the issues it creates for public administrations.

Moreover, as for the private sector, the use of paperless and social networks in the public sector is essential for improving the Citizen-Administration relationship. Indeed, without this type of governance, Morocco may continue to see weakness in cropping and piloting an e-government program to break the sectoral approach for a global and controlled approach. He will then perform as assertive ambition to rank among the countries that make best use of information and communications technology, which make it a real lever on the one hand, satisfaction of their citizens’ expectations and, secondly, the global competitiveness of their country.

The rapid harmonization of government websites and portals, in compliance with a communication strategy between the administration and citizens and users is paramount. This requires the definition of a repository, unified and accessible online, procedures and access to public service. Current projects, such as returns and payments online, document orders via the Internet, monitoring online the status of files, decision-appointment by the channel must be standardized, accelerated and generalized.

Existing operational-line services should be open to all interested people.

The security of personal data, in accordance with the 09-08 law protecting personal data must be integrated and effective in all initiatives and developments in an e-government approach.

The citizen satisfaction study vis-à-vis government we conducted has identified major gaps between expectations of citizens and the efforts of governments, the latter consider that they perform their duties effectively while in the minds of citizens that is far from the case.

Concerning the management of requests for information, citizens state that government web portals are not rich in information; they demand more information abundance thing that will reduce physical dating of citizens in government and thus solve the problem of queues. The government web portals are not an attractive interactive graphic design for citizens to use more colors and shapes enhance the perception of citizens with respect to portals administration. The guide creation and bilingual brochures and making them available to citizens within public administrations reduce the number of inquiries on the spot.

Moreover, claims are an interesting indicator of malfunction of services from the perspective of citizens, that governments do not exploit enough. However, the implementation of a policy of systematic analysis of complaints and their reasons is a valuable means of understanding of citizens’ expectations. This helps to better identify the types of complaints, questions, misunderstandings and information gaps of users on legislation and procedures. Thus, the necessary service improvement operations may be started.
on this basis, but also a greater awareness of citizens to explain to them that the first way to improve
government services is to claim.

Add to this the importance of simplification of procedures and approaches to the extent that the service
provided to the citizen in itself the finality of administrative action: it must be done quickly and
efficiently in a strict respect of the law. The internal stresses in the administration should not therefore
influence the citizen; public services must constantly seek ways and improvements to ease the steps and
requirements to which users to benefit from a service or benefit. Efforts to clarify and simplify
administrative procedures are an essential lever for improving the relationship of public services with
their users.

This search for efficiency and speed requires a change in attitudes and procedures for risk management:
it is to go from a systematic prior control, which determines the design of procedures and introduced the
seeds of complexity, to a management post risks that must be identified and evaluated, with
implementation of measures for their management. The service to the citizen in optimal conditions must
always be the primary goal of the mission of public services.

In conclusion, the driving force is the relationship to the user. It is the essence of public service. It should
make maximum use of private principles in terms of loyalty and prospective relationship.

The collaborative relationship with its partners is a major difference from the private sector. Both the
private sector is in a mode of competitive relationship with the other companies as the public sector can
benefit from its vocation of solidarity and complementarily.

Internal management constitutes the framework of the system for its part. It is its capacity to obtain the
information, to trace it, follow it, explain it, and to re-use it which makes its value and its effectiveness
of it.

We are convinced that the E-Administration will be done through a personalization of the relation
between the user and the agent.

Naturally, such an initiative should not be the concern only of the central administration, it must be
extended to external services and urban and rural municipalities. It would therefore be appropriate to
conduct a study on a regional level to uncover the citizen relationship management. Indeed, a policy of
decentralization seeks first to bring government closer to the citizen. Therefore, a decentralization that
is not accompanied by a true development strategy of the administration, that is to say, to be first at the
service of the citizens, before thinking about the modernization and computerization, is an unnecessary
decentralization.

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Bankruptcy Prediction of Industry-Specific Businesses Using Logistic Regression

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Abstract

This paper compares the accuracy of Business Failure Prediction (BFP) for Australian companies by conducting binary logistic regression analysis on companies that haven’t been allocated to an industry and the same companies categorized under each industry they subscribe to. An analysis of financial ratios for the Australian marketplace using various variables for an experiment data that includes hundreds of existing and bankrupt businesses across five sectors over a 12 month period from 2013-2014 is presented in the paper. There are many gains from the study, including the potential to aid the economy as a whole so as not to fall into a recession or slump as a result of increased business failure. The BFP model in this paper acquires the prospective to momentously aid various parties in the economy – from shareholders to government agencies; thus leading to the improvement of the economy in general. There is adequate evidence to prove that bankruptcy in companies can be more accurately predicted by allocating companies to their respective industry, as opposed to a “one model fits all” approach which has been used commonly throughout many of the literature.

Keywords: bankruptcy prediction; business failure; financial distress; insolvency; logistic regression; variable analysis; industry-specific

Introduction

Business Failure Prediction (BFP) is based on constructing statistical models that endeavour to predict the financial success or failure of a firm based on publicly available information, such as financial ratios extracted from financial statements (Gepp & Kumar, 2012). Such models can deliver early warning signals of potential distress which could aid both the management and investors to take preventative actions, thus reducing the chance of incurring losses (Jaikengit, 2004). These models can then be used by various institutions, including governments and lenders, to help in decisions relating to the business at hand. For that reason, the accuracy of the business failure prediction models has become an increasingly significant issue in statistics, finance, and other business areas (Cybinski, 2001).

The empirical data for the study were wholly extracted from the official portal of Morningstar. Morningstar provides data on over 456,000 investment offerings, including stocks and mutual funds, as well as providing real-time global market data on almost 10 million equities, futures, indexes, commodities, options, and precious metals, in addition to foreign exchange and treasury markets. Morningstar has around $164 billion in assets under advisement and management as of the 30th of June, 2013. The data from Morningstar has been extensively used in prior researches across different fields (MorningStar, 2015)

The scope of the study concentrates solely on the Australian marketplace. Australia was chosen because: according to the Australian Bureau of Statistics (ABS), 44 businesses close their doors every day (Cornish & Landy, 2013). Such a high statistic is troubling for the Australian economy. This presents an area that needs to be addressed. If fixed, it has the potential to greatly benefit the Australian economy. The attention will be on identifying whether financial distress – leading to bankruptcy – of businesses in Australia can be more accurately predicted using models that segregate the economy based on industry-specificity, i.e. companies serving under a specific industry will be subject to a tailored industry-specific model, as opposed to a “one model fits all” approach.
The study includes the following research objective: To be able to ascertain whether bankruptcy prediction of businesses can be more accurately calculated by segregating the economy based on industry-specificity.

Previous BFP models tested their hypotheses by using a specific set of variables across various sectors in the economy – such as Altman’s Z-score model (Kumar & Gepp, 2010). This paper attempts to challenge that by using numerous variables and applying them to companies that are placed in industry-specific models vis-à-vis industry-wide models to check which yields more accurate results. According to Kumar & Gepp (2010), BFP has many advantages, including:

- Governments and watchdog institutions can utilize the models to focus on firms with high bankruptcy probabilities.
- Allowing banks and lenders to assess a business’s bankruptcy probability before determining whether a loan is suitable, and if so, how much excess and premium to charge.
- Stakeholders and potential merger companies can assess the likelihood of a firm’s failure or success as an indicator of whether there will be sustainable benefits gained.
- Existing and potential stockholders can use the BFP models to gain informed decisions about the company they are investing/wish to invest in for best Return On Investment (ROI) opportunities.

This report work on answering the following question:

- Will classifying companies according to their respective industries increase the ‘accuracy’ of bankruptcy prediction models? ‘Accuracy’ here refers to percentage of companies that:
  - Were correctly classified (true positives, negatives)
  - Reducing Type I (false alarm) and Type II (misses) errors, Type I especially.

Therefore, the hypothesis of the study is: \( H_0: \) Bankruptcy prediction accuracy is industry-specific

**Literature Review**

Type I Error refers to misclassifying a failing business as successful, whereas Type II Error refers to misclassifying a successful business as failing. Type I Error is regarded as riskier since it results in a realised financial loss caused by involvement with a company that is doomed to fail. On the other hand, Type II Error merely results in a lost opportunity cost from engaging with a successful business (Kumar & Gepp, 2010).

**Beaver’s Model**

BFP has been widely researched as early as the 1920s; pioneered by FitzPatrick (1932). His studies were expanded upon by Beaver (1966) which led to creating the first modern statistical model, namely: the Univariate Model, which used financial ratios to forecast BFP. Beaver tested this model on 158 businesses, 50% of which were successful and the other 50% bankrupted. He generated a ratio set with the best predictive power, as follows (Kumar & Gepp, 2010):

- Cash flow to total debt
- Net income to total assets
- Total debt to total assets
- Working capital to total assets
- Current ratio
- No credit interval
Beaver’s (1966) interpretation of a failed business was based on the following: if the business had gone into bankruptcy, there was an overdrawn bank account, missing out on preferred stock dividends, or a defaulted debt.

*** This paper uses the same interpretation for the term ‘bankrupt’ in its analyses. ***

Beaver’s model error was around 22% for Type I Error and 5% for Type II Error. However, it had a problem – it was not time-constant, i.e. the margin of error increased as the length of prediction increased – which was problematic for long-term forecasting. Another issue faced by Beaver’s model was that various ratios resulted in conflicting predictions – which can lead to diminishing the viability of his model (Kumar & Gepp, 2010).

**Altman Z’s Model:**

After Beaver’s univariate analysis, the first multivariate method was applied to BFP, namely: Discriminant Analysis, which was established by Altman (1968). It aimed at tackling one of the main problems encountered by Beaver’s models – various ratios resulted in conflicting predictions. Altman devised a single weighted score: (Z) for each company based on a handful of variables, which was calculated in the following equation:

\[ Z = a_1x_1 + a_2x_2 + \ldots + anx_n + c \]

where \( a_1 \) and c = estimated parameters, \( x_i \) = independent variables

After that, Altman (1968) formulated a separating function using financial ratios (except for cash flow ratios – as they were found to be insignificant – therefore contrasting with Beaver’s model). Based on these results, cut-off scores were then generated to classify the business, as shown in the following diagram:

Altman’s model outperformed that of Beaver’s; though the time correlation issue persisted, i.e. it was only feasible for short-term failure predictions (Kumar & Gepp, 2010).

**Logistic Regression (LR)**

Ohlson (1980) conducted his studies in 1980 on the probabilistic prediction of companies’ financial distress using Logistic Regression Analysis. Analogous to Altman’s Z-score, his O-score may be labelled as a statistical bankruptcy indicator created from a predefined set of ratios from the balance sheet. Ohlson's theory is applied differently from Altman’s original model regarding using a much larger sample of business successes and failures to inform the model. Logistic regression involves four steps, namely:

1. Calculate a number of financial ratios;
2. Fit a logistic regression model and deduce the ratios’ coefficients;
3. Calculate the result of each coefficient to establish a new variable ‘y’;
4. Calculate the probability of bankruptcy for a company as \( 1/(1+e^{-y}) \).

Here, the independent variables with a negative coefficient increase the chance of financial failure due to the fact that they reduce e-y towards zero, which results in the financial bankruptcy (probability
function) approaching 1. Likewise, the independent variables with a positive coefficient decrease the probability of financial bankruptcy (Ohlson, 1980).

Ohlson (1980) is the revolutionary study for applying Logistic Regression Analysis to bankruptcy prediction. He formed three logistic regression models to predict failure for 1, 2, and 3 years in advance. 14 ratios were used as predictors, encompassing standard financial ratios; dummy variables based on comparisons of balance sheet data, and a variable representing the change in net income over the past year. The empirical results for Ohlson’s model were not promising; however, he revealed that logistic regression is more statistically valid and easier to explain than its counterpart – discriminant analysis. This was reinforced by later research by Collins & Green (1982) whom compared predicting results by using a logistic model, a discriminant analysis, and a linear probability model. Their results prove that the logistic model performs better. Hall (1994) generated a logistic model with non-financial variables. His model was able to differentiate bankrupt firms from non-bankrupt ones with an astounding accuracy rate of 95 percent. To add, the subsequent studies on logistic regression have proven that it is usually marginally empirically superior to discriminant analysis from both a prediction and classification accuracy perspective (Laitinen & Kankaanpaa, 1999).

**Decision Trees**

Decision Trees (DT) are models that construct a set of tree-based classification rules and create a decision tree. DTs consist of the following (Kumar & Gepp, 2010):

- A root node
- Non-leaf nodes (non-leaf nodes project 2 branches leading to 2 distinct nodes)
- Leaf nodes
- Connecting branches

DTs assign input objects to a group from a predefined set of classification groups. When testing for BFP, DTs assign companies to either the successful or bankrupt group, i.e. they are binary/discrete – zeros and ones. Leaf nodes: which characterize classification groups – as being failed or successful in this case – and non-leaf nodes each contain a splitting rule. Therefore, the tree is built by a recursive process of splitting the data from a higher level of the tree to a lower one. The splitting at each node defines the particulars of the split. The splitting rules have an expression that is evaluated for each company and contrasted to a cut-off value. Decision trees building algorithms perform two main tasks, namely (Kumar & Gepp, 2010):

1. Choosing the best splitting rule at each non-leaf node that distinguishes successful and failing firms.
2. Managing the complexity of the DT.

**Artificial Neural Networks (ANN)**

Odom and Sharda (1990) used the same financial ratios employed by Altman (1968) and applied Artificial Neural Networks to a sample of operating and bankrupted companies. In their research, three layer feed-forward networks are adopted and the outcome is compared to those of multivariate discriminant analysis. Employing various financial ratios of bankrupt companies to successful ones in the training sample, they tested the effects of different levels on the predictive ability of ANNs and discriminant analysis. Their model correctly identified ALL of the bankrupt and existing companies in the training sample, vis-à-vis 86.8% accuracy by the multivariate discriminant analysis method. As for the performance with holdout samples, ANNs had an accuracy rate of over 77%, whereas discriminant analysis’s rate was between the 59% - 70% range. Neural networks were found to be way more accurate in both the training and test results. Following Odom and Sharda’s test (1990), an array of studies further examined the use of ANN in business bankruptcy prediction. One example is, Salchenberger, Cinar, & Lash’s (1992) study which offered an ANN approach to bankruptcy of loan and saving enterprises.
outcome found ANNs to be as good as or better than binary logistic regression models. To test the sensitivity of networks to different cut-off values in classification decisions, they compared the results of threshold of 0.5 and 0.2. The information is beneficial when one tests for Type I or Type II error in the bankruptcy prediction arena.

Recursive Partitioning

One definition of recursive partitioning was offered by Breiman (1984); it is a “statistical method for multivariable analysis.” Recursive partitioning is a nonparametric regression that developed to reduce or eliminate the restrictive assumptions. It offers a useful alternative to the parametric regression approaches (Zhang & Singer, 2010). Random Forests and K-Nearest Neighbours are both examples of recursive partitioning techniques.

Random Forest (RF) is an ensemble learning approach for regression and classification that entails creating numerous DTs and then output the class that is the mode of the classes output by individual trees. As part of the RF’s structure, its predictors lead to a dissimilarity measure between the observations. One is able to define a RF dissimilarity measure between unlabelled data – the point is to build a RF predictor that differentiates the observed data from suitably created synthetic data (Chandra, Ravi, & Bose, 2009).

RF dissimilarity is advantageous for a number of reasons, including: handling mixed variables effectively, invariance to monotonic transformations of input variables, robustness to outlying observations, and accommodation to different strategies for dealing with missing data. RF effortlessly deals with numerous variables due to its intrinsic variable selection (Chandra, Ravi, & Bose, 2009).

K-Nearest Neighbour (K-NN) is a simple and versatile data mining and machine learning algorithm that is a non-parametric ‘lazy’ learning method designed for regression and classification. In both cases, the input consists of the k closest training examples in the feature space. The output is dependent on whether K-NN is intended for classification or regression (Altman, 1992):

- **Regression**: the outcome is the property value for the entity. The value is the mean of its k-nearest neighbours’ values.

- **Classification**: the outcome is a class membership. An entity is classified by a majority vote of its neighbours, with the entity being assigned to the class most common amid its k-nearest neighbours. 
  If k = 1, then the entity is assigned to the class of that single nearest neighbour.

Either way, for both cases it is beneficial to weight the contributions of the neighbours, so that the nearer neighbours contribute more to the mean as opposed to the distant ones (Altman, 1992).

Hybrid Models

Hybrid models group various individual statistical techniques in order to maximize their pros, all the while minimizing the collective model’s cons. The rationale behind it is that the progresses achieved by certainty and precision – as in the traditional methods (for e.g.: Discriminant Analysis, Logistic Regression, etc…), are not justified by their costs (Ravi Kumar & Ravi, 2007). The hybrid models’ technique is quickly becoming more prevalent among practitioners and researchers, and is considered as one of the newest trends in business failure prediction modelling (Demyanyk & Hasan, 2010). There are innumerable possibilities of associations and combinations. Combinations of methods are not exclusively reserved to artificial intelligent statistical techniques – which are usually found complementary (Ravi Kumar & Ravi, 2007). Statistical techniques, operations research, and other techniques found beneficial in predicting bankruptcies in firms can be combined to create the ultimate model. For example, McKee & Lensberg (2002) showcase a hybrid financial diagnosis model merging rough sets and genetic programming. A sample of 291 firms was used from the United States for the time-period 1991 to 1997, and they picked 11 variables to describe the cases. A conclusion was framed
that the hybrid model had an accuracy of approximately 80% on the validation set, whereas the simple rough set performs considerably lower on the same data (67%). Ahn et al. (2000) worked on joining ANN and rough sets for business bankruptcy prediction. Korean data was also used for the time-period between 1994 -1997, and contrasted their results to various standard ANN techniques; the accuracy results exceeded the 80% mark in countless occasions.

Methodology

Hundreds of Australian operating and bankrupt businesses across five different sectors, namely: Energy, Financials, Health, Industrials, and IT, were used as the experiment data-set for a period of 12 months. Such a large sample will increase the credibility of the study by reducing the chance of sampling error and ensuring an unbiased and fair representation of the population.

Six models were constructed, namely: An Energy Sector model (148 companies – 17 variables), Financial Sector model (166 companies– 16 variables), Industrial Sector model (188 companies– 18 variables), Health Sector model (149 companies– 17 variables), IT Sector model (152 companies– 17 variables), and an Industry-Wide model containing all of the aforementioned [803] companies – 15 variables. The variables that were used for each model are tabulated below:

Table 1: Variable Classification Table

<table>
<thead>
<tr>
<th>Variables/Sector</th>
<th>ENERGY</th>
<th>FINANCIALS</th>
<th>INDUSTRIALS</th>
<th>HEALTH</th>
<th>IT</th>
<th>INDUSTRY-WIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue Excluding Interest</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
</tr>
<tr>
<td>EBIT</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Working Capital</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Total Equity</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>ROE</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>ROA</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Enterprise Value</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>
A dichotomous binary variable – coded 1 if the company is successful and 0 if the company is bankrupted was utilized to refer to the status of each company. A range of variables was used (depending on the sector). Such a large volume of variables will increase the viability of the study. The variables were chosen as per obtainability of data, random choosing of variables, and post-test p-value level of significance (α<10%). Thus, you will find that some variables will appear only for a particular sector. The software package ‘IBM SPSS Statistics 22’ was utilized to conduct the experiments across the different models. SPSS has been widely used throughout the literature.

The method that is used in the study is Binary Logistic Regression (LR). The relevant data gathered was inputted into six distinct SPSS spreadsheets – one for the industry-wide model (encompassing all the companies that will later be segregated according to their respective industry), and five spreadsheets for each sector (encompassing the segregated companies as per industry).

Subsequently, the tests were rerun for only the variables that were found to be significant (for p-values<10% level of significance). For example: The model for the Energy Sector initially contained 17 independent variables – as shown in Table 1 above. The model was then rerun using only the 6 variables that were found to be significant. This process was repeated for all models.

The output from each model was later extracted to Excel spreadsheets for further analysis. The default cut-off point for the outcome was at 50% – as per SPSS ‘Classification Table’, i.e. if below 50% then the company was classified as failed (0), if above then it was classified as successful (1). A detailed comparison analysis was conducted on all six models and the results were tabulated – refer to Table 2 below.

Following that, new cut-off points were applied to each model to test whether the default 50% cut-off mark provided the best output, i.e. reducing Type I and II errors, Type I especially. A detailed comparison analysis was conducted on all six models and the results were tabulated – refer to Table 3 below.

The cut-off points were chosen based on the output that provided the lowest total percentage error with the lowest Type I error. This means that there are instances cut-off values produce lower combined error percentages than the chosen cut-off values. However, since the emphasis lies more on reducing Type I error, all the while keeping a low combined percentage error, a marginal increase in combined error percentage will be tolerated for the overall goodness of the model. For elaboration purposes an example follows to further elaborate upon the methodology of how the cut-off values were chosen in the models:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Industry-wide</th>
<th>Energy</th>
<th>Utilities</th>
<th>Transport</th>
<th>Services</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash per Share</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Gross Gearing D/E</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Price/Gross Cash Flow</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Net Gearing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PER</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Gross Debt/CF</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>EV/EBITDA</td>
<td>❌</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>❌</td>
</tr>
</tbody>
</table>
The Energy Sector’s lowest combined error percentage was found to be 52.02% at the 53% cut-off value for classifying the successful and bankrupt companies. Type I error’s percentage was 35.72%, Type II error’s percentage was 16.3%. However, if you notice in the illustration below, that wasn’t the cut-off value chosen nor was it the combined percentage noted. The chosen cut-off value was at the 63% mark with Type I error’s percentage being: 23.21%, Type II error’s percentage being: 32.61%. The combined error percentage was 55.82%. Even though the error rate of 55.82% is greater than 52.02%, the Type I error’s percentage value was higher for the cut-off value at 53%; therefore it was not picked. For that same reason, the cut-off value of 89% wasn’t chosen which yielded a Type I error percentage of 0% and a Type II error percentage of 68.48%. Since, even though Type I error is eliminated, the combined percentage of 68.48% (0+68.48%) is lower than that of the tabulated cut-off value’s combined percentage of 55.82%. See illustrations below:
## Results & Interpretations

### Table 2: Logistic Regression Models Comparison without Cut-Off Values

<table>
<thead>
<tr>
<th>Industry</th>
<th>True Negatives (Specificity)</th>
<th>True Positives (Sensitivity)</th>
<th>Type I Error</th>
<th>Type II Error</th>
<th>Positive Predicting Value</th>
<th>Negative Predicting Value</th>
<th>Sum of Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-Wide</td>
<td>4.46%</td>
<td>98.57%</td>
<td>95.54%</td>
<td>1.43%</td>
<td>61.64%</td>
<td>66.67%</td>
<td>96.97%</td>
</tr>
<tr>
<td>Industry-Specific:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Sector</td>
<td>57.14%</td>
<td>90.22%</td>
<td>42.86%</td>
<td>9.78%</td>
<td>77.57%</td>
<td>78.05%</td>
<td>52.64%</td>
</tr>
<tr>
<td>Finance Sector</td>
<td>36.92%</td>
<td>85.15%</td>
<td>63.08%</td>
<td>14.85%</td>
<td>67.72%</td>
<td>61.54%</td>
<td>77.93%</td>
</tr>
<tr>
<td>Health Sector</td>
<td>19.23%</td>
<td>95.88%</td>
<td>80.77%</td>
<td>4.12%</td>
<td>68.89%</td>
<td>71.43%</td>
<td>84.89%</td>
</tr>
<tr>
<td>Industrials Sector</td>
<td>31.94%</td>
<td>85.34%</td>
<td>68.06%</td>
<td>14.66%</td>
<td>66.89%</td>
<td>57.50%</td>
<td>82.72%</td>
</tr>
<tr>
<td>IT Sector</td>
<td>71.01%</td>
<td>78.31%</td>
<td>28.99%</td>
<td>21.69%</td>
<td>76.47%</td>
<td>73.13%</td>
<td>50.68%</td>
</tr>
</tbody>
</table>

### Table 3: Logistic Regression Models Comparison with Cut-Off Values

<table>
<thead>
<tr>
<th>Industry</th>
<th>True Negatives (Specificity)</th>
<th>True Positives (Sensitivity)</th>
<th>Type I Error</th>
<th>Type II Error</th>
<th>Positive Predicting Value</th>
<th>Negative Predicting Value</th>
<th>Sum of Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-Wide @60%</td>
<td>68.79%</td>
<td>45.40%</td>
<td>31.21%</td>
<td>54.60%</td>
<td>69.38%</td>
<td>44.72%</td>
<td>85.81%</td>
</tr>
<tr>
<td>Industry-Specific:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Sector @63%</td>
<td>76.79%</td>
<td>67.39%</td>
<td>23.21%</td>
<td>32.61%</td>
<td>82.67%</td>
<td>58.90%</td>
<td>55.82%</td>
</tr>
<tr>
<td>Finance Sector @57%</td>
<td>66.15%</td>
<td>70.30%</td>
<td>33.85%</td>
<td>29.70%</td>
<td>76.34%</td>
<td>58.90%</td>
<td>63.55%</td>
</tr>
<tr>
<td>Health Sector @66%</td>
<td>76.92%</td>
<td>64.95%</td>
<td>23.08%</td>
<td>35.05%</td>
<td>84%</td>
<td>54.05%</td>
<td>58.13%</td>
</tr>
<tr>
<td>Industrials Sector @60%</td>
<td>73.61%</td>
<td>56.03%</td>
<td>26.39%</td>
<td>43.97%</td>
<td>77.38%</td>
<td>50.96%</td>
<td>70.36%</td>
</tr>
<tr>
<td>IT Sector @59%</td>
<td>82.61%</td>
<td>63.86%</td>
<td>17.39%</td>
<td>36.14%</td>
<td>81.54%</td>
<td>65.52%</td>
<td>53.53%</td>
</tr>
</tbody>
</table>
Key:
True Positives (Sensitivity): % successful firms correctly predicted by model as such
True Negatives (Specificity): % failed firms correctly predicted by model as such
Type I Error: =100% - Specificity (% actually failed but predicted as successful)*
Type II Error: =100% - Sensitivity (% actually successful but predicted as failed)
Positive Predicting Value: % predicted as successful that are actually successful
Negative Predicting Value: % predicted as failed that are actually failed
Sum of Errors: Type I + Type II Error
*: of more importance than Type II Error

Table 2 shows the results comparison of the six models using logistic regression without applying the cut-off values for each model. The ‘Sum of Errors’ column shows the total percentage of companies that were misclassified by the model. As the table shows, the industry-wide combined error rate was 96.97%. None of the models using the industry-specific method have a combined error rate that exceeds that of the industry-wide model. This shows that the models using industry-specific logistic regression are a more accurate choice.

Table 3 shows the results comparison of the six models using logistic regression after applying the cut-off values for each model. Here, a cut-off value was allocated to each model to help reduce the sum of errors – each cut-off value is recorded next to the sector. Again, none of the industry-specific models contain a high error percentage when compared with the industry-wide model. This data shows that industry-specific models are more accurate predictors of enterprise failure.

Interpretations for Logistic Regression
For Industry-Wide Model
Direct logistic regression was performed to assess the impact of a number of factors on the likelihood that a company will be classified as successful or failed. The model initially contained 15 independent variables – refer to Methodology section for list of variables. α was chosen to be 10%.
Only 3 of the independent variables made a unique statistically significant contribution to the model (Working Capital, Current Ratio, and Quick Ratio). The model was then rerun using the 3 significant variables (p<10%). The full model containing all predictors was statistically significant, \( \chi^2 (15, N = 803) = 35.62, p < .003 \), indicating that the model was able to distinguish between companies that are listed as failed or successful. The model as a whole explained between 43% (Cox and Snell R Square) and 59% (Nagelkerke R Squared) of the variance in company status, and correctly classified 61.8% of cases.

For the Industry-Specific Models
For Energy Sector
Direct logistic regression was performed to assess the impact of a number of factors on the likelihood that a company will be classified as successful or failed. The model initially contained 17 independent variables – refer to Methodology section for list of variables. α was chosen to be 10%.
Six independent variables made a unique statistically significant contribution to the model (Total Revenue Excluding Interest, EBIT, Total Equity, ROE, Enterprise Value, and Cash per Share). The model was then rerun using the 6 significant variables (p<10%). The full model containing all predictors was statistically significant, \( \chi^2 (17, N = 148) = 53.33, p < .001 \), indicating that the model was able to distinguish between companies that are listed as failed or successful. The model as a whole explained between 30.3% (Cox and Snell R Square) and 41.2% (Nagelkerke R Squared) of the variance in company status, and correctly classified of cases 77.7%.

For Finance Sector
Direct logistic regression was performed to assess the impact of a number of factors on the likelihood that a company will be classified as successful or failed. The model initially contained 16 independent variables – refer to Methodology section for list of variables. α was chosen to be 10%.
Three independent variables made a unique statistically significant contribution to the model (ROA, EV/EBITDA, and Current Ratio). The model was then rerun using the 3 significant variables (p<10%). The full model containing all predictors was statistically significant, χ² (16, N = 166) = 30.86, p < .02, indicating that the model was able to distinguish between companies that are listed as failed or successful. The model as a whole explained between 17% (Cox and Snell R Square) and 23% (Nagelkerke R Squared) of the variance in company status, and correctly classified of cases 66.3%.

For Health Sector

Direct logistic regression was performed to assess the impact of a number of factors on the likelihood that a company will be classified as successful or failed. The model contained 17 independent variables – refer to Methodology section for list of variables. α was chosen to be 10%.

Two independent variables made a unique statistically significant contribution to the model (EBIT and Quick Ratio). The model was then rerun using the 2 significant variables (p<10%). The full model containing all predictors was statistically significant, χ² (16, N = 166) = 30.86, p < .01, indicating that the

The full model containing all predictors was statistically significant, χ² (17, N = 149) = 22.8, p < .05, indicating that the model was able to distinguish between companies that are listed as failed or successful. The model as a whole explained between 14.2% (Cox and Snell R Square) and 19.6% (Nagelkerke R Squared) of the variance in company status, and correctly classified of cases 69.8%.

For Industrials Sector

Direct logistic regression was performed to assess the impact of a number of factors on the likelihood that a company will be classified as successful or failed. The model contained 18 independent variables – refer to Methodology section for list of variables. α was chosen to be 10%.

One independent variable made a unique statistically significant contribution to the model (Current Ratio). The model was then rerun using the lone significant variable (p<10%). The full model containing all predictors was statistically significant, χ² (18, N = 188) = 21.07, p < .02, indicating that the model was able to distinguish between companies that are listed as failed or successful. The model as a whole explained between 10.3% (Cox and Snell R Square) and 14% (Nagelkerke R Squared) of the variance in company status, and correctly classified of cases 66%.

For IT Sector

Direct logistic regression was performed to assess the impact of a number of factors on the likelihood that a company will be classified as successful or failed. The model contained 17 independent variables – refer to Methodology section for list of variables. α was chosen to be 10%.

Six independent variables made a unique statistically significant contribution to the model (Total Equity, ROE, Enterprise Value, Gross Gearing/DE, PER, and Gross Debt/CF). The model was then rerun using the 6 significant variable (p<10%). The full model containing all predictors was statistically significant, χ² (17, N = 152) = 48.48, p < .001, indicating that the model was able to distinguish between companies that are listed as failed or successful.

The model as a whole explained between 27.3% (Cox and Snell R Square) and 36.5% (Nagelkerke R Squared) of the variance in company status, and correctly classified of cases 75%.
Conclusion

To sum up, this paper presented a real-world problem of business failures that needs to be addressed, showed that BFP can act as a tool to address the issue, examined past BFP models that have been utilized and presented their pros and cons, conducted logistic regression testing on a large data sample, and presented a method to deal with the problem at hand – segregating the economy through subscribing companies to their respective industries. As shown, this will lead to an increase in the accuracy of bankruptcy prediction vis-à-vis traditional industry-wide methods. The BFP model in this paper acquires the prospective to momentously aid various parties in the economy – from shareholders to government agencies; thus leading to the improvement of the economy in general. There is adequate evidence to prove that bankruptcy in companies can be more accurately predicted by allocating companies to their respective industry, as opposed to a “one model fits all” approach which has been used commonly throughout many of the literature.

References


