JOURNAL OF ECONOMICS AND BUSINESS RESEARCH

Year XVII, No. 1/2011

JOURNAL OF ECONOMICS AND BUSINESS RESEARCH

Year XVII, No. 1/2011

Coverage: DOAJ

ISSN 2068 – 3537
E – ISSN (online) 2069 – 9476
ISSN – L = 2068 – 3537

Edited by "AUREL VLAICU" University
Arad, 2011

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 7-21

An Investment Decision using Fuzzy Logic to select a Production Line

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Abstract
The paper presents a decision-making case study: the choice of a production line for natural juices, among 10 offers coming from 5 countries. 6 performance criteria are applied, some of them being fuzzy. Two solutions are provided: a conventional one, based on the affiliation degrees calculus and a fuzzy-interpolative one.
Keywords: decision-making, investments, fuzzy logic, fuzzy interpolative ADL matrix.

Introduction

The management decision-making is a difficult task because of the dimensions and complexity of the markets - raw materials, equipment, installations and business services. The selling companies have to understand the buyer's needs, resources, policies and buying procedures. The industrial buyer is an investor that faces a whole set of decisions in making a purchase. The number of decisions depends on the type of the buying situation. Making decision means to make a choice between more given possibilities. If the decision making describes an investment situation where the purchasing department reorders on a routine bases, we will call this "straight re-buy." In this case the investor chooses the product that in the past gave him the higher buying and using satisfaction. "The modified re-buy" describes a purchasing situation where the buyer wants to modify the product specifications, prices or other terms [1, 2, 3, 4].

"The new task" faces a purchaser to buy a product or a service for the first time. The greater the cost and/or risk, the longer the list of

decision participants and the greater their information seeking. The number of decisions that the investor/buyer has to make is highest in the new-task situation.

Decision-making and the fuzzy theory

An industrial buyer is exposed to many influences when making a decision. Some marketers assume that the most important influence is economic: lowest price, best product or more services. Other marketers see buyers responding to personal factors such as favors, attention or risk avoidance. Industrial marketers must know their customers and adapt their tactics to individual, economical, organizational and environmental situations. All these factors contain different amounts of uncertainty and their weight in the final decision is also uncertain. Very often one can even consider them as perception based, affected by human subjective psychology [2, 5, 6]. The uncertainty always existed in human lives. The first mathematical tool designed to cope with the uncertainty is the probability theory. However the probability theory needs statistic data, which in many decision cases are missing – especially for the new task problems. This is why researchers quested for a new approach, able to cope when we can use only uncertain heuristics and perceptions. The first and basic answer to theses quests is the fuzzy logic, due to Lotfi A. Zadeh [7, 8]. As shown in the literature, the theory of fuzzy sets and logic is able to represent linguistic modeled knowledge in computers, and to infer them in order to obtain decisions [9], etc.

The paper aims to illustrate a fuzzy based decision, using a conventional [5, 6] and a fuzzy-interpolative approach [10].

Case study

We will analyze the activity of a manager of a firm specialized in the production of 100% natural forest-fruit juice. The main activity of the firm is to collect forest fruits from all over Romania or to cultivate them in their own greenhouses, and to produce natural juices packed in Tetra-Pack. The juice production needs a new production line. The manager studied the market of the production lines for natural juices and find out that the highest quality of such plants are supplied by firms from: Italy, USA, Germany, Holland, Spain, France, Australia and Austria. Two of the 8 countries (USA and Germany) offer two types of products. The input variables:

The input variables Table 1

C_1 = capacity (liters/hour)	C_4 = the payback time (years)
C_2 = the price (Euro)	C_5 = the maneuverability
C_3 = energy consumption (kW/h)	C_6 = firm's confidence degree

C_1, C_2, C_3, and C_4 are quantitative while C_5, and C_6 are qualitative variables. The variables are detailed in Table 2.

The detailed variables Table 2

Firm	**Country**	**C_1**	**C_2**	**C_3**	**C_4**	**C_5**	**C_6**
V_1	Italy	55	100,500	50	3	medium	medium
V_2	USA	75	155,000	65	4	easy	low
V_3	USA	80	175,000	90	4	v. easy	high
V_4	Germany	90	180,000	100	5	easy	v. high
V_5	Germany	90	195,000	100	6	easy	medium
V_6	Holland	50	200,000	70	3	v. hard	low
V_7	France	60	185,000	60	7	v. hard	low
V_8	Spain	65	205,000	75	7	heavy	high
V_9	Australia	55	215,000	95	9	easy	high
V_{10}	Austria	50	165,000	95	9	heavy	v. low
-	k_j^*	2	2	1.66	1.34	2	1

An importance coefficient k_j^*, is attached to each variable. They are set with the *test of the universal specialist* (TSU). Two managers M1 and M2 and two engineers E1 and E2 make a top of the inputs according to their own expertise. Each place receives up to 6 points, according to its position. We impose $\Sigma\, k_j^* = 10$.

THE TSU TOP

Table 3

C_j	**Managers**		**Engineers**		**Total**	**Top place**	**Points**	**k_j**
	M1	**M2**	**E1**	**E2**				
C_1	3	5	4	6	18	I	6	2
C_2	4	6	3	5	18	I	6	2
C_3	6	4	5	1	16	II	5	1.66
C_4	1	2	2	3	8	III	4	1.32
C_5	5	3	6	4	18	I	6	2
C_6	2	1	1	2	6	IV	3	1

The affiliation degrees method

Suppose $V_i=\{V_1, V_2, \dots V_i\}$ a multitude of alternatives concurring with a multitude of criteria $C_j = \{C_1, C_2, \dots C_j\}$. V_1 is the alternative with the highest utility 1. V_0 is the alternative with the lowest utility 0. For example C_1 is a maximum criterion because we want the highest possible production capacity. The maximum C_1 will be set 1 in the matrix of the membership functions, the same as C_3 and C_4. C_2 is a minimum criterion since we want the cheapest product and the lowest price will be set 0. C_5 and C_6 are qualitative criteria, and we associate them with the continuous interval [0 1]:

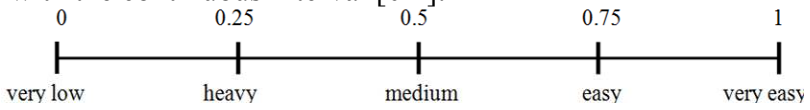

Fig. 1. Setting of the linguistic qualitative criteria for C_5 and C_6

Using the above scale and the points established for the six criteria, we shall build the matrix of distance degrees:

The matrix of distance degrees

Table 4

C_j / V_i	C_1	C_2	C_3	C_4	C_5	C_6
V_1	0.38	0	0	0	0.5	0.5
V_2	0.17	0.35	0.23	0.25	0.75	0.25
V_3	0.11	0.42	0.44	0.25	1	0.75
V_4	0	0.44	0.5	0.4	0.75	1
V_5	0	0.48	0.5	0.5	0.75	0.5
V_6	0.44	0.49	0.28	0	1	0.25
V_7	0.33	0.45	0.16	0.57	1	0.25
V_8	0.27	0.51	0.93	0.57	0.25	0.75
V_9	0.38	0.53	0.47	0.66	0.75	0.75
V_{10}	0.44	0.39	0.47	0.66	0.25	0

The estimation of the distance degrees is different for the maximum and minimum criteria. For instance C_1 is a maximum criterion, so: x_1^* (distance degree for V_1 and C_1) = $1 - a_{ij} / a_{1j}$, where a_{ij} is the consequence of a variable V_i using C_j criterion. C_2 is a minimum criterion, so the calculus is inverse: $x_1^* = 1 - a_{1j} / a_{ij}$.

The matrix of the distance degrees x (coefficients of importance)

Table 5

C_j / V_i	C_1	C_2	C_3	C_4	C_5	C_6
V_1	0.76	0	0	0	1	0.5
V_2	0.34	0.70	0.38	0.33	1.5	0.25
V_3	0.22	0.84	0.73	0.33	2	0.75
V_4	0	0.88	0.83	0.53	1.5	1
V_5	0	0.96	0.83	0.53	1.5	0.5
V_6	0.88	0.98	0.46	0	2	0.25
V_7	0.66	0.90	0.26	0.76	2	0.25
V_8	0.54	1.02	1.54	0.76	0.5	0.75
V_9	0.76	1.06	0.78	0.88	1.5	0.75
V_{10}	0.88	0.78	0.78	0.88	0.5	0

Using the table 5 values we can find the affiliation degree at the best variant that will be used to optimize the decisions. The affiliation degree is estimated by e^x and e^{-x}.

The matrix of affiliation degrees (e^x)

Table 6

C_j / V_i	C_1	C_2	C_3	C_4	C_5	C_6	Σ	Σ/C_j
V_1	$e^{-0.76}$ =0.47	e^0=1	e^0=1	e^0=1	e^1 =0.37	$e^{-0.5}$ =0.61	4.45	0.74
V_2	$e^{-0.34}$ =0.71	$e^{-0.70}$ =0.5	$e^{-0.38}$ =0.68	$e^{-0.33}$ =0.72	$e^{-1.5}$ =0.22	$e^{-0.25}$ =0.78	3.61	0.60
V_3	$e^{-0.22}$ =0.8	$e^{-0.84}$ =0.43	$e^{-0.73}$ =0.48	$e^{-0.33}$ =0.72	e^{-2} =0.14	$e^{-0.75}$ =0.47	3.04	0.51
V_4	e^0=1	$e^{-0.88}$ =0.41	$e^{-0.83}$ =0.44	$e^{-0.53}$ =0.59	$e^{-1.5}$ =0.22	e^{-1}=0.37	3.03	0.51
V_5	e^0=1	$e^{-0.96}$ =0.38	$e^{-0.83}$ =0.44	$e^{-0.53}$ =0.51	$e^{-1.5}$ =0.22	$e^{-0.5}$ =0.61	3.16	0.53
V_6	$e^{-0.88}$ =0.41	$e^{-0.98}$ =0.38	$e^{-0.46}$ =0.63	e^0=1	e^{-2} =0.14	$e^{-0.25}$ =0.78	3.34	0.56
V_7	$e^{-0.66}$ =0.52	$e^{-0.90}$ =0.41	$e^{-0.26}$ =0.77	$e^{-0.76}$ =0.47	e^{-2} =0.14	$e^{-0.25}$ =0.78	3.09	0.52
V_8	$e^{-0.54}$ =0.58	$e^{-1.02}$ =0.36	$e^{-1.54}$ =0.21	$e^{-0.76}$ =0.47	$e^{-0.5}$ =0.61	$e^{-0.75}$ =0.47	2.70	0.45
V_9	$e^{-0.76}$ =0.77	$e^{-1.06}$ =0.35	$e^{-0.78}$ =0.46	$e^{-0.88}$ =0.41	$e^{-1.5}$ =0.22	$e^{-0.75}$ =0.47	2.38	0.4
V_{10}	$e^{-0.88}$ =0.41	$e^{-0.78}$ =0.46	$e^{-0.78}$ =0.46	$e^{-0.88}$ =0.41	$e^{-0.5}$ =0.61	e^0=1	3.35	0.56

The decision points the highest Σ/C_j value that is 0.74, so our manager will chose V_1, the production line made in Italy.

The fuzzy decision tables

Although involving some qualitative criteria's, the above method is essentially numerical, using singletons for the modeling of the linguistic labels *very low*, *heavy, medium*, *high* and *very high*. This approach presents a minimum possible fuzziness, which is showing only in the heuristic setting of the singletons (see Fig. 1). A proper fuzzy approach replaces the matrixes filled with numbers with inference tables, filled with linguistic control rules.

In our case we have to draw a 6-D data base (six inputs), which will be fuzzyfied with piecewise automatically generated fuzzy partitions using triangular fuzzy sets. The automate generated fuzzy partitions are matching this classification problem, but this is not necessarily true in other kind of applications. We bound the variables' domains with the extreme values of Table 2. For instance the C1 input (capacity) will be defined on the [50 … 90] segment. The fuzzy labels are *low*, *medium*, *high* for all the inputs and *very low*, *low*, *medium*, *high*, *very high* for the output *feasibility* $\in$[0 … 1].

We will implement the decision-making system by the Matlab FIS toolkit (Fuzzy Inference System). The fuzzyfication of the six input variables and of the output is presentd in Fig. 2. The inference block and the rule viewer animation are shown in Fig. 3 and Fig. 4.

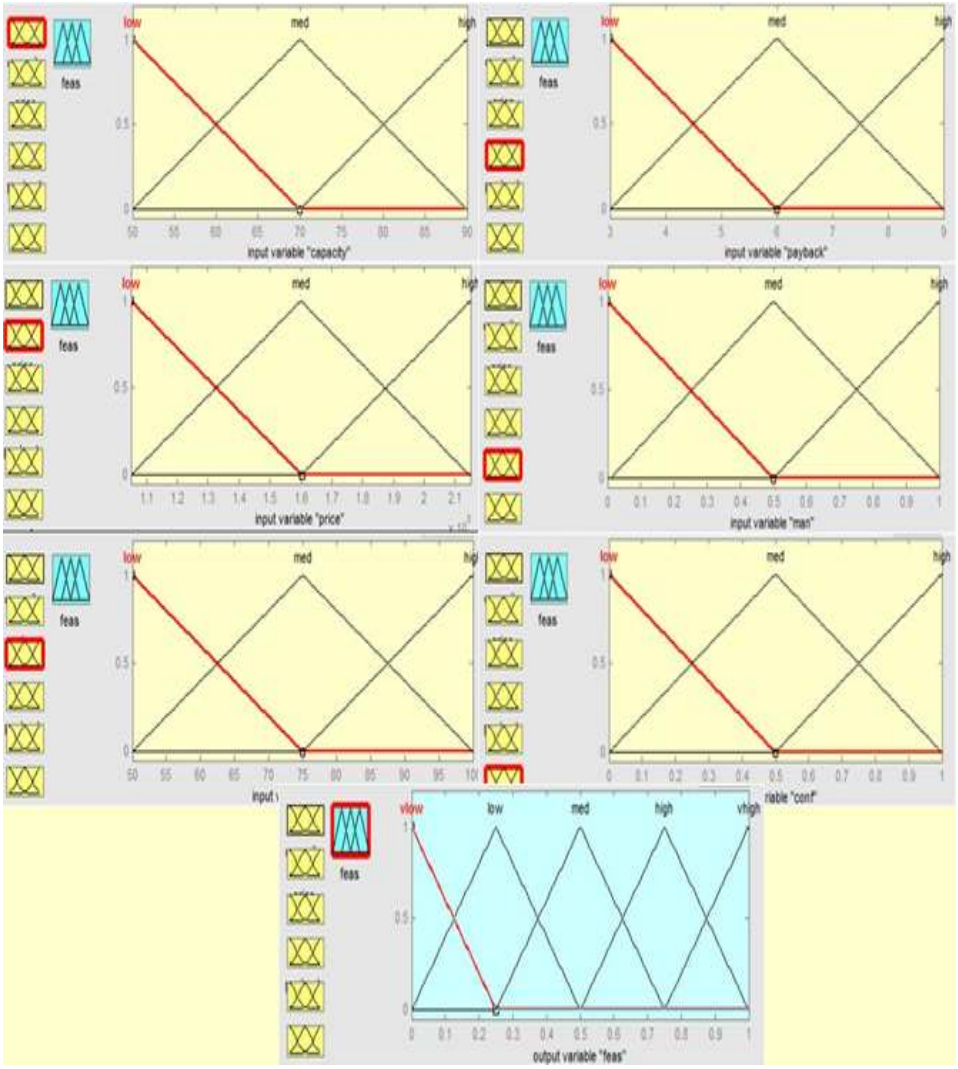

Fig. 2. The fuzzyfication of the six inputs and of the output *feasibility*

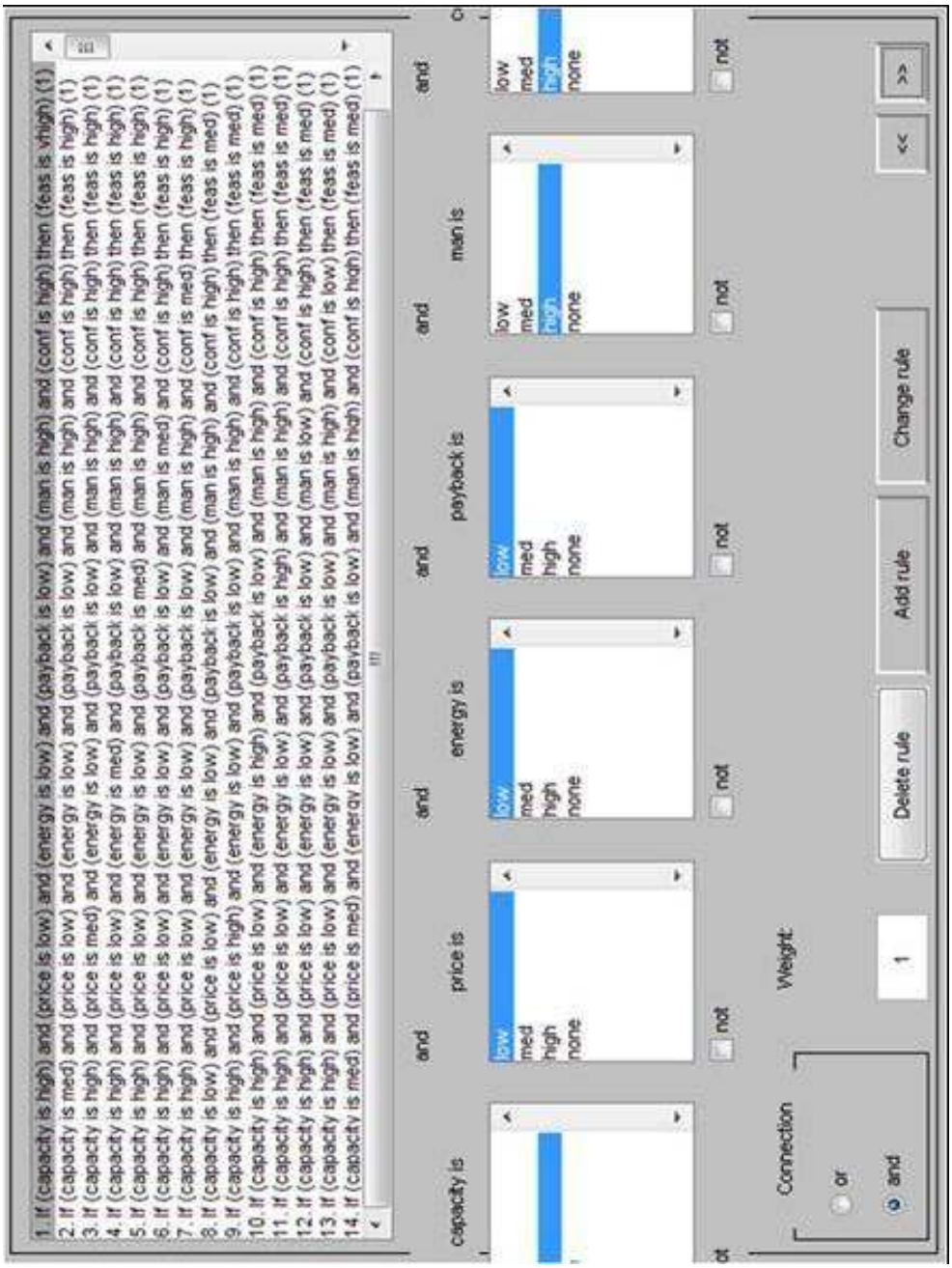

Fig. 3. The rule base

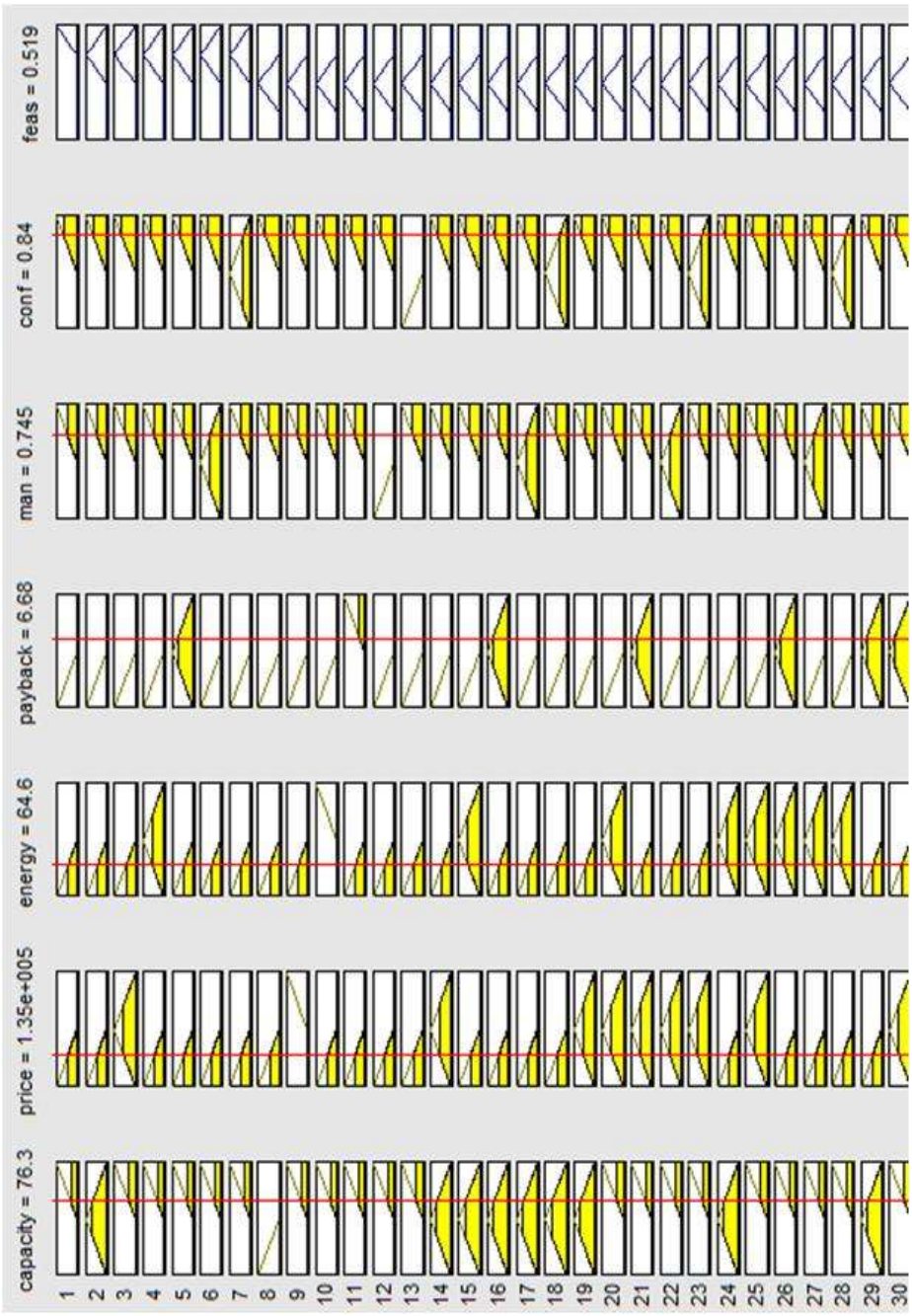

Fig. 4. The operation of the Simulink implementation

However, the $6^5 = 7776$ rules of the 6-D rule base is obviously a huge obstacle, although, as shown in Fig.3, we can significantly reduce the number of the rules. The "none" option of the inference dialog box allows us to write rules that are not involving all the six input variables.

A much more effective approach consists in clustering the input variables, with the purpose to reduce the dimension of the rule bases. One defines such way new internal variables, increasing the number of controllers, but dramatically decreasing the number of the rules. The most convenient internal variable is 2D, clearly representable by the McVicar-Whelan inference tables. Such a 2D table was applied in this field in ref. [11], concerning the fuzzy-interpolative version of the conventional ADL matrix.

The ADL matrix is a particular inference table that is often used for supporting strategic decisions [12]. The ADL Matrix infers a strategy for each of the different combinations of two input variables: *competitive position* and *industry maturity*, as shown in Table 7. The meaning of these variables is the following:

- *Competitive Position* CP - How strong is your strategic position?
- *Industry Maturity* IM - At what stage of its lifecycle is the industry?

In our case we will use this approach, clustering the input variables in three 2D decision tables: Technical level *Tech*(C_1 xC_3), Economical *Eco*(C_2 x C_4) and Subjective Perception *Subj*(C_4 x C_5). We want to reduce as much as possible the number of the linguistic labels so we use *Mamdani* controllers, *prod–sum* inferences and *Center of Gravity* defuzzyfications, a combination that maximize the sensitivity of the decision-making.

For instance, the *Tech* controller is presented in Fig. 5.

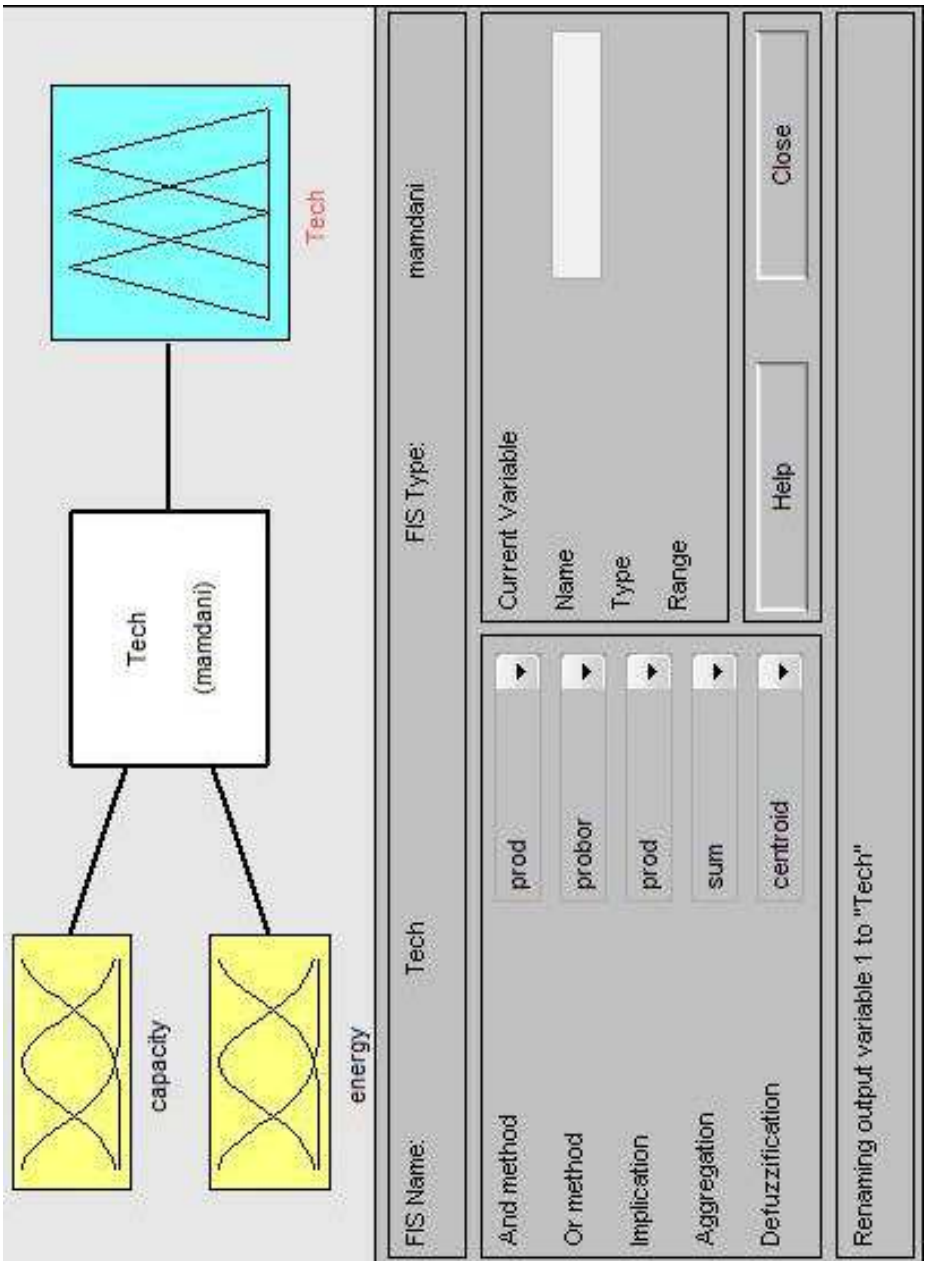

Fig. 5. The controller that is computing the *Tech* internal variable

Table 7

Competitive Position	Industry Maturity: Embryonic	Growth	Mature	Aging
Dominant	$Y_{5,1}$ -Aggressive push for market share - Invest faster than market share dictates	$Y_{5,2}$ - Maintain industry position and market share - Invest to sustain growth	$Y_{5,3}$ - Maintain position, grow market share as the industry grows - Reinvest as necessary	$Y_{5,4}$ - Maintain industry position - Reinvest as necessary
Strong	$Y_{4,1}$ -Aggressive push for market share - Look for ways to improve competitive advantage - Invest faster than market share dictates	$Y_{4,2}$ -Aggressive push for market share - Look for ways to improve competitive advantage - Invest to increase growth and position	$Y_{4,3}$ - Maintain position, grow market share as the industry grows - Reinvest as necessary	$Y_{4,4}$ - Maintain industry position or cut expenditures to maximize profit (harvest) - Minimum reinvestment
Favorable	$Y_{3,1}$ - Moderate to aggressive push for market share - Look for ways to improve competitive advantage - Invest selectively	$Y_{3,2}$ - Look for ways to improve competitive advantage and market share - Selectively invest to improve position	$Y_{3,3}$ - Develop a niche or other strong differentiating factor and maintain it. - Minimum or selective reinvestment	$Y_{3,4}$ - Cut expenditures to maximize profit (harvest) or plan a phased withdrawal - Minimum investment or look to get out of current investment
Tenable	$Y_{2,1}$ - Look for ways to improve industry position - Invest very selectively	$Y_{2,2}$ - Develop a niche or other strong differentiating factor and maintain it - Invest selectively	$Y_{2,3}$ - Develop a niche or other strong differentiating factor and maintain it or plan a phased withdrawal. - Selective reinvestment	$Y_{2,4}$ - Phased withdrawal or abandon market - Get out of investments or divest
Weak	$Y_{1,1}$ - Decide if potential benefits outweigh costs, otherwise get out of market - Invest or divest	$Y_{1,2}$ - Look for ways to improve share and position, or get out of the market - Invest or divest	$Y_{1,3}$ - Look for ways to improve share and position or plan a phased withdrawal - Selectively invest or divest	$Y_{1,4}$ - Abandon market - Divest

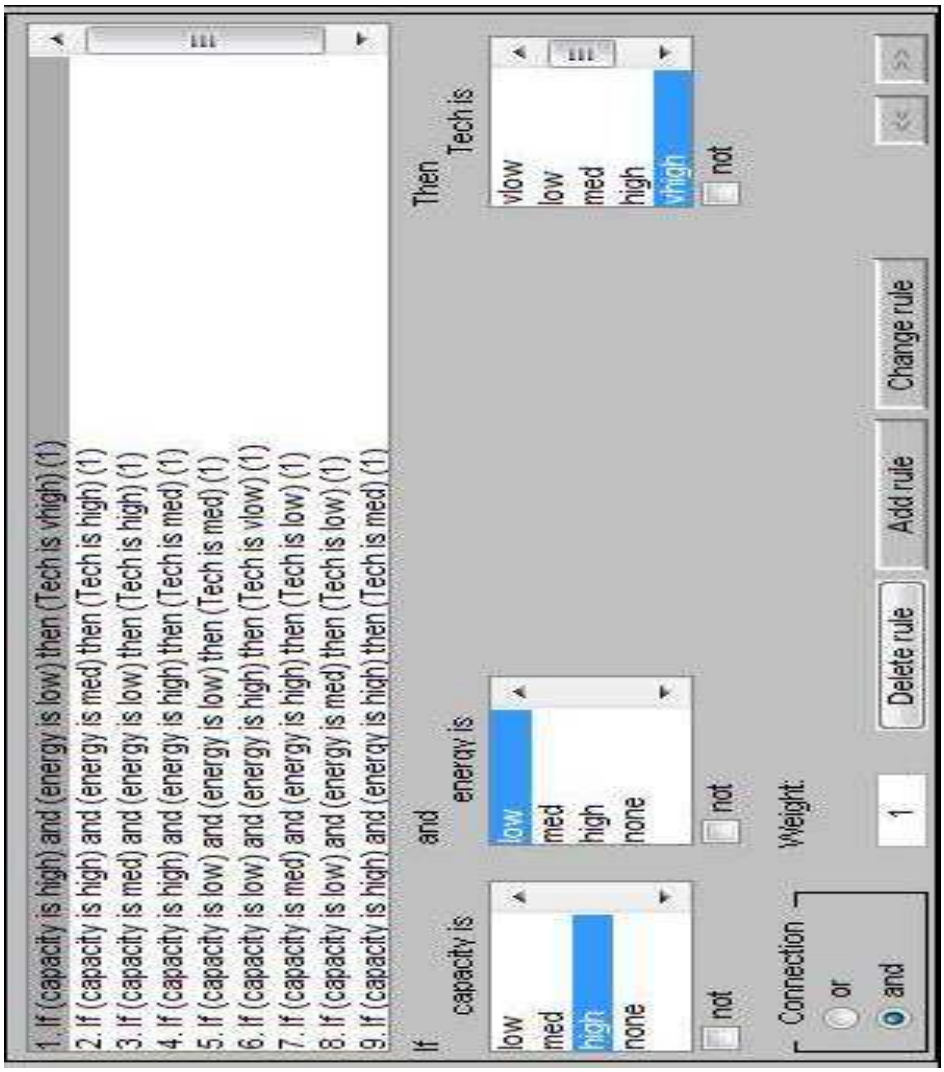

Fig. 6. The inference window, with the only nine rules

The rules are very easy to understand and to write:

- The best *Tech* (*Tech* = 1) is modeled by the rule "IF *cap* is *vhigh* AND *energy* is *vlow* THEN *Tech* is *vhigh*".
- A medium *Eco* (*Eco* = 0.5) is pointed by three rules "IF *price* is *med* AND *payb* is *med* THEN *Eco* is *med*", "IF *price* is *high* AND *payb* is *low* THEN *Eco* is *med*" and "IF *price* is *low* AND *payb* is *high* THEN *Eco* is *med*"

- The worst *Subj* (*Subj* = 0) is pointed by the rule "IF *maint* is *vlow* AND *conf* is *vlow* THEN *Subj* is *vlow*", etc.

We can use these three derived variables either in a final 3D decision table or as a weighted sum, taking into consideration the importance coefficients k_j.

$$Feas = (k_{Tech} * Tech + k_{Eco} * Eco + k_{Subj} * Subj) / (k_{Tech} + k_{Eco} + k_{Subj})$$

Setting by TUS the following values, $k_{Tech}=2$, $k_{Eco}=1.75$ and $k_{Subj}=1$, we eventually obtain the results of Table 8. The final choice, pointing the V_1 feasibility as the highest, is the same as in the previous method: $Feas(V_1) = 0.6811$.

Table 8

V_i	Feasibility	V_i	Feasibility
V_1	0.6811	V_6	0.3757
V_2	0.6783	V_7	0.3869
V_3	0.5913	V_8	0.3046
V_4	0.5620	V_9	0.2492
V_5	0.4675	V_{10}	0.1862

Improvements, like the implementation by look-up-tables (fuzzy-interpolative) [10] or the neural training, can be further provided. A fuzzy-interpolative system is a fuzzy system that can be equaled to a piecewise look-up table.

For instance, the look-up-table of the *Tech* variable (Fig. 6 rules) is:

Row (*Capacity*) = [50, 70, 90]

Column (*Energy*) = [50, 75, 100]

Table (*Tech*) = [0.5 0.25 0; 0.75 0.5 0.25; 1 0.75 0.5]

The *Tech* variable was fuzzyficated exactly as *Feas*, with five linguistic labels. The other variables, *Eco* and *Subj* were treated in the same way.

Conclusions

This paper presents two possible ways of using the fuzzy logic approach, in the managerial decision making field, for the case of a fruit juice production line purchase. A numerical affiliation degree matrix using singletons for the representations of the qualitative criteria is compared with a fuzzy decision multi-dimensional table. The fuzzy-interpolative approach is more user friendly, thanks to the linguistic

representation of the knowledge, and very cheap and effective, thanks to the interpolative implementation.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 22-34

Gender and High School Organization: Insights on Leadership Styles in the Niger Delta Region

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Abstract

The position of the school principal as a leader is incontrovertible. The problems that plagues the school system are so numerous that those who are within the educational system are so overwhelmed not to talk of outsiders who are poised to ask such a pertinent question like "are the principals leading the schools well?" If the principals among the male and female are sophisticated with the theories and practice of management, to what extent do they quantitatively involve the rightful leadership styles to direct the affairs of their various schools? The sex of the principal has equally become very important in a study of this nature. Every person within the school system looks forward to the principals to give the appropriate leadership for others to follow. The sex of the principal from previous experience reveals that the strength of character and dynamism is needed to achieve or reach some administrative goals.The female principals may be intimidated by the enormity of the school problems and get carried away or accept the situation as it is. This study examined the quality valuation among the male and female principals in their

choice of leadership styles in Rivers State of the Niger Delta region. The principals, the teachers and the student were all required to make their contributions to ascertain what style of leadership that is commonly adopted by the male on the one hand and the female principals on the other. The analysed data shows that the female principals qualitatively involve the democratic style of leadership than the men. The female principals also involve their staff in decision-making than does the male counterpart, the male principals, who adopted the democratic and the autocratic styles of leadership are quicker at the management of crises in schools than the female principals.

Keywords: females, males, school, principal, leadership styles

Introduction

The position of the school principal as a leader in his own world is incontrovertible, the problems that plagues the school system are so numerous that those who are within the educational system are so overwhelmed not to talk of outsiders whoa re poised to ask such a pertinent question like; "are the principals leading the schools well?". If the principals among the male and female are sophisticated with the theories and practice of management, to what extent do they quantitatively involve the rightful leadership styles to direct the affairs of their various schools? The sex of the principal has equally become very important in a study of this nature. The position of the principal as a leader within the school is so important that Adesina (1980) noted that:

To a very great extent, the success of the school depends on its principal. He/she is the leader and he must be prepared to give and lead. If he/she is keen, lively and conscientious, his examples will be followed by his teaching and non-teaching staff and pupils. If he is lazy and uninterested, the school will become second rate.

Every person within the school system looks forward to the principals to give the appropriate leadership for others to follow. Adesina (1980) maintained that the principals are "where action is". Leadership is commonly referred to as management – as getting others to do something. Luthans (1985:475) noted that:

Throughout history, it has been recognised that the difference between success and failure, whether in a war, a business, a protest movement or a basketball game can be attributed largely to leadership. Yet, despite all the attention given to it and its recognized importance, leaderships still remains pretty much of a "black box" or unexplainable concept.

What Luthans is saying is that leadership is known by many to exist and to have a tremendous influence on human performance but its inner workings and specific dimensions cannot be precisely spelled out. It is nevertheless generally known as a group thing rather than an individual thing. The Ohio group of research, under the leadership of Lewis Kurt - the father of "group dynamics" - has taken to the old conception of studying leadership. The known commonest styles of leadership are the democratic, autocratic and the laissez faire.

The Ohio study elicited the reaction of youths in social clubs formation to the different styles of leadership. The study revealed that children in clubs with democratic leadership style showed much interest and were readily prepared to partake in more activities as they initiate structures. Members of the autocratic leadership style developed some dislike for the leadership style and expressed some frustration in the process. The people in the laissez faire group even preferred it to the autocratic leadership style. The gender of the leader is most important as a determining factor in choice of leadership style and the effective management of the school in general.

The current happenings in school system like increased failure rate, secret cult formation, the unabated trends in examination malpractice, the principals and staff feud, academic rivalry and a spate of unwarranted transfer of teachers, the poor salary regime and lack of needed social facilities and benefits to teachers and the entire working public requires that the principal who knows how best to organized the work force to achieve the goals of the school, whether a male or female, be given the high responsibility of leading the different schools in the State.

The sex of the principal from previous experience reveals that the strength of character and dynamism is needed to achieve or reach some administrative goals. The female principals may be intimidated by the enormity of the school problems and get carried away or accept the situation as it is. After all the women are already piqued in a war of

words with men regarding their right denial and marginalization in the scheme of things within the school system.

The great awareness among the children, the parents and the shrinking in size of the world as a global village owing to much improvement in international communication requires the school leaders both male and female to wake up because it is not the time to play to the gallery on the basis of gender factor. The teacher would definitely share part of the blames for the sol called "falling standards of education", even though the falling in standards of education is still being debated as to whether it is a real or a myth.

The study is a contribution along this line for it tries to find out the differential that exists between the male and female principals of qualitative valuation and principal choice of leadership styles and application in the management of staff and the students in general in Rivers State. The amount of money the State "is committing to the education" of our children at this level is much, and much more will continue to be so committed to that and other levels. The secondary education is such an important aspect to the youth, which cannot and should never be sidelined for any reasons. The moment it is known among educationists, who among the male and female principals chooses the right type of style for the management of the schools, a vital discovery would have been made. This type of quality valuation among the female and male principals will definitely help future managers of the schools. This is what underscores the importance of this study.

The problem defined

There exists a number of literature on what roles the principal should play in the leadership of the school. In playing some given roles, the male or female principal's ability to make a qualitative value judgement and their need disposition will enable them choose the right style of leadership to achieve the needed goals (Getzel and Guba's 1957) and Lipham and Hoeh, 1974) notes that there are still some degree of disagreement on the boundaries of the main roles of the principals. The principal functional areas, when the appropriate valuation of the right leadership style is to be used to give effective leadership are:

A - Instructional programme supervision
B - Staff personnel administration
C - Student personnel administration

D - Financial and physical resources and administration

E - School community relationships administration

It was Adesina (1980) that gave this classification. The leadership of the male and female principals is highly needed in curriculum development, personnel co-operation, in decision making and project execution. This is why Campbel (1971) noted that curriculum and instructional leadership tasks are of paramount importance if the school is to achieve its goal of enhancing teaching and learning. Supporting this same stand on curriculum decision-making and implementation, Adaralegbe (1972:20) said:

Of all the multifarious roles the modern principal is assumed to play no one is greater than his role as a curriculum leader. The principal can hardly exist in a school situation where no instruction is going on, or where no course of instruction is planned, tried, evaluated and put into practice.

Many studies have been carried out that acknowledged the leadership position of the school principal in recent years. Fafunwa 91971) recognized that the principal is the overall administrator of the school, the supervision of staff, students, the curriculum planner and the community relation developer. The types of leadership adopted by the teacher along the line to achieve these several goals within matters to a large extent. In recognition of the enormity of this responsibility squarely on the principals' shoulders was what made Sergiovanni and Career 91973:15) to say that:

Of course, educational organisations are much too complex for effectiveness to be attributed to any single dimension. Nevertheless, leadership owns a fair share of responsibility for effectiveness.

It is now clear to all educational administrators in all schools in Rivers State that their position is a highly sensitive and enviable place of leadership that must never be held with negligence and operated ineffectively. This position was buttressed by the federal government in the National Policy in Education (1981) thus:

Government will work towards improving the quality of secondary education by giving support to measures that will ensure effective administration. These will include the right calibre for principal ship of schools the mounting of induction courses for new appointed principals, and prompt disciplinary steps to deal with principals who misuse their powers or prove inefficient.

The high rate of failure in school certificate examinations yearly, the unexpected proliferation in examination misdemeanour and cheating, secret cult formation among teenagers, and unparalleled wanton destruction of life and properties of colleagues in schools, the intolerable fight between the principals and teachers on the one hand and the students and teachers on the other has made (Soli and Deveine, 1976) to cast aspersion on the leadership roles of the principals.

Earlier on, Ejiogu (1990), study on male and female principals of Imo and Anambra States; it was found that the female principals were more of the initiating structure than their male counterpart. Cambel (1971) in his pioneer study of secondary school principals in the United States also reported leadership style differences along the lines of sex-role socialisation orientation. The findings revealed that most of the female principals were reported to be autocratic.

The position taken by another researcher like McKinney (1975), has shown that the female principals are better administrators than their male counterparts whoa re described as more chauvinistic and authoritarian in the various roles in the secondary school administration. The study is, therefore, keenly interested in placing in perspective the following questions:

- The extent to which the male and female principals differ in their adoption of leadership styles in secondary schools in Rivers State.
- The extent to which the male and female principals differ in their involvement of their staff in decision-making in their schools.
- The extent of difference between male and female principals ability to use the right styles of leadership to manage crises in secondary schools.
- The extent to which differences exist between male and female principals emphasis on the use of appropriate leadership styles to achieve curriculum and co-curriculum goals of the schools.

Materials and method

This study was carried out in some randomly selected secondary schools in Port Harcourt municipality of Nigeria. The population consists of principals of government owned secondary schools, teachers including the vice-principals and the Head of Department and the senior secondary school students who have spend about six years in their schools. The stratified random sampling technique was used to obtain the sample of 14 principals; that took care of the seven male and female principal headed schools, the 24 vice-principals, the 56 heads of department and teachers who have spent nothing less than 6 years in their schools. The choice of the 120 senior

secondary students who had been in the schools for a period of 6 years was so stratified to ensure that the students' contribution was not faked in any way. The principals, the teachers and the students were all made to respond to the sole instrument of the study.

The instrument used for this study was the Principal Leadership Style Adoption and Usage Questionnaire (PLSAUQ). This 24-item questionnaire was in five main sections including the personal data of the respondents. The instrument addressed issues related to the principal adoption of leadership styles, owing to his value for its importance, involvement of the staff in decision-making, management of cases and adoption of most valuable leadership styles to achieve the curriculum and extra curricular goals of the schools. The reliability of the instrument, based on the test-retest method, that involved Pearson product moment – correlation formula wasr = 0.81. The test of stability and consistency was therefore compared, when the coefficient of ® was compared with the fishers transformation of (Zn – Zr) table score. The respondents were required to respond to the items of the instrument wanting to know how the principals involved the three leadership styles of *democracy, autocracy* and *laissez faire*. The response categories were "Always", "Often", "Occasionally", "Seldom" and "Never". Each response was weighted accordingly with value from "Always" = 4 to "Never" = 0. On collection of the data simple frequency counts based on their responses and as weighted were analysed in percentages.

Results

The following results presented in the tables 1 – 4 clearly show how the different respondents, that is the students, the teachers, the vice principals and the principals have seen these principals in this part of the country choose and apply their leadership styles for the control and management of their various institutions.

Table 1 shows how the different respondent sees the principals' valuable choice of leadership styles separately and collectively.

Table 1 show that the female principals are more democratic with 41% than their male counterpart with 40%. The data analysis equally reveals that the male principal uses autocratic style of leadership more than the female principal with a percentage of 2, as reflected in a bracket. It can be seen also that the female principals with 5% chose to use the Laissez faire style of leadership than their male counterpart with just 2 percent.

Table 2 has shown again that the principals are more democratic than being autocratic or involving the laissez faire style. The total summation in the table shows that while 51 percent of the female rapidly delegate the decision making in school. More respondents were in agreement that principals adopt the democratic style of leadership as 91% of the principals were said to involve their staff in school decision-making. Some also agree that 8% of the laissez faire choosing principals involve their staff in decision-making.

Table 3 shows the difference between the male and female principals' ability to manage crises situations in the schools. Some 31% of male principals involving the democratic leadership and 24 percent of the female principals the same democratic style are rated as being able to manage crises situation. It is rather interesting to note that it is also shown on the table that 26 percent of the male principals and 9 percent of the female principals involving the autocratic strategy are able to control and manage crises situations in schools. In general 55% of the principals that involve the democratic style of leadership and some 35% of those principals involving the autocratic style of leadership were said to have been successful in managing crises in their schools.

Table 1: The Percentage Difference in Male and Female Principals' Choice of Leadership Styles in Rivers State

Group	No of Resp.	Principals Sex	Democratic Leadership Resp.	% Response	Autocratic Leadership Resp.	% Response	Laissez Faire Resp.	% Response
Student	120	M	50	(42)	8	(7)	-	-
		F	60	(50)	-	-	2	(2)
Teacher	60	M	22	(37)	10	(17)	3	(5)
		F	14	(23)	4	(7)	7	(12)
Princip	14	M	6	(42)	1	(7)	-	-
		F	6	(42)	-	-	1	(7)
Total	194	M	78	(40)	19	(10)	3	(2)
		F	80	(41)	4	(2)	10	(5)
Gran Total	194		154	81%	23	12%	13	7%

Table 2: The Percentage Involvement of the Staff in Decision making by Male and Female Principals

Respond in the Group	Number of Resp.	Principals Sex	Democratic Leadership Resp.	% Response	Autocratic Leadership Resp.	% Response	Laissez faire Resp.	% Response
Students	120	M F	48 63	(40) 53)	- -	- -	6 3	(5) (3)
Teachers	60	M F	25 30	(41) 50)	- -	- -	- 5	- (8)
Principals	14	M F	5 6	(35) (43)	- 1	- (1)	2 -	(14) -
Total	194	M F	79 99	(40) 51)	- 1	- (1)	8 8	(4) (4)
Grand Total	194		177	91%	1	1%	16	8%

Table 3: The Percentage Difference in Male and Female Principals in management of Crises Situation

Respond in the Group	Number of Resp.	Principals Sex	Democratic Leadership Resp.	% Response	Autocratic Leadership Resp.	% Response	Laissez faire Resp.	% Response
Students	120	M F	38 32	(32) (27)	20 10	(17) (8)	- -	- -
Teachers	60	M F	18 12	(30) (20)	24 6	(40) (10)	- -	- -
Principals	14	M F	5 2	(36) (14)	6 1	(43) (7)	- -	- -
Total	194	M F	61 46	(31) (24)	50 17	(26) (9)	- -	- -
Grand Total	194		107	55%	67	35%	-	-

Table 4: The Percentage Difference between Male and Female Principals emphasis on Goals Achievement based on Right Leadership styles

Respond in the Group	Number of Resp.	Principals Sex	Democratic Leadership Resp.	% Response	Autocratic Leadership Resp.	% Response	Laissez faire Resp.	% Response
Students	120	M F	52 42	(43) (35)	7 -	(6) -	9 10	(8) (8)
Teachers	60	M F	20 30	(33) (50)	- -	- -	- 10	- (17)
Principals	14	M F	5 4	(36) (29)	- 3	- (20)	2 -	(14) -
Total	194	M F	77 76	(40) (39)	7 3	(4) (2)	11 20	(6) (10)
Grand Total	194		153	79%	10	5%	31	16%

Key:

M = Male Principal F = Female Principal (*) = Percentage Response

Table 4 shows how the different principals valuably chose the leadership styles with which they emphasise the achievement of goals of their schools. There was no perceptible difference seen between the male and female principals using the democratic style of leadership. The only area of difference was noted was with their assessment under those who adopted the laissez faire was 6% male and 10% female were said to be concerned with the use of the appropriate type of leadership style for goals achievement.

Nevertheless, as many as 79% of those using the democratic type of leadership, 5% of those whoa re pro-autocratic leadership style and 16% of those with laissez faire inclination are concerned with the use of the most valuable styles of leadership for the achievement of goals.

Discussion of findings

The special ability to critically evaluate and decide on the right combination of leadership styles to achieve given goals in a school system is not evenly spread among school leaders. This is borne out by the fact that it is not all school leaders are equally gifted. The finding in this study has shown that the female principals are more democratic in their choice of

leadership style to sue than their male counterpart. The findings quite agree with the findings of McKinney (1975). This in the main, makes the appointment of female principals into municipal secondary schools, where highly qualified and politically aware teachers a sine-qua-non.

Unfortunately, this study has equally shown that some female principals are often more autocratic in their choice of leadership than their male counterpart. This findings is however at variance with what (McKinney, 1975) described in male principals as more chauvinistic and authoritarian in the various roles in the secondary school administration. In recent years with the women now taking the roles of men and with the "spirit of women liberation programme", women tend to be over-assertive about their positions in administration. Often their much orchestrated campaign and propaganda is targeted at the men folk they regard as the enemy that sideline them in control positions. This study, finding that women who now blend both democratic and autocratic styles of leadership is a proper step in the right direction. This is highly needed to achieve the much-needed peace in any school environment.

This study has also shown us that the female principals are equally more prone to the laissez faire style of leadership than male principals are. This does not show a qualitative valuation of leadership style before choosing one. It is this type of situation that may have led (Soli and Deveine 1976) to cast some aspersion on the leadership roles of the principals.

The fact that female principals had come out very strong when they shows that they qualitatively value the use of the democratic and autocratic styles of leadership makes this study very unique. This would have put the women fold far ahead of the men in quality valuation of leadership styles. But it has again been shown in this study that the female principals resort to the use of the laissez faire style of leadership than their male counterpart, shows that female principal are nevertheless more superior to the male principals in quality valuation and choice of leadership styles in the management of schools in Rivers State.

The female principals are shown in the study to involve the teachers more in decision making than their male counterpart. This shows that the women are more democratic in their choice of style of leadership than the male counterpart. The laissez faire style adopting principals are equally involving their staff in decision making. This situation is found to be very common with the female principals than the male principals. This is a minus point on the part of the female principals.

The male principals were found to be more tactical with the use of the democratic style of leadership to arrest the crises situation than their

female principals. More men principals who are prone to autocratic leadership style manage crises than the female counterpart.

Again, there was no much difference observed between the male and female principals in their choice of leadership styles to achieve the main goals of their schools. Their use of the democratic style of leadership more than the autocratic and laissez faire style may have accounted for this. Once the system is used to one main dominant style of leadership, the leaders can hardly change to autocratic or laissez faire style over night.

Summary and conclusion

The male and female principals were found to involve more of the democratic style of leadership than the autocratic and the laissez faire style of leadership. The leaders have been shown to try their hands in the different types of leadership style in their schools. This is saying that the principals must have found some useful elements among these three styles of leadership styles. Given the fact that different principals face difference situations in their places of administration daily, it will not be out of place to proffer these suggestions.

The principals should though a most researched procedure adopt the most valuable leadership style in their schools. The situations that require management decisions in the school are many. It is not what happens today that is expected the next day. Therefore given the circumstances in the school the principals should be tactful in using a blend of the leadership styles.

The democratic style of leadership is highly praised as the best style because it involves consultation with other staff and a general involvement of all in the processes of decision-making. The moment the staff of the school feel a sense of belongingness, they will be willing to contribute their best towards the achievement of the goals of the organisation.

The leaders out of wisdom must under-study the different styles of leadership, so that they can adopt the most appropriate method at the most ripe situation. This is what makes the real stuff of an administrator. Rigidity to one particular style of leadership has no place in the leadership of a tried and tested leader in the school.

Goals and result-orientation is the main target of the principal with the right valuation for the choice of method to use. This author is not here condemning the autocratic and laissez faire style of leadership, but is rather highly recommending the most school principals in the State should be more tutored and oriented towards the democratic ideals in leadership in their

schools for fast goals achievement and the involvement of the higher percentage of their personnel in active and efficient participation.

The future outlook of this type of study should seek to involve more male and female principals from more states of the federation. There is the need to expand the scope of the study to involve other schools in larger parts of the state as well. If it is possible, the school leaders should be involved in some training and retraining of refresher courses in order to give them more information along these new research findings that are very unique in the global age.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 35-50

Border Effect in Interregional Iberian Trade[1]

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Abstract

Regardless of their formal existence, borders do have an effect of diminishing trade. The reduction that the existence of a border causes on potential trade flows is classified as "border effect". The present paper provides an estimation of such effect on the Portugal –Spain border.

For this, interregional trade relations are considered. All 20 peninsular NUTII regions are concerned. Data used are the interregional Iberian trade matrices provided in Ferreira (2008).

A model for these flows is conducted using, among several other explaining factors, the existence of a national border between regions. Thus the border effect is predicted. On this paper we provide an estimation of border effects by economic sectors, showing that different industries experience in different manners the consequences of borders.

Keywords: border effect, interregional trade, Portugal, Spain

Introduction

Borders have a diminishing effect on trade flows. Even when they do not represent a formal, administrative or fiscal barrier, as in the case of the actual Portugal-Spain border, cultural aspects, fear from the unknown, trading traditions and lack of business networks are some of the factors which lead potential business between actors on different sides of the border not to occur. This decrease in potential trade flows is

[1] Paper presented at the International Meeting on Regional Science – XXXVI Meeting of the Spanish Association of Regional Science – Badajoz/Elvas 17-19 Nov 2010

known as *border effect.* In this paper we aim at estimating this effect on interregional trade flows within Portugal and Spain. These effects are computed with a sector classification trying to identify which are the economic sectors more and less affected by the border.

Literature Overview

On the specific subject discussed in the present paper, the border effect on interregional trade flows within the Iberian Peninsula, there is hardly any literature produced. However two interesting sets of literature on two related subjects: border effect in general and trade relations Portugal-Spain.

Regarding border effect, this can be defined as the reduction in trade flows caused by the existence of a national border between two trading regions. One is normally tempted to associate this effect with tariffs and other types of fiscal or administrative barriers to trade. The fact is that even in cases where the border represents no formal barrier to trade, for example within the European Single Market, there is this reduction. This subject has been systematically approached in the end of the twentieth century, when studying the Canadian – USA border, for example in McCallum (1995), Helliwell (1996) and Anderson and Smith (1999a and 1999b). As for the Portuguese and Spanish cases very little has been written on. Gil-Pareja *et al* (2006) presented an interesting research on the Spanish case, focusing in particular the trade of the *Pais Vasco* region. The model we present in the present case follows closely the model carried out in that research. A similar approach was also present by ESTG (2008), this one for the specific case of the interregional trade flows in Portugal and Spain. The present paper is a completion of the one presented in that report introducing, and centring the discussion on the different border effects for different economic sectors.

One of the main problems in discussing this subject is the lack of data available on interregional trade flows for these two countries. A set of estimations exists on the interregional trade in Spain alone, produced by Llano Verduras, having the first of these estimations being published in Llano Verduras (2001). As for data considering both Portuguese and Spanish regions simultaneously we only have knowledge on the estimations presented in Ferreira (2008), which we used to run our model.

The case of trade between Portugal and Spain is an interesting subject to study, due to its historic characteristic. These are very proximate

countries, not only geographically, but also culturally, historically and economically. Given so, these should be preferential trading partners. However both have focused their development strategy overseas, somehow neglecting the potential development on the border between them. Only in the end of the twentieth century both simultaneously changed their strategies towards Europe and suddenly both were part of European Single Market. The potential for a fast increase in trade has been analysed and such increase measured by several authors, namely Caetano (1998), Caetano and Ferreira (1999), Lopez Martinez (2003), and several others.

Methodology

Aiming at measuring the border effect in the interregional trade within the Iberian Peninsula, we centred our methodology in designing a model to estimate interregional trade flows. We considered these flows as dependent of the size of the regions, measured by their GDP, the distance between regions, the existence or not of a national border between them and the contiguity between regions. From these models, the coefficients for the national border variable will provide us a good estimation for the border effect. These will show how much trade between two regions has increased by the simple fact they are a part of the same country.

The biggest problem with this approach is the availability of trade flows figures. The model is an attempt to explain existing trade flows, thus availability of such figures is essential to run it. However, no official data exist on interregional trade within the Iberian Peninsula. For this reason so little is known about this reality. The only existing set of data on these relations, as far as we know, is a database of matrices Origin/Destiny from an estimation published in Ferreira (2008). These data are available for the period from 1990 to 2000, being the last year quite incomplete. Thus our model was run considering only the year 1999 which is the most recent one for which interregional trade flows estimations exist.

As for sector classification these figures are available classified in eleven different sectors. This is a mixture of two different classification tables used to produce those estimations, due to the use of two different sources of primary data, international trade statistics and transport statistics[2]. The sector classification is thus the one presented in table 1.

[2] For further information on this procedure please refer to chapter 4 in Ferreira (2008)

Table nr.1. Sector classification

S1	Animals and Vegetables	S7	Cellulose
S2	Food products	S8	Chemicals
S3	Wood, cork and coal	S9	Glass and ceramics
S4	Textiles and clothes	S10	Vehicles and machines
S5	Minerals and fuels	S11	Others
S6	Metals	ST	Total trade

Source: Ferreira (2008)

A similar analysis to this reality was already provided in ESTG (2008). However in that report only total trade is considered, not providing a differentiation among sectors. Therefore we choose to maintain the model as closed as possible to the one used then. Also this is consistent with the types of model tested and presented in the literature discussed above, namely in Gil-Pareja *et al* (2006).

Our model is thus based on a multiple linear regression of the logs of the considered variables. It is presented in equation one:

$$\ln X_{od} = \beta_0 + \beta_1 \ln PIB_o + \beta_2 \ln PIB_d + \beta_3 \ln dist_{od} + \beta_4 Nac + \beta_5 Cont. + \mu_{od} \quad (1)$$

The used variables are the following.

X_{od} – Corresponds to the existing trade between a pair of regions *od* measured in monetary values. O stands for origin and D stands for destiny. Thus trade between two specific regions (say Alentejo and Andaluzia) corresponds to two different values $X_{Alentejo\text{-}Andaluzia}$ and $X_{Andaluzia\text{-}Alentejo}$.

PIB_o – Corresponds to the value of Gross Domestic Product of the region where the trade is originated for each flow. These two variables (including PIB_d) aim at measuring the size of the regions involved in trade, naturally assuming that bigger regions tend to have bigger trade figures. A positive coefficient is thus predicted for this variable.

PIB_d – Similarly to the previous one, measures the GDP of the region destination, the one for which a certain trade flow is sent. Also positive coefficients are expected here because the bigger the region is the more it is expected to trade.

$DIST_{od}$ – Measures the distance between regions origin and destiny, in kilometers. These distances are not the linear distance between the geographical centers of the regions. Instead they are the length of the

recommended itineraries provided by a road maps provider between cities. The concept underlying is that most trade is originated by the biggest urban centers instead of a geo center. For each region the main city was identified and used to estimate distances to other regions. In a few cases a pair of cities was used to represent a certain region. In such case the distance to another region is the average of the distances between each of these two cities and the other region. Negative coefficients are expected to these variables, since the greater the distance is, the more expensive and difficult it becomes to establish business relations.

NAC – This is our main variable. Nationality is a *dummy* variable which identifies if two regions *o* and *d* have the same nationality. It assumes the value 1 for each pair of regions from the same country and the value 0 for regions with a national border in between. From this variable we will produce our estimations of the border effect. Being positive for non-crossing border trade, it is expected to present a significantly positive coefficient. Its slope will provide a estimation on how much trade increases for not having a border, *i.e.*, the border effect.

CONT – This variable is measuring contiguity between regions. Again this is a *dummy* variable. It presents the value 1 for each pair of regions which are contiguous, *i.e.*, it is possible to travel by land from one to the other without having to pass by any other region. We believe that there may be some correlation problems between this variable and DIST, two contiguous regions tend to be more proximate than two non-contiguous ones (though not necessarily because distance is based on main cities and not on borders. For example distance between Algarve and contiguous Andaluzia is 326km, while distance between Algarve and non contiguous Lisboa is 292km). Nevertheless we choose to keep it in our original model because it may identify different realities which may influence trade but are not measured solely by distance, for example culture proximity, business networks integration, etc. Positive coefficients are also expected for this variable because contiguity is supposed to have an increasing effect on trade flows.

This model was run for each of the eleven sectors, plus for the total trade values. For each of these 380 observations were used, corresponding to 20 regions times 19 trade partner regions. Software used was SPSS ver. 17.

Results

Having run our models, as described above we found most satisfactory results. Coefficients have the expected signs and most estimated equations and variables are statistically significant.

Table 2 presents the basic measures of the adequacy of each sector estimation and table 3 presents the principal results obtained:

Table nr. 2. Model 1 - statistics

		R^2	F	Sig
S1	Animals and Vegetables	0,733	205,397	0,000
S2	Food products	0,823	348,364	0,000
S3	Wood, cork and coal	0,615	119,615	0,000
S4	Textiles and clothes	0,86	458,321	0,000
S5	Minerals and fuels	0,733	205,142	0,000
S6	Metals	0,659	144,8	0,000
S7	Cellulose	0,456	62,824	0,000
S8	Chemicals	0,661	145,739	0,000
S9	Glass and ceramics	0,538	87,22	0,000
S10	Vehicles and machines	0,727	198,97	0,000
S11	Others	0,825	353,189	0,000
ST	Total trade	0,907	733,611	0,000

Table nr. 3. Model 1 – results

		Coefficients			95,0% Confidence Interval for B	
Sector	**Variable**	**B**	**t**	**Sig.**	**Lower Bound**	**Upper Bound**
S1 Animals and Vegetables	(Constant)	-2,649	-2,176	0,03	-5,043	-0,255
	GDP Origin region	0,781	13,332	0	0,666	0,896
	GDP Destination region	0,871	14,862	0	0,755	0,986
	Log Distance	-0,931	-6,086	0	-1,231	-0,63
	Common Nationality	1,581	12,666	0	1,336	1,827
	Contiguous Regions	1,015	5,395	0	0,645	1,385
S2 Food Products	(Constant)	-4,724	-3,289	0,001	-7,549	-1,9
	GDP Origin region	0,96	13,889	0	0,824	1,096
	GDP Destination region	0,962	13,916	0	0,826	1,098
	Log Distance	-1,189	-6,588	0	-1,544	-0,834
	Common Nationality	3,755	25,488	0	3,465	4,044
	Contiguous Regions	0	2,726	0,007	0,169	1,042

		Coefficients			95,0% Confidence Interval for B	
Sector	**Variable**	**B**	**t**	**Sig.**	**Lower Bound**	**Upper Bound**
S3 Wood, Cork and Coal	(Constant)	-6,773	-3,508	0,001	-10,57	-2,976
	GDP Origin region	0,705	7,586	0	0,522	0,888
	GDP Destination region	1,199	12,906	0	1,017	1,382
	Log Distance	-0,993	-4,094	0	-1,47	-0,516
	Common Nationality	2,166	10,937	0	1,776	2,555
	Contiguous Regions	0	3,62	0	0,494	1,668
S4 Textiles and Clothes	(Constant)	-7,848	-5,284	0	-10,769	-4,927
	GDP Origin region	1,145	16,02	0	1,005	1,286
	GDP Destination region	1,231	17,228	0	1,091	1,372
	Log Distance	-1,366	-7,321	0	-1,733	-0,999
	Common Nationality	4,678	30,714	0	4,379	4,978
	Contiguous Regions	0	-0,259	0,795	-0,511	0,392
S5 Minerals and Fuels	(Constant)	2,489	1,58	0,115	-0,608	5,586
	GDP Origin region	0,944	12,455	0	0,795	1,093
	GDP Destination region	0,728	9,608	0	0,579	0,877
	Log Distance	-2,038	-10,301	0	-2,427	-1,649
	Common Nationality	2,429	15,041	0	2,112	2,747
	Contiguous Regions	1952,193	0,453	0,651	-0,368	0,589
S6 Metals	(Constant)	-7,873	-4,314	0	-11,462	-4,284
	GDP Origin region	1,375	15,651	0	1,202	1,547
	GDP Destination region	1,108	12,621	0	0,936	1,281
	Log Distance	-1,476	-6,437	0	-1,927	-1,025
	Common Nationality	1,865	9,964	0	1,497	2,233
	Contiguous Regions	0	-0,102	0,919	-0,584	0,526
S7 Cellulose	(Constant)	-23,566	-7,963	0	-29,386	-17,747
	GDP Origin region	2,079	14,595	0	1,799	2,359
	GDP Destination region	1,538	10,798	0	1,258	1,818
	Log Distance	-1,058	-2,846	0,005	-1,789	-0,327
	Common Nationality	-1,067	-3,516	0	-1,664	-0,47
	Contiguous Regions	2,08	0,114	0,909	-0,847	0,952
S8 Chemicals	(Constant)	-7,796	-4,826	0	-10,973	-4,62
	GDP Origin region	1,182	15,206	0	1,029	1,335
	GDP Destination region	1,106	14,225	0	0,953	1,259
	Log Distance	-1,144	-5,639	0	-1,543	-0,745
	Common Nationality	1,471	8,879	0	1,145	1,797
	Contiguous Regions	0	1,579	0,115	-0,097	0,885
S9 Glass and Ceramics	(Constant)	-10,889	-5,447	0	-14,82	-6,958
	GDP Origin region	1,559	16,207	0	1,37	1,748
	GDP Destination region	0,871	9,054	0	0,682	1,06
	Log Distance	-1,08	-4,299	0	-1,573	-0,586

		Coefficients			95,0% Confidence Interval for B	
Sector	**Variable**	**B**	**t**	**Sig.**	**Lower Bound**	**Upper Bound**
	Common Nationality	0,771	3,761	0	0,368	1,174
	Contiguous Regions	0	0,813	0,417	-0,356	0,859
S10 Vehicles and Machines	(Constant)	-9,782	-5,428	0	-13,326	-6,239
	GDP Origin region	1,611	18,576	0	1,441	1,782
	GDP Destination region	1,337	15,411	0	1,166	1,507
	Log Distance	-1,789	-7,902	0	-2,234	-1,344
	Common Nationality	1,97	10,659	0	1,606	2,333
	Contiguous Regions	0	-0,038	0,969	-0,558	0,537
S11 Others	(Constant)	-9,642	-6,027	0	-12,789	-6,496
	GDP Origin region	1,5	19,479	0	1,348	1,651
	GDP Destination region	1,169	15,184	0	1,018	1,321
	Log Distance	-1,612	-8,022	0	-2,008	-1,217
	Common Nationality	3,855	23,493	0	3,532	4,177
	Contiguous Regions	0	-0,898	0,37	-0,709	0,264
Total Trade	(Constant)	-1,833	-2,151	0,032	-3,509	-0,158
	GDP Origin region	1,075	26,225	0	0,995	1,156
	GDP Destination region	1,072	26,133	0	0,991	1,152
	Log Distance	-1,458	-13,618	0	-1,668	-1,247
	Common Nationality	2,619	29,971	0	2,447	2,791
	Contiguous Regions	0	0,611	0,542	-0,179	0,339

From table 2 we observe the consistency of most models at high level of significance. However, in terms of R^2 we conclude that some of these estimations explain only a small part of the differences in trade flows. If our goal would be to estimate trade flows we would have only a poor estimation for some of the sectors. The estimation for sector 7 is the less representative.

From table 3 we underline two immediate conclusions. The first is the consistency of the coefficient signals with the predicted ones, for most cases. The second one is that most variables in all models are statistically significant, except for the case of the variable *Contiguous Regions*. This one is clearly not significant for most of the estimations conducted.

Given this observation a second version of the model was run excluding the variable CONT. This is presented in equation 2:

$$\ln X_{od} = \beta_0 + \beta_1 \ln PIB_o + \beta_2 \ln PIB_d + \beta_3 \ln dist_{od} + \beta_4 Nac + \mu_{od} \qquad (2)$$

The results obtained from this new version of the model do not vary significantly from the previous one. But this one allows us to exclude any potential problems derived from correlation between DIST and CONT.

In tables 4 and 5 we present the main results for these estimations for each of the sectors:

Table nr. 4. Model 2 - statistics

		R^2	F	Sig
S1	Animals and Vegetables	0,712	232,076	0,000
S2	Food products	0,82	426,29	0,000
S3	Wood, cork and coal	0,602	141,67	0,000
S4	Textiles and clothes	0,86	574,313	0,000
S5	Minerals and fuels	0,733	256,921	0,000
S6	Metals	0,659	181,476	0,000
S7	Cellulose	0,456	78,734	0,000
S8	Chemicals	0,659	180,831	0,000
S9	Glass and ceramics	0,538	108,958	0,000
S10	Vehicles and machines	0,727	249,376	0,000
S11	Others	0,825	441,512	0,000
ST	Total trade	0,907	918,455	0,000

Table nr. 5. Model 2 – results

		Coefficients			95,0% Confidence Interval for B	
Sector	**Variable**	**B**	**t**	**Sig.**	**Lower Bound**	**Upper Bound**
S1 Animals and Vegetables	(Constant)	0,675	0,62	0,536	-1,465	2,815
	GDP Origin region	0,803	13,254	0	0,684	0,922
	GDP Destination region	0,893	14,731	0	0,773	1,012
	Log Distance	-1,492	-12,831	0	-1,72	-1,263
	Common Nationality	1,519	11,784	0	1,265	1,772
S2 Food Products	(Constant)	-2,742	-2,195	0,029	-5,199	-0,286
	GDP Origin region	0,973	13,993	0	0,837	1,11
	GDP Destination region	0,975	14,019	0	0,838	1,112
	Log Distance	-1,523	-11,415	0	-1,786	-1,261
	Common Nationality	3,717	25,129	0	3,426	4,008

S3 Wood, Cork and Coal	(Constant)	-3,235	-1,912	0,057	-6,562	0,092
	GDP Origin region	0,728	7,733	0	0,543	0,914
	GDP Destination region	1,223	12,981	0	1,037	1,408
	Log Distance	-1,59	-8,8	0	-1,946	-1,235
	Common Nationality	2,099	10,479	0	1,705	2,493
S4 Textiles and Clothes	(Constant)	-8,043	-6,286	0	-10,559	-5,527
	GDP Origin region	1,144	16,061	0	1,004	1,284
	GDP Destination region	1,23	17,273	0	1,09	1,37
	Log Distance	-1,333	-9,756	0	-1,602	-1,064
	Common Nationality	4,682	30,911	0	4,384	4,98
S5 Minerals and Fuels	(Constant)	2,85	2,1	0,036	0,182	5,518
	GDP Origin region	0,946	12,53	0	0,798	1,095
	GDP Destination region	0,731	9,673	0	0,582	0,879
	Log Distance	-2,099	-14,484	0	-2,384	-1,814
	Common Nationality	2,423	15,081	0	2,107	2,738
S6 Metals	(Constant)	-7,968	-5,069	0	-11,059	-4,877
	GDP Origin region	1,374	15,703	0	1,202	1,546
	GDP Destination region	1,108	12,661	0	0,936	1,28
	Log Distance	-1,46	-8,696	0	-1,79	-1,13
	Common Nationality	1,867	10,031	0	1,501	2,233
S7 Cellulose	(Constant)	-23,395	-9,178	0	-28,407	-18,383
	GDP Origin region	2,08	14,658	0	1,801	2,359
	GDP Destination region	1,539	10,847	0	1,26	1,818
	Log Distance	-1,087	-3,992	0	-1,622	-0,552
	Common Nationality	-1,07	-3,547	0	-1,664	-0,477
S8 Chemicals	(Constant)	-6,505	-4,659	0	-9,251	-3,76
	GDP Origin region	1,191	15,323	0	1,038	1,344
	GDP Destination region	1,115	14,341	0	0,962	1,267
	Log Distance	-1,362	-9,136	0	-1,655	-1,069
	Common Nationality	1,447	8,753	0	1,122	1,772
S9 Glass and Ceramics	(Constant)	-10,067	-5,841	0	-13,455	-6,678
	GDP Origin region	1,565	16,31	0	1,376	1,753
	GDP Destination region	0,876	9,136	0	0,688	1,065
	Log Distance	-1,219	-6,62	0	-1,58	-0,857
	Common Nationality	0,756	3,704	0	0,354	1,157

S10 Vehicles and Machines	(Constant)	-9,817	-6,325	0	-12,869	-6,765
	GDP Origin region	1,611	18,644	0	1,441	1,781
	GDP Destination region	1,336	15,466	0	1,166	1,506
	Log Distance	-1,783	-10,756	0	-2,109	-1,457
	Common Nationality	1,97	10,723	0	1,609	2,332
S11 Others	(Constant)	-10,37	-7,517	0	-13,083	-7,657
	GDP Origin region	1,495	19,468	0	1,344	1,646
	GDP Destination region	1,164	15,162	0	1,013	1,315
	Log Distance	-1,49	-10,11	0	-1,779	-1,2
	Common Nationality	3,868	23,686	0	3,547	4,19
Total Trade	(Constant)	-1,57	-2,138	0,033	-3,013	-0,126
	GDP Origin region	1,077	26,354	0	0,997	1,157
	GDP Destination region	1,073	26,26	0	0,993	1,154
	Log Distance	-1,502	-19,156	0	-1,656	-1,348
	Common Nationality	2,614	30,07	0	2,443	2,785

Comparing the results shown in table four with those above from table two we notice that the reduction in R^2 for the removal of variable CONT are minor and not significant. Thus we maintain the conclusion of the acceptance of the model.

From the comparison of the results shown in tables 3 and 5 we also notice the inexistence of significant changes from the two models. Thus we keep this model two as our final estimation for the present paper.

The only two variables we identify which are not significant at 5% are the constant for sectors 1 and 3. For these two models we can not conclude that the constant is significantly different of zero. We had two options for these two sectors: either maintain the model as it is, or to run other estimation only for these two sectors. Because the goal of this paper is to allow comparisons between sectors, we opted for maintain the model as it is, in order to keep an equal structure for all sectors.

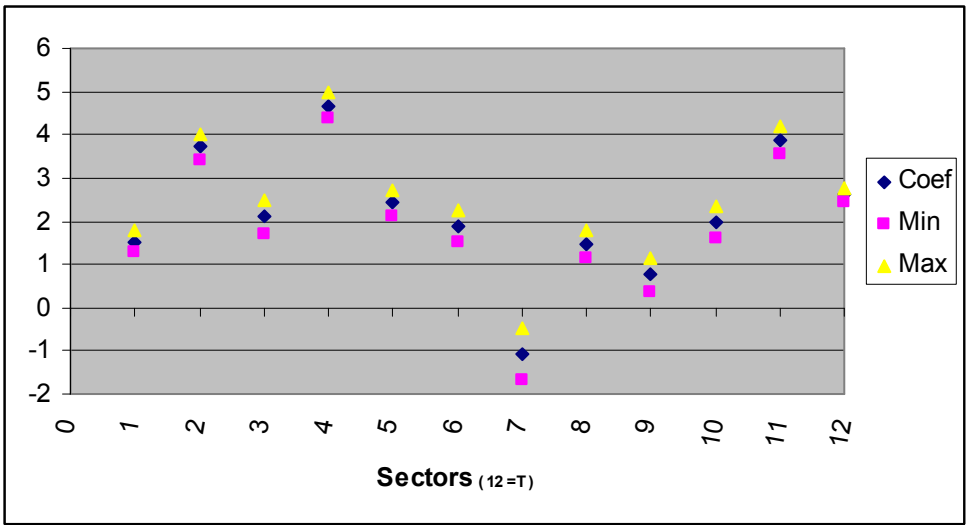
From the coefficients analysis we firstly observe the coherence of its signals with the predicted ones. Curiously the only exception is exactly on the variable *Common Nationality*, for only sector 7. This leads us to a strange conclusion: there is border effect for all activity sectors, accordingly with theoretic prediction, *i.e.*, border is diminishing trade and tough in the case of celluloses the effect in contrary, border is

increasing trade. Two possible explanations may be pointed out for this fact. The first is the low quality that this model has shown in the case of this sector, with a R^2 bellow 50% (the lowest obtained). This mere fact can lead to the conclusion of the lack of robustness of our estimations in the case of this sector. A second explanation may be on the nature of the sector itself. Being characterized mainly by a small number of big factories, trade flows within the sector tends to occur between major industrial areas, thus with a more significant role for international than interregional trade.

Considering the other exogenous variables we identify a full coherence of signs accordingly to predicted in the theory: GDPs for both origin and destiny regions have a positive effect on trade. Thus we confirm our expectations of greater trade levels between regions with either economic size. Also for distance we find that the estimated coefficients are consistent with the theory. All are negative demonstrating that a greater distance between two regions leads to a smaller value of trade flows.

But our main goal with this model is the difference in the border effect for the different activity sectors. We may observe that in fact these coefficients are clearly different between sectors. Those differences are observable in graph one, in which we present confidence intervals for coefficients for NAC variable, at 95%.

Graph 1 – Confidence intervals for NAC coefficients



Two of our main conclusions may be drawn from observing this graph along with table 5. There is a positive border effect for all economy sectors, except for 7, which we have commented above. The second one confirms our hypothesis: there are statistical significant differences on the diminishing effect that a national border causes on trade for each economy sector.

Looking at these differences we may now conclude which are the sectors more affected by the border. Clearly outcome the *Textiles,* the *Others* and the *Food Products*. On the other extreme *Glass, Chemicals* and *Metals* are the sectors were the border represents a lower barrier to trade. A possible explanation for these lays on the typical company structure of these activities. These sectors with lower border effect are normally characterized by bigger companies, with more professional management boards and thus with better possibilities to deal with those issues normally causing border effect (language, administrative and fiscal differences, fear of unknown, lack of networks, etc.). On the other hand the sectors with a higher level of border effect may be those with a typical structure of smaller firms, thus having fewer possibilities to cope with the difficulties caused by the border.

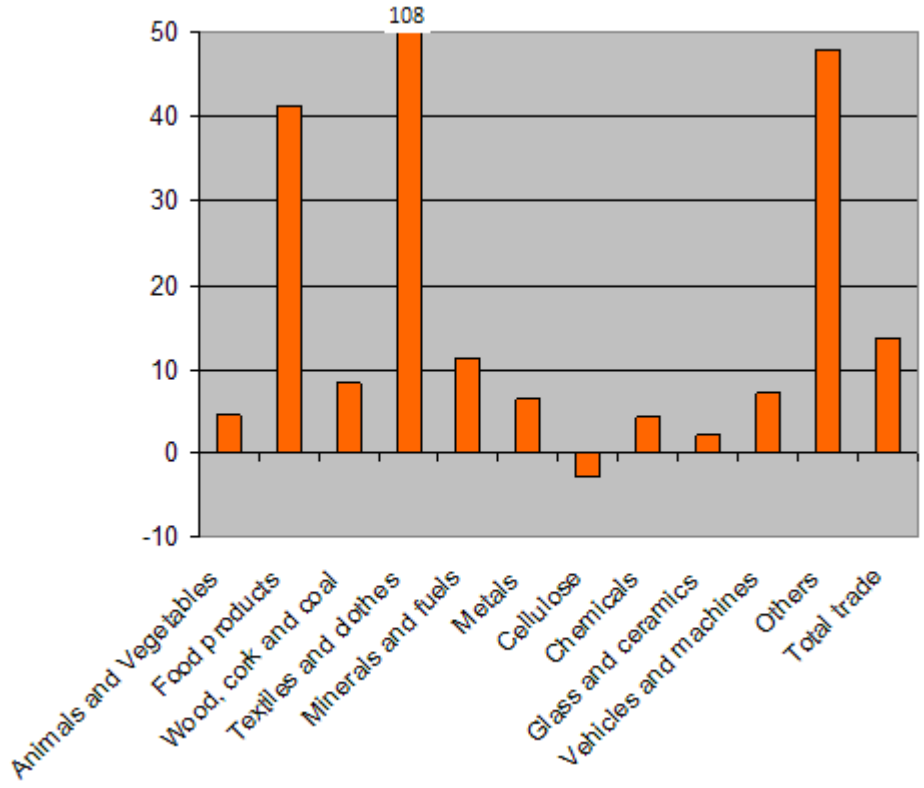
To have an idea of the size of these border effects we may convert these coefficients according to the model definition. The values for trade flow were introduced in the estimations by their logarithms. Thus an increase in the value represents an exponential effect on trade. We may then compute border effect estimators corresponding to the exponential function of the beta coefficients shown in table 5. The results for this conversion are shown in table 6 and in graph 2.

Table nr. 6. Estimators of border effect per sector

		Border Effect			Border Effect
S1	Animals and Vegetables	4,57	S7	Cellulose	-2,92
S2	Food products	41,14	S8	Chemicals	4,25
S3	Wood, cork and coal	8,16	S9	Glass and ceramics	2,13
S4	Textiles and clothes	107,99	S10	Vehicles and machines	7,17
S5	Minerals and fuels	11,28	S11	Others	47,85
S6	Metals	6,47	ST	Total trade	13,65

Value for S7 is minus the exponential of the absolute value of the estimated coefficient.

Graph 2. Border effect per sector



These values represent our estimation for how many times the trade flows between a pair of regions increases by the mere fact that they belong to the same country. If we look the other way around it represents how many times the flows between two regions diminish if there is a national border in between, compared with the potential flow given the size and distance of the regions. For total trade we find a border effect of 14 times, while for textiles this reaches 108 times.

A final word must be written on the strength of these results. The trade values in which we based our model represent a 1999 reality. Many things have changed the interregional scenario in the Iberian Peninsula since then. On the other hand, these are not official statistics but estimations based on international trade data and goods transport data. These are two aspects that induce some caution when interpreting these results. However given the lack of data these figures allow us to present a first estimation on an unknown reality.

Conclusions

We draw a model which estimates the interregional trade flows within the Iberian Peninsula in order to estimate the diminishing trade effect that the border Portugal-Spain has on such flows. We ran this model according individually for each of the eleven economic sectors according to which data was classified. Our main conclusions are the following:

1. According to the prediction, economic size of the regions, measured by their GDPs has a positive effect for interregional trade flows. This is valid for both the size of the seller region (origin) and for the buyer one (destination);
2. Distance between regions has a decreasing effect on interregional trade flows.
3. We could not prove that contiguity between regions has an effect on trade flows. This may be caused by the fact that distance is related with contiguity and our distance variable might be already capturing the contiguity. However, the estimated coefficients for this variable have positive signs suggesting that if there is an effect this one is positive for trade;
4. The border has a statistically significant diminishing effect on interregional trade;
5. Border effect is different for different economic sectors. The sectors of *Glass, Chemicals* and *Metals,* are the ones which present a smaller effect. The sectors of *Textiles, Others* and *Food Products*, are the ones with a higher border effect;
6. The sector of *Cellulose* presents a different trend, appearing to have an opposite sign border effect, this is, higher trade between regions not belonging to the same country;
7. The border is estimated to have a strong effect on trade between the regions of the Iberian Peninsula, reducing 14 times the potential total trade a region establishes with another one from the neighbor country;
8. These values vary significantly from sector to sector, ranging from two times in the sector of *Glass and Ceramics*, to one hundred and eight times in the sector of *Textiles and Clothes*.

Finally, but not less important, it is important to underline the fact that there is a lack of official data on interregional trade flows making this a reality on which very little is known.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 51-55

Current Trends on Consumption of Wine-Vine Products from Minis-Maderat Vineyard

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Abstract
Objectives of the wine market knowledge derive from the essence of marketing and refer first to all the needs that turn into demand as well as the ability to quantify, revive or stimulate. Both supply and price are assessed as a phenomenon in which competition with its strong or weak parties is involved. As vine-wine products are addressed to a part of the market, satisfying a limited number of needs, of particular importance is the classification and market segmentation, in order to define the place and possible developments. Products include a certain share of the actual market, having a natural tend to expand primarily in the adjacent area, in the potential demand area. With the economic boom, this expansion is normal and achievable in a competitive struggle which not always results in excluding rivals from the market, the tendency of gaining a more favorable position is, however, a goal of every vine-wine producer.
Keywords: Wine production, consumption, wine producers

Introduction

Wine production and consumption in the current Romanian space lasts from ancient times, the reputation of Romanian wines are recognized out of the country as well. Over time, the Romanian wine exports and their attendance in specialized trade fairs were highly appreciated, receiving numerous medals. As a result, they consistently fall in the structure of Romanian exports on the international market.

However, recent years raises many challenges to Romanian wine producers, though in reality, the classification of Romania as a country producer should consider the strategies and approaches of current producers. Romania is a traditional wine country and there has been a historical tradition of vines cultivation meant for wine obtaining since antiquity.

Viticulture in Arad county, with an existence of over two millennia, was first practiced by the Dacians on the hills of the last branches of the Zărand mountains, current Minis-Maderat vineyard, improperly called Arad Vineyard. Written documentation is dated from early XI century and certifies it as one of the oldest vineyards in Romania.

Materials and methods

It has been prepared a questionnaire on a group of 418 people in the city of Arad, by which it was intended to find out the Arad consumer preferences and the reputation of Minis-Maderat vineyard products.

Interpretation of questionnaire

1. 57% are wine consumers compared to 43% who responded negatively.

2. Frequency of wine consumption is 39% daily, 2 per week. 39%, occasionally 29%

3. Consumer preferences are over 43% red wine, close to white wine 42% and a significant percentage,15%, have answered 'without preferences'.

4. Table wine is consumed at a rate of 76% higher at the expense of the superior one which is preferred by only only 24% of respondents.

5. Out of the national vineyards, best-known are Minis-70%, Murfatlar13%, Recas 12%, 5% Cotnari.

6. Varieties of table wine consumed is 52%, 32% Cadarca, Mustoasa 13%, 3% Pinot.

7. Wine consumption is determined primarily by participation in various occasions and events (62% of respondents), followed by the influence of the group of friends (32% of respondents). The other motivations regarding wine consumption are of very little influence, the recommendation of a specialist (4%) and discounts (2%) respectively.

None of the respondents is determined to drinking wine because of wine tastings offered in supermarkets.

8. Most consumers consider price, brand, product range, year of bottling and vineyard of origin as a critical criteria in purchasing wine over the other two criteria (shape of the bottle and advertising) which are less important to them.

9. Analyzing collected data on frequency of drinks consumption, there results that beer, wine and alcohol are preferred to be consumed occasionally, compared with soft drinks, mineral water and plain water which are preferred by respondents to be consumed daily and weekly. If the highest frequency of respondents' is plain water consumption, the opposite pole is alcohol non-consumers.

10. Wine qualities are found in taste 77% strength 15%, 7% bouquet.

11. Consumer perceptions on the attributes of Arad vineyard wines appears to be positive, with a plus for medaled wines.

Out of analyzing data there results that wines are sold at a good price, have a good brand image built to provide security and satisfaction, it is presented in a wide range of sorts that meets consumer demands.

Research shows that these wines are high quality products, taking into account that most respondents have rated very good characteristics such as taste, flavor, color and limpidity.

Results and discutions

If European consumers appreciate the majority of red wines, domestic market still prefers white wines, while rose wines are a less promoted segment. Trends are moving gradually to dry wines, which can be explained by maturity of domestic consumers, who increasingly choose more often dry wines to the detriment of sweet and semidry wines.

The assortment promoted by wines from Minis-Maderat vineyards remains dominated by dry red wines, but it still continuous a greater diversification towards semidry and sweet wines, both red and white. As a way of promoting the product in Romania is to appeal to the health of individuals and to the benefits brought by red wine consumption, thus invoking the maturity of Western consumers.

Objectives of the wine market knowledge derive from the essence of marketing and relate primarily to the needs that turn into demand as well as to the ability to quantify, revive or stimulate. Both supply and price are considered as a phenomenon that involves

competition. As vine-wine products appeal to a certain segment of the market, of particular importance is the marketing strategy of each manufacturer to define the place and potential developments on the wine market.

Vine-wine products from Minis-Măderat vineyard participate in meeting the real demand of a relatively small segment of wine consumers, adapting to the rules imposed by legislation, preferences and quality.

Competitive advantages of Minis-Maderat vineyard wines address the following issues:

- ensuring quality features of assortments offered to consumers,
- maintaining of good sensory characteristics outlined on the specific sorts of wine by variety and origin,
- use of a pack with personality through design and message, identifying the vineyard, the producer as well as the particular characteristics of wine.

Conclusions

Wines from Minis-Maderat vineyard include a certain share of the actual Arad market and naturally tend to expand primarily in the adjacent area, in the area of the potential demand. This expansion is normal and achievable in a competitive ethic ethics, which does not always exclude rivals from the market, the tendency of gaining a more favorable position. However this is a goal of every vine-wine producer.

The wine market is a mature market, seriously affected by social environment development, due to food habits and purchasing behavior of consumers. Even if the dominant wine market seems stable, the trend is the change in consumers' preferences to higher quality wines at the expense of table wine.

A particular interest shown by the Miniş Maderat vineyard is the agro-tourism, materialized in programs of visiting the vine plantation and wine tastings in specially designated areas. The results are more than encouraging considering the fact that the number of tourists-clients has increased each year. In this respect Minis-Maderat vineyard producers are committed to become more than wine producers, i.e. providers of touristic services.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 56-69

Permanency or Continuity? A Relation between Innovation and Technological Development

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"So much of what we call management consists in making it difficult for people to work."
Peter F. Drucker

Abstract
The role of innovation is diversely estimated by enterprises. A group of them invest in this field as they have recognized the opportunities inherent in innovation. It is clear for such enterprises that continuous change and innovation may be one of the most important means to preserve competitiveness. Others solely wish to adapt to the continuously changing environment in order to retain their market position and avoid significant damages. Change is continuous and technological development has a crucial role in it. Dialectic of permanency and continuity, therefore, may result in a key factor for both the management and the entire enterprises.
Keywords: innovation, technology, competitiveness, enterprises

Innovation as a factor influencing competitiveness

Permanency or change? Enterprises wishing to establish a successful market presence might always face this question when pursuing their business. There are well-established practices or previously introduced structural models which seem efficient; nevertheless, change may become necessary if required by the situation. Change is a corollary of our everyday lives. As biological beings and also as members of close-knit or loose-knit communities we are both part and subject of changes and creators of changes. Conscious changes, subject to the motives of changes, the recognition of the right direction

of and the consideration of the complex impacts of changes, may result in either positive development or adverse changes from the nature's and the society's perspective. Peter Drucker, in its essay *Management Challenges for the 21st Century [1999]*, dedicates important chapters to the management of changes. He reckons that overcoming resistance to change is not an up-to-date issue recently, as opposed to previous years (20-25 years ago) when it was the most relevant matter. Inevitability of changes has been accepted by everybody. Nonetheless, everyone desire to have the changes deferred as much as possible. Changes have become normal in our rapidly changing world and no institution is capable of surviving tomorrow without making changes. Only leaders of changes will be able to actually do something more than simply adapt to the changes. As ***Saul Alinsky*** said: Any revolutionary change must be preceded by a passive, affirmative, non-challenging attitude toward change among the mass of our people. They must feel so frustrated, so defeated, so lost, so futureless in the prevailing system that they are willing to let go of the past and change the future. The possibility of change carries in itself continuous reformation. Such reforming capacity may extend to products, services, technology, marketing, process organization as well as management and structural methods or organizational culture. The monitoring, taking over and application of the latest, most effective achievements of scinetific-technological development is indispensable for enterprises not only to maintain further growth, but also to preserve achievements. Enterprises always need to endeavor to develop new, more economic production methods and new, up-to-date and competitive products, open up new favorable markets, apply new, efficient organizational and management methods, that is, to become innovative. By their innovative and profitable operation these companies may also contribute to improve the competitiveness of the national economy. A country's economic performance is ultimately determined by the fact to which extent it is capable of developing the inner resources of its individuals **[*Eric Hoffer*]**. The most important problem of undertakings is the fact that they need to operate in an increasingly complex and dynamically changing environment **[*Perlaki, 2002*]**. It is vital to decide whether invention, new ideas, creativity or technological innovation is the determining factor of enterprises' innovation activity. The scientific-technical revolution of our era fundamentally determines the operation of manufacturing enterprises. This relation to science is widely considered so characteristic and relevant that it is often included in the

definition of innovation. However, the notion of innovation would be unreasonably narrowed, if it were limited solely to the application of scientific achievements. For instance, entering a new market is deemed innovation for the enterprise, even if it is not related to new scientific achievements; moreover, new products are not even needed by the enterprise either. On the other hand, it is unquestionable that innovation is indeed, in many ways, linked to scientific-technical achievements. Relations between scientific organizations and enterprises are initiated bilaterally. Scientific organizations seek enterprises in order to utilize their achievements in practice, but enterprises may also turn to scientific organizations to scientifically support their innovation problems. Therefore, corporate leaders of innovation process often have multifaceted relations to science.

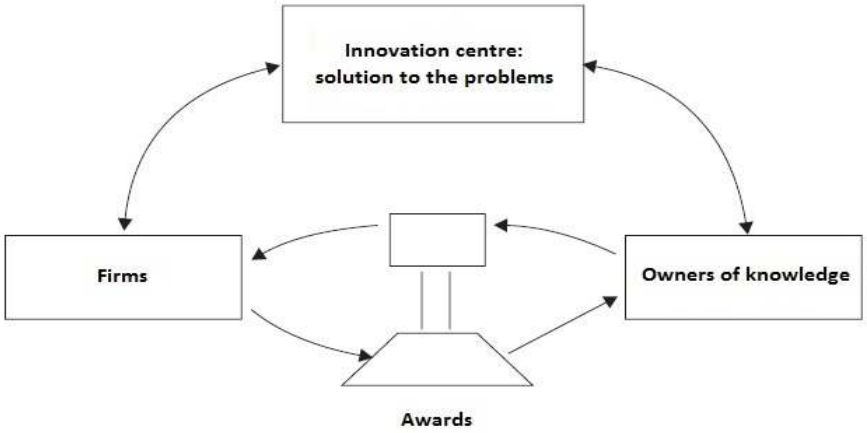

Figure 1: Ideas from outside the company

Source: Csath, M – Versenyképesség-menedzsment

Technological development - the key to innovation

The sources of innovation are such factors, phenomenon, interests, goals that aim to inspire enterprises to think about innovation. Economic theories generally link innovation to technological development, economic growth, entrepreneurial activity and government support. This is argued in the context of influences on corporate innovative decisions, corporate strategies and chances. These concepts put focus on the role of creativity too. According to mainstream economic theory, technological development is all the root of economic growth that explains both the development in economic processes and business cycle by constantly inspired brand new techniques that fluctuates periodically. One of the theories that is based on the periodic

fluctuationof technical development is called the Kondratyev cycle that is a basic concept for the innovaition and development theory of Schumpter. According to Schumpter, in general, new techniques are associated with new energy resources or materials. He argues that innovation is linked to creative distruction. According to this concept, development makes economic imbalance expand and brakes continuity. Continuity brake is due to creative entrepreneurs, who are a product of innovation. They are simultaneously enhancing and setting back development by innovations, such as new methods, products, resources, corporations, markets. ***Martin and Dodgson*** **[*1997*]**, in their business cycle analysis, mention a paradigm shift in technological development. These shifts are linked to specific products and create key industrial sectors that then enhance development. Beside key industrial sectors though, career sectors have emerged. These sectors are knowledge bases for key industries. This macroeconomic view on innovation argues that economic recession is an era of adaptation to future development. Veblen, instead of technological development, emphasizes the power of ideas and creativity. As an american economist and sociologist, ***Veblen*** the power of development is innovation originated from human instinct and motivation. ***H.G. Wells*** said that history of mankind is the history of ideas. According to ***Albert Einstein*** *'the true sign of intelligence is not knowledge but imagination'*. The creative intelligence-had work ratio is often debated in connection with successful innovations. Creativity is no more than original and great ideas and the ability to create brand new concepts. It is widely accepted that businesses should create an innovative and creative environment, support innovative ideas and employ innovative workforce. ***Levitt*** **[*2002*]** argues that creativity is overrated; ideas are valued according to creativity instead of practicality. New ideas cannot be valued without taking into account risk, cost, and the possibility to put them into practice. According to Levitt, businesses need stability and rigidity to operate successfully, s stability is the most important for risk taking. ***Amabile*** and his colleagues **[*2002*]** analyzed creativity in a given timeframe and concluded that setting a deadline not only be able to encourage creativity, but discourage it. Managers have to set an optimal timeframe for creative personnel during an innovative project implementation. ***Peter Drucker*** **[*2002*]** innovation is enhanced by seven sources: the unexpected, the incongruity, innovation based on process need, changes in industry structure or market structure, demographics, changes in perception, mood and meaning, new knowledge. Having set a desired target can creativity, fantasy and functional inspiration play an important role. Drucker claims that, as creativity is conceptual and perceptional, successful innovators use both their

right and left brains. When it comes to successful innovations and discoveries the role of the unexpected is often argued. However ***Pasteur*** claims that *'in the field of observation, chance favors only the prepared mind'*. Hungarian businesses inherited obsolete technology in every sector. Thus it is of high importance to give a good estimate of the current stage of our technological development, as well as our adaptation to new demands in the information society. According to studies based on corporate and national competitiveness, the employed technology and management play a key role in corporate efficiency. ***Porter*** **[*1990*]** claims that in order to preserve competitiveness innovation capacity is of high importance. Beside perfect quality and competitive prices early acquiring of the necessary knowledge for further technological or product development, earlier than other competitors, is important. New technology is one of the most important, if not the most important, source of competitiveness. ***Chiesa-Coughlan-Voss*** **[*1996*]** developed a comprehensive model to demonstrate the links between competitiveness and technical innovation processes (Figure 2). The model shows four core processes such as concept generation, product development, process innovation, and technology acquisition. Supporting these core processes are three enabling processes: the deployment of human and financial resources, the effective use of appropriate systems and tools, and senior management leadership and direction. The outcome from these core and enabling processes is performance in the marketplace.

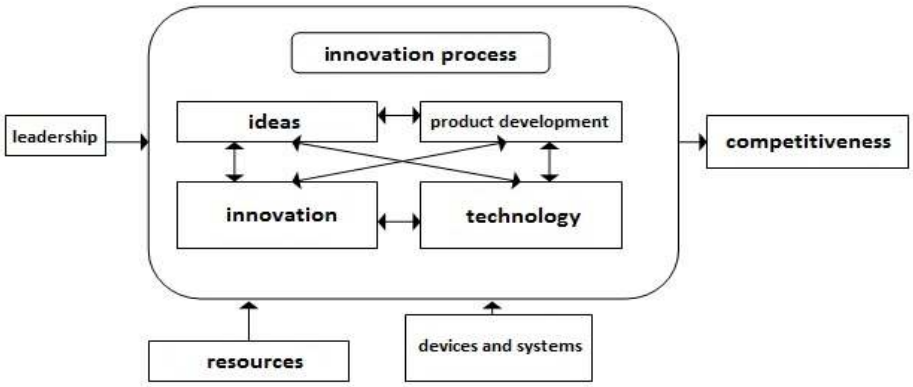

Figure 2: Technological shift and corporate efficiency according to Chiesa-Coughlan-Voss

Source: Kiss, J – Pandurics, A – Lapid, K: Innováció és versenyképesség

Nowadays technological innovation and technology management are strategic factors. Technology management is no longer a set of laboratory instruments and its management. Corporate R&D is responsible for the creation of new technology, information and solutions, as management is responsible for combining approaches to best enhance the acquisition, adaptation and maintenance of knowledge. The term of technology management is linked to technical innovations, and is to enhance corporate strategy. Technology management is a cross functional activity that uses technology to make the corporation successful and efficient **[*Pataki, 2005*]**. Cross functionality means that activities are beyond functional corporate boundaries. Technology management activities occur not only when it comes to innovation but strategy. Technology management linked to innovation is well-provided with a set of tools, such as technology scanning or road mapping that is essential for corporations that build on technological advancements. To another view, that takes macroeconomic factors of technology development and government preference into consideration. Technology management is an economic activity that focuses on technology development and distribution via corporate and governmental agencies **[*Inzelt, 1998*]**.

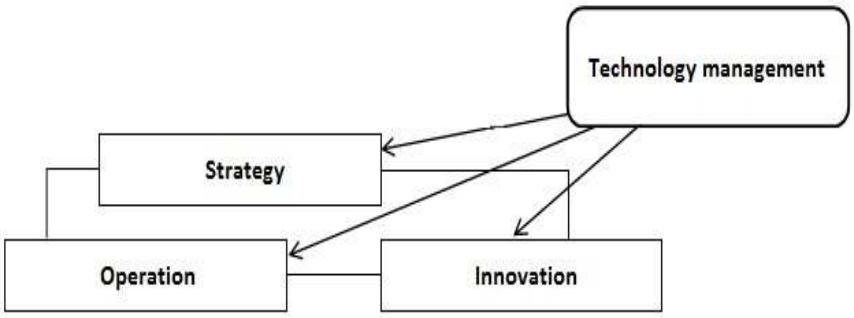

Figure 3: Main field of implementation of technology management
Source: Buzás, N: Innovációmenedzsment a gyakorlatban/own chart/

A non-technology corporate approach is clearly impossible **[*Steele, 1989*]**. Not only cannot corporations exist without technology, but any other business that carries out business activity. Technology management is needed not only in the business sector but as well as in

the governmental and non-profit sectors. To be able to meet human needs, the appropriate method and tools are essential. If any work is carried out, technology is employed – either recognizing i tor not. The role of technology and its relations to other corporate elements is illustrated in the figure of ***Leavitt*** **[*1964*]** and ***Vrakking*** **[*1993*].** Technology is the core and vital element of corporate success. It is related to every other element, while having an effect on and effected by them, thus cannot be discussed separately.

Figure 4: Leavitt system model
Source: Buzás Norbert: Innovációmenedzsment a gyakorlatban/own chart/

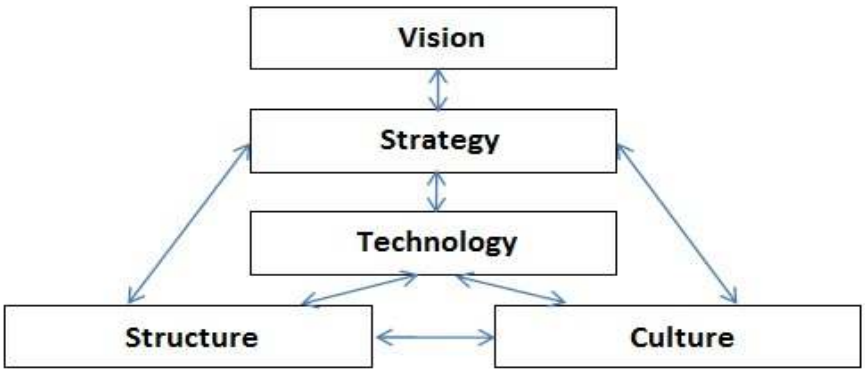

Figure 5: Vrakking's model on technology at corporate management
Source: Buzás Norbert: Innovációmenedzsment a gyakorlatban/own chart/

Purpose of analysis

My utmost objective is to prove that innovation processes are indeed principally generated by technological development. Permanency or continuity? It may result in a key issue for Hungarian enterprises as well, since without sufficient technological background Hungarian enterprises could not maintain their competitiveness either. How innovative are these firms? How much innovation awareness or search for innovation does incite innovation in enterprises? To what extent is innovative thinking represented by executives of enterprises? The results of the INNOTARS research program offer answers to these questions. Hungarian enterprises' innovation activity is also mostly determined by technological development and spending on this ambit is also relevant. This observation is supported by the national research project which is purported to examine the factors affecting and accompanying innovation at Hungarian small and medium sized enterprises. During the research we collected data from the enterprises via questionnaire surveys and interviews. As technology is in constant change and one of the most significant challenges enterprises have to face is to operate in the constantly changing environment, thus, rapid technology sourcing may be the quickest response on the part of enterprises. Pursuant to the evolutionary or neo-Schumpeterian approach, capitalist economy constantly develops and selectively adapts new and better technologies; the enterprises, however, have distinct abilities to build or adapt new technologies and they further vary as to how they manage to profit from them ***[Nelson, 1991]***. ***Grossman*** and ***Helpman*** **[*1991*]** considered directly technical evolution, knowledge accumulation and utilization as major underlying drivers of economic development. However, under ***Thirwall*** **[*2002*]** it is important to take a critical approach in respect of the new economic growth theories as they tend to neglect the importance of demand-side factors; it is however noteworthy that the issues of technical change and the flow of knowledge slowly become part of mainstream economics.

Figure 5 demonstrates graphically the hypothesis of my study. It is my observation that with respect to small and medium sized enterprises in Hungary, the development of technology affects more the level of innovation than other factors, such as, e.g. innovative thinking or commitment to changes.

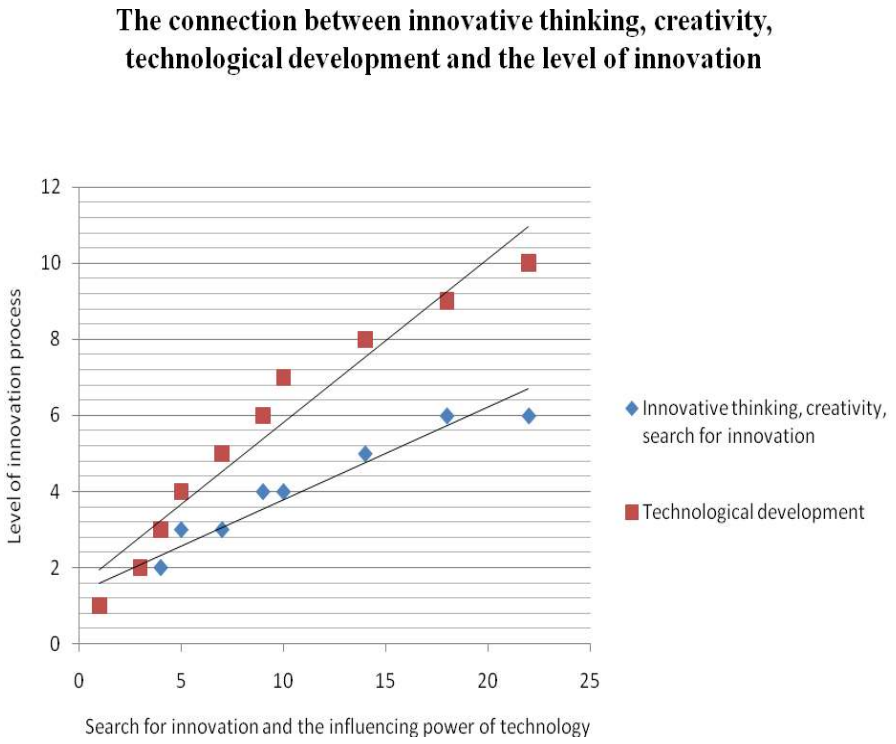

Figure 6: Impact of innovative thinking, creativity and search for innovation ***
and technological development on innovation processes of enterprises
/own compilation/

The executives of most enterprises do not regard innovation as a possible means of development; but rather as a necessity to subsist and satisfy customers' demands. As among environmental conditions technological development is the fastest to change, the innovation processes of these enterprises are mostly determined by the development of technology.

Type of innovation	Number of answers	Proportion in percentage *(814=100 %)*
Product	158	19,41%
Technology	**249**	**30,59%**
Process	36	4,42%
Marketing	64	7,86%
Organization	83	10,20%
Other	54	6,63%

Schedule 1: Innovation types at the enterprises examined
Source: INNOTARS research program[3]

The results of Schedule 1 arise from the questionnaire survey of the research. In the questionnaire survey information was obtained from 814 enterprises throughout the whole country. It is to be noticed that at the majority of enterprises (249) technological innovation took place, which is followed by product innovation representing one fifth of the enterprises examined. Therefore, this dominant position of technological innovation cannot be questioned; nevertheless, it also logically raises the issue why it is the most determining innovation type with respect to enterprises. The explanation can be found in the interview survey of the research. In the research program 85 in-depth interviews were prepared with entrepreneurs. In these interviews we principally focused on understanding what the background of innovation processes is. One question related to the methodology of crisis management. It is noticeable from the survey that most enterprises tried to mitigate the impacts of the crisis by entering new markets. Moreover, the improvement of efficiency, cost cut, the introduction of new products and services also resulted in a decisive means of crisis management. However, all these may only be achieved by simultaneous technological development.

*** recognition of the importance of innovation by executives of companies, knowledge of the opportunities in innovation

[3] Examination of the factors affecting and accompanying innovation in national small and medium sized enterprises, research leader: Prof. Dr. Magdolna Csath – Kodolányi János University – head of department, university teacher, the project was implemented with the support of the National Office for Research and Technology

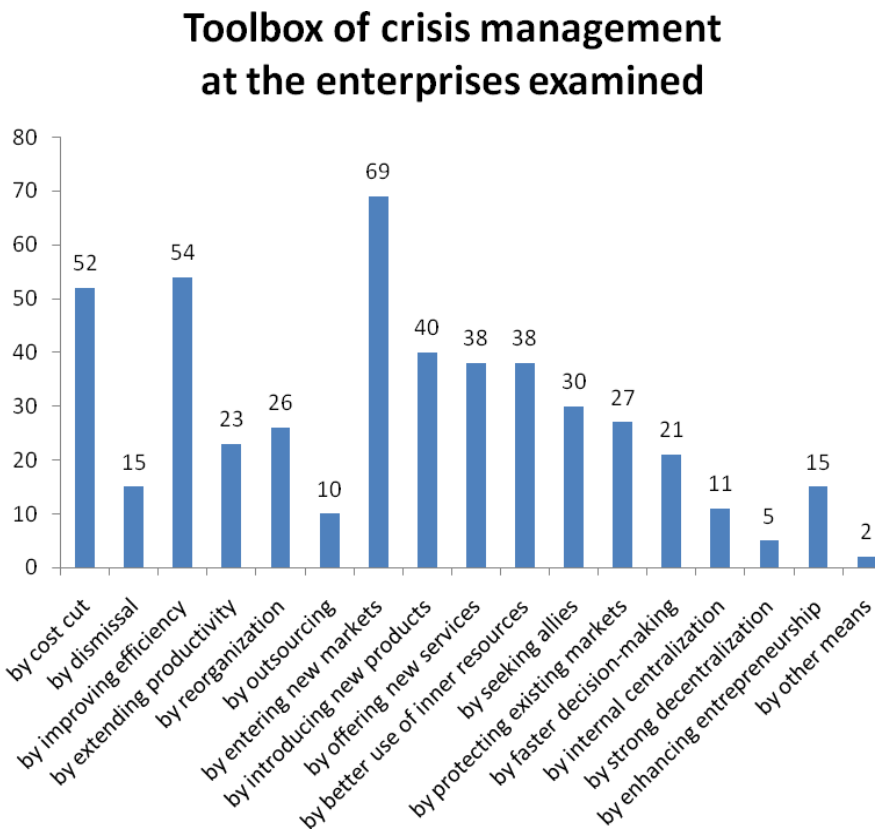

Figure 7: Toolbox of crisis management at the enterprises examined
Source: INNOTARS research program

Attention is further drawn to the importance of technology by the sources of competitiveness of enterprises. Most entrepreneurs consider quality, efficiency and novelty as key factors of competitiveness and uphold such opinion with respect to the future as well. Quality products can only be produced by appropriate technology and proper production processes.

	Today	In the future
quality	**70**	**62**
price	40	29
novelty	**42**	**44**
additional services	39	37
efficiency	**46**	**44**
cheapness	14	14
excellent process planning	37	32

Schedule 2: Key sources of competitiveness at the examined enterprises
Source: INNOTARS research program[4]

Similar answers were by the enterprises in another section, where enterprises were asked which factors usually motivate/help technological innovation within an enterprise. Most frequent answers highlighted struggle to subsist, efficiency, quality and gaining competitive advantage as key factors. All these answers resemble the observations made above in the course of this analysis. A large number of the enterprises participating in the interview survey did not claim national or EU aids to finance innovation processes. Nevertheless, those who did, mostly claimed aids for building constructions, asset or machinery supply, other technological developments, trainings, development of the ISO system and job maintenance. The largest proportion is represented again by technological development. Technological development also ranked highest with respect to innovations not related to products and services. Information technology developments (e.g. new hardware and software supply) as well as other technological developments played an important role in such innovations. However, the management has to face certain problems arising upon the constant change. In addition to examining factors helping innovation, factors preventing innovation were also analyzed in the interview survey. In the vast majority of enterprises, risk aversion or fear of changes may prevent new innovation processes to be developed.

[4] Examination of the factors affecting and accompanying innovation in national small and medium sized enterprises, research leader: Prof. Dr. Magdolna Csath – Kodolányi János University – head of department, university teacher, the project was implemented with the support of the National Office for Research and Technology

The more changes an enterprise makes, the more resistance it may probably face. Upon reviewing the results, the question can be answered whether it is rather permanency or continuity which enterprises need in their lives. Enterprises do not have an option in this respect. Continuity follows enterprises as far as they operate, since their economic environment is constantly changing, which is further enhanced by the accelerated technical technological development. However, permanency is necessary in ambits such as innovation, constant tracing of novelties or openness to novelties. Most enterprises cannot obviously create brand new technologies, thus, the majority may only take over or apply technological elements which are already available. Technological development may be regarded as continuity whilst adaptation to such development and constant innovation may result in as permanency in enterprises' lives. Such enterprise development theories need to be applied which take into account both continuous operation (to improve short term efficiency) and non-continuous changes in order to provide better opportunities for long term improvement among changing circumstances. To achieve the first goal, the enterprise's ongoing business activity is of importance, whilst innovation is highly topical when attaining the second objective. Simple and stable conditions, which allow specialization and facilitate planning, support short term efficiency. On the other hand, innovation requires and also leads to changes and wider scope of activities when inciting and forming new ideas. Flexibility and comprehensiveness are both required to establish favorable conditions also in the initial phase of the creative process, but also when discovering those new fields necessary to solve corporate problems. Efficiency and innovation are supplementary elements of the development of enterprises; however, solely one can prevail at a relevant moment. Permanency or continuity? Well, the one and only answer to this question is probably that both permanency and continuity are necessary for the successful operation of enterprises.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 70-76

Tourism multiplier effect

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Abstract
Determination of the multiplier effect of tourism is a key element in the economic field. The multiplier measures the impact of extra expenditure introduced into an economy.
Keywords: tourism, multiplier effect, economy, region

Tourism not only creates jobs in the tertiary sector, [1]it also encourages growth in the primary and secondary sectors of industry. This is known as the multiplier effect which in its simplest form is how many times money spent by a tourist circulates through a country's economy. Money spent in a hotel helps to create jobs directly in the hotel, but it also creates jobs indirectly elsewhere in the economy. The hotel, for example, has to buy food from local farmers, who may spend some of this money on fertilizer or clothes. The demand for local products increases as tourists often buy souvenirs, which increases secondary employment. The multiplier effect continues until the money eventually 'leaks' from the economy through imports - the purchase of goods from other countries.

Multiplier effects[2] refer to an economic concept that was conceived in the nineteenth century and developed throughout the early period of the twentieth century, but not formalized until the work of John Maynard Keynes in the 1930s. The concept is now universally accepted amongst economists and applies to changes in exogenous demand for any industry's output, and is thus not solely related to tourism activity. Within the context of tourism multiplier effects are

[1] http://geographyfieldwork.com/TouristMultiplier.htm
[2] http://www.hotelmule.com/hospitality_travel_wiki/wiki/Multiplier%20effect

those economic impacts brought about by a change in the level or pattern of tourism expenditure. The term 'multiplier' is derived from the fact that the value of expenditure is multiplied by some estimated factor in order to determine the total economic impact. The multiplier effect can be estimated by using ratios that reflect either the direct plus indirect effects or the direct plus indirect plus induced economic effects of tourism spending.

"Multiplier effects" [3]are often cited to capture secondary effects of tourism spending and show the wide range of sectors in a community that may benefit from tourism.

The multiplier[4] measures the impact of extra expenditure introduced into an economy. It is therefore concerned with the marginal rather than average changes. In the case of tourism this extra expenditure in an area can take many forms, including the following:

- spending on goods and services by tourists visiting the area;
- investment by external sources;
- government (domestic or foreign) spending (e.g. domestic government spending on infrastructure in a region or foreign government aid);
- exports of goods stimulated by tourism.

A country's trade balance allows precise knowledge of imports and exports of a country, by linking inputs to outputs in a given period of time. "Invisible trade" constitutes the so – called "invisible balance sheet" which is part of the balance of payments.

International tourism impacts on the "invisible trade balance" and "balance of payments".[5] Proceeds from the "invisible transactions, and payments in their account balance determines the final balance appreciably their balance of payments in a country. The balance of payments directly affects GNP as well. To illustrate this we use the equation:

$$Y = C + I + G + (E - H)$$

unde:

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[3] Stynes D., *Economic Impacts of Tourism*, https://www.msu.edu/course/prr/840/econimpact/pdf/ecimpvol1.pdf

[4] Horwath Tourism & Leisure Consulting, *Tourism Multipliers Explained*, Published in Conjunction with the World Tourism Organisation, November 1981, pag. 3, http://www.horwathhtl.co.za/includes/newsroom/Tourism%20Multipliers.pdf

[5] Snak O., *Economia şi organizarea turismului*, Editura Sport Turism, Bucureşti, 1976, pag. 64

Y - Gross National Product;
C - cost of consumer goods;
I - investment expenditures for goods;
G - government spending;
E - exports;
H – imports.

If tourism imports[6] are greater than exports, balance account is negative and GDP (Y) will also be lower, where exports are travel expenses incurred by foreign tourists in our country.

The overall balance of payments[7] reflects the claims and debts of a country in relation with foreign countries, and its impact on tourism can be played through the foreign trade balance account, which according to its nature - positive or negative - can compensate, reduce or worsen a balance of deficit payments.

The summary of invisible operations influence[8] on the total balance of current account balance is:

- reduce the asset balance of trade balance;
- compensating, with different weights, the trade balance of liabilities;
- increases the active balance of trade balance;
- covering the balance of trade balance liabilities, sometimes with surplus;
- in some cases increases the liability.

Tourism is an incentive for infrastructure investment, and in small tourism related businesses, and the initial investment in tourism sector induces important investments in third parties, including investment in hotels, restaurants, shopping areas, ports, airports.

Oscar Snak also describes the multiplier effect of tourism, based on the theory of "efficiency" or "multiplier". Applied to tourism, the tourism multiplier effect indicates the influence of national income generated by the influence of the tourism expenditure on the activity of the productive sectors. Almost all sectors of the economy benefit from the tourism incomes.

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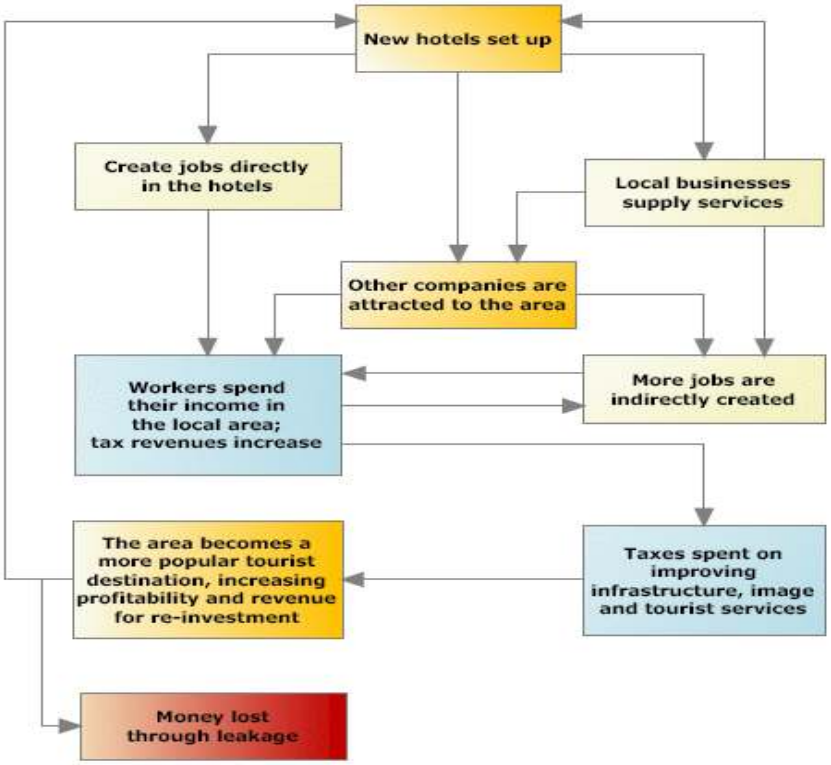
[6] Cosmescu I., *Turismul*, Editura Economica, Bucureşti 1999, pag. 55
[7] Minciu R., *Economia turismului*, Ed. Uranus, Bucureşti, 2001, pag. 32
[8] Snak O., Baron P., Neacşu N., *Economia turismului*, Ed. Expert, Bucureşti, 2001, pag. 67

The multiplier effect is manifested in two forms: the multiplier effect of earnings from tourism, and in terms of the tourism monetary expenditure effect, considering creating new income in the national economy and the multiplier effect of foreign investment. A primary expense made by a tourist, for example, in a hotel, will be used for new investments (equipment, facilities) to pay staff, to pay for goods or services or payment of debts. In turn the recipients will use the money to cover the personal needs or to pay their own debts, so spending the money several times, by allocating it between different sectors of national economy, and thus generating new revenue each time.



Source: http://geographyfieldwork.com/TouristMultiplier.htm

From an economic perspective, revenues from foreign visitors were exports to countries (areas) who receive tourist flows. Because money coming from outside is circulating in the economy of the places visited by tourists, and are spent and spent again several times until they disappear from the economic circuit, Keynes called the exports of

tourism associated with the consumption of material goods and the domestic spending "injection" for the economy. But if that money is immobilized in household savings or used to pay duty, import, the money lose its incentive value, and is named by Keynes "leakage" to other destinations. The greater the volume of these leaks, the smaller is the multiplier effect of tourism. Keynes argues that economic growth is possible when "injections" are greater than "leakage."

The multiplier effect of tourism can be shown by the formula:

$$K = A \times \frac{1}{(1 - B \times C)}$$

where:

A - is the proportion of expenditure remaining after deduction of leakage in the area looked to other areas;

B - is the proportion of income spent on local residents to purchase goods and services produced within the area considered;

C - is the proportion of residents spending changes in local revenues after deduction of leakage.

American scientists Robert W. McIntosh and Charles R. Goeldner use the following formula which shows the operating mechanism of the multiplier effect:

$$\text{Tourism multiplier} = \frac{1}{(1 - M \times P \times C)}$$

Tourism multiplier is the absolute elasticity coefficient (Δ a) of the tourist consumption.

Another formula used to quantify the multiplier effect of tourism is:

K = (direct impact + indirect impact + induced impact) / direct impact[9]

Tourism multiplier research suffers the following limitations:[10]

1. Data Deficiency

Multiplier analysis requires a detailed database. In many cases researchers generate their own data. However, this takes considerable time and money. In general terms the smaller the research area the less likely it is to have data available in a suitable format. This situation is compounded by the fact that tourism is a multi-product industry,

[9] Snak O., Baron P., Neacşu N., *Economia turismului*, Ed. Expert, Bucureşti, 2001, pag. 22

[10] Horwath Tourism & Leisure Consulting, *Tourism Multipliers Explained*, Published in Conjunction with the World Tourism Organisation, November 1981, pag. 7-9, http://www.horwathhtl.co.za/includes/newsroom/Tourism%20Multipliers.pdf

covering a broad spread of economic sectors. Any economic data, which is readily available, does not usually analyse the economy in sufficient detail.

2. Restrictive Assumptions and Limitations

Many of the weaknesses and limitations of multiplier analysis result from restrictive basic assumptions, which are made in constructing the models. The more sophisticated models eliminate or reduce some of these weaknesses.

3. Existence of Supply Constraints

Most multiplier studies assume that supply is "elastic" in all sectors of the economy, i.e. that the increase in output required to meet the increased demand resulting from tourism will be met by purchases from the same sources. This may not be possible because of technical constraints.

4. Use of Homogeneous Consumption Functions

Most multiplier models assume that as household incomes rise these incomes will be spent on the same products as previously. Clearly in practice it is likely that such rises in incomes will result in changes in the type of goods purchased.

5. Repercussive Feedback Mechanism

Few multiplier models take into account the effects of increased incomes outside the study area which result from exports to the study area. This may in turn generate tourism and expenditure in the study area.

6. Speed of Transactions within the Economy

Static multiplier models take no account of the length of time the multiplier effect takes to work its way through the economy.

7. Sensitivity of Coefficients

In constructing a multiplier model a balance has to be reached on its sensitivity. It must be robust enough to withstand substantial changes in the value of coefficients (such as the propensity to consume), yet sensitive enough to react to changes in the pattern of tourist expenditure.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 77-94

Impact of the "Quality Food from Hungary" brand on the competitiveness of Hungarian food industry

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Abstract
It is a generally known fact that Hungarian products are at a disadvantage in Western markets, since a certain part of foreign customers have not yet heard of Hungarian products. Many of them believe that products made in Eastern Europe are cheap and of poor quality. How could they possibly know Hungarian products, if national food producers and traders can only invest a minimal amount to promote their products? Food producers in EU countries spend far much more to market their products than their fellows in Hungary. The Community strategy for agricultural marketing has been aimed at counterbalancing this tendency.
In 1998, the Ministry of Agriculture and Rural development launched the "Quality Food from Hungary" trademark with the aim of distinguishing top quality food products from other products. The role of the quality trademark is to inform and protect the customers. The trademark makes the customers aware of the fact that the concerned food product differs from other products, and it also protects the customer, since both the producer and the certifying authority assume the responsibility for the controlled top quality of the product. In order to obtain the "Quality Food from Hungary" trademark, the raw materials, ingredients, the manufacturing process and the final product shall exceed the criteria stipulated within the effective food regulations. The basic requirement for awarding the right to use the trademark is the quality of the product, but the quality of its packaging is also taken into consideration and shall not only reflect the quality from an aesthetic point of view, but it shall also facilitate storage, transportation and utilisation.
Keywords: product, food industry, quality food

Competitiveness of the domestic food industry

The domestic food industry has been struggling with competitiveness. One of the key elements to increasing the competitiveness of the domestic food industry is innovation. However, our country is lagging far behind the EU average in regards to supporting innovation; only 0.05% of the gross return from sales is invested in the research of companies, compared to 0.3 % in the EU. The positive effect of this type of support is product specialisation, increase in the effectiveness of production, which results in an increased profit. It reverses the process of increasing the export of raw materials towards the production of premium products (Boródi – FVM, 2007). Thus a higher quality can be offered to the customers for a reasonable price. In addition, the joint development can even hold together the horizontally connected players in the product path.

However, it is important to keep in mind that that innovation must go hand in hand with adequate marketing, since developing new products is not enough; we also need to know how to sell them. The aforementioned fact, as well as the implementation of investment, requires the support of the government, which is still not enough, since the business entrepreneurs are the ones who will take the risk and initiate developments. The role of the state is to ensure an adequate intellectual and infrastructural background, fair and reasonable allocation of funding, and to ensure capital for small and medium-size enterprises (SMEs).

In regards to the technical and technological development of SMEs, one of the most important aspects of competitiveness is the added value, which improves the poor capital adequacy of SMEs and can facilitate the utilisation of the opportunities provided by technological development. The second characteristic of the innovation in the area of food production is that small steps in product and technological development happen more often than revolutionary innovation: supporting technology transfers can facilitate a change in this regard (Gaál, 2006).

Industrial production of traditional food (by small and medium size enterprises) increasingly enhances the competitiveness of the Hungarian food industry on both domestic and international markets.

The role of the "Quality Food from Hungary" trademark

In 1997, the Ministry of Agriculture decided to establish a certifying trademark to distinguish top quality Hungarian food from other products and introduced the "Quality Food from Hungary" trademark [Regulation No. 1/1998 (I.12) FM].

The "Quality Food from Hungary" trademark can be awarded to such products marketed in Hungary, which have at least one characteristic distinguishing it from other products. The precondition for obtaining the trademark is that the used raw materials, ingredients, the manufacturing process and the final product itself not only meet the criteria stipulated within the food regulations, but even surpass them (Totth, 2006).

By applying a primer market research method I surveyed the purchasing habits, the awareness of the "Quality Food from Hungary" trademark and consumers´ experiences with the trademark products. I decided to conduct a quantitative survey by applying the most common market research method – the questionnaire. The character of the applied survey was diagnostic.

The hypothesis of the survey was that good quality food products are important to customers who are aware of the QFH trademark and are able to associate it with a number of product groups. According to our pre-estimations they have also been satisfied with those products.

The sample consisted of 120 randomly selected individuals. According to their willingness to respond, conformity with filter questions and awareness of the QFH trademark, I summarised answers from 58 survey forms. Thus, the following evaluation was prepared based upon the responses of 58 individuals. Owing to the extent of the study, I will analyse only a few of the questions.

European consumers, including Hungarian customers, are extremely demanding in regards to quality. Typical feature of the international migrants is searching comfort and well-being in Hungary. One of the determinant dimension of well-being is to create a healthy menu. People living in villages prefer buying domestic, fresh and chemical-free products (Illés-Kincses, 2008). The present-day demands of costumers can only be satisfied with quality products.

Influencing factor	Number	Percentage
Low price	33	56.9%
High quality	41	70.7%
Rich assortment	35	60.3%
Direct service	8	13.8%
Adequate provision of information	7	12.1%

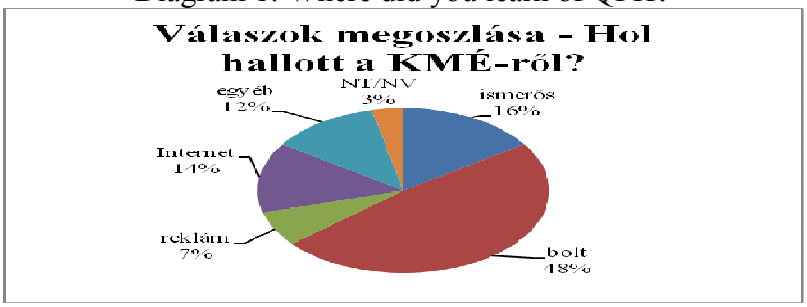
Chart 1: Factors influencing the selection of the shopping facility

Source: author

According to the results indicated in the chart, 70% of respondents explicitly indicated as their first choice "high quality" as an influencing factor. This was followed by a rich and varied assortment: the customers like to be in control and the ability to choose from a range of products. In the case of shopping facilities, which offer similar quality and selection of goods, the most important factor is the price. Customers are extremely price-sensitive: particularly in the present economic situation - a product's low price dominates their decisions, even overshadowing other factors they mentioned quite a few times. The quality of service cannot be neglected either (mentioned by 12-13%), as well as the information provided during shopping.

The awareness of the QFH trademark was one of the criteria during the selection of survey forms suitable for analysis. From the viewpoint of evaluating the communication strategy it is interesting to know where the customers were provided with information on the trademark. In addition, the analysis of the following diagram will help us to learn what type of communication tools are worth applying in the future.

Diagram 1: Where did you learn of QFH?



Source: author (48% in the shop; 16% from people I know; 3% DK/DA; 12% other; 14% Internet; 7% Advertisement)

From the diagram we can draw the conclusion that almost 50% of the respondents learned about the QFH trademark in the shopping facility. The reason for that may be that there is no ongoing campaign which runs throughout the entire year. According to that, an effective (though not regular) campaign targeting customers in the shopping facilities can achieve its goals. This means that information gets directly to the customers though the combined application of different POS (point of sale) and POP (point of purchase) advertisement tools. The function of the two types of tools is identical: to draw attention, inform, convince, remind, reinforce, create an atmosphere and consequently motivate to buy. There can be several advertisement options applied within one shop. During the 2008 campaign promoting QFH the AMC applied the following POP-materials:

- Stand/display
- banner hanging down from the ceiling
- texts on shelf strips
- wobbler
- poster
- advertisement on shopping carts

Since many different and special types of cheese (goat cheese, seep cheese, cheeses parenica, trappista, mackó) are marked with the QFH trademark, tasting and offering samples can also be used as the method of promotion during the campaign.

It is surprising that only 14% of the respondents mentioned the internet as the source of their knowledge of QFH, considering that AMC has established its web page with the specific goal of informing customers. However, this number can be understood if we consider that shopping for food is a question of trust: people are more likely to buy foodstuffs recommended by someone they know/trust. This also explains the relatively high number of those who had heard of QFH from friends and people they know. Therefore it is important that housewives share their positive experiences with others.

Seven respondents indicated resources beyond those listed. They included some who recalled it from a newspaper article, while others saw it on TV magazine programs, and still others became familiar with the trademark and labelled products at regional and county exhibitions.

The aim of the subsequent questions was to identify in which product groups' customers noticed QFH products. This question also allowed for multiple answers.

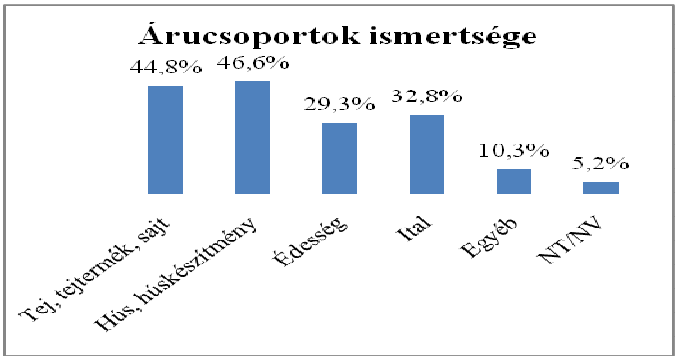


Chart 2: Awareness of product groups

Source: author (44.8% Milk, dairy products, cheese; 46.6% Meat, meat products; 29.3% Confectionery; 32.8% Beverages; 10.3% Other; 5.2% DN/DA)

Chart 2 also illustrates that almost 50% of respondents mentioned the group of meat and meat products. This is not surprising at all, since the number of trademark products in this group is very high: in fact every fourth trademark product belongs to this group. The second most popular was the category of milk, dairy products and cheeses. The two above mentioned product groups won the first two positions probably because these two types of products can be considered as "the most sensitive" and therefore customers are also most sensitive to their quality; we can say that guaranteed quality and ongoing inspections are most important in these groups.

The product group with the third highest consumer awareness – beverages – includes mostly different mineral waters and spirits and some soft-drinks and syrups. One of the most important goals of AMC in the last year was to promote spirits (pálinka). The diagram shows that this campaign was successful, since a high number of respondents specifically mentioned pálinka within this product group. The competition on the mineral water market is huge, but the leading brands include quite a few QFH trademark products as well (Balfi, Visegrádi, Margitszigeti).

Only a few were aware of the complete assortment of trademark products, since only 6 respondents (10.3%) mentioned a product group which was not listed. Within the category of "other" the respondents

mentioned vegetables/fruits, groups of spices, oil, ketchup, horseradish and wheat germ products.

The following question was an open question aimed at finding out the customer's opinion on the products marked with the QFH trademark, and on the QFH program in general. I divided the given responses into two groups depending on whether they expressed a positive or a negative personal opinion. In most cases we received concise one sentence answers expressing the strongest impression of the respondent in relation to QFH.

Positive experiences	Negative experiences
• Hungarian origin • excellent quality • safety • great satisfaction • rich assortment of trademark products	• high price • insufficient promotion • insufficient advertisement • habits, routines of customers • product placement • shortage of some popular products • difficult to distinguish from other trademarks

A vast majority of respondents is thoroughly satisfied with QFH products, since all without exception take into consideration the Hungarian origin of grocery products, their excellent quality and safety guaranteed by ongoing quality controls. Among the positives, many stated that the range of trademark products is sufficiently broad. Nevertheless, there were some who suggested expanding the assortment; they thought beer, meat products from the "mangalica" breed of pig, and certain sorts of vegetables and fruits were missing.

According to most respondents, the most apparent negative associated with QFH products is their high price (some expressed it as "prohibitive"). Insufficient promotion and advertisement of QFH products may result in their loss among the mass of average products. This is exactly the reason why routine shoppers buy their favourite products that they are used to, since there are few incentives for them to change. One of the respondents expressed the following opinion: "Guaranteed quality and Hungarian origin of a product are important to me, therefore I would like to buy QFH groceries, provided that they were not so concealed". This response indicated that the placement of

QFH products within purchasing points is not favourable. As a result, this was a high-priority point on the agenda set forth in the 2009 Annual Plan of AMC with the goal of ensuring that QFH products are handled by traders specifically and as one category.

Corresponding to my expectations prior to the survey a significant number of Hungarian customers is familiar with the QFH trademark. To most customers the trademark indicates guaranteed quality. I was confronted with two problems: the first being the high price of the trademark products, which, in many cases, affects the customer's decision despite the expected quality; and the second related to the insufficiencies of marketing communication, although there are numerous marketing tools available to achieve progress.

Analysis and potentials of the "Excellent Food from Hungary" trademark from the viewpoint of marketing communication

"Excellent Food from Hungary" trademark as a brand

Market research shows that a characteristic feature of developed market economies, including the Hungarian market, is the dominance of brand products. Brand is one of the most important values of commerce. In the early stages of market economy even the customer, who was satisfied with a certain brand, tried a new brand, since every day s/he came across something new. However, nowadays it is almost a given that Hungarian household managers are loyal to a particular brand.

This is very significant from the viewpoint of marketing, since it indicates that if we make a customer take a fancy to a certain brand; we can assume with a relative certainty that the customer will stick with that brand until s/he experiences something negative with it, as the brand also signifies a sense of security for the customer.

Establishing a well-known brand is extremely costly; therefore the so-called "umbrella" brand – such as the "Quality Food from Hungary" trademark - can play an important role. That means that one brand is applied to different categories, thus unifying the advantages offered by the brand. The "Quality Food from Hungary" trademark as a brand proves the above-average market value of the product, and ensures a standard for products using the trademark. The label informs demanding customers that they have put a top quality product into their shopping cart, since the manufacturers have to comply with strict criteria.

Trademarks can help to guide customers towards reliable quality products, since it is not so easy for the customers to find top quality products among the broad selection of goods. Due to recent food scandals customers are more and more interested in the origin of the products that they purchase, and whether or not they are reliable. Trademarks can help to solve this problem, since they indicate products of certified quality.

One of the roles of the Agro Marketing Centre is to provide (supported by the Community Marketing Fund) long term assistance and to operate the trademark program. In cooperation with the media, it shall inform the general public in Hungary about the excellent Hungarian food products by means of organizing various commercial events, draws attention to the guarantees that the trademark stands for and thus enhancing the access of Hungarian small and medium size enterprises into the market.

The relation between promotion and trademark

The most important goal of promotion is to present the product (or service) manufactured, traded (provided) by the promoter in a situation that raises the interest and encourages potential customers to use these products/services. The promoter endeavours to present itself in a favourable, positive light, which indicates that promotion includes an aspect of trust. Trust is enhanced by an appropriate and positive image of both the promoter and the product.

Nowadays customers are overwhelmed by promotion (advertisements/commercials). This is why just one promotion, regardless of how minimal it is, does not reach the target audience, since people do not pay attention to it, and often consider it useless. Therefore it is important that the promotion includes something that captures people's attention. If the promoter manages to achieve that, the next step is product differentiation aimed at showing the superiority of the product over similar products sold by competitors.

A well-selected trademark plays a great role in reaching out to the target group and in raising attention and product differentiation.

Trademark and promotion are two concepts closely connected to each other at several points. If we approach promotion from the side of the trademark, then one of the multiple functions of the trademark (e.g. differentiates, identifies, qualifies, informs, highlights, promotes) is the promotion function. If we start out from promotion and move towards

the trademark, than the trademark is one of the tools of promotion. There is a multitude of tool that can be used to promote a product; appropriate wording of the text, proper music, correct and well considered placement, with a major role and responsibility still resting on an easily recognisable trademark.

Although the trademark and promotion are not part of the same category, it is still worth comparing what they do have in common. Both are related to goods and services. The role of the trademark is to differentiate, the role of promotion is to popularize/promote, but these two roles could be easily reversed: both present primarily positive features and matter-of-fact information about the product. Promotion and trademark are both a result of intellectual activity. The impact of promotion on customers requires witticism, the use of well considered methods; and with the trademark attention should be paid to the design or symbol which best expresses the characteristics of the product making it as distinguishable as possible. Both a well-chosen commercial and a properly established trademark are part of the external image of the business enterprise.

Food consumption and consumer behavior

Strategy	Questions
Segmentation	Which consumer layer should we aim with our products?
Product	What is product? What are the advantages?
Price	How does the price affect to the consumer?
Distribution	Where do they buy the products?
Promotion	Which promotion device will influence the consumer on the usage of the product and its consumption?

Chart 3: Questions of consumers

Source: Lehota, J., Tomcsányi, P: Agrarian marketing, Mezőgazda publisher 1994, Budapest

I am trying to answer to the questions which you can find in the given chart. My answers based on the „4P" of the marketing mix (product, price, place, promotion) and the consumers.

Consumer target group

We can define the target group with the following questions: Who makes the purchase? Who attends it? Who is the main decision maker? The primary target group consists of women, age between 25-55.

The factors influencing the purchase decision:

- Environmental effects
- Situational factors and purchase situations
- Cultural factors
- Social factors
- Personal features
- Psychological features

Marketing mix

Product Policy

The most significant feature of agricultural and food products are that they are not durable consumer goods, which means that they can be stored for a longer or shorter period of time under appropriate conditions. Agricultural products can be divided into the following groups: agricultural products and food products. There are undifferentiated mass products which we buy to satisfy our everyday needs, and there are differentiated top-quality food products we buy taking into consideration their origin, trademark and manufacturer. Groceries are products of specific importance, which are continually and in large quantities consumed by humans, and therefore their composition and quality affects our health. To achieve the active aging is important to keep a healthy nourishment and bring quality substances into our body. We should not forget to the methods of preparing meals. These factors have an emphatic role during their old years. (Illés, 2008)

The manufacturing, storage and trading of a food product is regulated by several laws and regional and international regulations.

The most important factor of agricultural and food products, is their quality. These products can, to a great extent, replace each other, therefore it is necessary to emphasise their quality.

The positive and negative effects of products labelled with the "Quality Food from Hungary" trademark, as well as their opportunities and threats have to be examined by means of the SWOT analysis.

Strengths
- Hungarian origin
- excellent quality
- regular controls, strict requirements
- several product groups
- healthiness guaranteed
- safe
- attractive design
- 10 years of experience, system of connections

Weaknesses
- no ongoing communication throughout the year
- high price

Opportunities
- the number and range of trademark product keeps increasing
- establishment of adequate cooperation with retail chains
- utilisation of experiences with former campaigns

Threats
- competitors
- not real competitors, but symbols and labels with a similar design
- economic situation

Competition

There is no other non-product specific trademark comprising top-quality and origin. Despite this, during my market research I experienced, that there are countless labels on products indicating their Hungarian origin; nevertheless, the "greatest" competitor are products labelled with a Hungarian Product emblem. The Hungarian Products public benefit association (Magyar Termék Kht.) was established in February 2006 by pooling 13 companies with a goal of developing a central communication (by pooling their shared costs) in order to show appreciation for and popularize the Hungarian labour force and Hungarian products. They have not protested against EU and foreign products; however they would also like to make sure that Hungarian products find their place in the world. They also wanted to ensure that Hungarian products are easier to recognise on the market. By applying marketing tools they try to facilitate the protection of domestic products, groceries in particular, on the domestic market.

In addition to the above mentioned, there is a great similarity between the design of QFH and the Hungarian Product trademarks.

Because of the red-white-green colour and similar shape they can even be confused.

Picture 1 – Logo of Hungarian Product

Picture 2 - Logo of QFH

Price policy

Price expresses the value of a given product. This value includes tangible and intangible elements. The price is closely connected to other elements of the marketing mix, but it also differs from them in that the price generates return from sales, and the other three elements generate costs.

Several factors have to be taken into consideration when determining the price:

- costs
- customers
- sales channels
- competition
- government

In general, in the case of low price the customers consume more products. The price of products labelled with the "Quality Food from Hungary" trademark is quite high. In the product groups of "milk, dairy products, cheeses" and "meats" the price of trademark products is comparable to the prices of other brand products. Due to the broad selection of products within this product group, the customers can easily find other products for a much more favourable price.

The price of trademark confectioneries and mineral waters is average. The soft-drink (Jona apple juice with pulp) has a markedly favourable price; however the syrup (Zümi elderflower syrup with honey) is, not only with its quality, but also its price, well above both its

domestic as well as foreign competitors. Pálinka has become more and more popular among beverages again. The group of trademark beverages includes several companies with a number of products. Their popularity was clearly evident during my survey, as many respondents knew these beverages by name (Békési, Bolyhos, Zsindelyes, Miskolci, Szabolcsi). These are the strongest names from the selection. Their price is high.

Sales channels and distribution policy

Distribution is a process of transferring the products from the manufacturer/producer to the consumer. The sales channel is the route a product takes until it finally arrives at the end-users. The sales channel can also be referred to as a marketing channel. The product can end up at the customer either directly or through commercial intermediaries. The customer can find trademark products in small corner grocery shops, discount markets, various super- and hypermarkets and large shopping centres as well. These products are available in most places, but to make customers aware of this, we need to raise their attention. I have already mentioned that the Centre of Agricultural Marketing considers that one of its most important roles is to convince the retail chains to cooperate. In my opinion, the first step to making this cooperation function would be to contact Hungarian retailers like the CBA- Hungarian Retail Chain, Reál Hungária Élelmiszer Kft., Coop Hungary Zrt., since they share the goals of the QFH trademark products, and this would perhaps enhance the promotion of top-quality Hungarian food products.

Communication policy

The fourth "P" (promotion) is generally referred to in technical literature as marketing communication. "Marketing communication is a series of planned activities included in the marketing system of a company, aimed at promoting a product (service), brand, company (institution), drawing customer attention and motivating them to buy or maintaining their interest by means of communication".

Objectives of the "Quality Food from Hungary" trademark marketing communication strategy:

- increase the awareness and enhance the authenticity of the QFH trademark;

- convince customers.

General message:

- inspected
- guaranty
- Hungarian
- quality
- recognition

In my view, communication of this message will require the utilisation of the broadest possible range of communication channels available within the given financial limits.

In consideration of ATL tools we can say that the AMC has made good use of tools provided by the internet. It operates a high-standard customer website which is, in addition to providing information, also suitable for drawing customer attention on trademark products by means of various contests/sweepstakes.

The print media was thoroughly supportive of our promotional efforts. Representation in professional papers is satisfactory, and this year it even seemed to further improve, as a regular column has been designated to this topic in the Élelmiszer (Groceries) magazine. In addition, although only occasionally and not on a regular basis, the topic is discussed in seasonal women's magazines targeting women between 25-55 (Nők Lapja, Meglepetés, Kiskegyed, Magyar Konyha, Fakanál).

TV commercials are less frequent because of their high cost, but the topic appears, from time to time, during professional programs. However, using TV as the medium most penetrating peoples' lives is still important since, due to its technical possibilities, it can have a broad effect on TV viewers. It would also be effective from the viewpoint of targeting by scheduling a commercial closely related to the topic of a particular program (i.e. programs intended specifically for women like cooking shows, serials).

It would be effective to enter into long-term cooperation with a public broadcasting station or a commercial broadcasting station with national coverage, because compared to television, radio is a lower-cost advertising option, but it still reaches a broad range of the target population. Radio broadcasting would make it possible to organize interactive contests/sweepstakes, e.g. the question in a phone-in quiz show might concern a trademark product, and the prize might also be a product made by one of the manufacturers of the promoted product (confectionery, beverage).

The utilisation of outdoor tools could also be enhanced while promoting trademark products. These tools are for the most part favourably accepted as the majority of people do not consider an advertisement in the street disturbing or intrusive. The prestige of this medium can not be described as high, since the way it is received and the technical features do not allow for this. People, while moving in the street (walking in the streets, driving a car, travelling by public transport), can see it and, in the best case scenario (and this up to creative professionals), they will remember the advertisement. The advantage of outdoor tools is their long life and low cost per reaching one person.

Types of outdoor tools:

- posters
- billboards, canvases, firewalls
- lighting facilities
- street furniture
- advertisement on vehicles
- air advertisements

At the interface of ATL and BTL tools we have to mention PR. In this regard we can say that the AMC maintains an active and good relationship with its professional partners and the media.

Let us start the enumeration of BTL tools with direct marketing. Ordinary customers might also be targeted with a tool similar to the newsletter distributed to QFH club members. By means of the customer website and as a result of the opportunity provided by sweepstakes, customers might be offered the possibility to receive regular information by e-mail about purchase points of trademark products, special sales and those manufacturers and products, which have recently won the right to use the trademark.

Long term as well as short term application of sales promotion tools would also be effective. The Preferred Customers program launched within the AMC 2009 Annual Plan can be viewed as such an attempt. From among promotions with additional benefits I consider the enhanced use of samples to be of significant importance. By testing and trying samples the customer can become familiar with the trademark product, and, since we are talking about food products, the customers can subject them to thorough sensual testing. A price-related promotion might have great impact on customers as well (either an open or hidden price reduction), because, as it became apparent in my survey,

customers consider the price of trademark products high. Naturally, such a tool can only be implemented in close cooperation and following comprehensive negotiations with retailers.

Advertisement at point of purchase during the campaign is made by POS and POP tools. My experience shows that the above tools proved to be the most successful from among the BTL tools in relation to QFH products. Their effectiveness can be increased by applying them throughout the year at several retail chains.

The marketing event is partly aimed at providing information and partly to entertain the customers. For example organizing a cooking competition using QHF ingredients; customers would be pleased to participate in such event, since it is a simple outdoor gathering of families and friends without elements of direct marketing.

At most national and international exhibitions and fairs QFH products have had a special stand and their presentation to the Communities is ensured by the AMC.

A number of methods aimed at targeting customers have already been prepared. The AMC regularly deals with this issue. Since about the subject is food products, the most obvious publication is a recipe book.

Opportunities are endless; the only limitation is the annual budget of the AMC. The ultimate communication goal is to make customers prefer products labelled with the QFH trademark.

Conclusion

After accession to the EU the Hungarian agriculture has been forced to struggle for survival within a strong, competitive market, which is why it needs all possible help and support to maintain its market position. Within the EU, the market share of knowledgeable and aware customers has been continually increasing, and trademarks strengthening customers trust and certifying public guaranties, traceability and top quality are more and more important.

As a result of the EU open market, large quantities of low price food products have been arriving in our country. Food safety regulations have become less strict due to EU membership and allow low quality imports to enter the Hungarian market. The “no-name” products and those, which are not able to signalise their presence in the market with an identifying characteristic differentiating them from others and drawing attention to themselves have no chance to establish a long term and successful position in the market.

I started introducing the "Quality Food from Hungary" trademark by introducing its goals and basic principles. It has become apparent that the trademark has become necessary for manufacturers because of its prestige and the fact that it facilitates customers' decisions; however all of this also requires the involvement of retailers. Moreover, the importance of activities aimed at winning target groups abroad should not be neglected either.

The outcomes of the applied primer, quantitative questionnaire-based survey made it clear, that a large segment of customers is familiar with the "Quality Food from Hungary" trademark, which represents a guaranty of quality for them. However, because of the relatively high price of the trademark products and due to failures of marketing communication activities, customers do not always decide in favour of these products.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 95-101

Canada: a new global approach in defense management strategy

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Abstract
In May 2008 the Canadian Federal Government outlined its vision for the Department of National Defense and the Canadian Forces with a national program - *Canada First Defense Strategy.* The major tenets of the *Canada First Defense Strategy* and the Government priorities were focused on reforming the Canadian Forces in all aspects.
Keywords: defense strategy, military forces, national defense

The Canada First Defense Strategy is regarded as a major political change in the Canadian government's commitment to upgrade the national military forces at 21st century's standards, with an investment plan close to 490 billion $, over two decades. Mostly viewed as a political statement, with major military and economic outcomes, the Canada First Defense Strategy was created to strengthen national sovereignty and security and also to bolster the ability to defend democratic values and interests abroad. This major structural reform stressed the importance of future replacement of key equipment fleets, process that will also generate a major boost for the Canadian defense industry with excellent benefits for the national economy. By providing balanced investments across the four pillars upon which military capabilities are built – personnel, equipment, readiness and infrastructure – this plan will increase the size of the military and replace their core capabilities.

The document stresses the importance of engaging other federal departments, including those known as the Central Agencies: Privy Council Office, Treasury Board Secretariat and Finance Canada in defense policies. Therefore, in issues related to national security, Privy Council Office receive an important role by managing both foreign affairs and defense policies, by providing solutions regarding the structure, organization and over-all performance of the Canadian Forces. Thus, in international crisis, like the war in Afghanistan, Privy Council Office will provide support to Department of National Defense in seeking full cooperation with similar designated lead departments, intervene if any duplication or gap in responsibilities arises and provide a single governmental vision. During major emergencies, domestic or international, the Department of National Defense and Privy Council Office will assume the management of communication on all levels.

The Treasury Board evaluates and approves the annual budget of all government departments based on their funds request and on the overall government's priorities and objectives. Treasury Board has a major responsibility in managing human resources in terms and conditions of employment. The Treasury Board Secretariat, organized under the authority of the Financial Administration Act, provide analysis and advice concerning the budget of government departments and agencies and also transfer payments to individuals, organizations and corporations. In collaboration with Finance Department and accordingly to the government's budget priorities, Treasury Board can allocate economic and financial resources to sustain government departments programs (such as the request of the Department of National Defense for Leopard tank funding from Treasury Board).

The Finance Department plans and prepares the federal budget, design tax policies, monitor economic and financial developments and provide policy advice on economic issues. It provides long-term economic studies and put forward for consideration new solutions to increase the economy performance. In collaboration with Treasury Board, the Finance Department can consider the increasing of government revenues to defray emergency expenditures. By financing the costs of proposed emergency measures, imposition of emergency taxes, financial moratoria and other fiscal measure, the Financial Department join efforts with other government institutions – such as the Department of National Defense – in finding and applying appropriate security solutions. On preparing the federal budget, the Finance

Department has to provide financial support for governmental programs such as Canada First Defense Strategy.

Privy Council Office analyzes the Department of National Defense policies to better integrate them in the government's priorities. Once officially accepted, the Treasury Board Secretariat evaluates and approved the Department of National Defense's budget. Finally, the Finance Department provides the financial support for developing these defense projects. Working closely with Privy Council Office, Treasury Board and Financial Department is very important for the Department of National Defense in coordinate policies and establish an overall program supported politically and financially by the federal government.

Based on the recent political developments, domestic and international, the Canadian First Defense Strategy stress the necessity of the Canadian Force to be able to conduct, simultaneously, six core missions within Canada, North America and globally: conduct domestic and continental operations including in the Arctic and through NORAD, support a major international event in Canada, provide an effective respond to a major terrorist attack, support local authorities during a domestic crisis, lead and/or conduct a major international operation for an extend period and deploy forces in response to a crisis around the globe for a limited time. The Canadian First Defense Strategy is regarded as an ambitious plan to invest almost 490 billion $ in national defense and international security, increase the military personnel (up to 70.000 Regular Forces and 30.000 Reserve Forces), replace the equipment fleets (15 new ships to replace existing destroyers and frigates, 10 to 12 maritime patrol aircraft, 17 fixed-wing search and rescued aircraft, 65 next-generation fighter aircraft, fleet of land combat vehicle and systems), improve the Canadian Force's readiness of deploy and sustain operations once deployed and also to modernize the military infrastructure.

Due to the new security challenge of the 21st century, the role of the Canadian Forces was redesign to fit the strategic environment generated by failed and failing states, civil wars, global terrorism, and nuclear-capable unpredictable regimes, to support effectively foreign policy and to successfully address both conventional and asymmetrical threats, including insurgencies, terrorism and cyber attacks. As the document states, first and foremost, the Canadian Forces must ensure

the security of the citizens and help exercise Canada's sovereignty. The international context generated by the 9/11's terrorist attack discloses the vulnerabilities of our society. This unpredictable and powerful strike stresses the necessity to reevaluate our security and to find adequate solutions to these new threats. In our case, the importance of domestic operations in providing internal security became one of the greatest challenges faced by the Canadian Forces. Within Canada's borders, domestic operations imply a coordination of forces and government agencies, a solid and effective planning and well prepared personnel. As stated in Canada First Defense Strategy, defending our sovereignty and protecting our citizens are the most important commitments assumed by the government.

To meet these challenges and to provide a single operation authority for domestic operation, the government created Canada Command as a Canadian Forces organization responsible for all routine and contingency Canadian Forces operations in Canada and continental North America. Capable of maritime, land and air immediate response, Canada Command has six Regional Joint Task Forces (Pacific, West, Central, East, Atlantic and North), three Joint Rescue Coordination Centers (in Victoria, Trenton and Halifax), two Maritime Component Commanders (in Victoria and Halifax) and a Combined Forces Air Component Commander collocated with the First Canadian Air Division in Winnipeg. As human resources, Canada Command has a national and regional staffs, on daily bases, of more than 300 personnel ready for deployment.

Working closely with federal departments such as Public Safety Canada, Canadian Coast Guard, Fisheries and Oceans Canada, RCMP, Department of Foreign Affairs and International Trade, Parks Canada, North American Aerospace Defense Command, Canada Command has to perform tasks related to surveillance of Canadian territory, maintain search and rescue capabilities on national level and provide military assistance to civil authorities in responding to threats vary from natural disasters to terrorist attacks.

Natural disasters, such as floods, forest fires, earthquakes and hurricanes, can overcome local or provincial authorities. The Great Ice Storm in Eastern Canada, the Quebec and Manitoba's floods and the forest fires in British Columbia are relevant example for the assistance provided by our military.

On issues related to internal stability, the government could ask Canadian Forces to assist local and provincial police. Based on article 275, Part VI Aid of the Civil Power of National Defense Act, in case of emergency, local authorities can request assistance from the Department of National Defense. In October Crisis or Oka Crisis, the internal order was reinstalled with the help of the Canadian Forces.

In case of potential outbreaks of infectious disease, provincial and federal health authorities, such as Public Safety Canada, draft contingency plans for a wide range of scenario, like a potential influenza pandemic. In the area of criminal interdiction and surveillance, Canadian Forces can assist federal and provincial police in human and drug trafficking and also in organized crime. To locate, identify and eradicate marijuana-growing sites, Royal Canadian Mounted Police use the equipment and resources provided by Canada Command. To enforce domestic and international fisheries conservation laws and to prevent environmental degradation, Fisheries and Oceans Canada will join forces with Canada Command. Based on the New Agreement, NORAD will provide air and maritime surveillance and inform promptly the Canadian government of any potential foreign encroachments on our natural resources, especially in the North.

In major international events, like 2010 Vancouver Winter Olympic and Paralympics Games, G8 Summit at Huntsville or G20 Summit at Toronto, Canadian Forces will assist other federal and local police in creating a safe and secure environment during these important events. It also stress the importance of providing a single operation authority for domestic operation by creating a new institution, Canada Command, who will improve the interoperability between Canadian Forces and federal departments, such as Public Safety Canada, in responding to threats generated by natural disasters, terrorist attacks, fighting against organized crime, drugs- and people-smuggling or environmental degradation. Canada First Defense Strategy outlines the importance of security from a continental perspective. The creation of North American Aerospace Defense Command and the recent renewal of this agreement, stress the importance of improving the interoperability with US Military by participating in daily operations, training sessions and personnel exchange, to maintain our equipment and doctrine compatible and also to provide assistance to civilian emergencies. Our national security is strongly related to the international developments and therefore Canada has to assume more

responsibilities in world's political forums such as United Nations or NATO. As Lester Pearson once said “everything I learned during the war confirmed and strengthened my view as a Canadian that our foreign policy must not be timid and fearful of commitments but activist in accepting international responsibility”(Lester B. Pearson, The Memoirs of Lester Pearson, vol. I,1897-1948, Toronto, University of Toronto press, 1972, p.283). The role of the Canadian Force was substantially redefined for “projecting leadership” from humanitarian assistance to stabilization operations and combat. "Projecting leadership abroad" can be defined as leading a naval task group, taking part in large international missions conducted under the auspices of the United Nations or NATO. The Canadian Force has to be well equipped and capable of deploying "boots on the ground", to maintain an excellent level of interoperability and be able to work closely with departmental partners. The document stresses the importance of NATO in the Mediterranean, Kosovo, Iraq, Sudan and Afghanistan. The bulk of this country’s current military contributions to international security are part of a NATO-led International Security Assistance Force in Afghanistan.

The Canada First Defense Strategy remain a milestone in the international evolution from post 9/11 terrorist attacks who shows a new political reality, that failing nations and instability can be regarded a major threat to our security. As stated in Canada First Defense Strategy, for Canadian Forces the success of domestic operations imply to be able to deliver excellence at home. The new defense policy include, therefore, the necessary resources capable to create a more effective army prepared to respond to all natural and man-made disasters or internal security threats.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 102-116

Organizational Learning and Sustainable Competitive Advantages (SCA): The Nigerian Experience

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Abstract
The purpose of this paper is to test for core competencies of organizations in achieving sustainable competitive advantage within the service organizations in a developing economy like Nigeria. The paper specifically deals with the importance of organizational learning on sustainable competitive advantage and how it can be used to achieve sustainable advantage. Despite the wide spread importance attached to building sustainable competitive advantage, the relationship between organizational learning and sustainable advantage has received scant empirical attention. The study empirically examined the relationships between organizational learning and sustainable competitive advantage as well as the impact of organizational learning on sustainable competitive advantage. The results suggest that organizational learning is positively related to sustainable competitive advantage and has the potential of improving sustainable competitive advantage.
Keywords: organizational learning, intellectual capacity, core competencies sustainable competitive advantage

Core Competencies and Sustainable Competitive Advantages (SCA): The Nigerian Experience

Introduction

Firms compete in a complex and dynamic environment that is affected by several uncontrollable factors. To do this, firms need assets that could be used not only to survive but to remain competitive (Njuguma, 2009). A firm is a bundle of tangible and intangible assets. Assets are used by a firm to build strong foundation, expand operations and create competitive advantages (Cater and Cater, 2009). In a highly competitive business environment the survival of business depends on its ability to develop unique assets that can enhance performance. As such one main objective of strategic business environment is the development and maintenance of sustainable competitive advantage (Ogrean, Herciu and Belascu, 2009). Competitive advantage of firms has been a major concern to management and interest to scholars and practitioners in the last decade (Prahalad and Hemel, 1990; Cater and Cater, 2009). This interest is sustained as a result of the belief that above-average performance can only be achieved in the long-run through sustainable competitive advantage (Porter, 1985). The interest in competitive advantage has led to the development of resource-based and knowledge-based theories that examine the relationships between sustainable competitive advantage and above-average performance.

Sustainable competitive advantage (otherwise refer to as SCA) is obtained when a firm implements value creating strategy not simultaneously being implemented by any current or potential competitors and such strategy cannot be duplicated easily (Barney (1991). Two main line of studies have been identified in the study of sources of competitive advantages. These are study on external factors (the company's external environment) and the study on internal factors (company's specific resources, capabilities, knowledge etc). The external factors deal with 'outside-in' approach within the industrial school (Porter, 1980). However, the internal factors emphasis the 'inside-in' approach within the resource-based school (Barney 1991). The internal factors school is based on the assumption that competitive advantage can be created through the accumulation of unique resources, capabilities and knowledge. Extant literature (McGahan and Porter, 1997; Spanos and Linkas, 2001; Cater and Cater, 2009) established that internal factors (human and organizational resources) seem more

important than external factors (physical and financial resources) in building sustainable competitive advantage as this study will emphasis the internal factors from the perspective of a developing economy like Nigeria. Internal factors of competitive advantage are classified according to physical, financial, human and organizational resources or just tangible and intangible resources (Barney 1991; Michalisin, et al. 1997). This is so because tangible resources fail to meet at least one of the necessary conditions of competitive advantage: value, heterogeneity, rareness, durability, imperfect mobility, unsubstitutability, imperfect imitability (Cater 2005). As a result of the aforementioned this study focuses mainly on the intangible internal resources. This study attempts to find out whether internal factors that endear organizational learning as indicated in literature can be used by Nigerian firms to achieve sustainable competitive advantage. One method of appreciating internal factors is organizational learning through which an organization is capable of developing intellectual capital (human capital, social capital and organizational capabilities) (Njuguma,2009).

Organisational Learning Process

Organizational learning process has been defined as the sum 'total of individual and collective learning training programmes, experience, experimentation and work interaction within the organization (Njuguma, 2009). In other words organizational learning process involves acquisition and changing of meaning shared by people through cultural devices and through the collective actions. Learning processes are rooted in social and cognitive psychology (Sun and Scott, 2003). Lopez, Peon and Ordas, (2005) added integration of knowledge to develop resources and capabilities that contribute to better organization performance as part of their own definition of organizational learning process. A single organizational learning may be relatively easy for competitors to imitate. However, the cumulative effects of continuous organizational learning may be difficult (DeNisi, Hith, and Jackson, 2003).

There is no agreement in literature in respect the dimensions or phases of organisatioanl learning process. Dale (1994) suggested a three-level process (knowledge acquisition, dissemination, and shared interpretation and implementation. Others however, argue for a four-level dimension. These four-level dimensions include knowledge acquisition, distribution, application and translation into organizational

memory (Winter, 2000), such as procedure and systems and database. The implication of this is that knowledge is not only acquired, it must be disseminated at corporate level. Thereafter the organization must develop a method of dissemination and usage of the knowledge so acquired at the individual level for corporate benefit.

Intellectual Capital and organizational Learning

Part of the intangibility assets of a company for competitive advantage is the human capital. This is part of the knowledge-based resource of an organization (Olavarrieta and Friedmann, 2008). Knowledge-based resource of the firm is usually combined with other resources of the firm (client capital) and (structural capital) to produce a firm's competitive advantage. One important factor for the knowledge based resource is that only implicit and/or tacit knowledge will be able to assure competitive advantage for firm on the long time. The value of knowledge-based assets could be greater than the value of tangible assets (Ogrean, Herciu and Belascu, 2009). According to Roos, Bainbridge and Jacobsen (2001) intellectual capital of a firm can be divided into three: organisational capital, social capital and human capital. Human capital is defined as all 'individual capabilities, knowledge, skill and experience of a company's employees and managers' (Lin and Wang, 2005). Others refer to the components of intellectual capital as comprising knowledge, skills, intellect and talent of individuals.

Lin and Wang (2005) described intellectual capital to include all talents capable of core skills. These talents include intellectual ability to relate with others and perform duties and tasks excellently. Intellectual skills become increasing importance in the search for value creation for shareholders, managers and the company as a result of differences between company's market value and the book value (Viedman, 2003). The intellectual capital theory was initially development as a framework for analyzing the value contribution of intangible assets for an organization (Njuguma, 2009). However, recent theories such strategies perspectives allow identification and evaluation of the core competencies that help achieve sustainable competitive advantage (Viedman, 2003).

Researchers have stressed that organizations have to learn in order to change what they doing-whether incremental or radical (Crossan et al 1999). Organisational learning is one of the most critical

intangible assts that an organization has to own to improve and sustain its position in the market through innovation (Tidd et al, 2005, Yeung et al, 2007).

In recent past, there has been increasing interest in the ability of organization to learn. Increasing level of liberalization and effect of globalization through technological and political changes has sharpened competition. This has necessities the need for organizations to acquire new knowledge and to gain sustainable competitive advantage (Fuglseth and Grunhaug, 2003). Organisatonal learning is one of the most important sources of a sustainable competitive advantage that companies have as well as important aspect of corporate performance (Stata, 1989). Continuous learning is the key driver of the organization ability to remain adaptive and flexible – that is, to survive and effectively compete (Burke, et al. 2006). The effects of organizational learning has been shown on competitive advantage (Jashapara, 2003), financial and non financial performance (Dimovski and Skerlavaja, 2005), tangible and intangible collaborative benefits in strategic alliance unit cost of production and innovation.

Learning depends not only on investment offers, but also on the previously accumulated knowledge or experience. More importantly, learning process is intrinsic, social and collective; which is attained through collaboration and interaction in understanding complex problems and not through imitation and emulation of individuals (Njuguma 2009). Through organisational learning, a firm can develop unique human and organizational capital that are hard to imitate and that evolve continuously with the firm (Armstrong and Overton, 1997).

Intellectual capital is difficult to imitate, because it is formed through an evolutionary process that takes time and is a product of unique organizational learning processes that are part of unique organizational culture (Denisi et al 2003). Conversion of knowledge at all levels takes place through social capital from individual to collective to organizational to inter organizational and vice versa (Njuguma 2009). The process of transfer of knowledge and its acquisition is unique in every organization and this makes it difficult to imitate. This is apart from the fact that it takes a long time to be developed and perfect. Organizational capital arises from converting individual and collective knowledge acquired through learning processes into routines, processes and systems that help develop organizational reputations, competences and capabilities that are rare and difficult to imitate (Armstrong and

Overton, 1997). Individual skills, collective skills and knowledge are used to develop work methods and database which in turn are used as sources of knowledge by individuals and groups in future work assignment (Njuguma 2009).

Despite its importance to sustainable competitive advantage, human capital is more mobile than other intangible resources (Teece et al 1997). The mobility of the human capital may not be too much of a problem to the organization because the other resources may have been integrated together with human capital to create organizational capabilities. These organizational capabilities help the firm to develop structures, systems, procedures and reputation that can help it to sustain its competitive advantage (DeNisi et al 2003).

Organizational Learning and Sustainable Competitive Advantage

Lots of attention has been devoted to organizational learning because it provides a means of combating the sophisticated level of competitive behaviours observable in most consumer goods and industrial marketplace (Njuguma 2009). Growing a business and achieving competitive advantage is a major concern of managers in competitive and slow growth markets (Foon, 2009). The main objectives of this paper therefore are:

a) Does organizational learning lead to sustainable competitive advantage?

b) What is the relationship between organizational learning and sustainable competitive advantage?

c) Does sustainable competitive advantage increase performance?

Sustainable competitive advantage is achieved when firms strive for unique characteristics that distinguish them from competitors. It is the ability to offer superior customer value on an enduring and/ or consistent basis, a situation in which competitors are unable to easily imitate the firm's capacity for value creation (Njuguma 2009). Barney (1991) argued that Sustainable competitive advantage is obtained when a firm's resources are valuable (the resources help the firm to create valuable products and services), rare (competitors do not have such resources), imitable (the resources cannot be replicated or copied), and appropriate (the resources are owned by the firm and can be exploited at will). Superior performance of a firm can be traced to its resources and

capabilities brought into competition. Knowledge resources and capabilities are in turn a product of learning process which will lead to response capacity through a broader understanding of the environment (Sinkula 1994).

Capability to learn is a critical part of Sustainable competitive advantage. This is because of the acceleration of markets and technological changes, explosion of available market data and importance of anticipatory action (Njuguma 2009). More importantly, capacity to learn, acquisition and use of learning resources is difficult to replicate because of its complexity, cost and time required (Ruzzier and Anthonic, 2007).

Sources of Sustainable competitive advantage are internal or external. The internal sources are more critical than the external. This is because the external resources such as physical resources (Wu, 2007) and financial resources (Vorhies , Harker and Rao, 1999) can be replicated than the intangible resources and capabilities (Ogrean Herciu and Belascu 2009). Additionally, learning through better understanding facilitates behavioral change that leads to improved performance. Therefore, internal forces can be used to exploit the opportunities of the environment and to neutralize threats while avoiding weak points (Njuguma 2009).

Real and perceived market value of a firm can be created through the process of creating and transferring knowledge. Therefore, knowledge based view depicts firms as repositories of knowledge and competencies (Ghoshal and Morgan 1996) as cited by DeNisi at. al (2003). Acquisition of knowledge constitutes a driving force in development and growth of firms and sustain a competitive position vis-a -Vis its competitors (Njuguma 2009). Therefore, this study links organizational learning to sustainable competitive advantage through intellectual capital elements. Firms can achieve above average performance over a long period of time if it pursues organizational learning strategies that lead to competitive advantage and are too hard to imitate.

Methods and Materials

The population of this study consists of all registered four and five star hotels with operational base in Lagos, Nigeria. Nigerian Association of Chamber of Commerce, Industry, Mine and Agriculture registered database was used to determine members of the population. A

sample of fifteen (15), four and five star hotels was chosen randomly from the target population. Two hundred and ten (210) copies of questionnaires were distributed (fourteen copies for each hotel) the response rate for the study was 40.95% (i.e. 86 usage responses). The questionnaires were distributed between February and April 2009, in Lagos. Lagos is Nigeria's largest city with an official population of over 15 million people. Lagos has the largest concentration of hotels, banks, industries and commercial activities (as the former Federal Capital of Nigeria) (Oyeniyi and Abiodun 2010). The research instrument used was a structured questionnaire. The design of the questionnaire benefited from external literature dealing with organizational learning and sustainable competitive advantage. Specifically, the following works were used in designing the questionnaire: human capital (Bontis 1998), sustainable competitive advantage (Cheng and Yeh 2007).

Content validity of the instruments was determined through extensive literature review of published materials in the academic journals. Face validity was determined through discussions with several experts and scholars on the field. The comments and suggestions of these experts were included in the final draft. The data for this study was analyzed using SPSS computer package version 10. Factor analysis was conducted on the data to assess its suitability to Sustainable Competitive Advantage and organizational learning. This was done with the use Bartlett's test of Sphericity (p=0.000) and Kaiser-Meyer-Olkin (KMO). Measure of Sampling Adequacy for the study is 0.79. KMO and the Measure of Sampling Adequacy results show that the data was adequate for the factor analysis (Hart, Webb and Jones 1994, Oyeniyi and Abiodun 2010). The research instrument comprised of 4 parts. Part one: company profile of the respondents; Part two: Human capital and Organizational learning; Part three: sources (intangible) dimension of sustainable competitive advantage; Part four: the relationship between sustainable competitive advantage and performance.

Reliability of the instrument was determined using Cronbach's alpha coefficient. The reliability test was used to determine the internal consistency of question items. The more the reliability is close to one, the more acceptable (Hart et al 1998). The Cronbach alpha is 0.91 which falls within acceptable limits.

Multiple regression analysis was used to test the data. The assumptions underlying linear regression was taken care of. According to Hair et al (1998), outliers refer to extreme cases. Deleting outliers need extra care

so as not to generate other outliers. The sample size of this study is small, more importantly extreme cases may be due to the most successful cases, and as such none were deleted. Multi-colinearity and singularity were also treated. Multi-colinearity indicates the relationship between two or more variables (Hair et al 1998). Singularity shows perfect correlation among independent variables. Tolerance and Variance Inflation Factor (VIF) were used to test for multi-co linearity and Singularity. The tolerant values fall within the acceptable range $\geq 0.01 \leq 1.00$ (Hair et al 1998). Tolerance level for this study falls between 0.513 - 0.619. The VIF values for this study fall below 10, while VIF above 10 could pose a problem as the variables are highly collinear.

Results

In testing our data, descriptive statistics: means standard deviation and coefficient of variance (CU) were used to describe the variables. Spearman Correlation and multiple regression analysis were used to test the hypothesis in the study.

Table nr. 1: Results of Core Components of Organizational Learning

Variables	Mean	Standard Deviation	Kurtosis	Skewness
Knowledge Based System	4.44	0.53	0.054	-0.779
Learning Process	4.34	0.56	0.376	-0.812
Capabilities	4.5	0.50	0.124	-0.754
Uniqueness of Knowledge Base	4.2	0.58	0.141	-0.692

The mean values of the variables listed in table 1 above indicate the mean values range between 3.6 and 4.4. The most important on a 5 point liker Scale are capabilities (4.5), knowledge based system (4.4), uniqueness of knowledge base (4.2) in that order. The standard deviation lies between 0.71 - 0.79.

The mean scores for items on Competitive Advantage range from 3.77 to 4.68 on a 5 point liker scale. This means that the respondents strongly agree to the items. (Where, 5 is strongly agree and

1 is strongly disagree). The standard deviation however, ranges between 0.47 and 0.69. Correlation and multiple regression analysis were used in testing the relationship and the impact between the two variables.

Table nr. 2: Results of Competitive advantages

Items	Mean	Standard Deviation	Kurtosis	Skewness
Prompt response to consumers complaints	4.50	0.50	0.213	-0.137
Improvement in quality of Service	4.67	0.47	0.114	-0.049
Delivery of better range of Services	4.68	0.47	0.056	-0.779
Making Unique Services	4.60	0.49	0.323	-0.090
Courtesy of Staff	4.34	0.59	0.120	-0.063
Professional knowledge of services and customers	4.20	0.59	0.742	0.856
Follow up on Patrons	4.18	0.64	0.437	0.308
Provision of upfront information /brochure on services	3.77	0.69	0.768	-0.137

Normality of the data was conducted with the use of Skewness and Kurtosis (measures of distribution). Hair et al (1998) suggested that the skewness and kurtosis value of normal distribution should fall between -1 and +1. This is indicated in Table 1 above, the skewness values of the data range between -0.692 and -0.812 while the kurtosis values range between 0.054 and 0.376. The values are within the acceptable range.

Table nr. 3: Correlation Values of the Core Components and Competitive Advantage

		1 CC	2 PR	3 DB	4 US	5 CS	6 PK	7 FU	8 UT
1	**Core Competence**	1							
2	**Prompt Response**	0.625**	0.015						
3	**Delivery Better**	0.606	0.509	1					
4	**Unique Services**	0.518**	0.386**	0.758	1				
5	**Courtesy of Staff**	0.348	0.664	0.520**	0.416	1			
6	**Professional Knowledge**	0.745*	0.476	0.296	0.467**	0.183	1		
7	**Follow Up**	0.268	0.334**	0.222	0.712	0.316	0.476	1	
8	**Upfront Information**	0.400*	0.678	0.249**	0.54	0.334**	0.678	0.520	1

** Sig. at 0.01; * Sig. at 0.05

The result in Table 3 shows that there is a strong positive relationship. The result shows that the more the hotel companies are maximizing their competencies, the easier it is to achieve competitive advantage particularly with the intangible resources with a number of sustainable competitive advantage items positively correlated. For example, prompt response r = 0.625, unique services r = 0.518, professional knowledge r = 0.745 and upfront information r = 0.400.

Table nr. 4: Regression for Core Components of Organizational Learning and Competitive Advantages

	β	**β Sig**	**R^2**	**Standard Error**	**F**	**Sig**
Core Components	0.682	0.045	0.55	0.09	5.786	0.035
Prompt Responses	0.734	0.035	0.69	0.12	8.654	0.002
Delivery Better Services	0.712	0.021	0.52	0.04	4.612	0.033
Unique Services	0.655	0.046	0.40	0.06	5.780	0.017

Courtesy of Staff	0.891	0.012	0.70	0.08	6.870	0.032
Professional Knowledge	0.803	0.030	0.83	0.11	4.146	0.042
Follow Up	0.670	0.028	0.61	0.09	5.054	0.036
Upfront Information	0.812	0.044	0.73	0.06	7.303	0.003

$P \leq 0.05$

The above Table 4 on multiple regression shows R^2 values which predict the effects of core competencies on sustainable competitive advantage to be 55%. That is 55% of competitive advantages obtained hospitality industry can be accounted for by core competencies. The beta value of this regression value is 0.68 at $p \leq 0.05$.

Conclusions and Discussions

The primary aim of this study is to find out the impact of organizational learning on sustainable competitive advantage. Multiple regression was used. The explanatory variables used to capture organizational learning includes prompt responses, delivery better services, unique services, staff courtesy, professional knowledge and follow up. Findings show that beta value of core component of organizational learning is $0.682 \leq 0.045$ and $R^2 = 0.55$

One important activity of any company is to identify and develop SCA. The hospitality industry in Nigeria particularly should have a systematic approach to achieve SCA from the use of intangible and competencies approach. The first aim of this study is to identify Core Competencies of hotel companies and to relate these Core Competencies to SCA.

The main contribution of this paper is that Core Competencies in respect of intangible resources affect a company's SCA in a developing country like Nigeria. Sustainable Competitive Advantage of a firm can be attained with the use of core competencies especially intangible resources. That is, core competencies have positive effects on the level of sustainable advantage of a firm. Therefore, managers are required to emphasize intangible core competencies in order to achieve Sustainable Competitive Advantage.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 117-126

Recent Developments in the Theory of Markets with Imperfect Information

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Abstract
This paper focuses on the interdisciplinary specific of markets with imperfect information and its applications in the analysis of different socio-economical processes. Distinctively, we discuss the contributions of Romanian researches in agency theory and agency relationships, decisional behavior in conditions of risk and uncertainty, the consequences of asymmetrical information on the economical crisis, the attitude towards risks and the means of counteracting imperfect information among actors who operate on different segments of the economy. The main conclusion suggested by this enterprise refers to the extension of the possibilities of explaining socio – economical phenomena & information.
Keywords: asymmetrical information, agency relationships, decision, uncertainty, risk.

Introduction

As in most sciences, the traditional approaches in the economical science were joined by research of an interdisciplinary type in the last decades. They determined the emergence of new means of investigating economical phenomena and processes, which combine economical analysis with mathematics, sociology, political sciences, law theory, psychology, game theory, philosophy, ecology, information theory, moral theory or education theory.

This tendency explains on the one hand, the configuration of new research directions which concern both the micro-economical level

(the theory of human capital, the theory of asymmetrical information, the theory of property rights or the theory of imperfect competition) and the macro-economical level (the theory of rational anticipations, the theory of public choices, the theory general balance, the theory of open economy and the theory economical institutionalism). On the other hand, this tendency determined not only an extension of the research methods, techniques and procedures, but also an extension of the term of economical science to fields which are situated at the border of economy and the mentioned fields.

One such example is the theory of markets with imperfect information, grounded in the '70's by G. Akerlof, M. Spence, and J. Stiglitz. Three authors proposed a common explanation regarding asymmetrical information given the fact that some of the economical agents possess more information than others.

In his studies, Askerlot realizes that the phenomenon of adverse selection takes places when the person who sells a product or a service owns more information than the buyer. He gives the example of the market of second hand cars, where the sellers own more information regarding the quality of the transactioned good than its potential buyer. In the absence of a mechanism which could regulate the problems regarding information, there is the tendency of the sellers to promote products of inferior quality than those of superior quality and incomes thus obtained are externalized by all the sellers on the given market.

By analyzing the workforce market, Spence reached the conclusion that the level of education comes as a signal of productivity of people who intend to get employed. Since the employer doesn't have the possibility to distinguish the more productive people from the less productive ones, he is tempted to consider that those with higher education are more productive than those with less education. His subsequent research extended to the explanation of other types of signals on different markets: expensive publicity as a sign of productivity, stock emission as a signal of the negotiation ability, the decrease of prices of certain products as a sign of a firm's position on the market.

Last but not least, Stiglitz perfects Akerlof's and Spence's analyses with research on the behavior of economical agents who are not informed on markets with asymmetrical information. The example he uses is that of the insurance market, where insurance companies don't own information about the real risk undertaken by the asigurati.

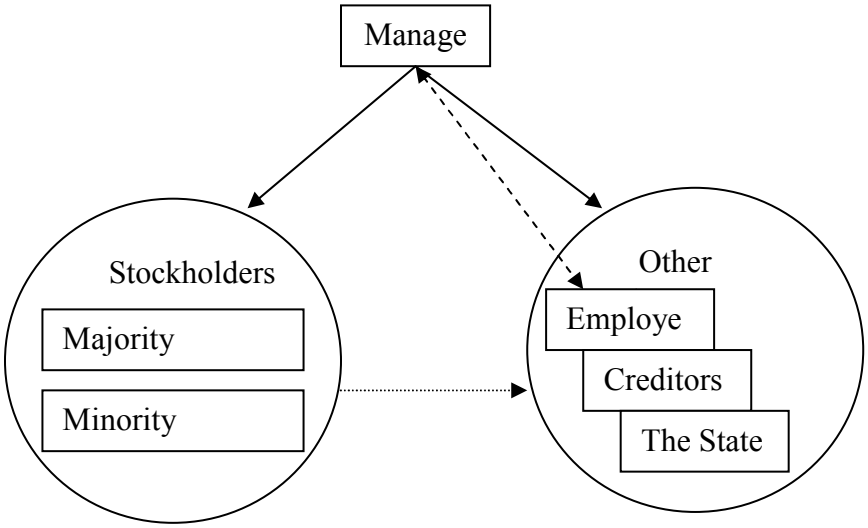
He shows how the insurance company (the misinformed part) to reveal information about their risks through screening. With the help of selected and filtered information, the insurance company distinguishes between the different classes of risk offered to their clients, thus giving them the possibility to choose from a list of alternative contracts, where small compensation can be replaced with high deductibilities.

Taking the discussion towards newer fields of applying the theory of markets with asymmetrical information, I will now present tho studies regarding the theory of agencies and of behavior in conditions of risk on the capital market.

Informational asymmetry in agency relationships and on the capital market

A study led by V. Robu and R. Sandu (2007) shows that the hypothesis of informational asymmetry quickly extended in financial theory, in agency theory and in agency relationships. Agency theory, for instance, offers a new perspective on the organization, with significant consequences at the level of financial communication. At its turn, the agency relationship appears when an enterprise entrusts the management of its own interests to someone else, without necessarily signing a contract.

The autors develop the idea of the users of financial and accounting information in the context of information asymmetry and agency relationships. They identify the following agency relationships between the users of financial and accounting information: informational asymmetry between managers and stockholders, between stockholders and employees, between different categories of stockholders, as well as a scheme of the relationships between the users of financial & accounting info, seen from the perspective of informational asymmetry and agency relationships, a scheme wich is reproduced in Fig. 1.



Legend:

Classical agency relationship

Informational asymmetry between the partners

Bivalent informational asymmetry

Fig. 1. Informational asymmetry between different categories of users (adaptation after V. Robu & R. Sandu, 2007, p. 22)

In this scheme we can identify the following types of relations:

- A classical agency relationship, which is established between the shareholder and the manager, as well as between the manager and the other partners.
- A relation of informational asymmetry between the majoritary and minoritary shareholders, as well as between the shareholders and the other users of the financial and accounting information (majoritary shareholders, that is the shareholders' group representing the categories which benefit from information asymmetry through the quality of information offered and through its orientation towards the satisfaction of the information need).
- A bivalent relation of informational asymmetry between the manager and the employees; this relation involves two aspects: on the

one hand, the employee doesn't have access to complete information so as to be able to evaluate correctly the firm's stability, continuity and capacity of making payments; on the other hand, the employee benefits from informational asymmetry in the terms of the tasks he has to perform.

Another field of application of the theory of markets wits imperfect information is that of behavior in conditions of uncertainty and risk on the capital market, a field analyzed by Petru Prunea (2006). In the first part of his study, the author insists upon the fact that, at an individual level, the exchange of information turns into a transaction where the buyer doesn't know what he will buy under the aspect of information actuality and utility.

Among the characteristics envisaged by the author regarding the asymmetrical distribution of information, we should remember the following:

- Information is extremely variable in terms of credibility. This means that, on a decisional plan, at least two different things: not all information is equally correct; the information which was once correct can become outdated, thus incorrect.
- Obtaining information involves certain costs. That is why individuals aren't willing to pay the cost of information beyond the point where the marginal benefit is equal to the marginal cost obtaining the information.
- Oftentimes, individuals use only part of the information obtained because its processing is expensive. In this case, a rational individual will possess the information to the point where the marginal benefit is equal to the marginal cost of processing a higher cost of information.
- Not all individuals own the capacity to process correctly the obtained information. According to the principle of limited reasoning, individuals take rational decisions only on certain sequences of their activity, so we can't talk about rational behavior in its integrity.

Based on these aspects, P. Prunea (2006, p.88) suggests some criteria in choosing decisional strategies in conditions of uncertainty and asymmetrical information on the capital market:

- Identifying the type of uncertainty which characterizes the market in the given moment.

- Evaluating the quality of knowledge and information owned by the decisional factor.
- Taking into consideration factors which concern probability thinking: uncertainty, risk, indetermination, reasoning level, fluctuations etc.
- Discerning relevant information from that less relevant, in relation with the degree of information and the degree of specific culture, profitability as opposed to risk, as well as contagion.

Commercial transactions and means of counteracting asymmetrical information

The imperfect distribution of information was also studied as opposed to the risk in the field of commercial transactions. Nela Popescu (2004), for instance, analyzes the means of evaluating risks and the selection of alternatives by the decisional factors. In her opinion, the control of risk and uncertainty in the business environment where the firm activates involves the identification and classification of risks, as well as the validity of information regarding risks (Popescu, 2004, p.21). Since decisions are taken by people, the attitude towards risk inevitably reflects personal features, habits, work practices and the capacity to envisage the dangers involved by a certain risk, a situation portrayed in Fig. 2:

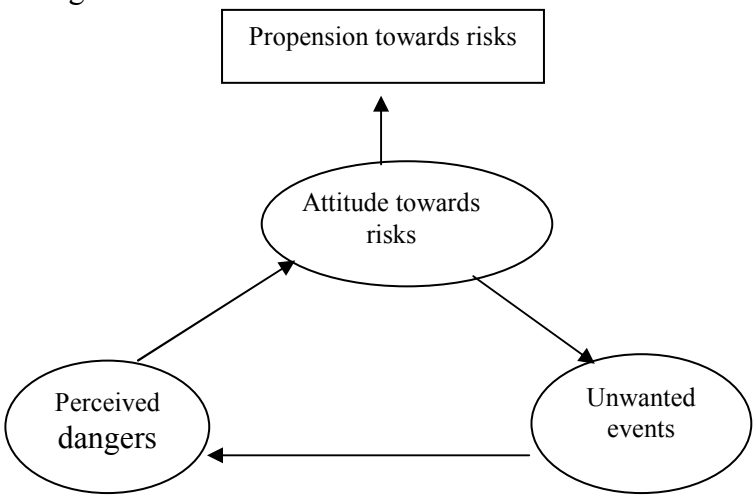


Fig.2. The attitude towards risks and its determinations
(Adaptation after N. Popescu, 2004, p.22)

Last but not least, the attitude towards risk and the relations between the risks assumed and the firm's economical performances can be found in the firm's policy regarding risk. The analysis of this risk refers to the organizational and strategic level, as well as to the functional level of the firm. The fundamental reason is a simple one: possessing information regarding the structure of risk, the real or potential difficulties of the given decisions will be able to be avoided, diminished and controlled.

In an attempt to perfect these ideas, D. Marin and S. Stancu (2007) identify a few ways of counteracting the lack of information, with a distinct reference to the judicial instruments elaborated with this purpose, as well as the type of behavior which can emerge in relation to these regulations. Summing up the discussion to its essential data, here are the most important aspects:

a) The guarantee certificates are the ones which transmit to the buyers the information that the products they buy are of good quality, the firms thus being able to practice higher prices, which reflect the quality of the products sold. However, the guarantees transmit this information only if they are credible. For instance, a guarantee is credible only if the buyer is convinced that the seller can be found and determined to honor his promise in the future. Generally, guarantees are offered only of the product's viability doesn't depend decisively upon the way in which the consumer uses the product. Contrarily, the buyer has the stimulant of using the product negligently and to appeal to the seller to solve the problem in the period of the guarantee. Thus, the moral risk is stimulation for the consumer to behave negligently, when the product is covered by a guarantee through which the buyers are obliged to solve the emerging problems.

b) The reputation or the brand of a product constitutes a factor which counteracts the effects of uncertainty regarding quality. For example, a shop or a producer can rely on his reputation to transmit a signal regarding the high quality of the goods or services offered. A shop which expects the individual to buy from him again if he offers quality goods has a strong stimulus not to offer low quality goods. On the other hand, reputation doesn't indicate only quality, but offers the consumer the possibility to return the good if it doesn't correspond to his expectations. Generally, on the market where the same consumers and firms operate regularly, reputation is easy to establish. On markets where goods are bought occasionally, reputation is more difficult to establish.

c) Experts, as the disinterested part of commercial relations can supply the consumers with more accurate information than the unauthorized people. For instance, if the buyer of an occasion car appeals to a dealer or to a mechanic to evaluate the state of the car, then asymmetrical information can be eliminated. The objective information offered by certain organizations is rare because information is a public good. Information is valuable from the social point of view if it values more (for the consumer) than the cost of supplying it. Although the information, which is valuable from the social point of view can exist, it is possible to encounter cases when no firm supplies it in a profitable way because it can't obtain all the benefits.

d) Standards and certificates contain useful information regarding the quality of a product or of a good. While the standard is a scale which evaluates the quality of a product, the certificate is a communication, in the way that the given product reaches a certain standard. For example, industrial groups can set their own standards and can offer them to a firm or to a group of firms to certify the fact that their products rise up to the standard level specified. Oftentimes, standards are established to guarantee brand conformity. Governmental agencies can ask the producing firms to transmit information regarding their products, such as the energy use of an electronic device or the second effects of a certain medicine. Moreover, the government can establish, on the one hand, minimum standards of quality, thus obliging the service suppliers to acquire a license. On the other hand, the government can set fees to guarantee that the firms respect the standards or the regulations regarding obligations, asking the firms to allocate compensation to the consumers in case products don't correspond to the standards.

Conclusions

The aspects discussed here involve specific analyses and approaches according to the type of market and the system of regulations practiced at the level of economy in order to ensure a flux of information necessary between the actors who act on one market or another. At the same time, one must notice the means of asymmetrical distribution of information between the parts taken into consideration and the means of relative balance of the quality and quantity of information in different economical activities.

To give a recent example, I will refer to the analysis led by Marta Christina Suciu and her collaborators (2011), which focuses the

repercussions of asymmetrical information on the real estate crisis in the USA. This asymmetrical distribution of information worked on behalf of the interests of the crediting banks, which used the information to increase their profits through market manipulation. The strategy used had a common element in the prevention of the cornering crediting and of the irrational investments on the lack of information of the people who borrowed at a higher interest than the normal one, weak information on the debtor's rights, offering credit on the acquired building or the creation of new financial products which amplified the lack of information of the public. Among the factors which contributed at the crisis of the real estate market in the USA, the authors I am mentioning also enumerate the "euphoria" of credits owed to the legislation which "didn't keep up with the methods of risk evaluation or of evaluating the clients' bonity, the profitability bonuses for peak management in banking institutions, the high risks undertaken by companies which led to unpaid profitability, lack of moral and professional integrity of some representatives of the business environment and the promotion of economical policies meant to stimulate the "aggressive" demand for credit (cf. Suciu si colab., 2011, p.187-188).

To sum up, I would like to underline once more that information counts in every moment, it is different from any other kind of merchandise, it is the most heterogeneous good existing in economy; the value of information consists in its novelty feature, it can be sold only once, after which case it loses its attribute of information and consequently its economical value. All these are reasons to regard information and its distribution from a vaster perspective, which should incorporate the production and the system of access to information, as well as the restrictions connected to the recovery of the invested expenses in the accumulation of information and its use in socio-economical relations.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 127-135

Study of operating and marketing strategy factors in the formulation of strategies of small manufacturers

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Abstract
The main purpose of this research is to measure the relative importance of a selected number of primary operating and marketing factors which may be involved in the formulation of strategies of small manufacturers. One hundred manufacturing owner-managers in Iran were investigated. The marketing factors emphasized most often were improvement in product quality and reduction in product cost. However, improvements in customer service and in scheduling appeared to contribute more to actual firm performance. Overall, there seemed to be more emphasis on the production strategy factors than marketing factors as a means to gaining competitive advantage.
Keywords: marketing strategy, formulation of strategies, small manufacturing firms, operating and marketing factors

Introduction

It is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates (Harrison, 1999; McCall, 1990; Porter, 1980; Porter, 1980, 1985; Williams, 2002).

Diagnosis includes:

a) Performing a situation analysis (analysis of the internal environment of the organization), including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses.

b) Analyzing the organization's external environment, including major opportunities and threats.

c) Identifying the major critical issues, which are a small set, typically two to five, of major problems, threats, weaknesses, and/or opportunities that require particularly high priority attention by management.

Formulation:

The second phase in the strategic management, process produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful. This includes trying to create "sustainable" competitive advantages -- although most competitive advantages are eroded steadily by the efforts of competitors.

A good recommendation should be: effective in solving the stated problem(s), practical (can be implemented in this situation, with the resources available), feasible within a reasonable time frame, cost-effective, not overly disruptive, and acceptable to key "stakeholders" in the organization. It is important to consider "fits" between resources plus competencies with opportunities, and also fits between risks and expectations.

There are four primary steps in this phase:

* Reviewing the current key objectives and strategies of the organization, which usually would have been identified and evaluated as part of the diagnosis
* Identifying a rich range of strategic alternatives to address the three levels of strategy formulation outlined below, including but not limited to dealing with the critical issues
* Doing a balanced evaluation of advantages and disadvantages of the alternatives relative to their feasibility plus expected effects on the issues and contributions to the success of the organization

* Deciding on the alternatives that should be implemented or recommended.

In organizations, and in the practice of strategic management, strategies must be implemented to achieve the intended results. The most wonderful strategy in the history of the world is useless if not implemented successfully. This third and final stage in the strategic management process involves developing an implementation plan and then doing whatever it takes to make the new strategy operational and effective in achieving the organization's objectives.

Literature review

Until recently, manufacturing factors have been given much less attention than marketing factors as a key element in successful company strategy. Wickham Skinner argued that manufacturing was a "missing link" in company strategy and he suggested that "executives tend to avoid involvement in manufacturing policy making, and manufacturing managers are ignorant of corporate strategy and a function that could be a valuable asset and tool of corporate strategy becomes a liability instead." [Skinner, 1985]. Hayes and Wheelwright suggest that "there has been a growing recognition that manufacturing can be a formidable competitive weapon if equipped and managed properly, and that a key to doing that is the development of a coherent manufacturing strategy." [Hayes et al, 1984]. In addition, they argue that competitive strategy can only be successful when manufacturing strategy operates in concert with the other functional strategies. A more recent study found that the top executives of manufacturing firms emphasize quality/ reliability (first priority in 55% of the cases) and to a lesser degree customer service factors (21% of cases) in their company strategies [Hanna et al, 1989]. However, these studies were made among large firms. We undertook this research to determine the degree to which top management in smaller firms perceive the roles of a selected number of manufacturing and marketing factors in their overall company strategies. We would expect that manufacturing factors would be given considerable importance in company strategy in many companies since typically the owners of small manufacturing firms have their background in technical areas. However, we were interested in identifying which particular factors within the manufacturing area are emphasized and the relative importance of marketing factors in company strategy.

Methodology

Owner-managers in 100 firms were interviewed in 5 industrial classifications in Iran. The total number of firms in each classification ranged from 9 to 14. Product lines included apparel, fabricated metal, auto parts, electronics and instruments. The level of technological change experienced by these firms was categorized into 3 levels: relatively low change (apparel and metal fabrication), medium change (auto parts), and relatively high change (electronics and instruments). There was a relatively high level of agreement among respondents within these 3 groups concerning the rate of change (chi square = 8.41, $p<.05$). Companies ranged in size from 10 to 250 employees and were a minimum of 3 years old. Each respondent was asked to describe and categorize the firm's attempts to improve performance over the past year by making changes in operations and marketing areas. He was then asked to indicate the degree of effort in each category (from little or none to extensive). Secondly, these efforts were ranked in the order of their actual contribution to improved firm performance. Table 1 reports the frequencies for each factor in the two areas.

Table 1. Relative importance of tactical changes implemented by firms

The main objective /frequency
Operations Number of Times Ranked as Factors Most Important (n=95)
Improve Product Quality 29
Reduce Product Cost 21
Improve Product Design 12
Improve Service 9
Improve Inventory 8 Control
Reduce Lead Times 7
Improve Scheduling 3
Improve Materials Handling 2
Marketing Factors (n=82)
Development of New Markets 19
Change in Pricing 18
Change in Product Line 16
Increased Sales Effort 13
Changes in Promotion 10
Improvement in Service Offered 6

Improvement in product quality and reduction in product cost were the two strategy factors which were most often selected as the major contributors to improved firm performance (53% of the firms responding). This result is supported by other studies concerning the importance of strategic factors in manufacturing [Hanna et al, 1989; Swamidass, 1986; Covin et al, 1986; Avlonitis, 1985; Schroeder, 1986]. On the other hand, in previous studies, customer service was given a high priority. In this study, less than 10% of the managers indicated that they considered customer service an important area for improvement. In the marketing area, there was a wider variation among firms with respect to the most important factors, and no particular strategies appeared to be strongly preferred. Marketing services offered was considered important by only 7% of the respondents. This result is similar to the ranking of "customer services" in the operations area.

Operations and marketing relationships

We also considered the degree to which firms that focused on a particular operations strategy factor would also have a preference for a particular factor or set of factors in the marketing area. The correlation matrix in Table 2 illustrates the relationships between these two sets of factors. For those firms which emphasized product quality there were no significant correlations with any of the marketing strategy factors used. On the other hand, for firms which emphasized reduction in costs, there was a corresponding emphasis on improving or increasing the sales (advertising/promotion) effort ($r = .210$, $p < .05$). Firms which put a strong emphasis on the product design effort also emphasized three marketing strategy factors: changes in the product line ($r = .293$, $p < .005$), increased sales effort ($r = .222$, $p < .05$), and new market development
($r = .251$, $p < .01$). This relationship seems logical, as the focus on product design and development will often lead to new markets or customers which have not been served previously. Alternatively, efforts to attract new markets and customers are likely to lead to the identification of opportunities for the design of new or improved products.

Table 2. Correlation matrix of operation variables versus marketing variables

Product Quality	.148 .053 .001 .171 .132 .133
Product Cost	.095 .033 .012 .116 .210 .004
Product Design	.251 .046 .293 .222 .143 .067
Service	.319 .059 .121 .295 .136 .668
Inventory	.281 .145 .183 .278 .285 .168
Lead Times	.019 .031 .198 .060 .146 .239
Scheduling	.114 -.149 .046 .228 .136 .198
Raw Materials	.117 .145 .121 .331 .079 .047
Material Hand	.372 .046 .244 .213 .149 .198

In addition, fairly strong relationships were found between improvements in inventory control and changes in the product line ($r = 244$, $p < .01$) and changes in inventory control and development of new markets/customers ($r = .372$, $p <. 001$). This relationship is likely the result of recognition by many firms that their inventory control systems were no longer adequate or appropriate as product lines were extended and new markets developed. The relative importance of these operations and marketing strategy factors for firm performance was also tested. The results of a multiple regression analysis, using actual sales growth as the dependent variable, indicated that the most productive strategy factors were improvements in service to the customer, improvements in raw material quality and improvement in scheduling. However, these strategies appeared to benefit only those firms where:

a) Overall industry demand was growing.

b) There was considerable technological change occurring in the industry.

Surprisingly, emphasis on the marketing strategy factors did not appear to be a major contributing factor in sales growth. Improvement in service to the customer, however, is also an operations factor which may have a considerable marketing component as well. Finally, an attempt was made to determine the existence of links between the strategy factors and profitability. However, it was difficult to establish the validity of the data on profitability. Questions concerning profitability were asked in the interviews, but no published financial statements were available. The relationship was not found to be significant and the total amount of variance explained was small.

Conclusions and suggestion for future research

Both improvement in product quality and reduction in product cost were considered highly important manufacturing strategy factors for a majority of small manufacturing firms. However, it must be pointed out that a considerable number of firms put more emphasis on other factors, such as improving product design, inventory control and reducing lead times. It also appeared that emphasis on a particular operations factor is often combined with specific marketing activities, for example, product design with increased efforts in sales and in developing new markets and customers. Overall, there seemed to be more emphasis on the production strategy factors than in the marketing area by management of these firms. One possible explanation is that for the time period covered by the study, the operations area is the one most in need of improvement, and thus, managers are focusing their efforts more in this area. And generally was the person responsible for negotiating sales contracts. Our results did not indicate that any of the firms were particularly weak in the marketing of their products. We did not directly evaluate a firm's marketing or operations capabilities. Our questions concerned what combined and incremental actions were taken by management in these strategic areas to improve a product line's performance. A further explanation for the low ranking of marketing as a tool for improving the performance of small manufacturers is the appearance of a reactive rather than proactive approach to strategy. For the most part we found that these firms operate in a production rather than a marketing mode where activities such as product development, pricing, promotion and distribution tend to be integrated within the functional area of operations. As a result, marketing decisions tend to be subordinated, and an operations slant is given to tactical decisions when reacting to competitive pressures within the industry. A survey similar to this which samples larger manufacturers may very well reveal a more offensive or "proactive" (rather than defensive) approach where marketing plays a much stronger role in strategic planning. Another finding was the link between a number of operations strategy factors and sales growth. Alternatively, the links between the marketing and performance were not significant. Wheelwright, argues that "all functions should work as a team" and the result will be an organization which uses its resources more efficiently [Wheelwright, 1985]. A similar theme is found in Haskins and Petit [Haskins et al, 1988]. They argue for the need to "break down the walls" between marketing and

operations in order to develop a competitive advantage.

Suggestions for further research pertinent to the importance of operations and marketing strategy factors would include similar studies which would focus on a more homogenous sample. The relatively small number of firms in each industrial category made it necessary to generalize across a rather diverse set of companies. It was possible in this study to break down the sample into the generic categories of size and technological change. However, there are other contingency factors which have been shown to be potentially important in a study of this type. For example, owner- manager background and company goals are important determining factors in the choice of strategy. In addition, the success of a particular set of strategy factors depends upon a wide range of environmental and industry factors. Selection of a more homogenous sample, such as textile firms or auto parts, would facilitate a research design which could control for a larger number of contingency factors than was possible in this study.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 136-147

Harghita County's Business Environment

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Abstract
In the framework of the global economic system, the competitiveness of the specific businesses depends on the local area they are functioning in. This is why the economic development of a county depends primarily on the local businesses. The paper aims at presenting the economic situation in Harghita County in the light of its business environment and employment situation.
Keywords: business environments, competitive region, unemployment, economical situation

A competitive and successfully emerging county can be created only by competitive businesses and competitive localities. Enterprises ran in the county and its localities develop and move forward together or get behind in the race together. In the framework of the global economic system, the competitiveness of the specific businesses depends on the local area they are functioning in. This is why the economic development of a county depends primarily on the local businesses.

The paper aims at presenting the economic situation in Harghita County in the light of its business environment and employment situation. Focusing on these topics we can gain a general view on the county's most important economic features. Data used in the present paper come from different sources: Statistical Office of Harghita County, Commerce and Industry Office of Harghita County and Company Registry of Harghita County.

The recently ongoing global financial crisis affected Harghita County as well decelerating the potential economic development and forcing everyone towards new types of adaptations. The most endangered parties in

this crisis are the small and medium enterprises that are extremely important from the point of view of the county's economic development as the majority of investments in the county are made by them. The population was and can be affected mainly by the unfavorable change in employment and income rates.

Harghita County being part of the Central Region we will first analyze the GDP of this region. In 2006 the GDP value of the region was 40,291.2 million RON, that is 11,69% of the total GDP in Romania. According to this, the Central Region occupied the 4th place among the regions. If we look at the per capita GDP, the region qualifies at the 3rd place among the regions (15920,2 RON/person, that is 0,3% less than the national average). The distribution of GDP within the Central Region is very different. The region occupies a really good place on a national level, although there are great developmental differences within the region. There are counties inside the region which in the last few years had a greater GDP share (Alba, Sibiu) and there are counties where the GDP share decreased (Covasna, Mures).

In 2006 the GDP share of Harghita County was 11,08% within the Region which means a 1,1% increase since 2002. It is worth comparing the per capita GDP value of the Central Region and its counties with the national, Romanian per capita GDP value. Between 2002 and 2006 the per capita GDP value showed an increase in all counties.

The increase rate is more than double compared to 2002 both on national and regional level. The table shows a comparison between the per capita GDP value in Harghita County and the national values. It is clear that the per capita GDP value in Harghita remained constantly behind the national average. The operating firms and businesses in the county play an important role in its economy – taking part in the income generation they help the employment, pay taxes to the central budget and local governments. If we take a look at the number of companies, we can observe a continuous growth between 2005 and 2007 both on national and county levels. On a national level, in 2006 we can observe a 6% increase compared to 2005 and an 8% increase in 2007 compared to 2006. In this period the annual growth rate in Harghita County was 7%. In 2007, companies from Harghita County represented 1,54% of the total companies in the country and 12,5% of the companies in the Central Region.

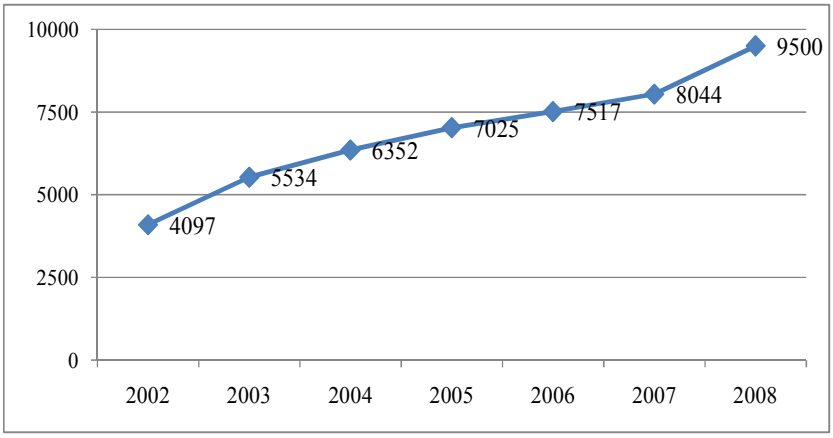
Table 1. The companies' number between 2005-2007.

Year	Harghita County	Center Region	Romania
2005	7025	55782	450202
2006	7517	59300	480323
2007	8044	64292	520032

***Source**: Based on a statistical office's data*

If we accept the hypothesis that in the economy of every region or county the number of the operating companies is a decisive factor, then the cumulative number of companies and the change in the enterprises' number shows the potentials of a region's economic development.

Graph no.1.
The active undertakings' number between 2002-2008 in the Harghita county



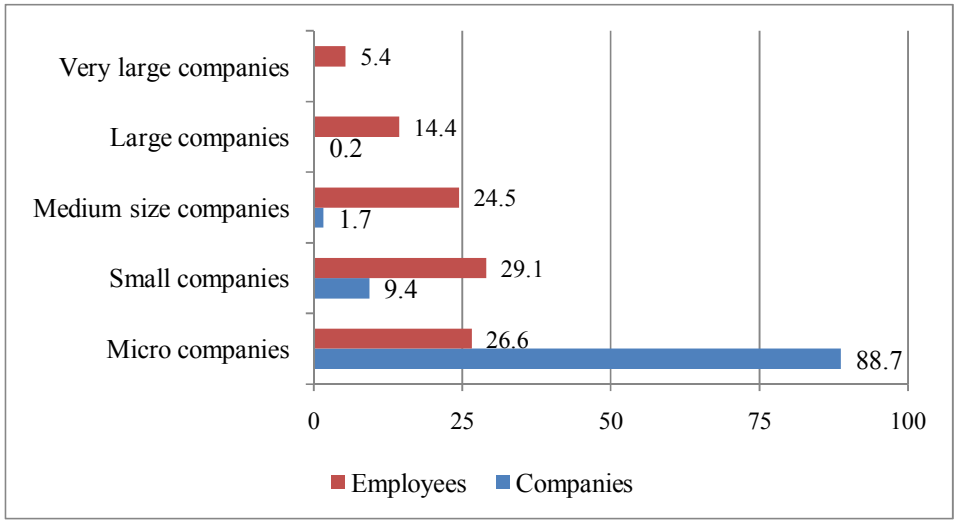
Source: Own calculation based on a statistical office's data

According to the Company Registry of Harghita County, in 2008, 12,224 companies were registered in Harghita. From these companies only 9,500 handed in their annual report and annual balance. In 2008, the total profit in the county was 372,9 million RON, that is due to the functioning of 5,092 companies. 88,7% of the enterprises is micro-sized (no more than 9 employee) and 9,4% is small business (number of employees ranging from 10 to 49). There are only two large businesses (more than 1,000 employees) in the county, where there are a total of 3,350 employees. If we look at the

proportion of employees in relation to the size of the businesses, it results, that the highest proportion of employees is in the case of small businesses (29,1%) followed by micro-sized enterprises (26,6%) and finally the medium enterprises (24,5%). The large and very large businesses employ 19,9% of the employees, which means 12,295 people altogether. According to the results above, it can be further concluded that the small and medium businesses employ more than 80% of the employees.

Graph no. 2

The undertakings' distribution according to a size and employees in 2008 (%)

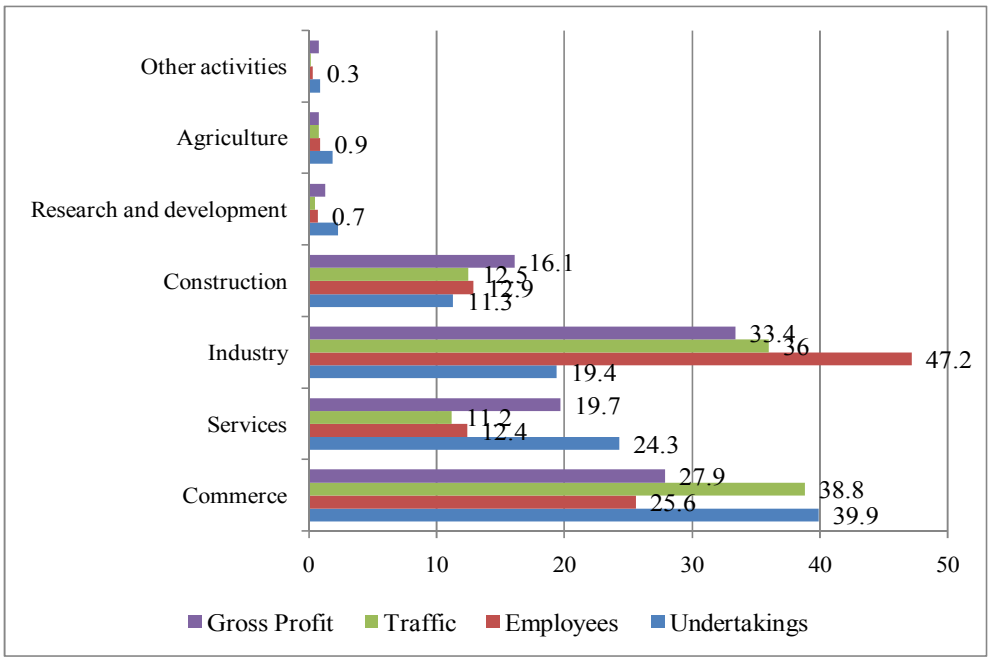


Source: *Harghita Chamber of Commerce and Industry*

In 2008, 37,1% of the economic return was achieved by the micro-sized enterprises, followed by small businesses with 28,8% and medium businesses with 24,9%. The return of large and very large businesses represented only 19,9% of the total trade. Data about commerce confirms again our statement that small and medium businesses dominate the economic system as it is typical for this region. In this case, 80% of the profit is also due to the activities of small and medium businesses. Trading companies represent the highest percentage from the total number of companies – 32,2% – employing 13,220 people in total. Trading companies are followed by the services sector (transport, storage, professional activities, sport activities, consulting, post, advertising, education, healthcare, cultural activities, leisure activities, real estate, public services) that represents 24,3% of the companies and employ 7,724 people. In 2008, in Harghita County

there were 62,078 employees most of who worked in the industry (47,2%), followed by trade (21,3%), constructions (12,95%) and the services sector (12,4%). Only 0,9% of the employees worked in agriculture and even less (0,2%) in tourism.

Graph no. 3.
The undertakings' distribution section according to a profit, the proportion of traffic, employees and the undertakings in 2008 (%)



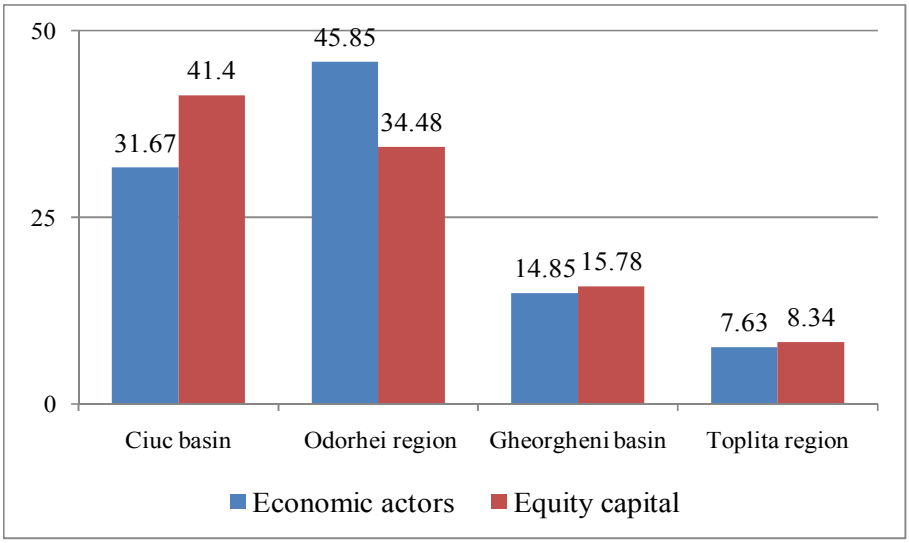
Source: *Harghita Chamber of Commerce and Industry*

38,8% of the commerce was reached by trading (372,9 million RON), followed by the industry (36%), constructions (12,5%) and services (11,2%). Agriculture, a sector with great traditions in the region, reached only 0,8% of the total commerce. If we analyze the gross profit, industry is on the first place with 33,4%, followed by trading (26,2%), services (19,7%) and constructions (16,1%). 97% of the county enterprises is limited liability company and 1,8% joint stock company. The distribution of firms based on equity shows that 83,6% is Romanian private business (that is 331756437 RON equity). Beside this there is a significant number of foreign firms, although if we look only at their number, they represent only 15,75%. However, if we take into account the proportion of equity, they represent 40,73% of the total capital.

As regards the situation of new entries, Harghita County still shows an increase against the difficulties brought about by the economic crisis, as there were more entries (578) then suspensions in the first half of the year 2009. According to data provided by the County Company Registry, 40,25% of the businesses are private, followed by limited liability companies with 28,88% and authorized natural persons with 24,17%.

If we look more closely at the sectoral repartition, then the highest increase regarding entries have been registered in the area of agriculture and industry. In the same time, regarding suspensions, the highest increase has been registered in the area of trading. This also means that the most vulnerable sector is trading, being the most affected by the poor demand caused by the economic crisis. Despite all these, trade is still the most attractive sector in the county as it represented 22% of the new entries. If we compare the smaller areas within the county, it can be seen, that the highest number of active business is run in the Odorhei area (45,85%). However, looking at the proportion of equities Ciuc Basin represents the highest proportion (41,4%).

Graph no. 4.
The economic actors' and the equity capital's distribution in Harghita county geographical areas (%)



***Source**: Own calculation based on date from National Trade Register Office of Harghita county,2008*

Foreign Investments

According to the Harghita County Company Registry, in 2008, there were registered 1975 enterprises with foreign capital that means 15% of the total enterprises. The foreign companies operating in the county account for 1,23% of the total foreign companies in the country.

Table 2.

Foreign country investments in Harghita county, 2008

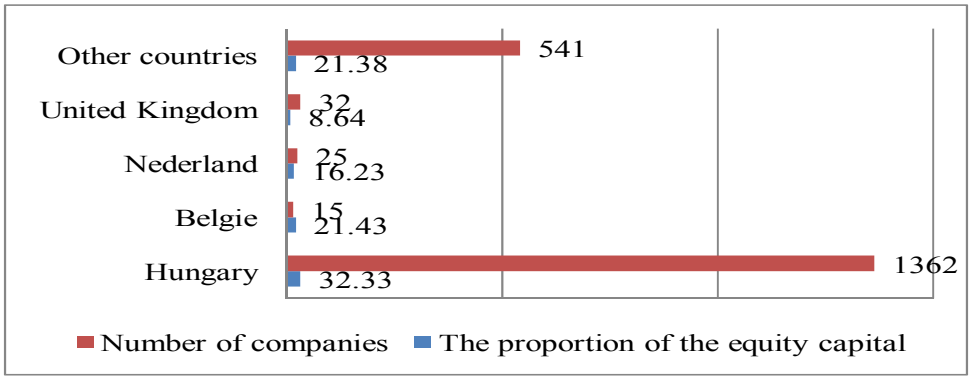
Country	Number of companies	The value of the equity capital lej	The proportion of the companies' number
Total	1975	184618115	
Hungary	1362	59681710	68,96
Deutschland	116	3773299	5,87
Osterreich	100	3543907	5,06
Italia	66	2431487	3,34
France	34	157468	1,72
United Kingdom	32	15942018	1,62
United State of America	32	2405723	1,62
Other countries	233	96682503	11,80

Source: *Own calculation based on date from National Trade Register Office of Harghita county,2008*

The foreign capital comes from 50 countries out of which the proportion of some countries is minimal. If we look at the number of investors, then we can see that Hungary, Germany, Austria, Italy, France, the USA and England have leading positions. 88,2% of the foreign investment come from the above listed countries, which means 1742 companies. Regarding the number of investors Hungary represents 68,9% of the foreign investments, but regarding the proportion of the invested capital it only represents 32,3%. According to the value of invested capital the Netherlands and Belgium occupies the second and third place, representing altogether 37,6% of the total foreign investments. These countries represent only 2,02% of the foreign companies, meaning 40 operating companies.

Graph no 5.

The comparison of the number of the initial capital and the undertakings (2008)



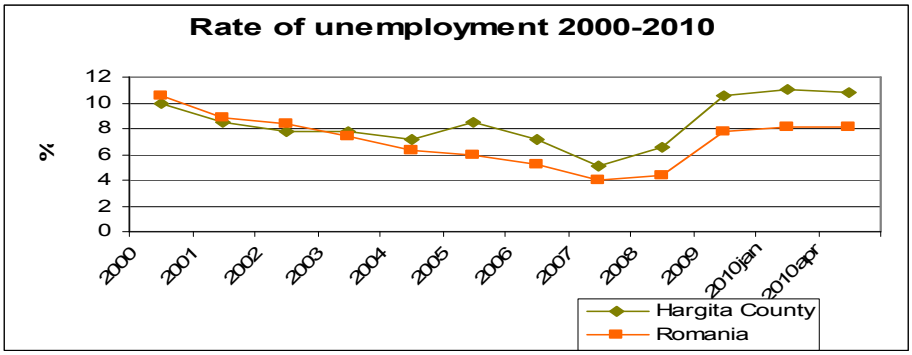
***Source**: Own calculation based on date from National Trade Register Office of Harghita county,2008*

If we take a closer look to the situation, we can see that the origin of foreign investments on a national level is similar to that of the county level. Some countries that have invested foreign capital in Harghita County in a larger proportion are also significant on a national level.

Unemployment in Harghita County The rate of unemployment in the analyzed county presents a significant difference compared to the national rate. In the presented period, the highest national unemployment rate was calculated in 2000 when it reached 10,5%, at the same time, this value in Harghita County was only 9,9%.

Graph no. 6.

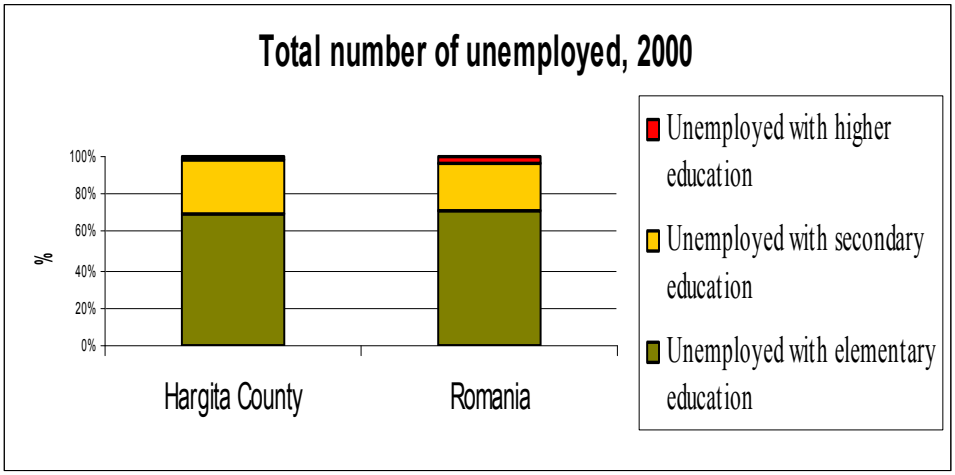
The changes of the unemployment rate in Romania and in Harghita County, 2001 – April 2010



***Source:** Own work based on the data from the National Statistics Office*

Based on the above presented chart we can conclude that a high need for human resources as a result of the investments made in the pre-crisis period characterized the whole country. Than in the 2007-2008 period we could witness in Romania an economical prosperity. In the field of labour market this caused a low rate of unemployment and the effects of the economical crisis affected the country more significantly. Thus in January 2010, the rate of unemployment has kept its growing tendency, in Hargita County was 11% and the national average was 8,1.

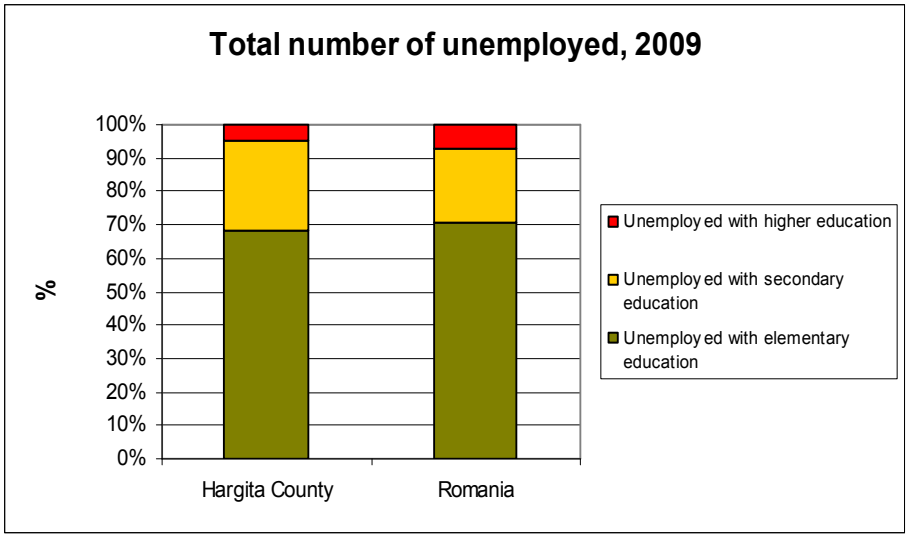
Graph no. 7.
The classification of unemployed in Romania and in Harghita County according to their level of education, 2000



Source: *Own work based on the data from the National Statistics Office*

As we can conclude, in 2000 the number of unemployed with higher education was lower in Harghita County than the national average, but in case of those with secondary education this rate was higher than the national average and in case of those with elementary education the rate of unemployment in Harghita County was similar with values calculated in the other localities of the country.

Graph no. 8
The classification of unemployed in Romania and in Harghita County according to their level of education, 2009



Source: *Own work based on the data from the National Statistics Office*

In the 2000-2009 period not only the rate of unemployment in the analyzed regions had changed, but there were also transformations in the composition of the unemployed population. The rate of employment of people with higher education is still better in Harghita County than the national average. In contradictory the employment problems of people with secondary education are more significant in Harghita County than the national average, which reflects the lack of professionals needed on the field of industry. Comparing the two years, the rate of unemployed with lower education does not present a significant change, but in contradictory, more and more people with higher education became unemployed.

Finally, we can draw the conclusion that since the regime changed the business environment has undergone significant changes both on national and county levels, reflected by the substantial increase in the number of firms. We can say that the county's economy is still under the process of structural change, as services gain more and more importance and agriculture less and less. The county's economic boom was made possible by the development of the services sector and constructions, by the growing trend of consumption and the foreign capital inflow. The largest proportion of all enterprises are the commercial companies, representing 32,2% of the

companies. Commercial companies are followed by the services sector representing 24,3% of the companies. This is also reflected by the rate of economic return, as the highest proportion of the total amount of return is represented by the commerce. The proportion of employees is the highest in the case of small businesses followed by micro-sized and medium businesses. Looking at the distribution of registered enterprises from the point of view of their ownership, commercial companies represent the largest number followed by the authorized natural persons (individual and family businesses).

At the same time, it can be mentioned that the developmental period following the regime change was broken by the 2008 crisis, as the increasing unemployment rate at the end of the year 2008 marked the beginning of the global financial crisis. The year 2009 showed a further decline of the situation. The unemployment rate registered in the county exceeds the national average (5,3%) with 2%. The effects of the recession are highly visible both on the labor market and in the business environment. The different orders declined greatly both on the domestic and foreign markets. So the heavy decline in the demand for consumer goods has a serious impact both on the county's economic situation and also on the size of demand on the labor market.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 148-153

The Influence of the Organizational Culture in Public Relations

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Abstract
Modern society, defined by the large number and complexity of organizational members, could not function without public relations. The communication strategies and programs they develop, they help to create bonds of trust between the various organizations and the public surrounding them, and facilitates interactive relationships between different levels of society.
Keywords: public relations, organizational culture, management

Introduction

Organizational culture is usually created by the dominant coalition, especially by the founder or manager of an organization, and public relations managers do not get influence if their values and ideology differ substantially from that of the organization. Organizational culture is also affected by the society culture and by the environment. It affects public relations in the long term by moulding the world view of the public relations function and thus influences the choice of a model of public relations inside the organization. [2]

While such a model identifies many of the variables essential to communication management and control, it also shows that if a culture is essentially hierarchical, authoritarian and reactive, the dominant coalition will generally choose an asymmetrical model of public relations. Furthermore, it will choose not to be counselled by the public relations expert who traditionally was often not seen as having enough strategic awareness and therefore was of limited value. Many companies have

changed their departmental names from 'public relations' to 'corporate communication' to reflect this development. With the future unknown, developmental debates centre on the dominant theoretical models we have identified. [4]

Key day-to-day executive skills and technical expertise come together in professional practice to support public relations strategy in-house or outsourced to blue chip management consultancies and public relations agencies. Professional expertise is organized at micro (in-house relations) and macro (external relations) levels. Integrated communication tools and techniques can be broadly classified into eight strategic areas forming an integrated communication network. These have been defined as having a significant body of peer-reviewed knowledge underpinning them, based on academic theory and empirical research. [3]

Individuals play a fundamental role in organizational culture. Organizations need to consider the type of employees that can most effectively drive knowledge management. From a diverse range of research (psychology to management) it is possible to tentatively postulate a core of reasonably stable personality traits by proximally defining characteristics associated with *creative* individuals.

An important aspect of knowledge exploration and exploitation is collaboration through interaction and communication. Interaction and communication are human behaviours that facilitate the sharing of meaning and which take place within a specific context. Individuals who facilitate communication within the knowledge process facilitate integration and thus contribute heavily to a programme’s success.

Models of Corporate communication

The study of corporate communication is perhaps one of the broadest multi-disciplinary and interdisciplinary subjects available in universities today. Topics will be studied from: politics; economics; management; marketing; philosophy; sociology; environmental studies; languages, semiology and semantics; cultural studies.

Universities still have difficulty in deciding whether to classify and invest in the study of this discipline as a 'media arts' subject area or a 'business and management' subject area. Media and creative arts faculty people approach public relations through journalism, film, radio and photography production (for events/publicity etc.) while business faculty

people approach public relations through a management orientation based on planning and control in line with business strategy. The methodological principles for development of public relations as an academic discipline are based on accepted research methods, depending on the purpose of a particular piece of research or analysis. [2]

There are three main areas of popular academic research:

- business and political communication strategy, which includes public or government affairs and corporate reputation;
- governance and leadership communication strategy, involving employees, managers, directors and shareholders;
- integrated marketing communication strategy.

The importance of the analytical approach for practitioners cannot be overestimated, given the critical role of monitoring and evaluation of campaign policy and planning in today's changing multimedia, new technology context.

Strategic public relations are concerned with managing the relationships between an organization and a much wider variety of stakeholders or audiences and range of priorities at any given time. The development of macroeconomics and environmental management studies has put pressure on the public relations industry to focus public relations strategy on the dimension of the enterprise or organization that goes beyond the bottom line of profit and shareholder price to include measures of corporate success based on social accountability. As well as an organization's role in the economic life of its country and its position in the global or national marketplace, public relations counsel and activities form an important part of an organization's policy in defining the environmental factors that affect its corporate business activities. These include social stratification, social welfare and national policy, technology, and the political, legal and regulatory processes appropriate to a particular organization or the industry in which it operates. All these factors need understanding of the attitudes and cultural norms that influence an organization's reputation and public acceptability. [6]

Operational strategy

Public relations are practiced in organizations ranging from SMEs to transnational, multinational corporations with budgets bigger than many countries' governments. [7]

Baskin *et al* (1997) say: Public relations practitioners communicate with all relevant internal and external publics to develop positive relationships and to create consistency between organizational goals and societal expectations. Public relations practitioners develop, execute and evaluate organizational programs that promote the exchange of influence and understanding among an organization's constituent parts and publics. [1]

Classic models of strategic management try to balance the internal and external perspectives by correlating corporate mission with external environmental factors over time. Adapting Pearce and Robinson (1982) cited in Grunig (1992), the public relations operations manager must [5]: communicate the mission of the company, including broad statements; develop a company profile that reflects its internal condition and capability; assess the company's external environment, in terms of both competitive and general contextual factors; analyse possible options uncovered in the matching of the company profile with the external environment; identify desired options uncovered when the set of possibilities is considered in light of the company mission; communicate to all prioritized stakeholder groups the long-term objectives and grand strategies needed to achieve the desired options; develop annual objectives and short-term strategies that are compatible with the long-term objectives and grand strategies; implement strategic choice decisions using budgeted resources by matching tasks, people, structures, technologies and reward systems; review and evaluate the success or otherwise of strategic campaign processes to serve as a basis of control and as benchmarks for future decision making; incorporate ethical considerations into the decision-making cycle.

The role of public opinion in the behaviour of organizations continues to increase via the internet and, while the public relations profession has always been aware of its obligations to all stakeholder groups, a global economy is making for increasingly onerous relations. [7]

In the next table are presented a four traditional public relations models.

Characteristic	*Model*			
	Press agency/ publicity	*Public information*	*Two-way asymmetric*	*Two-way symmetric*
Purpose	Propaganda	Dissemination of information	Scientific persuasion	Mutual understanding
Nature of communication	One-way; complete truth not essential	One-way; truth important	Two-way; imbalanced effects	Two-way; balanced effects
Communication model	Source → Receiver	Source → Receiver	Source ↔ Receiver ↔ Feedback	Group ↔ Group
Nature of research	Little; 'counting house'	Little; readability; readership	Formative; evaluation of attitudes	Formative; evaluation of understanding
Leading historical figures	P T Barnum	Ivy Lee	Edward L Bernays	Grunig *et al*, educators, professional leaders
Where practised today	Sports; theatre; product promotion; celebrity	Government; non-profit associations; business	Competitive business; PR agencies; consultancies	Regulated business; PR agencies; consultancies

Source: Adapted from Grunig and Hunt (1984)

It has already been stated that communicating consistently between stakeholders or audiences does not mean communicating the same message. Rather, a fundamental requirement in public relations is to develop a consistent corporate message (and tone) that appropriately reflects the organization in the way that the organization wishes to be reflected, even as events, crises and issues are occurring. At the same time, messages must be capable of being adapted creatively to be understood by the different audiences targeted.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 154-159

Territorial Administrative Budgetary Structure

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Abstract
Local budget structure is a consequence of the way the country's venues are organized from the territorial administrative point of view, in communes, towns, municipalities and the capital, Bucharest, in districts.
Keywords: local budget, taxpayer, subsidies, state treasury

Local budget structure is a consequence of the way the country's venues are organized from the territorial administrative point of view, in communes, towns, municipalities and the capital, Bucharest, in districts.

As a result to this administrative territorial organization, local budgets are structured as it follows:

1. Counties' own budgets and Bucharest Municipality;
2. Budgets of municipalities, towns, communes and Bucharest's districts;
3. Counties' and Bucharest Municipality's budgets, resulting from no.1 and 2 budgets amounted;
4. Budgets of local institutions and public services which are financed as it follows:

a) Fully funded by the local budget, according to subordination, through county's own account or municipality, or town or commune of district of Bucharest;

b) Funded from personal income (extra budgetary resources) and, as a completion, by subsidies given from local budgets according to subordination;

c) Fully funded, from personal income (extra budgetary resources).

Local budgets own incomes are mainly made up of local taxes and fees owed by inhabitants of those places, as well as legal persons as tax-payers.

Parts allocated from state's budget to local budgets are **shares deducted from income taxes and amounts deducted from VAT**.

a) According to Local Public Finance Law[1], **shares deducted from income taxes**, state income that are allocated to local budgets are the following:

- 47% to local budgets of communes, towns and municipalities;
- 13% to counties own budget;
- 22% to counties' councils' disposal in order to balance communes, towns and municipalities budgets, as well as county's own budget

Referring to Bucharest, deducted rates from income taxes are allocated as it follows:

- 23.5% to Bucharest's districts budgets;
- 47% to own budget of Bucharest municipality's town hall;
- 11% at the disposal of General Council of Bucharest municipality.

The amounts corresponding to these rates are allocated to the budget of territorial - a administrative unit by all operational units within 5 days from the end of each month during which these taxes have been collected.

From the territorial perspective, the taxpayers have been grouped according to their domicile.

If in the case of sums resulting from deducted rates of 47% or 23.5% (which are directly assigned by state's operational units to budgets of communes, towns, municipalities and Bucharest's districts), there can be no interference from County Councils' of Bucharest Municipality's part; in the case of those 22% deducted rate and 11% regarding Bucharest's Town Hall, there can be no subjective interference, especially based on political criteria.

In order to underline the importance of these deducted rates from income taxes to local budgets, we must mention that 12% of income taxes are placed at local communities' disposal under this pattern, that is, 14,665,200 thousand lei for the year 2010, which represents 30% of local budgets total income.

b) The most important source of balance for local budgets are amounts deducted from VAT. For the year 2010 it rose to 17,000 million lei which was directed towards well defined actions and objectives such as financing schools in communes, towns, counties, as part of pre-university state education system; supporting child protection system; subsidizing facilities such as heat provided to population, county and communal roads, balancing local budgets and financing counties' and Bucharest Municipality's decentralized actions in general; as well as for cultural institutions, non –

[1] Law no.273/2006 regarding local public finance

clerical stuff, child protection, social services centers, those of disabled persons including for providing dairy and bakery products for 1st to 8th graders in stare schools.

Distributing the means of balance according to the above mentioned destinations is performed by county council's decisions and the Capital's General Council after considering mayor's opinions and having special technical support from General Directorates of Public Finance.

As we have previously mentioned, due to political influences in distributing these sums in territorial – administrative units, state's authorities have tried to limit this by establishing balancing means to be distributed to territorial – administrative units, based on the following formula:

$$SDu = \frac{\frac{Ij : Pj}{Iu : Pu} \times \frac{Pu}{Pj}}{\sum_{u=1}^{n} \frac{Ij : Pj}{Iu : Pu} \times \frac{Pu}{Pj}} \times SDj,$$

Where:
SDu – deducted rates from VAT on territorial – administrative units;
SDj - deducted rates from VAT distributed to a county based on this criterion,
Ij – income tax due in the county;
Pj – county's population;
Iu – income tax collected in the territorial – administrative unit;
Pu - territorial – administrative unit's population.

Note: the same formula is used to distribute sums representing the 22% deduction from the income tax rate, which is distributed in order to balance local budgets of territorial – administrative units by replacing SDu and SDj with
SCDu – resulting sum from the deducted rate from income tax on territorial – administrative unit;
SCDj - resulting sum from the deducted rate from income tax on a county level after the due sum of county's own budget has been deducted.

Other important financial resources for local budgets are those representing subsidies of the following form:

a) *Subsidies from the state's budget* having certain destination (central heating and electric heating, investments, power system development, paving communal roads, providing villages with running water, streets,

planning regulations, local interest airports, reducing the risk of earthquake for inhabited buildings, a.s.o);

b) *Subsidies from other administrations* for temporary employment for social service institutions and disabled persons.

Under these conditions, in order to establish a balance between total public financial resources on one hand and, total public expenditures, on the other; in other words, a total budget balance which is reflected through general consolidated budget; consolidated transfers for local budgets as subsidies are to be eliminated. These sums remain through consolidation only once registered as income to the state budget and only once as expenditure through local budgets (when they are really spent by executing the expenditure side of local budgets).

Donations and sponsorships represent other possible incomes to local budgets that have a special regime in the sense that their destination must be respected. They can benefit from the fact that if they hadn't been used till the end of the year, they can be reported for the following accounting period.

Loans from the State Treasury' current general account are another financial resource that public authorities may make use of, in order to cover temporary lack of cash liquidities but it cannot exceed 5% of the total estimated income due to be collected during the fiscal year of the loan.

Local **public administrations may also borrow money from banks** or other credit companies, public loans based on debentures, in order to finance local budgets' specific expenditures; only if they are passed by 2 thirds of local councils' members and only if the 20% limit of the total current incomes of local budgets, including income tax deducted rate, is not broken.

In the same respect, contracting internal loans is possible only after Public Finance Ministry has been informed. Contracting external loans is possible only with the approval of the omission enabled with authorizing these loans. The commission is made up of local public administration, Government and National Bank of Romania representatives. Its structure is passed y the Government.

Expenditures financed by local budgets differ according to the budget's structure they refer to: there are expenditures performed from county's own budget and others that are performed from budgets belonging to communes, towns, municipalities, districts of Bucharest and those of General Council of Bucharest County.

A synthesis of expenditures performed through local budgets would look like this:
1. General Public Services;
2. Defense, public order and national security;
3. Socio- cultural expenditures;
4. Public development, dwelling, environment and water;
5. Economic actions;
6. Reserves, excess\deficit.

Conclusions

In spite of all the progress that has been achieved for the last few years, we cannot yet speak of a real local autonomy in Romania. Local budgets rely a great deal on the resources they receive from a central level, this rate exceeding 70% in most of the cases. Very few local communities manage to achieve sufficient own income and, at the same time, a local budget balance is a necessity. Nowadays, a great part of Romanian local communities have a deep rural character, fact that does not allow them to achieve income. Furthermore, taking into account that Romania has to align its practice to European standards, principles such as that of solidarity and that of eliminating non – balances between regions or communities are principles promoted by European Union and Romania has to assume.

The way of performing that balance leads to hot debates every year and an optimum method has not been reached yet. The most numerous suspicions are connected to distributing these sums to counties, as long as there are no clear regulations towards this. This leads to political and also economic influence. A solution which both representatives of developed communities and those achieve insufficient income have agreed to, was that of allowing a higher percentage of income tax to remain to that local budget. In this case, the number of communities that need sums to balance decreases considerably.

This way, income increase on a local level would represent a solution in the case of decentralization. Although it has been considered a positive thing and in perfect agreement with the democratic process, implementing decentralization raises serious problems among which are non – assuring financial resources a well as lack of previous training. These aspects lead to a single conclusion, that of lack of clear strategy and mutual knowledge regarding decentralization. There isn't a national vision initiated by central authorities after consulting the local ones, and also, no local development strategy according to the emphasized problems.

Lack of funds is both a cause and a reason for crating certain inappropriate local public policies. Local authorities together with the national

ones including the latter's support, should have taken into consideration a multi – annual budgetary projection.

It is due to this reason that it becomes imperatively necessary to teach local and county council members local management practices and techniques as well as particularities of elaborating local public policies.

Even if the state still provides important resources, the greatest amount of them has a special destination, fact which does not allow local communities the freedom of fund management. In this case, increasing deducted rate from income tax represents a solution in the perspective of greater autonomy which allows local authorities expenditures according to their necessities.

The responsibility to provide sufficient funds to local communities should not belong to such a great extent to central authorities. Local authorities should be firstly preoccupied in finding income and only afterwards in achieving greater fund from the central level.

There are a series of problems in the field of local public finance in Romania such as: disagreement of route and subjectivism in allocating resources; the impossibility of contracting credits due to lack of limitation between public and private field; lack of long term projection and strategy; far too fewer sources to make up local budgets; the rural character of Romanian villages and communes; lack of balance between municipalities, towns and communes, but also disparities between counties.

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Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Year XVII, No. 1, 2011, pp. 160-165

Antecedents of Services Consumer Satisfaction Mirroring Individual Differences

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Abstract
In specialised literature, a less walked path concerns the potential relationship between the antecedents which bear witness to individual differences among consumers and satisfaction. In the present study we shall approach two such antecedents, namely the personal values and the consumer's personality.
Keywords: consumer satisfaction, values, personality, services

Consumer satisfaction is considered as the headstone of marketing; the concept is often introduced in most studies as the final objective of the marketing function or even as a short definition of marketing. Thus, according to Kotler et al. (2002), the short definition of marketing is 'the provision of customer satisfaction with a profit', suggesting the authority of the concept of satisfaction in the business world.

Acknowledged as central in marketing mainly due to its feature of antecedent of loyalty and corporate profit (Ngobo, 2000; Anderson et al., 1997; Rust et al., 1995; Fornell, 1992), consumer satisfaction is medially located within a complex nomological network characterised by concepts such as attitude, perceived performance or perceived quality. Certain conceptual explanations (Prim, 1998; Aurier şi Evrard, 1998; Ngobo, 1997; Dabholkar, 1993; Evrard, 1993) have indicated that satisfaction is a distinct concept when compared to the previous constructs.

According to the DEX (Romanian Dictionary of Explained Terms: 43), we clarify the term *antecedent* as 'a fact or previous occurrence in relation to certain data or states' The first study in the field of antecedents in consumer satisfaction was the experiment carried out by Cardozo (1965).

Research conducted by Olshavski and Miller (1972) and Anderson (1973) emphasised the relationship between expectations and the perception on product performance rather than measuring consumer satisfaction (Vanhamme, 2001: 64). These three studies constituted a stating point for the revision of the relationships established between perceived expectations, invalidation and satisfaction. Research on consumer satisfaction has primarily focused on modelling the effects of the following factors upon the level of consumer satisfaction (Szymanski and Henard, 2001: 17):

- expectations;
- expectations invalidation;
- performance;
- affectivity;
- equity.

In specialised literature, a less walked path concerns the potential relationship between the antecedents which bear witness to individual differences among consumers and satisfaction. In the present study we shall approach two such antecedents, namely the personal values and the consumer's personality.

Personal Values

Different authors point out that personal values (approached as elements opposed to the economic values of objects) represent important antecedents of sevices consumer satisfaction (Oliver, 1997; Westbrook and Reilly, 1983). Rokeach (1973: 158) emphasised that 'personal values are connected to all types of behaviours'. More recently, the effect of values on consumer behaviour has been investigated by a series of authors (Allen and Ng, 1999; Durgee et al., 1996; Shim and Eastlick, 1998; Wharton and Harmatz, 1995). Most models concerning the influence of values upon behaviour are based on the model of the value-attitude-behaviour hierarchy (Homer and Kahle, 1988). Starting from this model, we may assume that the level of values has a greater impact on satisfaction than the assessments based on services characteristics (Bloemer and Dekker, 2007: 279). *The perceptions and expectations regarding the way services relate to values are more important when explaining satisfaction than the expectations and perceptions concerning the performances of the object characteristics.*

When investigating the relationship between personal values and consumer satisfaction we may refer to a couple of models: *the value perception disparity model* (Westbrook and Reilly, 1983) and *the value invalidation model* (Oliver, 1997).

Even though the original model of invalidation focused on expectations invalidation, this model was easily reshaped to complement the researchers' survey of the relationship between personal values and satisfaction, providing thus a values invalidation model. According to this model, expected values are compared to perceived values, in opposition to the comparison between attributes based expectations and perceptions.

The model of value perception disparity was first formulated by Locke (1967, 1969) and it specifically acknowledges that consumers are guided by their own set of values, but they also perceive the values involved in services provision process. The fulfilment degree associated to values depends on the cognitive-evaluative processes by which the perceived values of the service are compared to consumer values. The lesser the disparity between the value perception of the service and the consumer's values, the more favourable the assessment will be and consequently satisfaction is on the increase. Westbrook and Reilly's (1983) study has proven the positive impact of the value perception disparity upon satisfaction, but has failed to demonstrate the potential superiority of the value perception disparity model as compared to the value invalidation model.

Henceforth, other authors such as Oliver (1997) have suggested that values have an instrumental influence on consumer satisfaction. Certain authors (Spreng et al., 1996; Spreng and Olshavsky, 1993) assessed both models in terms of expectations congruency, revealing that this independently contributes to building up satisfaction to a greater extent than value invalidation regarding the expected standard. Fournier and Mick (1999), in their phenomenological and longitudinal study on satisfaction, have demonstrated that values and value perception disparity operate on a distinct level as compared to the invalidation model and play an important part in explaining consumer satisfaction. Moreover, Rosen and Surprenant (1998) show that values, as stimulating components of the relationship between consumers and the service provider, play an important part in explaining consumer satisfaction.

A study carried out by Bloemer and Dekker (2007) on a sample of consumers and employees from 18 subsidiaries of a Belgian bank, accounting for the list of values forwarded by Kahle (1983), concluded that consumer values influenced satisfaction indirectly and differently than stated by Westbrook and Reilly (1983). External values have a greater influence than internal values when explaining satisfaction. The results have proven the negative effect of expected values disparity upon satisfaction and the positive impact of perceived value disparity upon satisfaction, supporting

thus the value invalidation model. The distinction between values dimensions is instrumental when assessing them in relation to satisfaction. The management should focus on communicating external values, which have a prominent role in explaining satisfaction.

Lages and Fernandes (2005) developed an instrument in order to measure the personal values of the services consumers, an instrument which they called SERVPVAL. The scale used provides a common ground so as to assess personal values in the field of services, offering a clear understanding of key values involved in choosing and using services. On a managerial level, the SERVPVAL scale should allow providers to assess and improve the value of a service and to define strategies in order to offer their clients services according to their fundamental personal values.

Personality

Revising the literature on the topic, Kassarjian and Sheffet (1991) considered the results of the efforts to make a connection between personality and consumer behaviour had been characterised by ambiguity. The conceptual models of after-sales processes and of the responses to dissatisfaction have often suggested that personality represents an important antecedent of the consumer (Singh, 1990). Empiric studies have considered the direct effects (of a personality-behaviour type) and have disregarded the intervention mechanisms through which individual differences may influence behaviour (Mooradian and Olver, 1997: 380).

The two aforementioned authors rely on a deductive logic when formulating research hypotheses regarding the influence of personality upon satisfaction. They consider that if (1) the personality determines emotional experiences and (2) the emotional experiences with a product engender satisfaction, which (3) generates after-sale behaviours from the part of the consumer, then (4) personality should be an important predictor of consumption experiences and therefore, of the after-sale processes. The model forwarded by the two authors supports the idea of the existence of certain positive effects of extroversion upon positive and negative consumer emotions and on neuroticism regarding negative consumption emotions. The model also suggests the following relationships:

1. Negative emotions reduce satisfaction, while positive emotions and the expectations invalidation increase satisfaction;

2. Satisfaction decreases complaining behaviours and increases intentions to recommend and reiterate the purchase.

Mooradian and Olver (1997) revealed that the relationship between neuroticism and negative emotion was stronger than the relationship between extroversion and positive emotions. Negative emotions were, on the other hand, stronger predictors of satisfaction than positive emotions. The interactions between consumers, products/services and consumption situations may influence the relationship between emotions and cognitions on the one hand and satisfaction, on the other hand.

Gountas and Gountas (2007: 73) conducted a survey of consumer satisfaction concerning the services provided by a British airline transport company, investigating a sample of 2196 consumers. The two hypotheses of the research were:

H1: The orientations of consumer personality relate differently to overall satisfaction towards a service and its components (tangible and intangible aspects of the service);

H2: The orientations of the personality relate differently to the intentions of reiterated purchase.

The empiric discoveries back the hypothesis of differentiated relationships between dependant and independent emotional states. The personality's orientation towards logic (of a thinking type) does not seem to be influenced by the emotional states and dispositions prior or during the journey on the studied company's aircrafts. The same conclusion also became apparent in the case of intuitive orientation of personality, mainly guided by imagination.

The discoveries also support the hypotheses according to which different orientations of the personality respond differently to the constructs of the model. The theoretical contribution of the authors lies in their demonstration that the personality orientations enter a direct relationship (as antecedents) with emotional states (positive and negative emotions), and both have an influence upon consumers' assessment regarding satisfaction and purchase intentions in the field of airline transportation services. Certain different sectors of services may provide different answers as a result of each and every personality orientation.

Conclusion

Understanding the mechanisms involved in consumer satisfaction is closely related to the knowledge of its antecedents and the way they exert their influence. Certain antecedents of consumer satisfaction (performance, expectations, expectations invalidation) have been intently studied in the specialised literature. Less focus was received by antecedent variables

mirroring the behavioural differences between consumers, among which personal values and personality are instrumental. In the future, research on the topic may focus on studying the influence of theses variables upon consumer satisfaction in specific contexts (specific fields of the services industry), but also on refining the research instruments and the scales used in such contexts.

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