

ADVANCES IN BUSINESS-RELATED SCIENTIFIC RESEARCH JOURNAL



ISSN 1855-931X

VOLUME 2 (2011), NUMBER 1

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ABSRJ - mednarodna znanstvena revija ADVANCES IN BUSINESS RELATED SCIENTIFIC RESEARCH JOURNAL ISSN 1855-931X	<i>Copyrights: Edukator d.o.o.</i> <i>Editor: Boštjan Antončič</i> <i>Issued and published by: Edukator d.o.o. Koper,</i> <i>Kidričeva ulica 46, SI-6000 Koper, Slovenia</i> <i>Volume (Year): 2 (2011)</i> <i>Number: 1</i> <i>Electronic publication:</i> <i>www.absrc.org</i> <i>Number of issued CDs: 200</i>
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SMALL FIRM RELOCATION INTENT: AN ASSESSMENT OF ANECDOTAL CAUSES

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Abstract

Using institutional theory, we examine the effect of local business climate perceptions on small firm owner's intention to stay or relocate. We posit that business climate perceptions are a pseudo-institutional factor, given they can regulate and control economic transactions. As such, entrepreneurs make choices to agree (stay) or disagree (relocate) within the institutional environment. Specifically, the impact of educational support, overall climate perceptions, and general community support were significant factors influencing entrepreneur intentions to stay or relocate.

Key Words: business climate, institutional environment, relocation intent

The institutional location within which small firms operate remains an elusive key ingredient in understanding the determinants of entrepreneurship (e.g., Acs et al 2008). Institutions are cognitive, legal and cultural bonds on human activity (North, 1990; DiMaggio & Powell, 1983). One important construct of an institutional setting is the culture where a business is located. One way to measure culture is through the use of the business climate. Using institutional theory, the present study seeks to identify and measure entrepreneur perceptions of the business climate that play a crucial role in the entrepreneurs' decision to relocate their business. Locations surrounded by strong and inviting business climates will have an easier time attracting and maintaining local businesses. While, the traditional understanding of business climate has been broad and difficult to define in the past, institutional theory offers some insight into describing how some individual climate features synthesize together to form a successful business climate (Scott, 2001; Fogel, Hawk, Morck, & Bernard, 2006). The features specifically studied are attitudinal and based upon entrepreneur perceptions of the values and attitudes within a community, including government support, local business history and residential quality of life. Favorable perceptions of the climate indicate that entrepreneurs will be willing to stay; unfavorable perceptions indicate that they will be willing to leave.

This paper suggests that cultural, institutional, and government perceptions will combine to encourage entrepreneurs to stay where the business was formed. Previous research has found positive correlations between business climates and state industrial growth in manufacturing (Fogel et al., 2006; Della-Giusta & King, 2006). This paper continues this by examining the impact that it will have with business outside of the manufacturing domain, especially those businesses which are less psychical capital intensive.

Developing hypotheses based on the theorizing of Oliver, this paper posits that firms with a high degree of resources are more able to escape or rebel against institutional pressures. Oliver points out that institutions are not monolithic entities able to dictate their rules and regulations ad hoc (Oliver, 1991). As such, organizations do have the ability to manipulate, hide, defy or avoid institutional rules and settings. Organizations with resources can escape institutional pressure through moving to a different setting (Oliver, 1991). An example of one of these resources would be the ability to form new entities; as such some localities will make it in the best interests of the entrepreneur to move. Successful entrepreneurs are the minority, and thus when a successful entrepreneur is unhappy, other localities will make a play for their services (Fogel, et al., 2006). As such, these entrepreneurs will be willing to accept the risk associated with relocation to settings that they perceive as more favorable. If they find a situation that will be more encouraging for their interests and needs, their willingness and intent to relocate will increase (Baumol, 1993). The suggestion that this paper makes is that other local governments should provide more favorable business climates in order to attract entrepreneurs (Della-Giusta & King, 2006).

Institutions have provided a pathway for the development and maintenance of human interactions (DiMaggio & Powell, 1983). While neoclassical economics focuses on how markets function, institutional economics focuses on how markets come to be (North, 1990). In positions where it is costless to transact, the relevance of the institutional setting is diminished (Coase, 1960). Since few, if any, actual markets function in such a way, given institutional rules and settings play a key role in establishing where economic activity will occur. To wit, the entrepreneur when confronted high costs of transacting such as barrier entries or costs of regulation, will be less like to expand his business. As calculators of risk, entrepreneurs search to find the most appropriate markets to function within.

We posit that, practically speaking, local governments need be aware that how they are perceived by the entrepreneur (eg. creating high barriers to entry through impact taxes and fees) has repercussions with regard to entrepreneur intention to relocate (Casson, 1993). Given that entrepreneurship and small business are heavily correlated with job creation, local governments seeking to retain small firms need create environments that are perceived as firm friendly.

INSTITUTIONS

Scholars have long noted that entrepreneurial activity is dependent on the economic environment, which could either be supportive or detrimental (North, 1990). The economic environment is determined through a multitude of factors including rules and regulations, the quality of government, availability of education and a supporting culture. These factors generally are classified under the heading of institutions, which North (1990) describes as the constraints on behavior imposed by the state of societal norms that shape economic interactions. In this sense, institutional theory focuses on the framework of how institutions will impact human transactions (Scott, 2001). The more forceful an institutional setting, the more forceful the rules and regulations of the institution will be. Over forceful rules and regulations could damage and impede economic progress (Fogel et al., 2006).

Fogel and colleagues (2006) discuss five crucial factors that will determine the abundance of entrepreneurs, with the first being rules, regulations and property rights. The enforcement and protection of these rules will allow for transactional trust to emerge which will allow for more capital to be sprung upon the entrepreneur. The second crucial factor discussed is government as both the creator and enforcer of rules and regulations. Insufficient government protection will allow the most powerful firms to take what the entrepreneur has created; too much government will place burdensome rules and regulations. Related to the second factor, the third will be the ability of large corporations to protect the status quo through government lobbying. Large corporations with concentrated control will protect the status quo, which will effectively block new entrepreneurs, by creating extremely high, and artificial, entry barriers. Fogel et al's fourth crucial factor is culture. Cultures with high degrees of power distance will fail to honor self-made success and will consider that those actions to be illegitimate. Lastly, the fifth crucial factor is very basic institutions such as universal education. Entrepreneurs will be attracted to areas where there is a high level of human capital. Since, workers are required to build the firm (Penrose, Fogel).

INSTITUTIONAL THEORY AND CHOICE

What is the entrepreneurial act and why could localities be dependent on it? Scholars have debated exactly what the entrepreneurial act is since Cantillon coined the term centuries ago. The common perception is that the entrepreneur is an innovator who starts and operates a thriving new business, though, the definition of entrepreneur is far more complex). The entrepreneur could be considered to be an arbitrageur in that they perform various middle man activities, creating, in the process, more valuable commodities than they would have previously (Hayek, 1948). The net result of their activities is that they allow for the more efficient coordination of the economic process than would have previously occurred. The entrepreneurial function is extremely important, for it created the existence of the organization itself (Coase, 1937).

Who then are the entrepreneurs? The economics literature has described the entrepreneur as a risk taker, indeed some economists have argued that the entrepreneur primarily takes

on risks that other businesses would generally not consider taking on. In fact some recent has demonstrated that entrepreneurs portfolios were more poorly diversified than other individuals and they often bear higher risks. Yet, others have generally found that entrepreneurs are more calculating than other businessmen (Baumol, 1968). They are not just blind risk takers; rather they embrace risk because they have calculated new potentials. As such, their willingness to embrace risk will be likely to be that are willing to break from the past, more likely to break with the societal norms, a willingness to have a strong need for achievement, a willingness to make difficult decisions. The picture which emerges is that they are extremely driven people who have strong and powerful needs for achievement and independence.

The picture that emerges from the personality characteristics of the entrepreneur is that they are willing to go against institutional rules and trends (McClelland, 1961). Since they are not bound by other stakeholders, entrepreneurs need not be overly concerned with organizational inertia, so the primary decision maker will be the entrepreneur (Mintzberg, Ahlstrand, & Lampel, 1998). Oliver developed a typology which explains which strategies an organization will take to allow them to escape the domination of an institutions (Oliver, 1991). The first general and generic concept is acquiescence this will occur when organizations will accede to institutional pressure. Acquiescence is likely to occur when organizations lack the ability to overcome institutional pressure or when they are striving to achieve legitimacy. The second important consideration is compromise which occurs when actors have to achieve legitimacy with multiple institutional forces. Avoidance occurs is the organizational attempt to preclude the necessity of conformity. Organizations will hide their non-conformity through taking various steps. Defiance is the second issue related to conformity in that organizations will take steps to actively resist. Manipulation occurs when actors attempt to influence the institutional process (Oliver, 1991).

Oliver describes which types of organizations and antecedents an organization will select to avoid institutional pressure. We could expect that entrepreneurs will be limited by which actions they could choose. For example, they lack the ability to really influence government in that they do not have the funds necessary to hire the best lobbyists. Indeed, a tremendous amount of anti-trust law has been shaped by large corporations, who have used the law to effectively blunt competition (Stigler, 1971) or can they compromise, since it is difficult to overcome government regulations. Government regulations force compliance via the power of the courts. The second important argument is that they cannot acquiescence because the rules and regulations will often be too difficult for the firm to comply with.

One final option entrepreneurs are left with, then, is avoidance. Oliver proposed that avoidance is most likely to occur when firms have a high degree of constituents; a high degree of content and a high degree of uncertainty are imposed on the organization. The first concept refers to the presence of institutional constituents which include the state, professions, interest groups and the general public. Multiple constituents mean higher degrees of chance for avoidance to occur because various institutional actors will not agree upon how to enforce the institutional norms and regulations. Since, a firm could move from one municipality to another, avoidance could be a very effective method of leaving institutional problems behind. Content refers to the consistency of pressures that an organization will face. Organizations face a series of pressures that are both external and internal. The expectations that an institutional will place on the focal firm will be different than what the focal firm may not to go through. The second concept will be uncertainty. Uncertainty has been described as the degree to which future states of the world cannot be anticipated or predicted. Institutional pressures can protect firms from uncertainty. It is important to note that entrepreneurs need uncertainty to promote their firm (Knight, 1957).

What entrepreneurs do not need, is uncertainty as to whether or not they will receive benefits from the construction of their business (Fogel et al., 2006).

The avoidance strategy consists of three tactics. The first tactic would be concealment. The concealment would consist of strategies to disguise nonconformity. This would occur from paying lip-service to institutional norms, such as claiming to implement a program without doing so. The second important tactic would be buffering, which is to reduce the attempt that it is externally inspected, scrutinized, or evaluated by detaching or decoupling technical activities from external contact. For example, educational organizations are buffered from outside observers from the details of their instructional activities. The final and most dramatic aspect is escape, where the organization exits the domain where the pressure is implied. An example would be a chemical companies shifts there operations from the first world to the third world as a means of avoiding institutional control. This paper speculates that entrepreneurs will consider escaping as an option because they will have the ability to go to another institutional setting where their talents will be appreciated.

The assumption that the majority of entrepreneurs open their businesses in their current place of residence is quite true. Yet it is also important to note that most entrepreneurs will face at some point in the life cycle of the business where they can make a decision for location change. One important consideration for is the shift from the firm to the environment where the firm finds itself. Therefore, both the external and internal environment will play a function in determining where the firm will reside. As such, they will make a consideration to move the business when the outsides factors will inhibit the function of their internal environments.

The previous theorizing supports the development of six hypotheses. These hypotheses are largely developed from Fogel et al. Previous research has suggested that business owners seek out support from local governments, and, than when local governments provide incentives for business owners, it is positively related to the small business owners' willingness to stay. These hypotheses suggest that role that a strong educational system will play in perceptions of climate as well as other forms of business.

Hypothesis 1: The entrepreneur's perception of overall business climate favorableness will be positively related to the intent to stay (not relocate).

Hypothesis 2: The entrepreneur's perception of support from local community groups and organizations will be positively related to their intent to stay (not relocate).

Hypothesis 3: The entrepreneur's perception of area college and university support will be positively related to their intent to stay (not relocate).

Hypothesis 4: The entrepreneur's perception of business community cohesiveness will be positively related to their intent to stay (not relocate).

Hypothesis 5: The entrepreneur's perception of community emphasis on business will be positively related to their intent to stay (not relocate).

Hypothesis 6: The entrepreneur's perception of community encouragement of new firm creation will be positively related to their intent to stay (not relocate).

METHOD

Data Collection

Utilizing the INFOUSA database, business owners in the state of Louisiana were randomly selected and contacted via a mixed mode approach to participate in the survey. Useable responses were obtained from a total of 497 respondents for an overall participation rate of 41.5% calculated using the AAPOR Participation Rate 4 formula (AAPOR, 2008). Respondent firms were from a variety of industries (including manufacturing, farming, retail, food & beverage, transportation, etc.), thus providing a reasonable amount of generalizability to the study findings. The survey was kept as brief as possible as past research has shown that small business owners were less likely to respond to lengthy surveys (Elstrott, 1987; Sampsell, 1984). All surveys were gathered between August 1 and September 30, 2008 by a third party research firm specializing in public data collection.

Participants

Gender participation was fairly equally distributed with male respondents (50%) and female respondents (49%). In terms of business size (based upon number of employees), 69% had between 1 and 9 employees, 16% had between 10 and 25, 10% had between 26 and 100, and 4% had between 101 and 250. 49% of respondents indicated they were the business owner/manager, 11% indicated they were the owner but not the manager, and 38% indicated they were the manager but not the owner. 27% of respondents were in the retail/wholesale industry, 3% were in manufacturing, 50% were in the services industry, and 4 percent identified themselves as being in other assorted industries.

Measures

Independent Variables: Local Business Climate Perceptions. The National Federation of Independent Businesses (NFIB) measure of Local Business Climate was used (NFIB, 2007-2009). This scale utilized a five-point Likert-type scale anchored "strongly disagree" and "strongly agree." A representative item is "Local community groups and organizations go out of their way to support local businesses, including people trying to start them." Higher scores reflect more positive perceptions of the business climate.

Dependent Variable. The internal-consistency estimates of reliability were all $\alpha > .70$.

Results

Hierarchical binary logistic regression was used to test each of the proposed hypotheses and results are reported in Table 1. Overall, full support ($p < .05$) was found for three of the six hypotheses and partial support ($p < .10$) was found for an additional two hypotheses. The results indicated that the individual entrepreneurs overall perception of business climate had a positive and significant effect upon the decision to stay, thus Hypothesis 1 was supported ($p < .05$). Hypothesis two (relating to perceived support from community groups and organizations) was also supported, indicating that community organizations do have a significant positive influence on entrepreneur intentions to stay. Hypothesis three was partially supported by the data, indicating that while local college and university support is important, it is not the dominant factor in a firm's decision to stay or relocate. Perceived community cohesiveness (Hypothesis 4) was not supported by the data, so while it intuitively would make sense, it was not a significant influence upon firm relocation considerations. Hypothesis 5 (relating to a perceived community emphasis on business) was supported,

indicating that entrepreneur perceptions of the communities interest in business did positively relate to their intention to stay within a community. Lastly, community encouragement of new firm creation was positively marginally related to entrepreneur intent to stay, thus Hypothesis 6 was partially supported.

Table 1: Hierarchical Binary Logistic Regression

	Predictors	Step 1 Sig.	Step 1 Exp (β)	Step 2 Sig.	Step 2 Exp (β)
Hypothesis 1					
	Business Size	.128	.647	.137	.648
	Industry	.206	.810	.235	.819
	Ownership Status	.557	.883	.706	.922
	Female	.111	.539	.118	.543
	Overall Climate Perception			.012*	2.866*
Hypothesis 2					
	Business Size	.089	.612	.122	.638
	Industry	.136	.793	.156	.800
	Ownership Status	.455	.864	.700	.925
	Female	.274	.675	.229	.645
	Group/Organization Support			.006**	.638**
Hypothesis 3					
	Business Size	.067	.570	.067	.569
	Industry	.115	.779	.115	.777
	Ownership Status	.575	.895	.668	.918
	Female	.265	.664	.215	.633
	College/University Support			.087†	.769†
Hypothesis 4					
	Business Size	.067	.590	.069	.591
	Industry	.200	.822	.201	.822
	Ownership Status	.314	.824	.448	.862
	Female	.217	.645	.151	.596
	Cohesiveness			.108	.756
Hypothesis 5					
	Business Size	.120	.641	.148	.664
	Industry	.283	.842	.304	.847
	Ownership Status	.459	.862	.379	.837
	Female	.277	.669	.265	.661
	Community Emphasis			.022*	.677*
Hypothesis 6					
	Business Size	.095	.619	.101	.622
	Industry	.273	.842	.329	.857
	Ownership Status	.342	.829	.390	.844

	Female	.353	.716	.388	.732
	New Firm Encouragement			.061†	.737†
Note: N= 497 ** p < .01 * p < .05 † p < .10					

DISCUSSION & MANAGERIAL IMPLICATIONS

Overall, the various perceived business climate dimensions were shown to influence entrepreneur relocation decisions. Often, much emphasis and talk occurs regarding how to create and stimulate new businesses within a community, and less on how communities can work to retain their current business pool. This study sought to show that an entrepreneur's decision to stay or relocate their business is based upon a series of individual community characteristics, all aggregating to form the entrepreneurs overall perception of the business climate. The overall perception of business climate was above all the most influential factor in determining firm relocation intention, indicating that entrepreneurs use an overall barometer of the business climate to guide their location decisions. The more positively they perceive the local business climate to be, the more likely they are to stay within that climate. This phenomenon is simplistic and intuitive. The real contribution of this research is the exploration of the specific factors that influence entrepreneur business climate perceptions. Support from community organizations, universities and colleges all positively influenced entrepreneurs to remain within their current community. Likewise, a community emphasis on both business and new business creation also positively influenced entrepreneurs to remain within their current community.

LIMITATIONS & IMPLICATIONS FOR FUTURE RESEARCH

Data were collected at only one point in time; thus raising two issues. First, no temporal changes could be studied or discussed. Further longitudinal studies are needed to determine the effect of time on the results of this paper. Second, as with any single method data collection, common method bias is always of concern. Future studies looking at business climate perceptions at a single point in time should look to include marker variables that can be used to assess common method effects or some other means to control for or avoid common method variance.

ACKNOWLEDGEMENTS

The support of the National Federation of Independent Businesses (NFIB) and NFIB Senior Research Fellow William (Denny) Dennis, Jr. is gratefully acknowledged. This work was part of a collaborative effort between the NFIB and the authors. Funding for both data collections was provided by the Shell Oil Economic Development and Counseling Stewardship Project.

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DEVELOPMENT-FOCUSED PERFORMANCE MANAGEMENT FROM A RESOURCE-BASED PERSPECTIVE

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Abstract

The resource-based view of the firm (RBV) indicates that HRM can generate sustainable competitive advantage through recruiting, developing and retaining exceptional human talent. To recognize and to develop exceptional talent viable performance management instruments are necessary. Traditional performance appraisals which focus on deficits and problems came under attack as their outcome often is a decrease rather than an increase in performance and they often seem to prevent development of talent instead of supporting it. From an RBV view the development function of performance management becomes even more important. This paper investigates the application of the alternative concept "development-focused performance coaching" to improve traditional performance management tools and to strengthen their development function. This paper develops an alternative performance management method which supports the achievement of competitive advantage. It improves the heavily criticized performance appraisal systems, provides an accessible bridge between RBV-theory and HR practice, and considers the request for integration of different domains and disciplines to advance HRM science.

Keywords: Performance Management; Resource-based View of the Firm; HR Development; Strategic Human Resource Management

Topic Groups: Human resource management and career development

INTRODUCTION

In today's turbulent environments there is an increasing tendency to see change, flexibility and innovation as essential components of successful organizations. This might even be more important in times of tumultuous crises. Organizations need to run fast to keep up with the numerous and intensive changes taking place in their environments. The resource-based view of the firm (RBV) explains the importance of developing valuable and scarce resources and capabilities as the source of sustainable competitive advantage (Barney, 1991; Barney & Wright, 1998). The strategic goal emerging of the RBV is to create firms which are more "intelligent" and flexible than their competitors (Boxal, 1996). One of the most important objectives for Human Resource Management is to create and develop capabilities and competitive advantage. There is increasing evidence that HRM generates "human capital advantage" through recruiting, developing and retaining exceptional human talent, providing value that cannot be easily imitated by other organizations (Barney & Wright, 1998; Boxal, 1996). To recognize and develop exceptional human talent and competences, the use of viable assessment instruments is crucial. However, do traditional performance management systems in HRM support or prevent development?

Traditional performance management approaches often rely on mechanistic assumptions and focus on deficits, analyze failures and weaknesses, or concentrate on particular traits. Consequently traditional instruments often prevent development and change because they stabilize the perceptions of the actors. In contrast it will be demonstrated how these pitfalls may be overcome through the application of the alternative concept "development-focused performance coaching", and how to design new or redesign traditional performance management systems into development supporting systems. Traditional performance management systems are used with the aim of effecting change and development amongst staff to improve performance. The main focus should, therefore, be to ensure there is motivation and commitment to implement development in the workplace. In reality, classic performance management often achieves the opposite. Traditional performance management systems focus too much on the current situation (in fact the past), and force the assessors to commit to individual values (e.g. on scales). Additionally, the differences important for finding improvements are neglected. In many cases it becomes impossible to focus properly on the next steps to be taken and the future. Changes based on procedures grounded on stable values become more difficult. Therefore, a "change in the design of performance management" is called for. Such a modification must overcome difficulties such as unwillingness to change and unmotivated staff (Lueger, 2005; Lueger & Steinkellner, 2009; 2010). The concept "development-focused performance coaching" is presented as an alternative based on the principle of detecting and analyzing "differences that make a difference" (Lueger, 2006; Steinkellner & Czerny, 2010a; 2010b).

The purpose of this paper is to examine how the development function of performance management can be strengthened in using RBV, performance coaching (Latham et al., 2005) and solution focused ideas (Lueger, 2005), and to explore how alternative concepts can provide an accessible bridge between RBV-theory and performance management. To accomplish this, we will first shortly review how the RBV underpins the philosophy and approaches to strategic HRM. We will then discuss current criticism of traditional

performance management and their possible negative effects. To respond to this criticism we will introduce an alternative approach, "development-focused performance coaching", which seems to be more compatible with the RBV and a better way to develop people and organizations.

THE RESOURCE-BASED VIEW AND HRM

The resource-based view of the firm (RBV) is currently one of the most central theories in the field of strategic HRM. It blends concepts from organizational economics and strategic management (Barney, 1991; Conner, 1991). A fundamental assumption of this view is that organizations can be successful by gaining and maintaining competitive advantage (Porter, 1985). It shows the importance of developing valuable, unique and scarce resources and capabilities in an organization, including its human resources that produce its unique character and create sustainable competitive advantage (Barney, 1991; Barney & Wright, 1998; Collis & Montgomery, 1995; Wright et al., 1994). Competitive advantage is gained by implementing a unique value-creating strategy that competitors cannot easily copy and sustain (Barney, 1991), and for which there are no ready substitutes. To gain competitive advantage two conditions are needed: first, the resources must be variable among competitors, and second, these resources must be difficult to obtain. The basic objective is to generate, retain and expand these strategic resources (Jackson & Schuler, 1995). This growing acceptance of internal resources as sources of competitive advantage helped to justify HR's claim that people are strategically important to a firm's success, and it has provided the traditionally atheoretical field of HRM a profound theoretical foundation. It also contributed to the concept of Human Capital Management (HCM) (Baron & Armstrong, 2007) which is based on the idea of human capital advantage as formulated by Boxall (1996). So the integration of RBV into the HRM (and HCM) literature should be of no surprise (Wright et al., 2001).

HRM has a great influence on an organization's human and organizational resources and can therefore be used to gain competitive advantage (Schuler & MacMillan, 1984). This is supported by concepts such as knowledge (Argote & Ingram, 2000; Grant, 1996), dynamic capability (Eisenhard & Martin, 2000; Nelson & Winter, 1982; Schreyögg & Kliesch-Eberl, 2007; Teece, Pisano & Schuen, 1997), learning organizations (Fiol & Lyles, 1985; Fisher & White, 2000), human capital (Baron & Armstrong 2007) and competence (Czerny, 2009; Erpenbeck & Rosenstiel, 2005; Steinkellner & Czerny, 2010a) as sources of competitive advantage which all indicate an intersection between strategic resources and HR issues (Wright et al., 2001). There is increasing evidence that HRM can generate "human capital advantage" through recruiting, developing and retaining exceptional human talent that provides value and cannot be easily imitated by other organizations (Barney & Wright, 1998; Boxall, 1996).

The RBV has proven to be integral to the conceptual development of the HRM literature and RBV based HRM research has evolved in the last decade. The main cause for this might be the recognition that RBV provided a comprehensible explanation for why HR practices lead to competitive advantage. So the theoretical application of the RBV has been successful in stimulating a substantial amount of activity in the HRM field. There are three essential components of HRM that constitute a resource for the firm and are influenced by HR practices: (1) The human capital pool, (2) the flow of human capital, and (3) the dynamic processes through which organizations change and/or renew themselves (Wright et al., 2001). Performance management seems to influence at least two of these important

components: the human capital pool and the dynamic processes through which organizations develop themselves.

There are only a few studies that demonstrate that HR practices truly impact the skills or behaviors of the workforce, or that these skills or behaviors are related to performance measures (Wright et al., 2001). Arthur (1994) and Huselid (1995) found a positive relationship between HR practices and turnover. Wright et al. (1999) found that appraisal and training practices were related to the skills of the workforce. There is a need to recognize, however, that the inimitability of these competencies may be caused by unobservability, complexity and / or path dependence. So there might be no simple causal relationship between HR practices and sustainable competitive advantage, and HR management systems might impact this advantage in a variety of ways (Wright et al., 2001). These difficult aspects explicitly invite a more complex, less reductive view of organizations, their system-level, intangible resources (Colbert, 2004; Stacey, 2010) and therefore their HR systems. System-level resources (Black & Boal, 1994) are those organizational capabilities that exist only in relationships – in the interactions between persons and / or things. The importance of system-level, intangible resources has been highlighted throughout the RBV literature (Colbert, 2004).

On a more general level many studies confirm that a clear pattern is emerging in HRM research suggesting that HR systems geared toward increased commitment and employee-involvement can have a big positive impact on organizational outcomes (Lepak, 2007). A consistently positive relationship between high investment HR systems and aggregate performance measures has been found (e.g., Appelbaum et al., 2000; Arthur, 1992; 1994; Becker et al., 1997; Delery & Doty, 1996; Guthrie, 2001; Huselid, 1995; Huselid & Becker, 1996; Ichniowski et al., 1997; Koch & McGrath, 1996; Richard & Brown Johnson, 2001; Thompson, 2002; West et al., 2002; Wolf & Zwick, 2003; Youndt et al., 1996). These consistent findings support the view that people may be a strong potential source for achieving a sustainable competitive advantage (Barney, 1991; Pfeffer, 1994; Lepak, 2007).

In summary, the RBV demonstrates the importance of human resources and HR practices for achieving competitive advantage. HRM (and HCM) significantly influences an organization's human and organizational resources and can therefore be used to gain competitive advantage. It highlights the importance of complex, system-level, intangible resources and the importance of the interactions between persons, inviting to a more complex, less reductive view of organizations and their HRM systems. With this focus on system-level resources, on interactions and on a more complex, less reductive view of organizations, the RBV supports our thesis, that classic performance management (as well as most other traditional HR instruments) do not support but prevent the achievement of competitive advantages.

Effects of traditional performance Management

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. According to Armstrong (2009: 55-56) performance management is "a process for establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance. Performance management can also be described as a strategic and integrated approach to delivering sustained success to organizations that focus on performance improvement and employee development". Performance management has three distinct components. The first component consists of the definition of performance. The second component is the

measurement process; the third component is the communication between appraisers and appraisees about the extent to which individual behavior fits with organizational expectations (Banks & May, 1999; Landy & Conte, 2010). Traditionally the performance appraisal, which is most closely related to the second component, is a very important, but often heavily criticized component of performance management. Performance appraisals are not only according to this model but also in practice an essential part of performance management.

Performance appraisal is the ongoing process of evaluating and managing both behavior and outcome in the work place (Carrell et al., 1995: 348). Performance appraisal is a complex event and not the same as performance measurement as "raters in organization are not passive measurement instruments" (Murphy, 2008b: 198). It serves three purposes: feedback, development, and documentation. Several years ago the main purpose was feedback – to tell employees how they had done over a period of time and to let them know what pay rise they would receive. Today performance appraisals should increasingly focus on development concerns (DeCenzo & Robbins, 2010: 232), and from an RBV view the development function becomes even more important (Lueger & Steinkellner, 2010).

Most authors recognize that no performance management system can be perfect and performance management is often referred to as the "Achilles heel" of HRM (Pulakos et al., 2008). Ratings of job performance are widely viewed as poor measures of job performance as studies showed that there is usually only a weak relationship between job performance and ratings of job performance (Murphy, 2008a; 2008b). Many factors are known that can distort performance appraisals. This may be the result of poor appraisal training or obsolete measures. Problems for appraisals can also be caused by the dynamic environment in which employees work. Some jobs change so frequently that it is almost impossible to properly define job descriptions and objectives for the next year (DeCenzo & Robbins, 2010: 232). HR executives are dissatisfied with their current performance appraisal systems (Coens & Jenkins, 2002; Schrage, 2000) and as result, performance appraisal come more and more under attack (Barlow, 1989; Carlton & Sloman, 1992; Coens & Jenkins, 2002; Culbert & Lawrence, 2010; Curth & Lang, 1990; Furnham, 2004; Grassl, 1996; Grint, 1993; Grote, 2000; Lee, 2005; Lueger, 2005; Lueger & Steinkellner, 2010; McGregor, 1957; Nelson, 2000; Pfau et al., 2002; Pulakos et al., 2008; Sparrow, 2008; Stiles et al, 1997; Rowe, 1964; Schrage, 2000; Segal, 2000; Ulmer, 2000). The outcome of yearly performance appraisals frequently is a decrease rather than an increase in performance (Latham et al., 2005). Proposals for improving performance appraisals include an increased focus on the provision of performance feedback designing the performance review more as a counseling activity than a judgment process (Robbins et al., 2010: 502), and on the social context (e.g. feedback culture) (Levy & Williams, 2004).

Some authors even suggest avoiding appraisal systems and using instead informal employee conversations, informal meetings and the use of systemic language (Brandt & Schache-Keil, 2000; Culbert & Lawrence, 2010; Grassl, 1996; Steinkellner, 2007; 2009). More optimistic are Marcus & Schuler (2006) who write that some of the criticism is justified, but that chances of performance appraisals are higher then their risks, and DeCenzo and Robbins (2010: 232) state: 'Regardless of potential problems, one can expect performance management systems survive in some format'. Latham et al. (2005: 85) suggest a shift from traditional annual performance appraisal to continuous performance management with included coaching: "Together, performance appraisals that lead to ongoing coaching ensure a highly trained, highly motivated workforce. It is the essence of performance management". Beside all the critics there seems to be as well an increased attention to performance management (e.g. Armstrong, 2009; Armstrong & Baron, 1998; 2004; Houldsworth &

Jirasinghe, 2006; Latham et al., 2007; Lawler & McDermott, 2003; Mohrman & Mohrman, 1995).

The authors also believe that performance appraisals will survive, but do not think that assessor training and avoiding known distorting factors will be a successful way forward. This goes conform to the conclusion of Murphy (2008a: 158) "that improving the rater (e.g., with training, better scales, behavior diaries, etc.) is only part of the solution". In addition to the above-mentioned issues, these traditional assessment methods have more fundamental problems. They prevent change and development because they are too static and they also stabilize current situations. They prevent the achievement of competitive advantage instead of supporting it as requested by the RBV - the central thesis of our paper. Performance appraisals should therefore not be used primarily as performance measure but with a development target.

Usually performance appraisals are based on static criteria (e.g. average performance level) and often ignore within-person variability in performance. But performance varies not only across people, but also within people (Fisher, 2008; Reb & Greguras, 2008). Murphy (2008b: 201) concludes: "The use of static criteria [...] to represent dynamic phenomena might be sensible in some settings and problematic in others". This might be true for the target of performance measurement, but not for the target of development as this static view might prevent performance improvement as we will show below. This contradiction between stable metrics and dynamic patterns may be the main problem in performance management, as it often produces a "stability trance" in tying down one single value for the dynamic pattern of performance. According to Lueger (2005) it is difficult to focus on the differences because the format of the instruments creates assumptions of stability.

As a consequence performance improvements become more difficult and often such improvements seem to be impossible. Appraisals frequently show the following pattern (Bernardin et al., 1995): bad results lead to demotivation and prevent behavioral change. Good results lead to satisfied appraisees and this as well works against change. Often these methods create deficits and weaknesses (e.g. when a superior tells his employee: "you are only moderately customer-oriented") that are solely the result of the method used. Conversations in performance reviews based on traditional ratings tend to be difficult especially when the rating is low. People involved in such processes start to argue and to list examples of differences in behavior or performance. An example illustrates a very common pattern of conversation: Assume the assessment with an "overall performance" scale of a staff member is 2 (on a 5-part scale). If the employee concerned and his/her superior discuss this value, the employee refers to examples where he finds his/her performance "very good" or at least "good" (and certainly such examples will be found), while the superior refers to examples and experiences of at best mediocre performance. It is fairly obvious that this reinforces latent or manifest conflicts and that any agreement of steps for improvement is difficult. This pattern, however, is the result of a "conceptual trap" of the methods in use. The conversation has to take place in a "prison" of "either/or" and the participants cannot escape to a "possibility space" of "as well as" (Lueger, 2005; Lueger & Steinkellner, 2010).

DEVELOPMENT-FOCUSED PERFORMANCE COACHING

Our approach includes ideas from Latham et al. (2005: 85) to improve performance management. According to them ongoing performance coaching brings two important advantages to performance management: It helps people see the relationship between what

they do and the outcome, and it instills a “can-do” mindset. Moreover our performance coaching approach integrates ideas from systemic thinking, solution focus, postmodernism and complexity theory (Bateson, 1972; de Shazer, 1997; Lueger, 2005; Stacey, 2010) and thus offers a true alternative to traditional performance management. It enables a focus on possible alternative realities and that take more complexity into consideration. Two important principles are used: (1) a focus on dynamic differences instead of stable determined values, and (2) a positive language focused to the more positive events.

The focus of the first principle is on the performance rating differences occurring with time. The above example of a staff member illustrates, that things occasionally can be worse or become disastrous, and sometimes goes better. This difference can be seen as a potential, and assists in finding out what the specific difference regarding “better” is, which builds a powerful foundation for performance improvement. In this way a resource- and solution-oriented view is practically engrained within this method, because it shows that there will always be found positive developments at some time points. And this increases self-reliance and self-efficacy (Bandura, 1997), as the appraisees see that their actions can lead to positive effects. In this way even traditional performance appraisals can be adapted to serve development and performance improvement, as they can easily be redesigned to visualize positive differences (see Lueger, 2005).

The second principle is the use of a positive language focusing on the more positive events (“solution talk”, de Shazer, 1994). Using again the example above regarding the performance of a staff member, some questions can illustrate a conversation focused on positive differences:

- What happens specifically when the rated performance is “better”?
- What do the top management, customers, etc. notice when something is working better?
- What specifically is different then?
- How do you accomplish that? What is helpful?
- What should happen to increase the likelihood of “better events”?

The use of solution talk helps to work out concrete steps of change and enhances, therefore, the probability of successful development and performance improvement. Additionally it facilitates the central advantages of performance coaching highlighted by Latham et al. (2005: 85): a “can-do” mindset and the clarification of the relationship between the actions of people and the outcome.

There are first empirical findings that the use of development-focused performance coaching has positive effects (Kotrba, 2006; Lueger, 2006; Lueger & Steinkellner, 2010; Steinkellner & Czerny, 2010a; 2010b). The evaluation study of Kotrba (2006) for example showed clear improvements at performance appraisals after the implementation of solution focused performance appraisals.

DISCUSSION, IMPLICATIONS & CONCLUSIONS

We want to close with a critical reflection on the limits of this work: The significance of this paper is limited as the development of the new concept “development-focused performance coaching” is primarily based on theoretical research. So far there are hardly any empirical studies focusing on the results of this concept, therefore further evidence is needed to underline the proposed improvement of performance management.

The first evidences support the proposition that this approach helps managers not to give great answers about the performance of their employees, but to ask great questions. Latham et al. (2005) noted that according to Drucker in the 21st century great leaders will have to ask great questions. The shift of the focus from performance appraisal to performance coaching may enable this. "Together performance appraisals that lead to ongoing coaching ensure a highly trained, highly motivated workforce. It is the essence of performance management" (Latham et al., 2005: 85). The use of the positive power of development-focused performance coaching may even further improve the above mentioned results of performance coaching. It helps employees to improve continuously and is a powerful way to enhance the competencies and the performance of employees.

This paper shows that development-focused performance coaching may help to improve traditional performance management to support positive change and development for humans and organizations. Development-focused performance coaching helps to find "differences that make a 'difference'" (Bateson, 1972) in order to support development and change. It considers the complexity of organizational reality (Stacey, 2010) and the "dynamic nature of performance" (Reb & Greguras, 2008: 194) and not only takes "within-person performance variability seriously" (Fisher, 2008: 185) but also uses this differences as basis for employee development and performance improvement. The combination of these concepts builds the basis for development-focused performance coaching and helps to overcome much of the criticism of performance management. As an HRM method it can improve the heavily criticized performance appraisal systems, enhance the development and the performance of the employees, and support the achievement of competitive advantage. This shows that alternative approaches to performance management can provide an accessible bridge between RBV-theory and HR practice.

The main contribution of this paper to science is the development of a performance coaching model which integrates performance management on the macro level with strategic management, and on the micro level with concrete proposals to improve performance coaching through development focused language. The paper shows an example of an accessible bridge between RBV-theory and HR practice which is an answer to the critique that RBV-theory is too abstract and theoretical to derive concrete HR methods. It considers Boxall's requests for HRM to (1) integrate the two subdomains micro HRM and macro HRM as overspecialization brings problems for HRM and much can be done to enhance learning from one domain to another, and (2) build much stronger links to companion disciplines such as strategic management and organization theory (Boxall et al., 2007). Additionally this paper draws on further disciplines like psychotherapy and philosophy to advance performance management methods through the use of systemic and solution-focused language in performance coaching. It shows that the integration of different domains and disciplines can lead to new promising ideas to improve HR practices such as performance management and to advance HRM science.

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PROVIDING CUSTOMER SATISFACTION: THE MODEL OF BUSINESS STRATEGY

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Abstract

The key strategic objective of a company should be achieving and understanding the optimum level of customers' satisfaction. This allegation is, conceptually, the objective of a wider analyses in this paper, as well as the model for providing customers' satisfaction in the form of business strategy. This theoretically-based model is harmonized with the following important concepts: quality management, business excellence and relationship marketing. The research (survey) which was carried out in companies and among the experts, on the territory of the Republic of Serbia, indicated justifiability of this model and its structure.

Totally 600 organizations (all sizes; all ISO 9001 standard certified) and about 100 experts (from the field of interest) were included in the research – the call for participation accepted 84 companies and 37 experts.

Key Words: business strategy, customer satisfaction, quality management system, business excellence, relationship marketing

INTRODUCTION

Achieving business excellence and creating world class products and services, as a basic precondition for company's growth and development in modern economy, are not functions of one organizational unit within the company, but they are the result of synchronized activities of all company's functions, according to precisely defined objectives of the company. The objective of an organisation should be achieving and understanding the optimum level of customers' satisfaction. This field represents a base of, at least, three concepts: quality management, total quality management and business excellence, as well as relationship marketing, which is conceptually, the subject of a wider analyses of this paper.

THEORETICAL BACKGROUND

Customer satisfaction as a strategic objective

Customer satisfaction (CS) can be defined in different ways. According to Kotler (1996), satisfaction is "the level of a person's felt state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectations." Briefly, satisfaction level is a function of the difference between perceived performance and expectation.

In the contemporary global economy and highly competitive business environment, it might be fatal for a business organization to be non-customer oriented. In fact, only those customer-centered organizations that can deliver value to their customers will survive in the modern business arena. To "make" highly satisfied and loyal customers, organizations throughout the world are striving to produce world class products and services of high quality. For a long time, CS is considered to be the key success factor for every profit-oriented organization as it affects companies' market share and customer retention. In addition, satisfied customers tend to be less influenced by competitors, less price sensitive, and stay loyal longer (Dimitriades, 2006).

Many executives seem to trust their intuitive sense that high customer satisfaction will eventually translate into higher loyalty and with it ultimately into improved company performance (Paulssen and Mirk, 2007). Thus achieving high customer satisfaction has become a central focus of corporate strategy for most firms (Homburg et al., 2005). However, "despite the claim that satisfaction ratings are linked to repurchase behavior, few attempts can be found that relate satisfaction ratings to actual repurchase behavior" (Mittal and Kamakura, 2001). That the validity of this assumption is all but given is nicely illustrated by Reichheld (1996), who reports that while around 90% of industry customers report to be satisfied or even very satisfied, only between 30% and 40% actually do repurchase. Apparently, current knowledge doesn't fully explain the prevalence of satisfied customers who defect and dissatisfied customers who do not (Bendapudi and Berry, 1997; Ganesh et al., 2000). One of the reasons is that the relationship between satisfaction and retention is not a linear one, but moderated by several different variables. Oliva, Oliver, and MacMillan

(1992) stated that "the response function linking (...) satisfaction to customer response may not operate as is frequently assumed because the complexity of the relationship may be underestimated".

Leading companies make customer focus a key element of the company's overall strategy to differentiate themselves from competitors. Satisfaction becomes a primary theme for top management in communications with a broad range of stakeholders. Focusing on satisfying high-value customers can be powerful part of the company fabric because it is meaningful to a broad set of stakeholders including employees, financial analysts, suppliers, and other allies. Putting the customer first becomes part of the corporate positioning and differentiation in the market. The lack of management in CS strategies could be one of the many factors leading to an enterprise's downfall. To effectively draft CS strategies, one must respect customer value and collect customer demands and then compare the importance and performance (satisfaction) between the collected customers demands (Naumann et al., 2001). Concurrently, customer demands are not stagnant and cannot be manipulated by enterprises. Therefore enterprises must periodically diagnose and filter these demands to set reasonable strategies to insure the survival of CS activities (Te-King and Chao-Ton, 2003).

For example Knox (1998) used product/service content and the ability to satisfy customer demands as the basis for CS strategies analysis. Barsky and Labagh (1992) believed in analyzing CS strategies and that one must consider three factors: expectation and past experiences, product and service performance and the factors affecting actual perception.

Concepts related to customers' satisfaction

Quality components, such as solving complains, cooperation of company's representatives with customers, availability of products and services, cost and price policy and activities related to making contracts, have a great influence on customers' satisfaction (Saraph et al., 1989; Conca et al., 2004). On the other hand, customers' satisfaction influences the company's characteristics, such as spreading positive information about the company and its services and products (Evans and Burns, 2007).

The term "relationship marketing" (RM) was first introduced by Berry (1983) in a services marketing context. Many entrepreneurs do business by building and managing relationships without using the term relationship marketing. Relationship marketing, defined as marketing activities that attract, develop, maintain, and enhance customer relationships (Berry, 1983; Grönroos, 1994), has changed the focus of a marketing orientation from attracting short-term, discrete transactional customers to retaining long-lasting, intimate customer relationships. As existing literature suggests business can build customer relationships by initiating one or several types of "bonds", including financial, social, and structural (Peltier and Westfall, 2000; Lin et al., 2003). However, much should be learned about the relationship between "bonds" initiated by a company and customer perceptions and behavior.

Evans, J. and Laskin, R. (1994) present a model of effective marketing process which, in some way, shape everything said before in a coherent whole. The model is in a cyclic form with three sub-processes: (1) inputs (understanding customer expectations, building service partnerships, empowering employees and TQM); (2) positive outputs (customer satisfaction, customer loyalty, quality of products/services and increased profitability); (3) checking phase (customer feedback and integration). The authors define relationship marketing as a "process by which a company builds a long-lasting relationship with possible and the existing customers in such a way that both sides (sellers and buyers) are focused on commonly defined objectives, which is in harmony with previously mentioned definitions". Efficiently

positioned relationship marketing will lead towards the following positive outputs: (1) high percentage of satisfied customers, (2) higher loyalty of customers, (3) customers' perception on products/services higher quality and (4) increasing profit of a seller company. Relationship marketing is a continual process which demands the following from companies: (1) continual communication with customers (provides correct definition of requirements) and (2) to integrate relationship marketing process into strategic planning (enables better resource management and anticipation of future customers' needs). Brookes and Little (1997) enhance the explanation of the effective marketing process by saying that this concept is based on data base management, interactive market communication and web marketing.

The concept of "total quality" extends well beyond the marketing customer-perceived view of quality (Garvin, 1988) to include all key requirements that contribute to customer-perceived quality and customer satisfaction. Total quality broadens prior notions of quality in that it includes consideration of business processes for providing complete customer satisfaction on the full range of product and service needs. Essentially, the total quality concept is a general philosophy of management (Mohr-Jackson, 1998).

Business excellence presents a business strategy which demands from management complete commitment and acceptance of concept (Terziovski and Samson, 1999; Irani et al., 2004). The EFQM model of business excellence is based on eight principles. The belonging criteria are: leadership, policy and strategy, people – management of employees, partnership and resources, processes, customer results – customer satisfaction, people results – employees' satisfaction, society results – the influence on society and key performance results (EFQM ed., 2002). All of them are the basis for self-evaluation whose purpose is to evaluate the "maturity phase" of the organization and to focus on the problems of further business improvement (Dale and Ritchie, 2000; Motwani, 2001; Rusjan, 2005; Teo and Dale, 2007).

METHODOLOGY SETTINGS OF THE RESEARCH

The companies coming from transitional countries, like those from the West Balkans (Serbia is among them), have problems with quality of their business and production productivity. Inherited inefficient production system, as well as transitional recession common for all countries in transition, influence these companies and may be blamed for their insufficient competitive capacity. The problem is especially obvious in the companies dominated by autochthonous private capital. The reason for relatively small number of Serbian companies that implemented quality system can be found in difficult financial situation of domestic economy and the implementation of QMS asks for considerable business efforts on the side of companies. What concerns most is the fact that almost all big companies have already implemented QMS. On the other hand, the majority of all companies in Serbia are made from small and medium size companies (SME). Taking into account all the mentioned facts it is not surprising that the concept of integrated management systems is mostly applied on Serbian market while the elements of business excellence serve more as theoretic-methodological base. The concept of relationship marketing exists but only on the basic level and in small number of companies (those in foreign ownership). There are, however, no clear indicators concerning this.

The research starts from, at least, two key pre-conditions:

In the given conditions the very incorporating of principles and criteria of business excellence, in other words – input and output elements of relationship marketing in defining policy, objectives and tasks in the organization (the sphere of planning quality in the future)

shows strategic determination of certified Serbian companies to satisfy the requirements of customers and other stakeholders.

Wide involvement of organizational and management structure in the processes of expectations identification and monitoring, measuring and analyses would mean making stronger bonds between current activities and strategic decisions, where a satisfied customer is in focus.

Argumentation, even an indirect one, of these pre-conditions would be enough to show justifiability and acceptance of the model of business strategy which, in the centre (including subprocesses defined by the standard and supported –cyclic expanded- in the sphere of planning and reconsidering quality in the future, exclusively by strategically oriented concepts of business excellence and relationship marketing) puts satisfaction of customers and other stakeholders. In order to provide stable bonds between the rings it is necessary to incorporate wider organizational and management structures especially in the processes directly oriented towards the customers.

Target groups in the research were:

companies (production and/or services) which are certified according to the ISO 9000 standards and which work and/or have residence in Republic of Serbia; managers in quality and/or marketing sector in these companies, as primary group,

experts, in the sphere of quality and/or marketing (with reference to the subject sphere, published works and/or cited), as a control group. They were to confirm the companies' attitudes. It was interesting to see whether considerable differences would appear in the companies' answers and the answers of those who were dealing with this matter from academic (university professors) or some other standpoint (ex. consultants).

Surveying of available companies and experts was primarily realized by e-mail survey. The survey included about 600 companies and 100 experts. Data base of Serbian Chamber of Commerce was primarily used during the selection of companies and at selecting the sample of experts it was used data base and contacts in JUSK – United Association of Serbia for Quality, as independent and sufficiently representative body for Serbia. Totally 84 companies accepted the call to participate in the research (which was between 4.5 and 5.5% out of all certified companies in Serbia) and 37 experts from the subject sphere. For the sake of survey it was created a special questionnaire (taking care of methodology of the research); communication principle was: one questionnaire – one company/expert. The survey was mainly realized at the first quarter of 2008.

The structure of the surveyed companies was: according to ownership structure the companies were mainly private (61 (72.6%)) and public (10 (11.9%)); according to the field of work: agriculture, hunting, forestry and water management 3 (3.4%), ore and stone mining 1 (1.1%), manufacturing industry 46 (52.3%), electrical, gas and water generation and supply 5 (5.7%), building construction 9 (10.2%) wholesale and retail trade ; motor vehicles, motorcycles and house-ware/personal repair 8 (9.1%), traffic, warehousing and connection 3 (3.4%), administration and defence ; compulsory social insurance 2 (2.3%), education 3 (3.4%), health and social care 3 (3.4%), other communal, social and individual services 5 (5.7%); according to the size: micro and small 14 (16.7%), medium 38 (45.2%) and big 32 (38.1%); position of the interviewed: mainly directors 10 (11.9%), leading managers 49 (58.3%), and consultants 3 (3.6%).

The structure of the interviewed experts was: the majority of the interviewed were male (31 (83.8%)); the greatest number of the interviewed were over 50 years of age 13 (41.9%) and between 30 and 40 11 (35.5%); level of education: the majority were PhD (15

(40.6%)), Master's degree and Bachelors (10 (27%)); occupation (answered 22 (59.5%)): the majority (11) were university professors/college professors and 5 experts were employed as consultants; work position of the interviewed in their organizations (answered 36 (97.3%)): directors and/or owners and leading managers.

During checking phase of statistically relevant differences in the answers of different- size- companies (types of companies: 1 – micro and small, 2 – medium and 3 – big, in the following tables, as well), the data types which appeared in the survey caused the application of two different methods of statistic analyses: Kruskal Wallis and One way ANOVA. ANOVA was also used in comparison of companies (total) and experts' data. It was taken that evaluation limit of reliability results, t.i, probability which enabled claiming that the data were error consequences or random variations was $p = 0.05$. This means that for $p \leq 0.05$ exists statistically significant difference in results. It was determined that significant statistic exception in the answers of companies and experts (in generally) didn't exist, therefore, there is no discussion on this matter.

THE MODEL OF BUSINESS STRATEGY

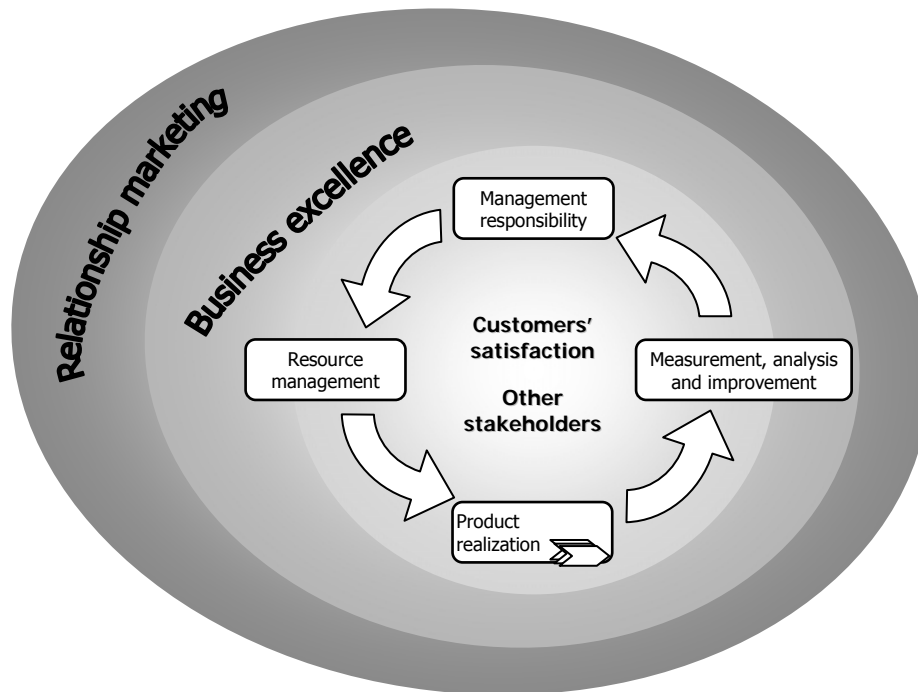
In accordance to the previously said, modeling of the acceptable concept that would satisfy customers' requirements, integrate QMS, business excellence and relationship marketing seems possible and transitional solution. Therefore, the objective of the research was to create and present a qualitative theoretic model of a system for providing satisfaction of a company's (firm's) customers needs. This model assumes a process approach, appropriate marketing research in the beginning and corresponding evaluation in the end. The model is created to enable easier managing of these processes with the aim to achieve business excellence. Acceptance and justifiability of this mixture of concepts and the model should be proved in the future.

In the part of the research presented here, the framework of the business strategy for satisfaction of customers' requirements acceptable for Serbian companies is given, supported by statistic analyses of the answers provided by surveying the target groups. The attitude on justifiability and acceptance of the model will be created later on the ground of some quantitative indicators related to the mentioned qualitative theoretic model. The part of planning or incorporating the principles and criteria of business excellence and relationship marketing into the standard (ISO 9000) defined framework is the subject of a separate analyses. This serves to show justifiability and acceptance of strategically oriented form presented in the following picture.

Presentation of the model

Figure 1 presents a model in a form of cycle, in order to describe the model as business strategy which puts the focused modules (sub-processes) in the environment of customers and other stakeholders, whose objective is progress of the whole organization. Such a business strategy is supported by business excellence and relationship. It can be the matter of dispute which "ring" of support is "older" and/or more important. The author of this paper thinks that it is the matter of attitude, but their existence or the need for it has been shown in this research.

Figure 1: The model for providing satisfaction of customer's requirements as a business strategy



Analyses of research results concerning strategic components of the model

Asked to evaluate the importance (in the research (survey) was used the Likert 5-point scale) that should be paid to the principles of business excellence while defining policy, objectives and tasks in the organization, 66 (85.7%) (out of 77 (91.7%) of the interviewed in companies, or 33 (91.7%) (out of 36 (97.3%)) experts gave the answers which are showed, comparably, in the Table 1. All the principles were evaluated as significant or particularly significant (the lowest grade was given to corporative social responsibility by the experts 3.39).

Table 1: Comparative survey of average significance grade that should be paid to the principles of business excellence at defining policy, objectives and tasks in the organization

PRINCIPLES of business excellence	Average grade of the interviewed in companies	Average grade of the experts
Results Orientation	4.17	4.39
Customer Focus	4.42	4.61
Leadership	3.82	4.18
Management by Processes and Facts	3.80	4.06
People Development and Involvement	3.76	3.88
Continuous Learning, Innovation and Improvement	3.68	3.79
Partnership Development	3.94	3.94
Corporate Social Responsibility	3.58	3.39

Having been asked to evaluate significance paid, or the one which should be paid, to criteria of business excellence at defining policy, objectives and tasks in the organization, the interviewed (63 (85.1%) out of 74 (88.1%)) in companies, and experts (33 (91.7%) out of 36 (97.3%)) evaluated the criteria and their application as significant (table 2).

Table 2: Comparative survey of average significance grade which should be paid to the criteria of business excellence at defining policy, objectives and tasks in the organization

CRITERIA of business excellence	Average grade of the interviewed in companies	Average grade of the experts
Leadership	3.73	4.00
Policy and Strategy	3.87	4.24
People	3.68	4.21
Partnership and Resources	3.65	3.97
Processes	3.90	4.15
Customer Results	4.47	4.48
People Results	3.58	4.15
Society Results	3.52	3.70
Key Performance Results	4.23	4.27

Table 3, included the companies and experts' grades, shows how important it is to take care about the criteria of business excellence by the leading management in management review. Affirmative answer was given by 65 (83.3%) out of 78 (92.9%) companies and 33 (91.7%) out of 36 (97.3%) experts. Here, statistically significant difference was noticed in the answers of the different-type companies ($p = 0.043 < 0.05$) and the grades are showed separately. High average grade of significance, paid to the criteria of business excellence, was noticed. In other words, they were evaluated as significant and particularly significant – the lowest grade was 3.50.

Table 3: Comparative survey of the average significance grade paid, and which should be paid to the criteria of business excellence at management review

CRITERIA of business excellence	Average grade of the interviewed in companies			Average grade of the experts
	1	2	3	
Leadership	3.67	3.54	3.73	4.00
Policy and Strategy	4.08	4.04	3.88	4.24
People	4.33	3.69	3.50	4.21
Partnership and Resources	4.17	3.69	3.62	3.97
Processes	4.17	3.73	4.04	4.15
Customer Results	4.67	4.42	4.23	4.48
People Results	3.92	3.81	3.50	4.15
Society Results	3.92	3.46	3.62	3.70
Key Performance Results	4.67	4.35	4.12	4.27
ANOVA significance test Group: companies $F=3.584$; $Sig.= 0.043 < 0.05$				

It is interesting that a particular significance is paid to the principles and criteria which are directly oriented towards customers (the lowest average grade is 4.23); that shows readiness of the organizations to devote themselves to their customers, as well as importance which the experts give to this question.

Both companies and experts consider significant or satisfying input elements of relationship marketing concept, especially in the sphere of planning (table 4).

Table 4: Comparative survey of the average significance grade of input elements in relationship marketing concept

Input Elements of Relationship Marketing Concept	Average grade of the interviewed in companies	Average grade of the experts
Understanding Customers Expectations	4.31	3.88
Building Service Partnerships	3.92	3.42
Empowering Employees	3.66	3.71
Total Quality Management	3.76	3.26

Comparative survey of the average grades which the interviewed used to evaluate the significance of output elements of relationship marketing, especially in the sphere of planning, is given in the table 5. It should be emphasized that all the elements were evaluated as significant, both by companies (81 (96.4%) answered the question) and by experts (35 (94.6%) of the interviewed).

Table 5: Comparative survey of average significance grade of output elements in relationship marketing concept

Output Elements in Relationship Marketing Concept	Average grades of the interviewed in companies	Average grades of experts
Quality Product	4.64	4.06
Customer Satisfaction	4.44	4.26
Customer Loyalty	4.04	4.09
Increased Profitability	4.19	3.91

Considering the question which demands definition of management and responsibility over processes, identification of expectations, monitoring, measuring and analyses, a certain generalization can be noticed in the answers, given by experts, when they are compared to those obtained in companies. No matter, we can find some similarities which are presented in the Table 6a for process identification of expectations and Table 6b for proces monitoring, measuring and analyses. Statistically significant difference in the answers of different types of companies is noticed considering the question about management/responsibility over processes – identification of expectations ($p = 0.005$) and the answers are given separately. Totally, 68 (80.9%) companies and 35 (94.6%) experts answered the question about the process of identification of expectations and the question related to the process of monitoring, measuring and analyses 71 (84.5%) companies gave the answer.

Table 6a: Comparative review of management and responsibility over processes identification of expectations

Given answers		Process identification of expectations			
		Companies			Experts
		1	2	3	
(a)	Top manager and/or owner	1 (5.6%)	15 (14%)	6 (9.2%)	13 (17.6%)
(b)	Executive management	-	10 (9.3%)	3 (4.6%)	
(c)	Development unit manager	1 (5.6%)	12 (11.2%)	4 (6.2%)	7 (9.5%)
(d)	Marketing unit manager	3 (16.7%)	4 (3.7%)	15 (23.2%)	25 (33.8%)
(e)	Trade/sale unit manager	5 (27.8%)	18 (16.8%)	14 (21.5%)	13 (17.6%)
(f)	Quality unit manager (or QMS manager)	3 (16.7%)	9 (8.4%)	9 (13.8%)	10 (13.5%)
(g)	Unit managers (generally)	3 (16.7%)	9 (8.4%)	6 (9.2%)	-
(h)	Staff in direct contact with services customers or those directly involved in services realization.	-	10 (9.3%)	6 (9.2%)	4 (5.4%)
Kruskal Wallis Test Grouping Variable: firms (companies) Chi-Square=10.740; Asymp. Sig.= 0.005<0.05					

It is interesting to notice the moving of responsibility (both companies and experts agree in this) from marketing top manager, for the process identification of expectations, towards sale top manager, for the process of monitoring, measuring and analyses. Especially expressed significance of organizational units (sectors) can be noticed: trade/sale, marketing, development sector and quality sector.

Table 6b: Comparative review of management and responsibility over processes monitoring, measuring and analyses

Process monitoring, measuring and analyses		Given answers	
Companies	Experts		
12 (6.9%)	10 (12.7%)	Top management and/or executive management	(a)
10 (5.7%)		Development unit manager	(b)
4 (2.3%)	7 (8.9%)	Marketing unit manager	(c)
25 (14.3%)	24 (30.4%)	Trade/sale unit manager	(d)
41 (23.5%)	13 (16.5%)		

36 (20.6%)	21 (26.6%)	Quality unit manager (or QMS manager)	(e)
17 (9.7%)	2 (2.4%)	Employees in sale network	(f)

DISCUSSION

There are certain problems concerning the acceptance of business excellence and relationship marketing in Serbian economy and they have been briefly explained in the text. The consequences of these problems are the following: the concept of integrated management systems is mainly applied on Serbian market which base is ISO 9000 series of standards while the elements of business excellence concept are mostly used as its theoretic- methodological base. However, it is obvious that strategic orientation towards satisfaction of customers and other stakeholders' requirements is present in certified domestic companies. Confirmation is directly got by accepting the incorporation of the principles and criteria of business excellence (input and output elements of relationship marketing) concerning defining policy, objectives and tasks in the organization, in other words, in the sphere of planning quality in the future. According to the research results, the criteria of business excellence should also be incorporated in the reconsidering phase at the side of management (management review). Taking all into account, it is not surprising that considerable significance is paid to customers' satisfaction. Namely, a particular significance is paid to the principles and criteria which are directly oriented towards customers (the lowest average grade is 4.23); that shows readiness of the organizations to devote themselves to their customers, as well as importance which the experts give to this question.

Wide incorporation of organizational and management structure, from top to executive management, in other words, employees in direct contact with customers, in processes of identification of expectations and monitoring, measuring and analyses, according to the model, means making stronger bonds between current activities and strategic decisions where a satisfied customer is in the focus. The analyzed results indirectly confirm this aspect of the model, emphasizing the functions of top manager and/or owner, marketing unit manager, quality unit manager and trade/sale unit manager which are especially incorporated in the mentioned processes, while moving management and responsibility over processes respectively can be noticed, going from marketing and top management towards sale top manager. As expected, special attention is paid to organizational units (sectors) like trade/sale, marketing, development sector and quality sector and their management.

Although it was to be expected, given the strategic orientation of the business model and organisational set-up, there is no statistical difference between the answers given by micro, small, medium-sized and large enterprises except in two cases:

The level of significance given to the criteria of business excellence at management review; two of the three criteria given the greatest attention are the same (Key Performance Results, Customer Results). The third, key criterion, however, varies significantly; People with micro and small enterprises; Policy and Strategy with medium-sized and Processes with large enterprises.

management and responsibility over processes identification of expectations of customers. Here one of the three most significant answers is the same for all types of company; Trade/sale unit manager. However, as company size increases, answers orient more towards organisational functions: Development, Quality and Marketing.

Finally, it can be noticed from the results' analyses and discussion that theoretic, strategic business model for providing satisfaction of customers' requirements proved to be acceptable and justifiable for Serbian companies in relation to the context presented here.

CONCLUSIONS AND IMPLICATIONS

The company's objective should be achieving and understanding the optimum level of customer satisfaction. The important step in achieving customer satisfaction is to make research of customers' requirements in order to make good business decisions. The model of business strategy for providing customer satisfaction, presented in this work, is harmonized with the requirements of ISO 9001:2000 series of standards, as well as with relevant proposals and criteria of business excellence, marketing requirements and specific characteristics and requirements of Republic of Serbia's economy. The presented quality model can be considered acceptable and justifiable which has been supported indirectly by statistic indicators concerning planning and management, in other words, by incorporating the principles and criteria of business excellence and relationship marketing defined by the standard (ISO 9000).

The model itself has not been applied in practice or tested but, in our opinion, its usage would contribute to more complete and wider acceptance of the concept of business excellence and/or relationship marketing in the part of certified companies (standards ISO 9000 series) on the territory of the Republic of Serbia. In relation to some limits, we think that the model's validity would be more complete if the research included a greater number of domestic companies, as a sample, even better if this research could cross the borders of Serbian territory and transfer to the countries of the Western Balkans.

Finally, the research presented here, bearing in mind the limitations mentioned has at least three implications:

The strategic orientation of companies towards customer satisfaction means that, in addition to the concept of QMS in organisation and management processes, the concepts of marketing relations and business excellence should also be included. This above all in the planning and verification phases, i.e. the management of key processes.

Companies which are ISO 9000 certified generally accept the strategic model of providing customer satisfaction;

There are differences in the level of acceptance of the strategic model depending on size and organisational structure which are a direct consequence of these factors.

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MANAGEMENT EDUCATION AND "NON ATTENDANCE" AT UNIVERSITY: AN ITALIAN CASE STUDY

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Abstract

The quality of teaching activities at university is a fundamental part of management education which affects the allocation of public funds to universities. In some Italian faculties, we have noticed a decrease in the number of students regularly attending courses. Previous studies show that this affects students' performance and consequently the curriculum quality indicators. In this work, we focus on "non attendance" at the classes of the Faculty of Political Sciences in Viterbo, by analysing its causes and the possible solutions.

A survey was carried out on students enrolled in the postgraduate degree and the answers were treated with multivariate statistical techniques. The results show that only 8% of them attend all lectures, while about 60% do not attend any lessons. A significant cause is the high percentage of working students, although full-timers often miss lectures too. The students' opinion and suggestions are also presented, together with some considerations about the strategies to favour the students' participation in educational activities, and consequently improving the overall curriculum quality.

Key Words: curriculum quality, university system, students' performance, correspondences analysis

Topic Group: management education, training and development

INTRODUCTION

Management education is an activity that has notably grown in significance and influence in the past 25 years. There is a well-established debate about management education that has focused on the extent to which it contributes to the development of effective managers (Constable and McCormick, 1987; Handy, 1987) or to the economic performance of countries (Locke, 1989). A great part of the literature focuses on how to provide management educators with techniques to improve the effectiveness of their teaching (Gibbs, 1992) in different situations. On the other hand, French and Grey (1996) raise a number of challenges regarding the problematical link between management practice and management education.

In general, the idea of management education as functional to management is based on a model of professional training. From this point of view, it is fair to say that a body of knowledge exists, which is central to effective practice (French and Grey, 1996).

This knowledge is produced, protected and transmitted especially by universities. Consequently, the quality of teaching activities in universities is a fundamental part in the education of managers of the private and public sector. For this reason, universities make a constant effort to improve the quality of their curriculum offerings.

The attention towards the quality of the curriculum improves the students' performances and the educational level, provided that they regularly attend classes.

The "non-attendance" at university lectures is a growing phenomenon in many countries, but it is particularly common in Italy, where in most courses attendance is not compulsory.

This study focuses on the Faculty of Political Sciences in Viterbo, which mostly provides education for future managers of public administration and private companies operating in the communication and advertising sector. The aim is to study the non-attendance at postgraduate degree classes, by analysing its causes and the possible solutions.

In the first part of the paper, the link between low attendance at classes and poor students' performance is highlighted. Then, the problem of the allocation of public resources to universities, and to their faculties, which is based on indicators also considering curriculum quality and students' performance, is tackled. Therefore, the vicious cycle that exists between low attendance, level of education and the development of a quality curriculum is shown. The third paragraph introduces the case study, while in the fourth we explain how the research was carried out and what methodology was adopted to process the data; finally, the main results are shown.

In the last part of the paper, some possible strategies are suggested, many of which emerged from the students' feedback during the survey. Such strategies can be adopted to contain the non-attendance phenomenon, therefore improving students' results, their preparation and ultimately their managerial skills and attitudes.

IMPLICATION OF LOW ATTENDANCE ON STUDENTS' PERFORMANCE

Previous studies show that low attendance at university classes affects students' performance at university, lowering their grades and extending the education period. The earliest researches on this topic come from the USA (Schmidt, 1983; Park and Kerr 1990; Romer 1993; Marburger 2006) and find that attendance has a positive and significant effect on grades. Rodgers (2001) and Kirby (Kirby and McElroy, 2003), by applying different methodologies, have found the same in Australian and Irish colleges, as they state that the

recent tendency towards absenteeism affects students' grades in exams and hinders their knowledge for subsequent courses and future jobs.

Indeed, non-attending students find it more difficult to prepare for exams as compared to their peers who attend university regularly, as they do not benefit from the direct contact with teachers and fellow students.

In Italy, attendance at university classes appears even lower than abroad, also considering that the number of faculties and degree courses with compulsory attendance is lower. There are two fundamental consequences: on one hand the completion of the degree with lower average grades, and on the other hand a longer time to complete the degree. Such evidence derives from periodical research carried out by Alma Laurea, a database managed by a consortium of Italian universities, supported by the Department for Education (Ministero dell'Istruzione), which collects data on all the graduates from the member universities¹.

From the processing of data belonging to the "Profilo dei laureati 2008" ("Profile of graduates 2008", Alma Laurea, 2009), with reference to the postgraduate degrees, a remarkable difference in terms of results can be seen between full-time students and working students, who have a lower attendance or none at all. Such a difference is expressed above all by lower final marks at graduation and a longer time to obtain the degree. On the contrary, the impact on the average of exam grades is less marked. Table 1 shows the attendance situation and the impact on results in all the Italian postgraduate degrees and, specifically, on degrees in socio-political disciplines. In this type of degree course, where the number of working students is greater, a significant worsening of their results can be observed, with an average final degree 3 or more points lower than the full-time students', and an average delay of a year in the completion of studies.

Table 1: Working and full-time students' performances²

Indicator	All subjects master's degrees		Socio-political master's degrees	
	Working students	Full-time students	Working students	Full-time students
Quota of attending students	44,0%	83,8%	29,6%	75,4%
Average exams grade	27,4	27,9	27,4	28,2
Average final grade	107,2	109,3	106,3	109,6
Average time to degree	2,7 years	2,5 years	3,0 years	2,5 years

Apart from the implications in terms of results, which weigh upon the students' preparation in a direct way, low attendance influences the quality of university education. An aspect to highlight is, for instance, the disincentive for teachers to carefully prepare their lectures when only a few students make use of this service. On the other hand, a smaller presence of students in the faculty can have a positive effect on the (few) students who do attend, as they can benefit from a more direct contact with the teachers and a better upkeep and better use of the facilities.

¹ Started in 1994 as an initiative of the Osservatorio Statistico dell'Università di Bologna (Statistics Observatory of the University of Bologna), AlmaLaurea has grown dramatically, now surveying 65% of the Italian graduates. AlmaLaurea is a database that operates with the aim of favouring the entrance of graduates in the job market, collecting data on all the graduates from the member universities.

² The exam grade is expressed in 30/30. The top final grade is 110/110, if appropriate the "cum laude" can be added. The methodology used by Alma Laurea considers the grade 110 cum laude as 113. The official time of completion for postgraduate degree courses is 2 years.

The consequences of low attendance are therefore many and different, and they can be summarized in table 2 according to their positive and negative effects on university system.

Table 2: Positive and negative effects of absenteeism at university

POSITIVE EFFECTS	NEGATIVE EFFECTS
Teachers can dedicate more time to research obtaining more funds by applying for grants The facilities and the equipment are used less Attending students can always fit in the classrooms and find space in the common areas and in the parking lots Smaller queues in the offices and other facilities (administrative office, libraries, etc.) Positive feedback from the attending students More direct relationship with the teachers, both during lectures and time made available to students to speak with lecturers	Lower grades in exams Lower final grades Longer time to complete the degree Disincentive for the teachers in having fewer students

STUDENTS' PERFORMANCE AND ACADEMIC MANAGEMENT

Italian universities, especially after the reform on public funding to universities in 2007, have a strong interest in their students getting good grades, since there is a link between the students' performance and the funding the university receives from the Ministero della Pubblica Istruzione (Department for Education). From this point of view, the students' choice not to attend classes has also an economic relevance for universities.

Indeed, the criteria given by the ministerial decree DM 246/2007 for the allocation of Funding (Fondo di Finanziamento Ordinario), that is to say the main source of funds for public universities³, take into consideration three dimensions of performance: research quality, number of students enrolled and didactic results. For the evaluation of didactic results, the number of credits obtained by the students is considered. As it has been pointed out before, greater attendance results in greater performance. Moreover, the quality indicators determine the allocation of another funding quota to the most deserving universities⁴ (decree DM 45/2009). In 2009, the total amount of this quota was 525 million euros, anything but an irrelevant figure for universities' budgets.

Therefore, it is clear how the maintenance of high quality level of curriculum, which can be quantified through the students' performance and their ability to complete the degree in time, represents for public universities the way to obtain greater funds and improve further their offerings.

³ The 'Fondo per il Finanziamento Ordinario delle Università' was established by art. 5 of Law 537/93. It is made of two parts: a "basic quota", attributed automatically to Universities, and a "rebalancing quota" that, on the contrary, is assigned according to quantitative parameters.

⁴ Indeed, 7% of the Funding is put aside and distributed as a bonus to the Italian universities that have obtained the best evaluation in terms of curriculum and their research.

Low attendance, which, as we have seen, has a negative effect on students' performance and on the evaluation indexes of the quality of the services offered by universities, weighs upon the funds obtained by the universities as well. The impact of low attendance on research results can be more controversial, as it can be assumed that the teachers of courses attended by a small number of students may be induced to decrease their commitment towards teaching and consequently invest more time and effort in research.

Nevertheless, a vicious cycle can be identified: the students' absenteeism results in poor performance, and consequently in lower curriculum quality indicators, which will determine a smaller number of income to be spent on resources for the university. On the other hand, a university with poor economic resources will hardly be able to guarantee a high quality of curriculum and research, which will lead to a constant worsening of its educational services and its ability to form professionals and managers sufficiently qualified to step successfully into the job market.

EMPIRICAL ANALYSIS

Background

In some Italian universities we have noticed a reduction of students regularly attending courses (ISTAT, 2007). This situation, which affects the national high-education system, is more evident in some educational fields. The number of students attending regularly is definitely higher in courses for degrees in technical and scientific disciplines as compared to other disciplines as Economics, Political and Social Sciences, Law and Humanities (Alma Laurea, 2009). Such differences can be clearly seen in table 3, which shows attendance to courses of postgraduate degrees in different disciplines. This phenomenon concerns private universities as well, where there is often a minimum compulsory level of attendance, which does not seem to discourage the students' tendency towards absenteeism (LUISS, 2007).

Table 3: Attendance in postgraduate degrees of different courses

Subject	Level of students' attendance (% of classes attended)		
	More than 75%	50-75%	Less than 50%
Medicine	92,7%	3,4%	3,9%
Engineering	89,1%	7,3%	3,6%
Natural Sciences	84,1%	8,1%	7,8%
Agricultural Sciences	78,2%	11,2%	10,6%
Economics	76,3%	14,7%	9,0%
Arts	67,5%	18,6%	13,9%
Socio-Political Sciences	61,3%	20,6%	18,1%
Law	53,7%	26,4%	19,9%

Elaboration on data from the Alma Laurea database www.almalaurea.it

Case study

In the academic year 2008/2009, the Faculty of Political Sciences of the University of Tuscia (Facoltà di Scienze Politiche dell'Università della Tuscia) has extended its educational offerings by introducing the postgraduate degree in "Public communication, enterprise and advertising" ("Comunicazione pubblica, d'impresa e pubblicità "). This new degree is geared

to the graduates in "Sciences of communication" ("Scienze della comunicazione") and "Sciences of public administration" ("Scienze della pubblica amministrazione"), and it aims to educate managers for public administration and private enterprise, with a particular focus on the area of communication.

Despite a good number of students enrolled (140), attendance at lectures appeared very low from the very beginning, with half-empty classrooms and the number of attending students rarely above 20-25. Such a situation triggered a study with the aim of understanding the reasons of a phenomenon that appears to be much more relevant to this discipline as compared to the other faculties of the university or to other postgraduate degrees in socio-political sciences.

In order to analyze the students' tendency towards absenteeism in the Faculty of Political Sciences of Viterbo, a survey was carried out. All the students enrolled were involved by verifying their attendance at lectures and by investigating their reasons not to attend.

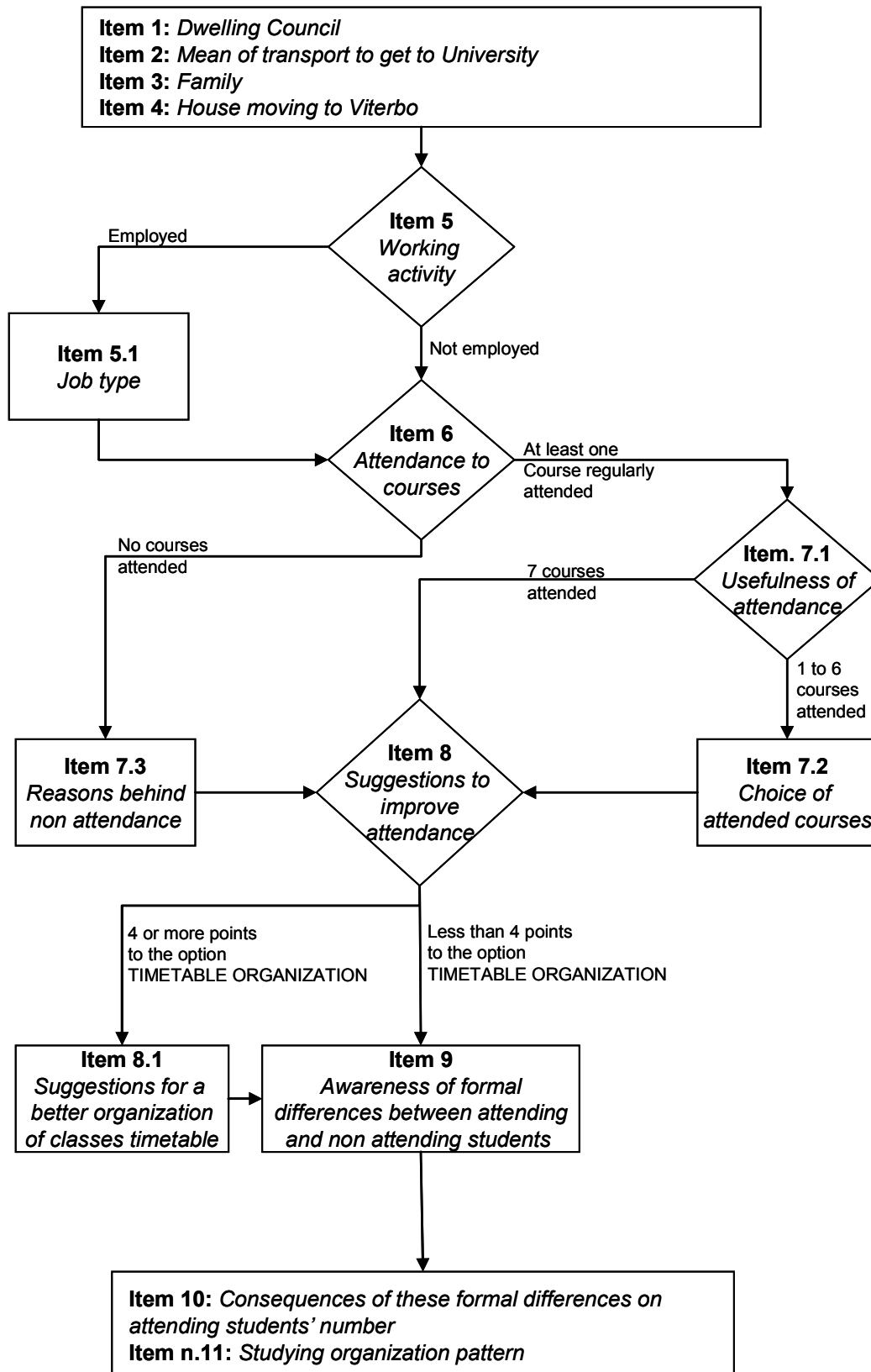
Structure of the questionnaire

The survey was carried out by directly interviewing the students. The questionnaire used in the survey was structured into 4 sections (Migliardi, 2008):

- 1) student data (questions 1 to 5);
- 2) courses attended (questions 6 and 7.1);
- 3) reasons not to attend and advice to increase the participation of students to lectures
- 4) (questions 7.2, 7.3, 8, 8.1);
- 5) approach to study (questions 9 to 12).

The questionnaire includes some secondary questions, which are asked of the interviewee in relation to their previous answers. In particular, it was presumed that different information would be collected from attending and non-attending students through a different set of questions (Cicatiello et al., 2009). Figure 1 shows the flow chart that represents the questionnaire structure. In order to overcome the practical difficulties derived from such a complex structure, the questionnaire was converted into a Microsoft Excel version that streamlined the job of the interviewers, by showing the correct sequence of questions and by transferring the data into the answer database. The investigation involved the entire population of students enrolled in the postgraduate degree course in the academic year 2008/09. The interviews, based on the questionnaire just described, were carried out in person or over the phone (Groves, 1984) in October 2009. Before proceeding with the processing of the answers, the reliability of the data collected was verified through an accurate check that also included the comparison between the attendance at the courses indicated in the curriculum of the postgraduate degree as declared by the students, and the number of teaching evaluation questionnaires filled in by the same students during the courses. This check, despite the inevitable gaps due to the specific moment of survey in the classroom, highlighted a high reliability of the answers to the questionnaire. Indeed, the difference between the total number of students who declared having attended lectures and the number of questionnaires filled out in class amounted to 2% and the correlation coefficient between the two data sets showed a value of 0,88.

Figure 1: Flowchart of the questionnaire structure



Processing of the answers

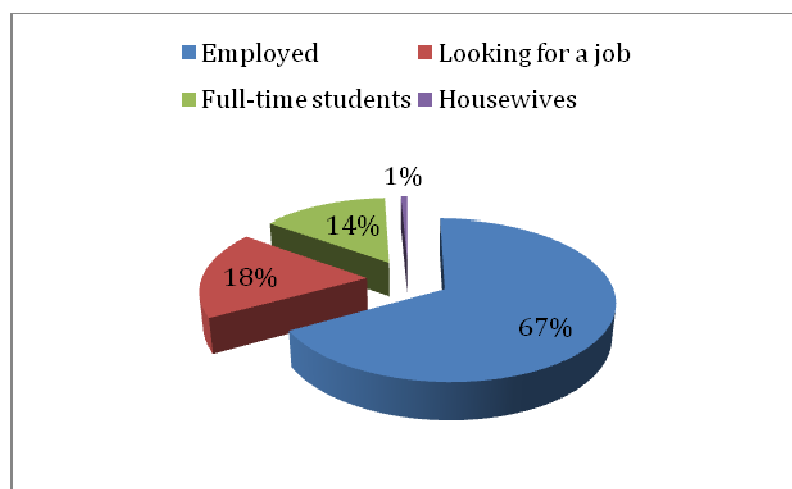
The first data processing involved the descriptive analysis of the population investigated. Out of the 140 students enrolled, 85 are women and 55 men. The students represent different age groups: young people under 25 represent only 42% of enrollments, against respectively 26% and 32% of the so-called "intermediate" and "mature", which represent respectively students between 26 and 30 years old and those over 30. Therefore, there is a majority (58%) of the student population that enrolls in the first year of the postgraduate degree course at a more advanced age than it would be expected under normal conditions.

The students' area of origin is represented mainly by the town of Viterbo (41 students) and its province (65 students). Only a little more than 34 enrolled students come from other provinces and regions, and just 8% of them moved their residence to Viterbo in order to get closer to the university campus.

During the survey, it was found that 7 out of the 140 enrolled students had withdrawn from the course; these students were excluded from the data processing, which therefore makes reference to a total of 133 cases.

The analysis of the working condition of the enrolled students revealed the presence of a remarkable group of working students: the employed are 89 out of 133, which equals 67% of the population (in the following analyses, the only housewife was included among the employed); out of these, 55 have a fixed-term job and 34 a short-term job. Only 14% of the students declare to dedicate themselves to full-time university study.

Figure 2: Students' working condition



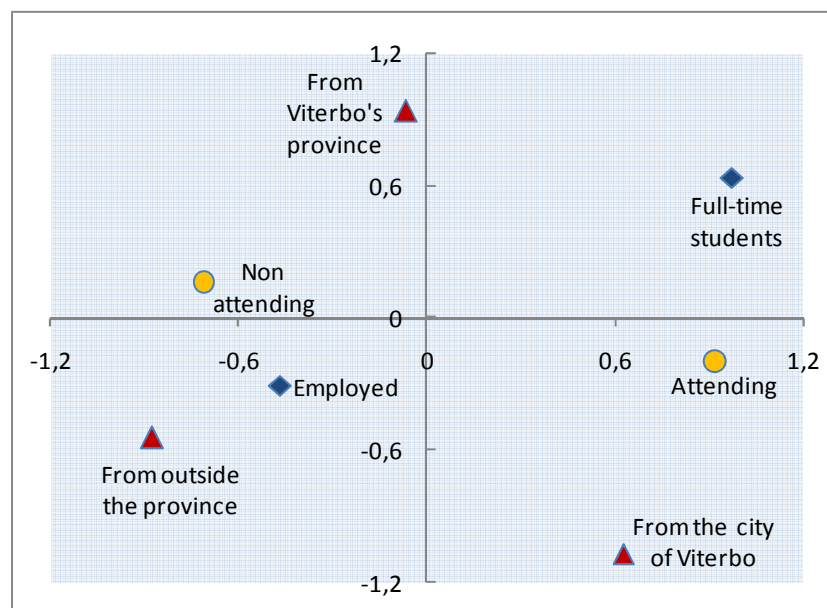
Data processing concerning attendance to lectures clearly confirmed the impression of a low attendance at courses. The "total number of attending students", that is to say, the students who attended all the 7 courses scheduled for the first year of the postgraduate degree course, are only 8 out of 133, which equals just 6% of the students enrolled. The number of attending students rises to 38% only if we consider also the students who attended quite regularly 2 to 6 courses. Consequently, attendance is remarkably lower as compared to the national average for the degree courses in the same discipline areas, which, as previously stated, is above 60%.

For the rest of the analysis, to make the data processing easier, we considered "attending" the students who declared attending regularly the classes of at least two courses, "non-attending" the others. In order to better identify the characteristics of the students belonging

to the two groups, their condition (attending/non-attending) was correlated with other variables, amongst which the place of residence and the working conditions. All this in order to verify the existence of a link between these different aspects that can explain, at least partially, the choice of attending or not attending the courses. At a methodological level, for each pair of variables, an independence test was carried out (Bishop et al., 1975); once the significant dependence between the three variables was verified, a correspondences analysis was performed on the three variables considered, by using a specific statistical software (Wilkinson, 1990). The correspondences analysis allows the identification of the dimensions which lay beneath the structure of the data (the so-called "factors") that summarize the interdependence between the original variables. The result can be effectively expressed by means of a bi-dimensional graphic representation (represented by the first two factors) in order to visualize the closeness, and therefore the connection, between different characteristics in the observations (Greenacre, 1993).

In Figure 3, the first two factors make up 62% of the relationship between the three variables taken into consideration: attendance to lectures, employment conditions and residence. A correlation between the categories of 'non-attending', 'employed' and 'from outside the province' was highlighted. This allows us to affirm that the non-attending students are mainly students who work and reside outside the province of Viterbo. On the contrary, the relationship between attending students, full-time students and residents in Viterbo appears to be weaker exactly because the points that represent these categories on the plan of factors are more distant.

Figure 3: Relationship between residence, attendance and employment conditions



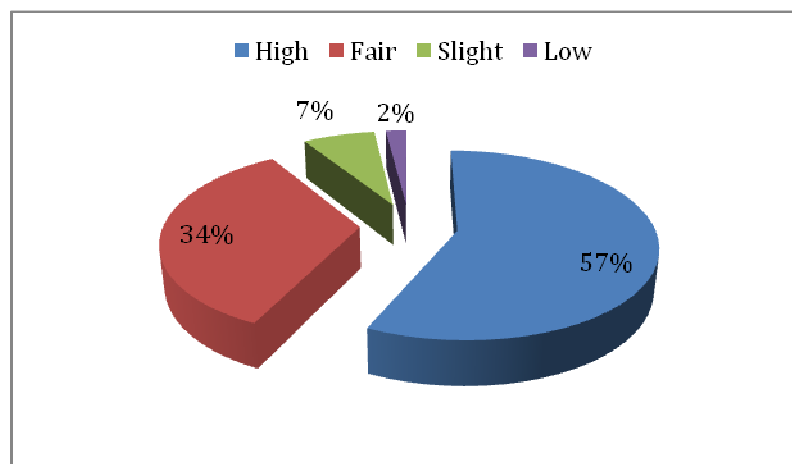
Taking into consideration only the two variables of work and attendance, where the first two factors explain 100% of variability, the same type of association is confirmed: stronger between employed and non-attending, less strong between attending students and full-timers. In other words, it was found that usually workers are not able to attend classes, whereas full-time students do not show an equal commitment to attendance. Therefore, work is not the only cause of absenteeism. Contrary to what we would expect, there is not a significant relation between attendance to classes and a students' age. Consequently, the group of students present in class shows a great variety in age, with interests that can be

very different. Nor is there a relationship between attendance and study preparation. Students, independently from what they do and the way they experience university as attending or non-attending students, plan their study time according to their personal attitudes.

Reasons for attendance and non-attendance

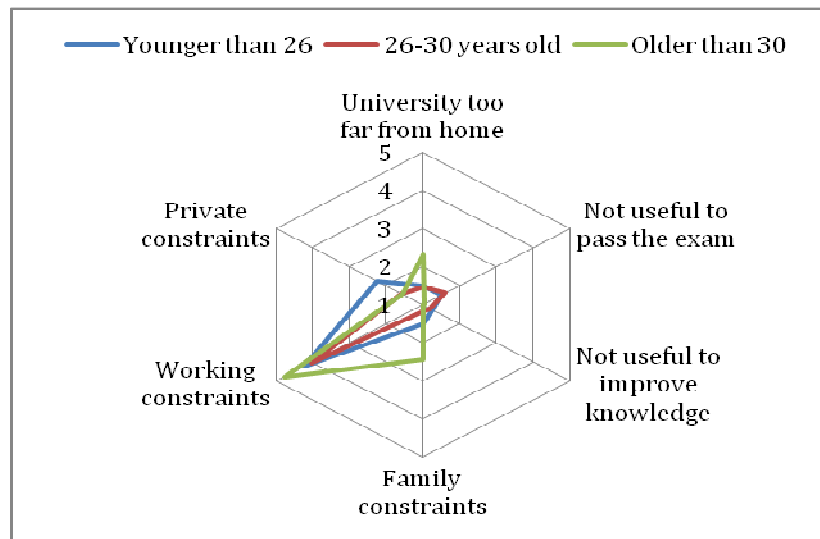
Students who attended only some of the scheduled course were asked what determined their choice. The answers identified as main reasons were the usefulness of attendance in order to pass the exam, and the compatibility of the lecture timetable with their work. The personal interest in the subject weighs quite remarkably, whereas the teacher's skills, the peculiarity of the subject and other individual reasons appear less important. The students were asked to express their opinion on the usefulness of participating in class. The distribution of the answers is shown in Figure 4, which highlights how students believe that attending courses is very useful. Indeed, students express the same positive opinion in the curriculum evaluation questionnaire they fill in during the course (Tanes et al., 2003). Therefore, all the mechanisms to increase attendance that is in anyway considered useful should be implemented.

Figure 4: Usefulness of attendance in the opinion of attending students



Students who did not attend any course were asked to identify the reasons for such a choice. Consistently with the results described above, work scored very highly, both for young people and adults. On the contrary, the possible distance from the university campus does not seem to be perceived as a significant obstacle. There are also differences between students of different age groups, which are shown in Figure 5, in which the average importance given by non-attending students to possible reasons for absenteeism is represented.

Figure 5: Justification of non attendance for students of different ages



Proposals to increase attendance

The analysis of the students' feedback on how to increase attendance indicates the need for a different lecture plan as a priority. Non-attending students in particular ask for a change of the timetable, while all students agree fundamentally on a greater number of workshop and courses with more practical aims. On the contrary, signing in and out of classes, in order to prove attendance, is not considered a useful tool. Contrary to expectations, it is the non-attending students who consider working in groups as more apt to building up a "faculty spirit" which can foster a greater participation to classes, while the attending students care more about the coordination between courses. The proposals regarding changes to the lecture schedule, as gathered by the students who consider useful a different lecture plan, highlight the demand for more afternoon classes (a good 40% of proposals prefer such an option) and classes concentrated in three days (an option which reaches almost 30%). The 20% of proposals demanding classes on Saturdays appears remarkable and perhaps unexpected. Such data, read together with the profiles of the student population, shows a significant presence or very active students who, even if not regularly attending due to real hindrances, experience life at university as a pleasure and a commitment, therefore taking into consideration the idea of dedicating part of the weekend to it. One last aspect analyzed in the questionnaire concerned the students' proposals in order to increase attendance. 57 proposals were collected, a significant number which represents 43% of the enrolled students. It confirms the active participation of the students in the survey, as they showed great collaboration and interest in the topic. The different answers were grouped into four categories.

A remarkable number of proposals involve a greater link between types of courses and the job market, and the implementation of mid-term exams for the attending students. Some students ask for more transparency on the different kinds of final exams for attending and non-attending students. This is due to the fact that attending students believe to be penalized with more work, as compared to non-attending students. Among the other proposals, there are some particular requests such as the introduction of a crèche at the university, for the students with children of pre-school age; the creation of a common room in which teachers and students could meet in an informal setting; and more interactive classes to allow students to participate more.

In order to improve students' participation to university life some of these proposals could be taken into account, trying thus to align the postgraduate degree in Political Sciences to other courses in order to minimize the absenteeism. This would improve the students' performances and the overall curriculum quality, preparing them to enter the job market and to be more satisfied towards the services offered by their University. The consequent improvement of the curriculum quality would cause a virtuous cycle in which the University could benefit of a greater funding, which in turn would further improve the services offered to the students.

To promote such a plan of action it seems more and more important since the University of Tuscia was rewarded in 2009 for the quality of its curriculum. This award is the result of the good performance of students and consists in additional fundings, which could be usefully spent to improve the facilities and the services offered. The spreading of absenteeism could prevent the University of Tuscia to repeat this success.

CONCLUSIONS

The education for managerial positions must be backed by a high-level university that is able to prepare students to their future profession. The quality of the curriculum, the performance of students and the time to complete the degree course are influenced in a negative way by the more and more widespread phenomenon of absenteeism. In Italy, in particular, the less assiduous students are those in socio-political studies, those who are supposed to become, after their postgraduate degree, the future managers of private enterprises and the public administration.

In this paper we tried to analyze this phenomenon with an empirical approach focused on the situation of a postgraduate degree of University of Tuscia where absenteeism is widespread. A survey confirmed that there is a very high number of students who do not attend courses. Results show that only 8% of students regularly attend all the lectures, while about 60% do not attend any.

This situation is still more worrying as, in postgraduate education, courses also include seminars with managers and visits to firms and public offices. Students can thus profit of relationships that connect the University with enterprises and local administrations. To attend courses entails participating to these activities, which can easily be considered one of the most important parts of the education. Moreover, this "informal" part of the management education, instead of formal classes, is more difficult to be replaced with individual study.

Course attendance can also allow students to get in touch with firms to plan internships during their study period. This has something to do with the complex link between management education and management practice we have mentioned in the introduction. We think that internships can be a great opportunity for students to define their interests, thus identifying the economic field that better fits their managerial skills. In such a way management education can affect positively management practice.

In the discussion we have already highlighted the main reasons of absenteeism for our case study. A significant cause is the high percentage of working students, although full-timers often miss lectures too. Nevertheless, students who attended the classes agree in defining them as useful, both in order to pass the exam and as a personal experience. Those who do not attend, on the contrary, indicate their work and family as real obstacles to attendance. According to many of them, attendance could be increased dramatically with a different lecture schedule, in order to be more compatible with working hours.

However, a certain caution must be used when drawing generalizations from the results of this study. First of all, we analyzed a situation which is typical of the Italian education system. Moreover, we focused the survey and the discussion on the socio-political field of study while managers of private and public firms come also from other educational paths, such as economics and law. Given these limitations, it is however possible to plan further researches to improve some methodological issues. It would be interesting to analyze more Faculties of the same University to verify whether the situation of students' absenteeism is similar or not. The same could be done in other Italian Universities. Moreover, it is necessary to repeat the survey to monitor the evolution of absenteeism in the years in order to make the results more reliable

Finally, to test the validity of this methodological approach, it would be very interesting to plan a survey in a two-three years' time-frame interviewing the same students of this study. The objective of this further research would be to monitor their career in order to assess the relation between the quality of their education (also in terms of participation to courses) and the type of job.

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 2 (2011), Number 1

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MEASUREMENT MODEL FOR ASSESSING THE DIFFUSION OF E-BUSINESS AT VOJVODINA

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Abstract

The conceptual model shows how the use of e-business impacts firm performance. Drawing on the value hierarchy we posit that e-business leverage the unique characteristics of the Internet to improve business performance. We investigate e-business functionalities that make use of these unique characteristics and consequently enable e-business value creation.

E-business is also influenced by organizational factors because these variables may constrain or facilitate the implementation and usage of e-business. Based on prior innovation studies, size scope, and financial commitment are identified as three critical organizational factors that would influence the extent of e-business use in an organization: (1) Firm size, (2) International scope, (3) Financial resources.

Grounded in the innovation diffusion literature and the resource-based theory, this study will theoretically develop and empirically evaluate an integrative research model incorporating technological, organizational, and environmental factors, for assessing e-business use and value at the firm level.

Key Words: e-economy, firm performance, structural equation modeling, e-business value, resource-based theory

Topic Groups: Organizational information and communication systems, Business strategy, Industry, are or region specific studies

INTRODUCTION

Skepticism about the value of e-business and information technology (IT) has been renewed recently, in part due to the gap between substantial firm spending on IT-particularly on Internet-related technologies-and the widespread perception about the lack of value of value from e-business.

Today more than ever, IS research face strong pressure to answer the question of whether and how e-business investments create business value. Although innovation diffusion represents a complex process, much of the existing research has focused on the adoption decision and on measures such as "intent to adopt" and "adopting versus nonadoption" (Fichman 2000). We need to view e-business diffusion as a multistage process that starts at adoption and extends to usage and value creation.

There is a lack of empirical evidence to gauge e-business usage and its impact on firm performance, partly because of the difficulty of developing measures and collecting data. A related issue is the lack of theory to guide empirical research. Although showing recent signs of advancement, the linkage between theory and measures is still weak in the e-business literature. Clearly, there is a need for a theoretically rigorous and empirically relevant framework for examining the use and value of e-business in organizations.

Prior research argued that theories developed in the context of mature markets and industrialized economics need to be reexamined in the context of developing countries, because these countries may have very different economic and regulatory environments challenges the presumption of conceptual equivalence across cultural and economic barriers in management science research. We believe it is important to investigate whether innovation theories can be generalized and empirical findings are applicable in different economic contexts. To achieve this, we study e-business experience of organizations in developed and developing countries that might represent different stages of e-business transformation, for results in Vojvodina.

The gaps in the literature limit our understanding of the process of e-business innovation and consequently of e-business value. Key research questions that motivated our work are: (1) What framework can be used as a theoretical basis for studying e-business use and value? (2) Within this theoretical framework, what factors can be identified as key antecedents of e-business use and value? (3) How would these factors vary across different economic environments like Vojvodina?

To better understand these issues, we developed a conceptual model for e-business use based on the technology-organization-environment (TOE) framework (Tornatzky and Fleischer 1990). We also analyzed e-business value creation, from a resource-based perspective, that stems from the unique characteristics of the Internet.

THEORETICAL FOUNDATIONS OF E-BUSINESS

Unlike the typical focus on adoption (or intent to adopt) as found in the literature, we focus on postadoption stages, that is, actual use of e-business and value creation from e-business; both are important stages in the process of conducting business over the Internet. These

issues are analyzed on the basis of two theoretical foundations: (1) the TOE framework and (2) the resource-based theory of the firm.

Different Kind of Framework for E-Business Use

A theoretical model for e-business use needs to take into account factors that affect the propensity to use e-business, which is rooted in the specific technological, organizational, and environmental circumstances of an organization. The TOE framework identifies three aspects of a firm's context that influence the process by which it adopts, implements, and uses technological innovations: (a) Technological context describes both the existing technologies in use and new technologies relevant to the firm. (b) Organizational context refers to descriptive measures about the organization such as scope, size, and the amount of slack resources available internally. (c) Environmental context is the arena in which a firm conduct its business-its industry, competitors, and dealings with government.

There are three types of innovations: Type I innovations are technical innovations restricted to the IS functional tasks (such as relational databases, CASE); Type II innovations apply IS to support administrative tasks of the business (such as financial, accounting, and payroll systems); and Type III innovations integrate IS with the core business where the whole business is potentially affected and the innovation may have strategic relevance to the firm. We consider e-business a Type III innovation, in the sense that e-business is often embedded in a firm's core business processes (e.g., making use of the open standard of the Internet protocol to streamline information sharing among various functional departments); e-business can extend basic business products and services (e.g., leveraging Internet-enabled two-way connectivity to offer real-time customer service); and e-business can streamline the integration with suppliers and customers.

E-business is a new Type III innovation and warrants investigation along with these innovations. In particular, the migration toward the Internet and the transformation of traditional processes require firms and their subunits to orchestrate the coevolutionary changes to their technologies in use, business processes, and value chain structures to successfully assimilate the Internet technologies into their e-business initiatives.

The TOE framework is appropriate for studying e-business usage. Based on the TOE framework, the use of e-business in organizations will be influenced by three types of antecedents: technological factors, organizational factors, and environmental factors.

The Internet is characterized by open standard (versus proprietary standard), public network (versus private network), and broad connectivity (back end and front end). These characteristics may have very different impacts on customer reach and richness of information. The global reach of the Internet enables cost-efficient means of reaching out to new markets, attracting new customers, and delivering products and services, as well as improving coordination with suppliers and business partners.

E-Business Value and the Resource-Based Theory

The resource based view (RBV) provides a theoretical basis for linking e-business use and value. Rooted in the strategic management literature, the RBV of the firm posits that firms create value by combining heterogeneous resources that are economically valuable, difficult to imitate, or imperfectly mobile across firms.

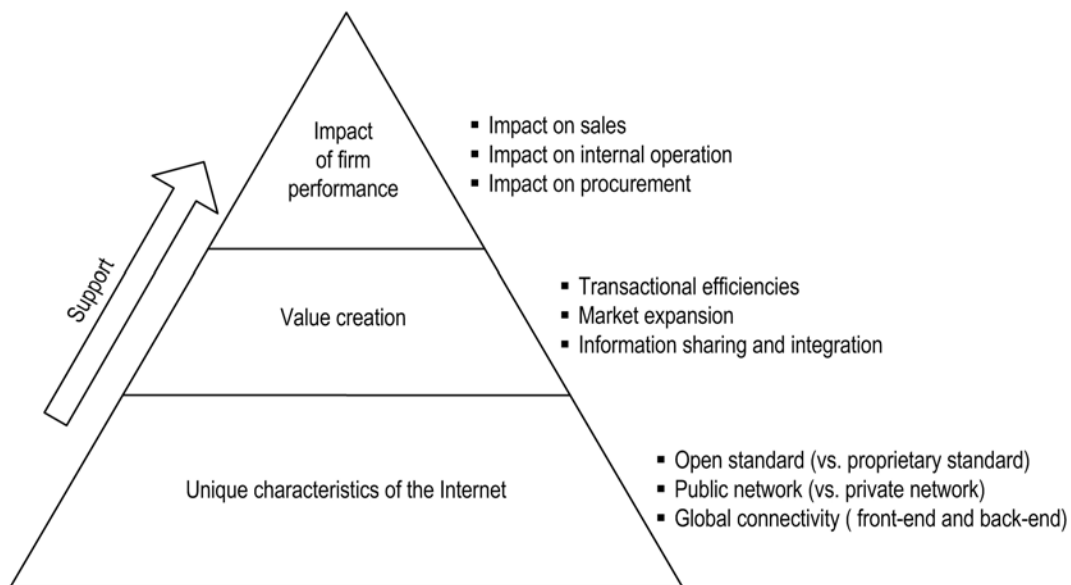
The value hierarchy depicts the unique characteristics of the Internet and how these characteristics enable value creation via e-business. In contrast to e-business, less

connectivity, and a private network configuration – creates business value mainly through improving transactional efficiencies and reducing costs in procurement (Figure 1).

We examined the unique characteristics of the Internet and linked them in three ways through which e-business may create value-transactional efficiencies, market expansion, and information sharing. Combining them with the RBV, we developed an e-business value hierarchy, as shown in Figure 1.

Open-standard information exchange can results in a more synchronized information flow will make materials move efficiently along the supply chain, thereby reducing the bullwhip effect.

Figure 1: E-Business Value Hierarchy: From Internet Characteristics to Value Creation



Such e-business value may lead to improved firm performance in sales, procurement, and internal operations, as shown in the top layer of the value hierarchy in Figure 1.

THE CONCEPTUAL MODEL AND BASIC ELEMENTS FOR DIFFUSION OF E-BUSINESS

The Conceptual Model

Integrating the TOE framework and the resource-based theory, we developed a conceptual model to assess the use and value of e-business by organizations. The key elements of the model and postulated relationships focuses on two postadoption stages: use and value. The Internet is being adopted quickly by firms in both developed and developing countries, but there are differences in Internet adoption between these countries. The extent of technology diffusion depends on a variety of economic, social, and political factors, including basic information infrastructure; regulatory environment; and access to technical, managerial, and financial resources. Therefore, we expect that there will be systematic differences between countries and also among firms in the actual use of e-business and related value creation. We will use our model to examine these differences.

The focus on postadoption is also motivated by the process-oriented view about the use and value creation of IT innovations. According to the process-oriented view, merely examining

the initial adoption or the dollars invested in IT cannot reveal the reach and richness of postadoption activities, because a multistage process exists before the business value of IT can be realized. Thus, we incorporate these two important stages in one unified model. We could have just used adoption and postadoption.

E-business use is defined as the extent to which e-business is being used to conduct value chain activities. This is measured by the breadth of use for different value chain activities and the depth of use (percentage) for each activity that has been migrated to the Internet platform.

E-business value refers to the impact of e-business use on firm performance, which is measured by three major activities along the value chain: downstream sales (i.e., increasing sales and improving customer services), upstream procurement (i.e., reducing inventory and procurement costs and improving coordination with suppliers), and internal operations (i.e., increasing employee productivity and making internal processes more efficient).

The right-hand side of the conceptual model shows how the use of e-business impacts firm performance. Drawing on the value hierarchy in Figure 1, we posit that e-business leverage the unique characteristics of the Internet to improve business performance. These characteristics (open standard, public network, and global connectivity) are examined from a functional perspective. That is, we investigate e-business functionalities that make use of these unique characteristics and consequently enable e-business value creation. We classify these e-business functionalities into two types: front-end functionalities that provide product information to consumers on the Internet, facilitate transaction processing, and enable customization and personalization; and back-end integration that links Web applications with back-office databases and facilitates information sharing along the value chain. Together with usage, these two IT-enhanced capabilities will contribute to e-business value.

The left-hand side of the conceptual model shows the antecedents of e-business use. As discussed earlier, the extent of e-business use by an organization would be influenced by its technological, organizational, and environmental contexts within the TOE framework.

On the basis of a thorough literature review, Kwon and Zmud (1987) asserted the importance of technology resources (e.g., infrastructure and technical skills) for successful IS diffusion. This theoretical assertion was strengthened by a number of empirical studies. Hence, we include technology competence in our model.

E-business is also influenced by organizational factors because these variables may constrain or facilitate the implementation and usage of e-business. Based on prior innovation studies, size scope, and financial commitment are identified as three critical organizational factors that would influence the extent of e-business use in an organization.

(1) Firm size is one of the most commonly cited factors in the innovation literature. As size represents several important aspects of the organization, including resource availability, decision agility, and prior technology experience, it should be included in the model.

(2) International scope is an antecedent new to this study, which refers to a firm's geographical spread or its extent of multicountry operations in the global market. Firms with activities dispersed geographically may benefit more from e-business use as a means of coordinating their value chains. The public, open nature of the Internet makes doing so easier than earlier technologies such as EDI. The global reach of the Internet makes it potentially more beneficial as well. As a consequence, firms with greater international scope are likely to use e-business to a greater extent than those with less international scope. Given the international dimension of our research design and our geographical, multicountry

emphasis on globalization of e-business, it is important to include international scope in the model.

(3) Financial resources have been a popular antecedent to IS diffusion. To capture financial resources specifically committed to e-business rather than the overall financial resources of the organization, we use the construct financial commitment and define it as the commitment of financial resources to e-business as a proportion of total firm resources. This is felt to be a more appropriate antecedent of e-business use because it reflects committed rather than merely available resources. It also reflects the strategic importance that the senior management puts on e-business. One would expect that greater resource commitments would lead to more e-business applications that are both more useable and used.

As the environment presents both constraints and opportunities for technological innovation, e-business is influenced by environmental factors related to competition and regulation. As explained above, we have selected these six antecedents based on prior research and particular linkages to the nature of Internet-based e-business. We incorporated these six factors within the technological, organizational, and environmental contexts of the TOE framework. Further justification for each of these factors is provided below, together with hypothesis development.

Basic Elements for Diffusion of E-Business

Based on the TOE framework, we developed the following basic elements, corresponding to the six factors in Figure 2 within the technological, organizational, and environmental contexts of the TOE framework.

Technology Context. The literature suggests that IS capabilities consist of infrastructure, human resources, and knowledge. Firms with a higher degree of technology competence tend to enjoy greater readiness to use e-business in their value chain processes. As a result, they would be more likely to achieve a greater extent of e-business usage. This leads to the following hypothesis.

H1. Firms with greater technology competence are more likely to achieve a greater extent of e-business use.

Organization Context. Firm size is commonly cited in innovation diffusion literature, yet different opinions exist as to the role that firm size plays in the process of innovation diffusion, due to the tension between resource availability and organizational inertia. On one hand, large firms generally possess slack resources that can facilitate implementation and usage. On the other hand, firm size is often associated with inertia; that is, large firms tend to be less agile and flexible than small firms. The possible structural inertia associated with large firms may slow down organizational usage and may therefore retard e-business value creation. Because our model has controlled for technological and financial resources that large firms may possess, the notion of structural inertia leads us to expect that large firm size may deter e-business usage and value creation. This leads to the following hypothesis.

H2. Controlling for resource availability effects, larger firms tend to achieve a lesser extent of e-business use.

Firms conducting business in multiple markets have to manage demand uncertainty in all segments simultaneously, which requires a high degree of integration, flexibility and responsiveness in their information systems, as well as the broader information infrastructure linking the firm with its customers, trading partners, and distributors. As documented in the literature and consistent with our value hierarchy in Figure 1, e-business

may help to create these capabilities within the firm and with its trading partners as a result of common standards, lower cost, and greater ease of implementation of Internet-based applications. In sum, retail companies that expand globally would have a greater incentive to use e-business to leverage their existing IT capabilities for a competitive advantage. This leads to the following hypothesis.

H3. Firms with greater international scope are more likely to achieve a greater extent of e-business use.

Financial resources constitute another important factor recognized in the innovation literature. In this study, we tailor this factor to financial resources specially committed to e-business. Implementing e-business requires investment in hardware, software, system integration, and employee training. Sufficient financial resources dedicated to e-business helps companies to obtain these necessary resources and develop them into superior e-business functionalities. Thus, firms with greater financial commitment are more likely to achieve successful e-business implementation and thus tend to achieve a greater extent of usage. Hence, we have the following hypothesis.

H4. Firms with greater financial commitment are more likely to achieve a greater extent of e-business use.

Environment Context. Competitive pressure refers to the degree of pressure that the company feels from competitors within the industry. The use of e-business may induce changes of industry structure through disintermediation and reintermediation, offer new means of competing and altering competition rules through lock-in, electronic integration, and brick-and-click synergy. Thus, competitive pressure plays a significant role in pushing firms toward using e-business.

H5. Firms facing higher competitive pressure are more likely to achieve a greater extent of e-business use.

Regulatory support is another critical environmental factor that tends to affect innovation diffusion. This concept is similar to government policy theorized to affect IT diffusion in Umanath and Campbell (1994) and empirically tested in Dasgupta et al. (1999). The latter found that companies operating in an environment where government policies are restrictive have low IT adoption.

H6. Firms facing higher regulatory support are more likely to achieve a greater extent of e-business use.

Linkage from E-Business Use to E-Business Value. We draw on the RBV to explain the connection between usage and value. RBV suggests that the greater the extent of IT use, the greater the likelihood that organizations will create IT capabilities that are rare, inimitable, valuable, and sustainable, thereby contributing to value creation (along with organizational compliments). Through deeper usage in organizations, IT creates asset specificity, which provides a competitive advantage. A classic model for general IS success developed by DeLone and McLean (1992) suggested that there tends to be a strong link between system use and system impact.

H7. Firms with greater e-business use are more likely to generate higher e-business value.

E-Business Value. The ultimate goal of using e-business is to improve the business performance of the organization. As shown in the value hierarchy of Figure 1, e-business helps companies develop appropriate functionalities to leverage the Internet's characteristics. E-business functionalities are categorized into two groups: front-end functionality and back-end integration. Back-end integration helps firms achieve technology integration and enables information sharing within the firm and along the value chain. Thus, one would expect that

superior front-end functionality and back-end integration help firms improve business performance. This leads to the following hypothesis.

H8. Greater e-business capabilities, including both front-end functionality and back-end integration, are positively associated with higher e-business value.

Although both have the potential to create e-business value, front-end functionality and back-end integration may vary in importance, as suggested by the resource-based theory. Front-end functionality is public and open on the Internet, and thus could be easily observed and imitated by competitors. As a result, front-end functionality could become commodity-like as more competitors adopt e-business. In comparison, the process of back-end integration is far more difficult to imitate, because its success requires quality complementary resources. In addition, the integration process is often tailored to a firm's strategic context and woven into the organization's fabric, which is not transparent to competitors. Therefore, we propose the following hypothesis.

H9. Back-end integration will have a stronger impact on e-business value than front-end functionality.

International Effects: Differences between Developed and Developing Countries. Given that the Internet is an open platform with global connectivity, we believe it is important to incorporate an international dimension in this study.

H10. The strength of the antecedents of e-business use and value will differ for developed and developing countries.

MEASUREMENT MODEL

The development of the measurement model included successive stages of theoretical modeling, statistical testing, and refinement (Straub 1989). Measurement items were developed on the basis of a comprehensive review of the literature as well as expert opinion. We then tested multi-indicator constructs using confirmatory factor analysis (CFA)¹. Based on the assessment of CFA, the measurement model was further refined and then fitted again.

Several constructs deserve further explanation. First, technology competence is instrumented not only by physical technologies, but also by IT human resources that possess the knowledge and skills to implement e-business. Such a design is consistent with the theoretical rationale discussed. Our study used the major items in the first three dimensions to instrument front-end functionality, and the fourth dimension corresponded to our back-end integration.

¹ For the purpose of testing the robustness of our measurement model, we also ran exploratory factor analysis on all indicators. Principal component analysis with equamax rotation yielded a consistent grouping with CFA.

Table 1: Measurement Model: Factor Loadings, Reliability, and Convergent Validity

Measurement Model: Factor Loadings, Reliability, and Convergent Validity			
Constructs (reliability)	Indicators	Loadings	Convergent validity (t-start)
Technology competence (0.81)	TC1	0.79***	46.76
	TC2	0.79***	37.10
	TC3	0.71***	24.90
International scope (0.81)	FS1	0.64***	36.65
	FS2	0.86***	160.80
	FS3	0.78***	52.66
Financial commitment to e-business (0.83)	FR1	0.86***	29.07
	FR2	0.82***	15.84
Competitive pressure (0.86)	CP1	0.87***	74.04
	CP2	0.87***	73.89
Regulatory support (0,80)	RE1	0.68***	21.30
	RE2	0.69***	24.87
	RE3	0.71***	22.91
	RE4	0.74***	30.76
Back-end integration (0.86)	BI1	0.87***	80.53
	BI2	0.86***	79.54
E-business use (0.78)	EU1	0.64***	18.44
	EU2	0.50***	6.67
	EU3	0.46***	4.85
	EU4	0.83***	35.95
	EU5	0.75***	13.55
Front-end functionality (0.80)	FF1	0.63***	15.92
	FF2	0.65***	25.76
	FF3	0.67***	26.00
	FF4	0.72***	24.31
	FF5	0.68***	20.46
Impact on sales (0.88)	IS1	0.86***	76.46
	IS2	0.84***	51.62
	IS3	0.81***	41.92
Impact on internal operations (0.90)	II01	0.89***	81.85
	II02	0.91***	123.42
Impact on procurement (0.87)	IP1	0.85***	50.11
	IP2	0.85***	74.50
	IP3	0.79***	37.90
* p < 0.10; ** p < 0.05; *** p < 0.01. Insignificant factors are dropped (FS4 and FS5).			

To empirically assess the constructs theorized above, we conducted CFA using structural equation modeling. We assessed construct reliability, convergent validity, discriminant validity, and validity of the second-order construct. The measurement properties are reported in Table 1.

(1) Construct Reliability: Construct reliability measures the degree to which items are free from random error and therefore yield consistent results. In our measurement model (Table

1), all constructs have a composite reliability over the cutoff of 0.70, as suggested by Straub (1989).

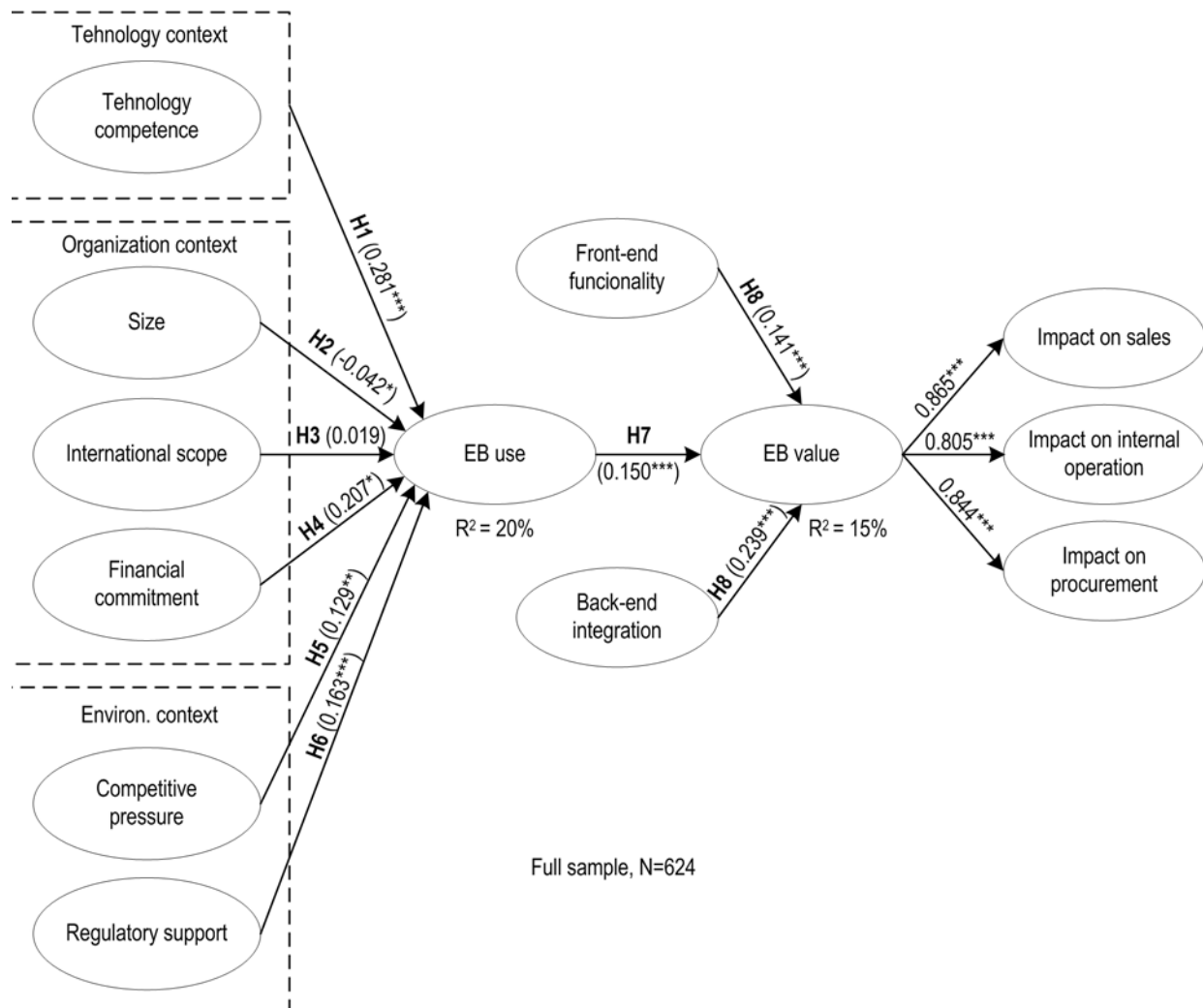
(2) Convergent Validity and Discriminant Validity: Convergent validity assesses the consistency across multiple operation. As shown in Table 1, all estimated standard loading are significant ($p < 0.01$), suggesting good convergent validity. To assess the discriminant validity-the extent to which different constructs diverge from one another-we used Fornell and Larcker's (1981) criteria: average variance extracted for each construct should be greater than the squared correlation between constructs.

Table 2: Measurement Model: Second-Order Construct

Table 2 Measurement Model: Second-Order Construct				
Second-order construct	First-order construct	Loading	t-stat	Composite reliability
E-business value	Impact on sales	0.865***	77.68	0.88
	Impact on internal operation	0.805***	44.08	
	Impact on procurement	0.844***	55.52	
* p < 0.10; ** p < 0.05; *** p < 0.01				

(3) Validity of the Second-Order Construct: Table 2 shows the estimation of the second-order construct, e-business value. The paths from the second-order construct to the three first-order factors are significant and of high magnitude, greater than the suggested cutoff of 0.7. Our model has a very high T ratio of 0.99, implying that the relationship among first-order constructs is sufficiently captured by the second-order construct. Therefore, on both theoretical and empirical grounds, the conceptualization of e-business value as a higher-order, multidimensional construct seems justified. In summary, our measurement model satisfies various reliability and validity criteria. Thus, constructs developed by this measurement model could be used to test the conceptual model and the associated hypotheses proposed earlier. Empirical tests are on the Integrated Model of E-Business Use and Value (Figure 2).

Figure 2. An Integrated Model of E-Business Use and Value



Our model has a very high T ratio of 0.99, implying that the relationship among first-order constructs is sufficiently captured by the second-order construct. Therefore, on both theoretical and empirical grounds, the conceptualization of e-business value as a higher-order, multidimensional construct seems justified. In summary, our measurement model satisfies various reliability and validity criteria. Thus, constructs developed by this measurement model could be used to test the conceptual model and the associated hypotheses proposed earlier.

ANALYSIS AND INTERPRETATIONS

1. We tested the conceptual model in Figure 2 by structural equation modeling using both the full sample and the sample split between developed and developing countries. Although theory and prior research led us to expect differences, we did not know a priori that there would be differences between the full and split samples; therefore, we needed to do the analysis for both. It also enabled us to relate our finding to the broader IT literature.

The strong statistical power enhanced our confidence in the result of hypotheses testing, which is based on the examination of the standardized paths shown in Figure 2. For e-business use, five of six TOE factors-technology competence, size, financial commitment, competitive pressure, and regulatory support- have significant paths leading to the dependent construct. Size has a negative path, while the other factors have positive paths. The path associated with international scope is positive but statistically insignificant ($p > 0.10$).

E-business value is also shown to have significantly positive associations with front-end functionality and back-end integration. Hence, Hypothesis 8 is supported. To test hypothesis 9, we compared the standardized path from front-end functionality to e-business value with standardized path from back-end integration to e-business value. Back-end integration is found to have much higher magnitude than front-end functionality (0.239^{***} versus 0.141^{***}). Thus, Hypothesis 9 is supported.

Within the TOE framework, technology competence, financial commitment, competitive pressure, and regulatory support are found to have significant influence on the extent of e-business use. Among these, technology competence appears to be strongest factor.

As indicated by their significant and positive paths in Figure 2, firms with higher levels of technology competence tend to achieve greater extent of e-business use, as do firms facing competitive pressure and regulatory support. Among all the TOE factors, technology competence is the most significant factor, as indicated by its path loadings and significance levels ($p < 0.01$), followed by regulatory support. Within the organizational context, our study reveals a negative effect of firm size on e-business use. While it has been commonly believed that large firms have more slack resources for committing required investments, our results show that large firms are also burdened by structural inertia, possibly due to fragmented legacy systems and entrenched organizational structures. Our model has controlled for technological and financial resources, and thus the net effect of firm size in our model might be dominated by structure inertia. These results suggest that the proposed research model in Figure 2 is a useful theoretical framework for explaining factors that affect the use of e-business by companies.

2. The linkage from e-business use to e-business value is found to be significant, suggesting that use would be a "missing link" if not included.

As theorized earlier, firms with higher e-business use-tend to achieve greater value from e-business use tend to achieve greater value from e-business. Our results from both the full sample and the split sample consistently show a significant and positive linkage from e-business use to e-business value. This means that higher degrees of e-business use are associated with improved business performance. This also confirms the earlier postulation that actual use may be the "missing link" to IT payoff. This significant linkage also supports our research design, in which use and value are evaluated together in one model.

3. Both front-end functionality and back-end integration contribute to value creation of e-business.

Using a large dataset, our analysis has identified two ways in which e-business creates value-front-end functionality and back-end integration. This finding is supported by the significant and positive linkages from front-end functionality and back-end integration to e-business value. Front-end functionalities help firms provide timely information to customers, facilitate personalization and account management, expand existing channels, and improve transactional efficiencies; back-end integration enables technology integration within the organization and facilitates information sharing with suppliers and business partners. As a result, these two types of e-business capabilities help firms improve performance by

affecting intermediate achievements such as customer intimacy in the front end and operational excellence in the back end; both are critical for firms to achieve performance improvement.

4. Back-end integration is found to have a much stronger impact on firm performance than front-end functionality, highlighting its importance to e-business value, which seems consistent with the resource-based theory.

While e-business value can be created from the front end and the back end, our study has further evaluated their relative importance, theoretically motivated by the RBV. Back-end integration would have a greater contribution to firm performance than front-end functionality, because back-end integration is firm specific, difficult to imitate, and less mobile across firms. More importantly, back-end integration helps e-businesses develop the capability to link fragmented resources together, hence increasing integration and complementarities among disparate systems, which is strengthened by the Internet-enabled connectivity and open-standard network integration. In the full sample (see Figure 2), both paths associated with back-end integration and front-end functionality are significantly positive, but the one with back-end integration is much stronger. The difference is more pronounced in the developed-country subsample. The underlying rationale would be the following: Firms in developed countries have been using e-business longer, thus front-end functionalities have become more and more common; e-businesses are more differentiated by back-end integration because it is often tailored to a firm's strategic context and is woven into the organization's fabric, which is not transparent to competitors. The resource-based theory suggests this as an important source of e-business value.

5. The importance of two factors-competitive pressure and regulatory support-differs across developed versus developing countries. This finding confirms that economic environment shape e-business use.

This result might be explained as follows. First, competitive pressure is statistically significant for developed but not for developing part of the country. Such a difference could be explained by the distinct market environments of developed and developing part of the country. Prior research has shown that information asymmetry exists in less-developed markets, and market imperfections and inefficiencies may weaken the pressure from competitors. In developed area of the country, however, markets have evolved into mature stages over time, characterized by more transparent information flow and more stable legal frameworks and government policies. Therefore, firms in developed countries can obtain more information about competitors, e-business development, which may force them to adopt e-business to avoid competitive decline. Second, although the path loadings of regulatory support appear to be significant in both subsamples, more sophisticated analysis (group analysis) reveals that it is relatively more important in developing countries. This finding is related to the above discussion, that markets in most developing part of country are characterized by information asymmetry and immature institutional structure. As a result, government regulation (e.g., legal protection of online transactions), or the lack thereof, tends to be a greater force in developing countries. In light of these varying behaviors across the two subsamples, we have learned the significant role that economic environments play in shaping the extent of e-business use. This finding further confirms the usefulness of the proposed conceptual model for studying e-business, as economic environment is an important factor within the TOE framework.

These results have several important implications for management. First, they offer a useful framework for managers to assess the technological conditions under which e-business is launched to better pursue business value. It is important to build up technology competence

includes tangible technologies, intangible managerial skills, and human resources. Further, IT managers have struggled for ways to create value from Internet technologies. Our study sheds light on ways to realize value from e-business-greater breadth and depth of use, customer-facing Web functionalities on the front end, and tight integration on the back end.

In particular, our empirical results highlight the importance of back-end integration among various back-office databases and enterprise systems, and information sharing with business partners. Our analysis has identified this as a major source of e-business value. It will become even more important as e-business develops into deeper stages, as suggested by the results that the significant of back-end integration is more pronounced in developed countries that seem to be at deeper stages of e-business development. These findings could serve as useful guidelines for firms to develop their e-business capabilities. This is especially important in the retail industry, where firms have been building various legacy systems and using multiple IT platform over the years.

Furthermore, managers need to assess the appropriateness of e-business to certain organizational characteristics (e.g., size scope), as suggested by our empirical findings. This implies that potential value of e-business investment could be affected by structural differences. Effective e-business programs rely on necessary organizational reconfiguration and business processes reengineering. As Internet technologies diffuse and become necessities, these organizational capabilities and structural differences will be even more critical. In particular, managers in retail firms with a wider scope should pursue e-business usage more proactively, given the greater potential to achieve benefits from e-business. This implication should be of special interest for retailers seeking global expansion into different regions and market segments. Such expansion means that retailers would face greater coordination tasks and could leverage e-business initiatives to facilitate coordination and achieve resource integration.

Finally, our study also offers implications for policy makers. Regulatory support has emerged as an important factor for e-business use and value. This is even more important for developing countries. During our study, companies frequently cited significant obstacles to doing e-business, including inadequate legal protection for online transactions, unclear business laws, and security and privacy concerns. While this was important for all countries, it was a much more significant factor for developing countries. It also pointed to the need for establishing a broad legal and institutional framework that supports e-business. Governments, therefore, could accelerate the diffusion of e-business by establishing supportive business laws to make the Internet a trustworthy business platform (e.g., dealing with transaction fraud, promoting credit card use). This is particularly important at early stages of e-business development in an economy. Technological innovations are considered the primary driver of improvements in industrial productivity. Yet if promising innovations cannot be widely deployed, then the benefits resulting from their invention will be curtailed.

CONCLUSIONS

Grounded in the innovation diffusion literature and the resource-based theory, this study has theoretically developed and empirically evaluated an integrative research model incorporating technological, organizational, and environmental factors, for assessing e-business use and value at the firm level. While these issues were typically studied separately in the literature, our results suggest that usage and value are closely link, indicating that this unified perspective helps us gain a more holistic picture of the postadoption diffusion and consequence of e-business. To realize e-business value, firms need to facilitate the usage of e-business in various value chain activities.

For e-business use, our study has examined six factors, within the TOE framework, as drivers of e-business use. Some of these factors play different roles across different economic environments. This finding shows that, while e-business is a global phenomenon, its use is moderated by local environments. For e-business value, our study has demonstrated that the extent of e-business use and e-business capabilities, both front-end functionalities and back-end integration, contribute to value creation of e-business, but back-end integration has a much stronger impact.

In summary, this study has developed an integrative theoretical framework for assessing e-business use and value, beyond initial adoption.

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CONCEPTUALIZING EXPORT PERFORMANCE INFLUENCE OF INTERNATIONALIZATION AND SOCIAL NETWORK

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Abstract

This paper tries to conceptualize the role of social network in the relationship between internationalization and export performance. Some scholars argue that social network play mediating role in the relationship between internal and external internationalization and export performance. Past studies involves to extant literature relate to positive effect of internal and external firm internationalization on firm export performance. Underling logic of this paper is social network theory. Based on previous researches, there are several information benefits of mediating effects of social network. Results of this paper by conceptualize of previous literature has shown that international trade managers can consider social network as an efficient ways to obtain sufficient information and knowledge to enter to foreign markets very fast and in profitable manner.

Key Words: Internationalization, Social network, Relationship, Export performance.

Topic Groups: Social sciences and business

INTRODUCTION

The process of internationalization has been related to decisions made about foreign markets and entry modes (Johanson & Wiedershiem-Paul 1975; Welch & Wiedershiem-Paul 1980). From decisions relate to incremental internationalization of the firm, those decisions that involved to enter a new foreign market is very important. Most of internationalization process research done over the last several decades has been based on Uppsala model and innovation model of internationalization by gradual and interaction between market commitment and market knowledge (Ellis, 2000). Existing internationalization literature suggests two kinds of internationalization orientation, internal and external internationalization (Zhou, Wu, & Luo, 2007). Internal means import of goods and services, finance and technology from foreign countries and external means marketing, sales, production and distribution in foreign countries (Homlund, Kock, & Vanyushyn, 2007). Internal activities are as important as external activities and both kinds of international activities ought to be included in international operations. Combination of internal and

external internationalization orientation has significance application in business in countries. Nowadays, in context of internationalization processes, network model has focused on social relationships between individuals which effects on internationalization, since close social relationships increase doing business in foreign countries.

Network model assumes that there is a link between import and export to leads transfer of knowledge and information from one operation to another (Homlund, Kock, & Vanyushyn, 2007). International and relationship marketing engages an exchange between individuals rooted in social network theory (Johanson & Mattsson 1987; Ellis 2000), which indicates important role of social exchange and personal contacts in the process of internationalization (Harris & Wheeler, 2005). In internationalization arena, scholars argued social network ties are channels for obtaining knowledge and information, such as assisting in recognising foreign exchange partners (Ellis, 2000); knowledge about international business exercises (Sharma & Blomstermo, 2003; Haahti, Madupu, Yavas, & Babakus, 2005); sharpening international sight and managerial accessibility (Chen, 2003; Yeoh, 2004) and affecting export beginning (Ellis and Pecotich, 2001).

The first section of this research relates to extant literature on firm internationalization and various ways of enter to foreign markets and also previous literature about export performance. The second section refers to relationship between social network and internationalization, table of related prior research and following refers to relationship between social network and export performance and table of related past studies. The third refers to social network as mediator. Final section relates to conclusion about this review. Hopes this review can help international trade manager go to foreign market much faster than before.

RESEARCH QUESTIONS

Has firm internationalization relationship with export performance?

Has firm internationalization relationship with social network?

Has social network relationship with export performance?

Does social network mediate between firm internationalization and export performance?

LITERATURE REVIEW

Firm internationalization

Internationalization defined as the process of increasing involvement in international operations (Welch, & Luostarinen, 1988; Holmlund, Kock, & Vanyushyn, 2007). It refers to the degree to which a firm's sales income or operations are managed in foreign countries (Elango & Pattnaik, 2007). There are various orientation of internationalization process (IP) includes: Incremental such as Scandinavian school-Uppsala model that gradually enters to foreign market and obtains foreign market's knowledge. It focuses on outward activities and no attention to inward activities (Holmlund, Kock & Vanyushyn, 2007). Innovation model that it describes exporting is as an innovation and IP is considered by gradual.

Born Global model (Johanson & Mattsson, 1988; Rutashobya & Jaensson, 2004) refers to those firms which enter to foreign markets after establishing Kinght and Cavusgil (1996). These firms from beginning, attempt to obtain important competitive advantage by using resources and sale in multiple countries (Oviatt & McDougall, 1994). Network Model (Johanson & Mattsson, 1988; Easton, 1992; Elango & Pattnaik, 2007) which believes internationalization is a stage that takes place by networks of relationships. Proactive or

Reactive Orientation of IP (Francis & Collins-Dodd, 2000; Barber & Escriba-Esteve, 2006) which proactive refers to those firms that forcefully seek new export market, export opportunities, and network relationships and those firms that do not actively attempt export sales and export market information is named reactive (Francis & Collins-Dodd, 2000).

Inward and Outward Orientation of IP (Welch & Luostarinen, 1993; Zhou, Wu & Luo, 2007) which inward means using management skills, new technology, and direct investment from foreign countries and outward means seeking and selling in foreign markets, developing connections with foreign business (Welch & Luostarinen, 1993; Ireland, Hitt & Vaidyanath, 2001). The Inward Internationalization and Outward Internationalization can expand and influence each other in different ways (Cohen & Zyman, 1986). Any developments on the inward side can create new opportunities on the outward side. Linkages between inward and outward internationalization is crucial for a long time IP both at the beginning of the outward move and during the IP (Welch & Luostarinen, 1993). This study utilizes internal and external internationalization orientation.

Export performance

Since the early 1960s, firm's export performance has been studied with the beginning work of Tookey (1964), who first tried to identify the factors connected to success in exporting. Export has been known as important factor for nation's economic evolvement (Leonidou & Kaleka, 1998). Based on Shoham, (1996); Cavusgil & Zou, (1994). Export performance is the dependent variable in the simplified model and is defined as the outcome of a firm's activities in export markets. There are two principal ways of measuring export performance includes economic such as export sales growth and export profit growth and noneconomic such as market related and product related. Previous studies has presented document of the significant of interrelationship exporter-customer and empirical studies to join relational variables to export performance (Rosson & Ford, 1982; Styles & Ambler, 1994, 2000; Leonidou, Katsikeas & Hadjimarcou, 2002) that was developed and tested by Styles, Patterson & Ahmed, (2008). Reviews of literature about export performance have revealed that the strategies of managing relationships and developing external networks have positive impact on performance (Aaby, & Slater, 1989; Leonidou Katsikeas, & Samiee, 2002; Zou & Stan, 1998; Harris & Wheeler, 2005).

Thus, based on previous research and two sections above there are some support for the first research question, "Has firm internationalization relationship with export performance?" Previous literature has focused on the direct impact of internationalization orientation on firm performance, but it has not mentioned why this impacts exists, internationalization theory as a process of social dynamics by strategies of networking (Ellis, 2000; Harris and Wheeler, 2005). This paper presents a review on mediating mechanism of social networks in the relationship between internationalization orientation and export performance.

Relationship between social networks and internationalization

There are some support and empirical research in the literature about relationship between social network and firm internationalization. Ellis (2000) in empirical study in Hong Kong found that Knowledge of foreign market opportunities is commonly acquired via existing interpersonal links. Sharma & Blomstermo (2003) in two case studies showed importance of weak ties in the internationalization process of firms. Harris & Wheeler (2005) in case study revealed the functions of inter-personal relationships in the internationalization process are much more profound than previous research would indicate.

Elango & Pattnaik (2007) in empirical study in India found that firms by their parental and foreign networks obtain international experience to build capabilities. Basly (2007) in

empirical study illustrated Social networking has positive effects on the amount of internationalization Knowledge. Zhao & Hsu, (2007) in empirical study in Taiwan showed that Social ties are significantly related to Foreign Market Entry decisions.

According to previous literature and some mentioned evidence above, there are some support for second research question as "Has firm internationalization relationship with social networks?" Table 1 shows previous researches about impact of social network on internationalization in 2000-2007:

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Table 1: Interrelationship Social Network and Firm Internationalization (Years 2000-2007)

Author/ Year	Objective	Methodology	Independent variable	Mediator/ Moderator/ Control Variable	Dependent variable	Finding
Ellis, (2000)	Identification of the actual methods used by decision-makers to identify potential exchange partners in foreign markets and thus initiate international exchange relationships	-Mail survey -Interview -133 direct foreign market entries -128 indirect entries remained - Sample selection from the 1997 directory of Hong Kong Industries	Social ties	----	Foreign market entry	Knowledge of foreign market opportunities is commonly acquired via existing interpersonal links rather than collected systematically via market research.
Sharma & Blomstermo, (2003)	-To make a contribution to the theory of development of the internationalization process of Born Global -To propose that models emphasizing knowledge and networks are	Case study: - Radiotherapy firm -helax - IAR systems	Firm	-Knowledge - Network ties: -strong ties - weak ties	Internationalization on process of Born Global.	- Importance of weak ties in the internationalization process of firms - knowledge based behavioral internationalization process models are suitable for explaining the internationalization process of Born Global firms - Born Global are more willing to adapt their internationalization strategy to the needs of the market.

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	suitable for this purpose.					
Harris & Wheeler , (2005)	To explore role of entrepreneurs' inter-personal relationships in the internationalization process.	-Case study entrepreneur's relationships: <ul style="list-style-type: none"> - Electronics - Furniture - Tourism 	Entrepreneurs ' inter-personal relationships <ul style="list-style-type: none"> -Function -Origins -Strategies 	----	Internationalization process	-The cases indicate that the functions of inter-personal relationships in the internationalization process are much more profound than previous research would indicate. -It can direct strategy and transform the firm, not just provide information and access to networks. -The origins of the relationships are wide, spanning social/personal and business situations. This study shows that for these successful international entrepreneurs, the relationships drive, direct and manage internationalization as well.

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Elango & Pattnaik, (2007)	To explain how firms from emerging markets build capabilities to operate in international markets through learning from parental networks.	- Empirical study -Sample of 794 Indian firms of manufacturing industries.	-Marketing intensity - Research intensity - Market power - Operational efficiency - Network internationalization - Network scope - Foreign partner ownership.	Control Variable: - Age - Product diversification	Firm internationalization	-Firms obtain international experience by their parental and foreign networks to build capabilities. -Network scope is beneficial for increasing exposure to international markets only in the case of networks. -Firms lacking market power in local market benefit by foreign partnerships during internationalizing operations
Basly, (2007)	Study the effects of conservatism independence orientation and social networking on the development of the knowledge base of small and medium family enterprise.	-Empirical study - Questionnaire - Sample of 118 firms belonging to various industries	- Conservatism negatively - Independence orientation - Social networking	-----	-Internationalization Knowledge	-Internationalization knowledge positively influences the degree of internationalization of the firm. - The conservatism of family SME does not directly influence the level of Internationalization knowledge. - The independence orientation of family SME, then with its two dimensions simultaneously (decisional and resource independence), does not significantly influence internationalization knowledge. - Social networking positively influences the amount of internationalization Knowledge.

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Zhao & Hsu, (2007)	-Influence of social ties on two critical components of foreign market entry decisions by SMEs: timing of entry and resource commitment.	-Empirical study -Questionnaire - Sample of 173 Taiwanese SMEs - Usable sample size: 95 firms	Social ties: - Family - Marriage - Schooling - Work	Control variables: Market potential, - Investment Risk - Firm size -International experience	Foreign market entry: -Timing of entry – Resource commitment.	Social ties are significantly related to FME (Foreign Market Entry) decisions by Taiwanese SMEs in terms of both the timing of entry and resource commitments.
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Relationship between social networks and performance

There are extant literature refers to empirical researches about interrelationship social network and export performance. Styles & Ambler (1994) in UK found that importance role of relationships to export marketing performance. Ambler, Styles & Xiucun, (1999) in China illustrated nature of the channel relationships has positive impact on the performance. Park & Luo (2001) in China showed that Guanxi leads to higher firm performance and increased sales growth, little impact on profit growth. It also benefits market expansion and competitive positioning of firms. Yang, Yiyum & Zafar (2003) in China illustrated significant affects of firm's internal and external relationships and Guanxi skills on firm performance.

Batjargal (2003) in Russia revealed relational embeddedness has direct positive impacts on sales growth, profit margin and return on assets. It also found that weak ties are able to mobilize financial resources from rich and powerful contacts enable entrepreneurs to increase their revenues and profits. Pressey & Tzokas (2004) in UK showed that exporters in relationships with a high relational content (e.g. trust, commitment) generally achieve higher than average Performance outcomes. Yeoh (2004) revealed that relationship between social communication and personal sources of information with other personal networks have positive impact on export performance. Sharma & Blomstermo, (2003); Harris & Wheeler, (2005) found that information advantages of business and social networks, in domestic and abroad markets leads to growth and success in entrepreneurial firms.

Zhou, Wu & Luo (2007) in China found strong support for mediating effect on export performance, some support on profitability and little support on sales. Guanxi networks mediate the performance impact of outward on both export and profitability growth, but not on sales growth; instead outward internationalization is found to directly affect sales growth. Guanxi networks mediate the performance impact of inward only on export growth, suggesting possible inward-outward connection (Korhonen, Luostarinen & Welch (1996) among the internationalizing SMEs. Zahra, (2005) argued that social and obtaining knowledge of market are important factors to lead firm's success in foreign markets. Chen, Tzeng, Ou & Chang (2007) in Taiwan found that significant relationships between social capital and entrepreneurial performance for new ventures. New ventures' social interaction, relationship quality and external network become more favorable, their growth increases.

According to prior studies that mentioned in this section, there are extant support for the forth research question as "Has social networks relationship with firm performance?"

Table 2 shows impact of social Network on Export Performance in 1994 - 2008.

Table 2: Interrelationship social Network and Export Performance in year 1994-2008

Author /Year	Objective	Methodology	Independent variable	Mediator/ Moderator/ Control Variable	Dependent variable	Finding
Styles & Ambler (1994)	To replicate Michell's original work and identify any changes in practice that may have occurred during the 15 year interval.	<ul style="list-style-type: none"> - Empirical study - Questionnaire -67 of the 127 winners of the 1992 Queen's Award for Export Achievement in UK 	<ul style="list-style-type: none"> -Internal influences: Firm, -Management (commitment, attitudes, perceptions) -Core competencies - Quality, international experience, market knowledge, communication, etc. -External influences: Relationships, -Inclusion of key actors in network (distributors, agencies, suppliers) -Relationship intensity (communication/ co-operation) -Reciprocity (joint decision making) -Long-term commitment 	<ul style="list-style-type: none"> -Strategy -Choice of market - Segmentation -Marketing mix Environment attractiveness -Market attractiveness - Infrastructure problems -Government Barriers 	<ul style="list-style-type: none"> Export Performance: -Sales -Share -Profit -Growth -Export intensity -Strategic objectives -Brand equity 	<ul style="list-style-type: none"> - Importance role of relationships to export marketing performance. -Support for the applicability of the emerging relational model to export marketing. The key plans of model are that export performance is positively related to: -An environment conducive importing. -Strong core competencies and positive management commitment/attitudes. -High quality and active relationships with all key network partners. -The choice of a market which is psychically close to the home country, clear target market specification and an appropriate marketing mix for the export market. -Positive relationship between internal and external. -Positive relationship between internal and external with marketing strategy.

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Ambler , Styles & Xiucun (1999)	The effect of channel relationships and guanxi on the performance of inter-province export ventures in the People's Republic of China.	- Empirical study - Questionnaire -The sample 102 Chinese SMEs In China.	Firm Factors: -Market Commitment -Firm size -Product Quality Relationship Factors: -Cooperation – Satisfaction -Trust -Relationship Commitment -Prior Guanxi -Personal Friendships	Mediator: Strategy: Marketing mix Moderator: Environment: Market Attractiveness	Export Performance	The results confirm that the nature of the channel relationships and guanxi have a positive impact on the performance of these ventures.
Park & Luo, (2001)	To explore the impact of guanxi on firm performance.	-Empirical study - Questionnaire -128 firms in central China	Guanxi: -Business community -Government authorities	Control variables: - Industry growth - Industry type	Firm Performance: -Sales growth -Profit growth	- Guanxi leads to higher firm performance; it is limited to increased sales growth, little impact on profit growth. -Guanxi benefits market expansion and competitive positioning of firms; it does not enhance internal operations.
Yang, Yiyum & Zafar , (2003)	To investigate foreign subsidiaries' competitive advantages and performance in host country from the perspective of firm resources.	-Empirical study - Questionnaire –Sample of 356 Singaporean SMEs performance in China.	Firm resources: -Technological resources - Top manager's capability -Employee's Guanxi skills -Employee's professional Knowledge -Firm's internal relationships - Firm's external relationships	Control variable: -Firm's experience -Firm's size	Firm Performance	- Significant effects of firm's internal and external relationships, employee's professional knowledge and Guanxi skills, and firm size on firm performance. - Technological resources and top manager's capability bear no significant relationship with firm performance for Singaporean SMEs operating in China.

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Batjar gal (2003)	- To examine the impact of entrepreneurs' social capital on their firm performance and in which various aspects (structural, relational and resource) of personal social networks of entrepreneurs affect financial performance (revenue and profit margin) of their firms.	-Empirical study - interviews with 75 Russian entrepreneurs in (1995), and the follow-up with 56 original respondents in (1999) in post Soviet Russia.	Personal social network: 1) Structural network: -Network size -Network heterophily 2) Relational network: -Strong ties -Weak ties 3) Resource network: - Network resourcefulness -Resource mobilisation	Control Variables: -Industry (banking, trade, manufacturing & the resource sector), -Firm size (large, medium & small), region (Moscow, Yekaterinburg, Petrozavodsk) -firm origin new venture versus privatized	Firm performance: - sales growth, -operating profit margin -Return on assets	- Relational embeddedness and resource embeddedness have direct positive impacts on sales growth, profit margin and return on assets in contrast to structural embeddedness that has no impact on performance. - Having many weak ties and being able to mobilise financial resources from rich and powerful contacts enables entrepreneurs to increase their revenues and profits.
Pressey & Tzokas, (2004)	To examine the degree to which export relationships can be sustained over time, thus producing mutual benefits	-Empirical study -mail survey -212 UK export managers from a broad range of industrial	relationship elements: -Social bonds Trust: -Competence -Contractual Commitment: -Affective	----	Relationship performance: -Value -Quality -Comparative Profitability -Relationship costs	-There is some weakening of the relationships over time as is illustrated in terms of the reduced level of affective commitment; however, perceptions of competence and performance show signs of significant increase. - Exporters in relationships with a high relational content (e.g. trust,

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	for the parties involved.	sectors.	-Calculative			commitment) generally achieve higher than average Performance outcomes.
Zhou, Wu & Luo, (2007)	To examine the mediating role of Guanxi related social networks in the relationship between internationalization and performance.	-Empirical study -To conduct interview -based questionnaire surveys with top managers. -A sample of 250 firms. -Final sample 129 SMEs. -Interview with 30 respondents	-Outward internationalization -Inward internationalization	Mediator: Guanxi Control Variables: -Firm age -Firm ownership -Competition intensity -Market uncertainty -Technology complexity	-Export performance: -Profitability performance -Sales performance	-Strong support for mediating effect on export performance, some support on profitability performance and little support on sales performance.1) Guanxi networks mediate the performance impact of outward internationalization on both export growth and profitability growth, but not on sales growth; instead outward internationalization is found to directly affect sales growth;2) Guanxi networks mediate the performance impact of inward internationalization only on export growth, suggesting possible inward-outward connection (Korhonen, Luostarinen and Welch (1996) among the internationalizing SMEs.
Chen, Tzeng, Ou & Chang, (2007)	To examine empirically the relationship among social capital, entrepreneurial orientation, organizational resource, and entrepreneurial performance for	-Empirical study -Mailing questionnaire -population: 510 qualified new ventures In Taiwan in 2004, of the traditional and electronics	Social capital: - Social Interaction -Relationship Quality -External Network Entrepreneurial orientation: -Autonom -Innovation -Risk Assumption -Proactivity -Enthusiasm	Environment al uncertainty: -Government -Technology -Customers -Economic -Conditions - Intensity of rivalry	Entrepreneurial performance: -Return on investment -Return on equity -Return on assets - Sales growth -Profit growth	- Significant relationships between social capital and entrepreneurial performance for new ventures. -Robust relationships between social capital and organizational resources for new ventures. -Strong correlations between organizational resources and entrepreneurial orientation. -new ventures' social interaction, relationship quality and external

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	new ventures.	manufacturers & a total of 104 qualified observations were collected.	Organizational Resources: -Marketing Capability -Technology Capability	-Social conditions.	-Growth on number of employees -Market share growth.	network become more favorable, their growth increases. -Autonomy, innovation, and proactivity positively influence new ventures' growth.
Watson (2007)	To examine association between the networking activities of owners and SME performance.	-Empirical study -Data collection self-administered questionnaires distributed by the ABS in 1994-98 Sample was representative of the population of Australian SMEs at the time of the surveys. -5014 firms	Formal Networks: -Banks -Business consultants -Industry associations -Small Business Development Corporation -Solicitors/Lawyers -Tax office -Average for formal networks. Informal networks: -Family and friends -Local businesses -Others in the industry -Average for informal networks -Average for all networks	Control variables: - Firm age Industry - Firm size	Firm performance: -Survival -Growth -Return on Equity (ROE)	-Significant positive relationship between networking (particularly with formal networks such as external accountants) and both firm survival and, to a lesser extent, growth, but not ROE. -Network intensity is found to be associated with survival, and network range with growth.
Wu (2008)	To investigate the mediating role of information sharing in the relationships between dimensions of	-Empirical study - Questionnaire -108 Hong Kong-based Chinese family-owned firms	Social capital: -Network ties -Repeated transactions -Trust	Mediator: Information sharing Control variable:	Firm Competitiveness improvement	-Information sharing plays mediating role in the relationships between three dimensions of social capital (trust, network ties, and repeated transactions) and firm competitiveness improvement.

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	social capital and firm competitiveness .	from the manufacturing sector -Interviews with 10 additional CEOs		-Firm size -Firm age		
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Social networks as mediator

Ellis, (2000) has stressed international marketing for obtaining complementary resources and information involves an exchange between partners. Transfer of information precede economic exchange due to entrepreneurial opportunity (Thomas and Araujo, 1985; Ellis, 2000) that is very important in the beginning stages of relationship rooted in the field of social network theory that emphasizes the transmission of valuable information by interpersonal networks (Rogers and Kincaid, 1981; Weiman, 1989). It can link people in different social groups as bridging ties, develop foreign market opportunities and facilitate exchanges and market negotiations with foreign intermediaries (Ellis and Pecotich, 2001; Harris and Wheeler, 2005).

Social networks as channel for information and knowledge enjoy with some support and empirical research in the literature includes, motivate awareness of foreign market opportunities (Reid, 1984; Gould, 1994); effect export initiation (Ellis and Pecotich, 2001); recognize foreign exchange partners (Ellis, 2000); Provide tacit knowledge about international business activities (Eriksson, Johanson, Majkgard, and Sharma, 1997; Sharma and Blomstermo, 2003; Haahti, Madupu, Yavas, and Babakus, 2005) and deep international vision and managerial openness (Chen, 2003; Yeoh, 2004).

These studies recognize value of social network ties is as knowledge of foreign market opportunities and experiential learning about business activities in foreign countries. Social ties refer to firm's personal trust of economic interactions that engage with external parties (Burt, 1997; Stuart, Hoang, and Hybels, 1999), that benefit of referral trust and solidarity increase legality and dependability and also decrease uncertainty by external parties (Zaheer, 1995; Xin and Pearce, 1996). International firms seek adequate mechanism for resources, information and knowledge, entrepreneurial opportunities (Zahra, Ireland, and Hitt, 2000), that social networks can help them to obtain benefit of special information.

Zhou, Wu, and Luo, (2007), found three specific information benefits that describe the mediating mechanism of social networks include 1) "Knowledge of foreign market opportunities, 2) advice and experiential learning and 3) Referral trust and solidarity by a third party". They suggested these benefits help internationalizing firms to maintain lack of resources that prevent firm's international development (Lu and Beamish, 2001), create legality and dependability, facilitate new capabilities development, and lower risk for international improvement (Zaheer, 1995). On the other hand, Hutchings and weir, (2006a), in the study of understanding networking in Islamic and Non-Islamic countries found that business in both regions engage a social network of interpersonal connections rooted in family and kinship ties. It relates to "exercise of power, influence and information-sharing by social and politico-business networks". Informal network arise of performance of several social stages comprise of "Central to the transmission of knowledge and Creation of opportunity".

Therefore, based on this evidence that mentioned above, there are some information benefits to describe mediating mechanism of social network and support for fifth research question of this paper as "Does social network mediate between firm internationalization and export performance?" Hope that present paper can offer better understanding of the firm internationalization concern of various structures of social networks.

DISCUSSION AND CONCLUSION

This range of research emphasizes to the important role of informal social network as a strategy to acquire knowledge and information and capture business opportunities in international arena. It can be lead to survey the potential contribution of social networks to

the internationalization process of firms may lead to improve firm export performance. It can be contribute to the international and relational marketing.

Implications of this paper offer the viewpoint of social network to describe firm performance of internationalization and importance role of interpersonal ties through external network surrounded firms. It can be enhance the structure of globalization of trading firms. It can be also as a guideline for policymakers to support the government's export programs for the firm's internationalization through focus on interpersonal capabilities and capture opportunities by social networks (Welch et al., 1998; Fischer and Reuber, 2003; Zhou, Wu & Luo 2007). Most of researches in this area are related to among or between western, European countries and also Non-Islamic countries. Therefore, there is lack of research in stream of firm internationalization impact of social networks in Islamic countries. This paper addresses to informal networks, there is need to investigate connection between informal social networks and formal business relationships. Future research is needed to investigate other possible structures of social networks and other orientations of internationalization.

According to above literature and discussion on conceptualizing of several studies, results of four empirical researches and two case studies have showed that social network and foreign partnership have positive effects on internationalization process, knowledge of foreign market opportunities, international experience and international knowledge. In the case of interrelationship social network and export performance results of six empirical studies have illustrated relational elements of social network has positive effect on economic export performance and its indicators such as sales growth, profit growth and so on. These studies have also showed that relational elements can increase non-economic export performance such as market expansion and competitive positioning and so on.

The study of Zhou, Wu & Luo (2007) found strong support for mediating effect of business relationship (Guanxi) on export performance, some support on profitability performance and little support on sales performance. Guanxi networks mediate the performance impact of outward internationalization on both export growth and profitability growth, but not on sales growth; instead outward internationalization is found to directly affect sales growth; Guanxi networks mediate the performance impact of inward internationalization only on export growth. It is hoped that more examination of empirical study on mediating effect of social network in the relationship between firm internationalization and export performance.

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SYNERGETIC APPROACH TO TEACHING FOREIGN LANGUAGES AT UNDERGRADUATE TECHNICAL INSTITUTIONS

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Abstract

Current dynamics in the labor market arises the need to organize appropriate undergraduate teaching. This has to be considered especially when teaching foreign languages since the subject is the acquisition of lifetime-learning competences. Teaching languages at undergraduate level has to mean interweaving already acquired general language competences and professional study competences, with intercultural, multidisciplinary skills, and competitive difference which will improve students' position in the labor market. Thus the teaching should be based on synergetic approach, whose components are dealt with in the paper, by using multimedia teaching resources and methods for proliferation of linguistic knowledge and the professional and intercultural skills which have to be mastered as a precondition for the successful activity of professional labor force in its globalised surroundings. To make it the paradigm of lifetime learning, the teaching has to be organized as consciousness-raising and as mediation of sources and ways to actualize the task.

Key Words: competences, labor market, synergetic effects, teaching foreign languages, undergraduate education

Topic Groups: humanities and arts and business, language in organizations

INTRODUCTION: TEACHING FOREIGN LANGUAGES AS A PARADIGMATIC EXAMPLE OF LIFELONG LEARNING

A bogey is moving round Europe, the bogey of lifelong learning. The notion itself, although it sounds somehow frightening and is not easily explicable in details at first sight, deals with

demands which are put in front of an individual whose goal, in the context of educational processes which are increasingly becoming the basic characteristic of modern society, is to acquire not just skills, knowledge and habits in the narrow field of work. Its foundations were formed as the part of primary, secondary and tertiary education, which is necessary to increase the ability of governments and the private sector, to deliver basic services, and to promote sustainable growth. The idea of lifelong learning is characterized by deeper sociological, ideological and cultural roots. In the east European surroundings, the idea is given significance in the 1990s with the fall of the Berlin Wall and with the restructuring of planned economies in the direction of west European integration pattern of national economies into modern globalization streams which impose the need for the mobility of labor force where consequently past formal forms of education seem insufficient since "economic success is dependent on the creation of a high-skilled workforce" (Brown et al., 2001). If the sudden technological advances are taken into consideration together with connected higher complexity of professional knowledge, the passive acquisition of existing knowledge seems insufficient because it becomes obsolete parallel to its progress. In the given context, "without adequately developed learning competence, a person is exposed to a higher risk of social and economic exclusion" (Key Competences for Lifelong Learning – European Reference Framework). Moreover, the processes of recession, which in recent moments every now and then get hold of individual national economies which have been permeated by global bonds, are thinning 'the belly' of a social country, its social politics, which inevitably leads to the individual's uncertain position on the labor force market, thus to their being informed about their own personal abilities and skills in a range as broad as possible. The aforementioned is joined by the macroeconomic breakthrough of modern economies in the direction of society of knowledge as the paradigm of future community which is no longer based only on the flow of goods and services, but primarily of information which is necessary not only for planning and implementation, but also for controlling the decisions made by managers, especially those working in international markets which differ greatly "considering the level of their economic growth, culture, and conventions" (Kotler et al., 2006). Thus, as a result of modern restructuring of economies, of the inconstancy of labor force market, and of the efforts made around the establishing of society of knowledge, lifelong learning becomes a pivotal driving force in the development of educational processes within which foreign language learning above all appears as the perfect model.

Like with any other form of knowledge acquisition, the same happens with learning foreign languages – it is a process which is on one side completed unintentionally and unconsciously without previously determined purpose and under various life circumstances; on the other side, it is an organized process being completed in for that designed frameworks and is closely connected with educational system. Teaching spoken languages in European surroundings as a consequence of greater mobility of people, goods and services, gains importance in the 19th century (when French and German were part of the secondary education curriculum, in addition to Latin) so that teaching foreign languages in the 20th century becomes an inevitable part of national educational systems – from the 1950s foreign language learning was introduced in the fourth grade of primary school (Nikolov, 2009). Moreover, for the past few years the stress is put on the necessity of presence of foreign language teaching in all parts of person's life, even in preschool age, as the result of the "increasing awareness of the need for good competence in foreign languages in private and professional life" (Nikolov, 2009). According to that criterion, teaching foreign languages becomes a model paradigm of lifelong learning.

Usually, the aims of teaching foreign languages present acquiring foreign language competences, which means acquisition of a foreign language as a linguistic system. In this matter, at the level of primary education, special attention is given to the acquisition of grammar and lexical competences. These competences are on one side intensified on secondary level, and on the other side broadened by identifying different aspects of the culture of a foreign language. On tertiary level, this kind of foreign language teaching is followed by the teaching whose core mostly consists of 'the language of profession'. However, real evaluation of acquired foreign language competences is reached in practice, when the acquisition of skills is assessed in immediate communication with native speakers. Thus, we have to bear in mind that with finishing one's formal education the need for further learning does not diminish. On the contrary, especially in the area of learning foreign languages, inclination towards forgetting, typical for a man, acts destructively if we take into consideration what was pointed by Fagin et al.: "There are often scenarios of interest where we want to model the fact that certain information is discarded. In practice, for example, an agent may simply not have enough memory capacity to remember everything he has learned" (Fagin et al., 1995). That is why it seems utterly important to continually renew foreign language competences without which the individual would not be able to present broader range of his/her professional capabilities outside their own country, which becomes an important factor under the conditions of globalized society.

In the age of global mobility and inconstancy of labor force market speaking foreign languages becomes more and more important lever of reaching competitiveness on the labor force market, or its continuous employability. Moreover, learning a foreign language opens many doors: person can pursue more successful career whether it concerns business, study or living abroad; the company with its multilingual employees can be competitive both in the European and global market. What is important is that the individual or the management be aware of how important it is to acquire (foreign) language skills. Successful learning of a foreign language can be of influence both on the working quality and the individual and his/her surroundings since that is what opens new dimensions and offers opportunities for new beginnings for the economic subjects in these uncertain times. Thus, apart from the aims targeted in formal learning of foreign languages, special attention has to be given to the intention which person has when starting to learn, which makes motivation a key factor of the quality of learning¹. This makes it obvious that for the purpose of maximizing the effect of learning foreign languages at tertiary professional institutions it is necessary to develop such a model of teaching which would not only rely on formal reasons of learning, but would take into consideration specific economic/professional motifs of individuals included in foreign language teaching at undergraduate level. Thus in the article, basic glotodydactic determinants of synergetic approach to teaching foreign languages are outlined as the form of teaching which includes necessity of intertwining and mutual stimulation of certain factors of the teaching process; it also takes into consideration factual situation in foreign language teaching at tertiary level, which is primarily characterized by different levels of adopted foreign language skills and abilities and by specific demands which labor force market places before an individual.

SYNERGETIC APPROACH TO TEACHING FOREIGN LANGUAGES

Glottydydactic foundations of synergetic approach to teaching foreign languages

¹ At professional tertiary institutions, the main task that a teacher has gains additional importance because it is expected of him/her not only to teach professional language, but also to recognize actual foreign language needs of an individual on the professional field; for example, whether the need is the basic communication with the patient (Nursing), or everyday computer usage (Multimedia), or identifying new characteristics of a new electronic device (Electrical Engineering).

By looking at historical side of foreign language teaching, it is possible to notice the development of a range of methods used for mediating foreign language skills and abilities², where the critical factor of the development seems to be the concept of functionality of foreign language knowledge. Thus, for example, aiming at passive knowledge of a foreign language as the foundation for primarily written communication of business partners in the 19th century represents the basis of grammar-translation method of teaching foreign languages. In the 20th century, larger mobility of goods and people imposes the need for better active knowing of foreign languages – within that notion a range of methods was developed, whose peak is presented by audio-lingual/audio-visual method dominating teaching practice in the second half of the 20th century. However, at the beginning of the 1970s, cognitive-pragmatic method was developed, wherefrom communicative and intercultural approaches appear as a glotodydactic response to the challenges of modern foreign language teaching. All the above mentioned approaches have one thing that can be objected – they one-sidedly favor one of the foreign language teaching segments; for example, in grammar-translation method learning it is the teaching of abstract linguistic system, while in audio-lingual/audio-visual method it is the acquisition of linguistic patterns in the form of so called 'pattern drills'. Although the modern communicative and intercultural approach targets the students' needs, instead of general foreign language competences it mediates specific communication competences, it takes into consideration intercultural specifics of acquiring and using a foreign language, it can be objected that it neglects strategies of acquiring basic foreign language skills and abilities in the favor of intercultural sensibilization of a student. Moreover, as the historical development of glotodydactic models and approaches itself shows, it seems useless to search for the one and only method of foreign language learning and teaching. Thus the most appropriate approach seems to be the one which, in its usage, takes into consideration not only the basic components of foreign language educational process, but its broader anchoring in the whole of human teaching process and its deriving potentials. Synergetic approach to foreign language teaching seems to be just the one.

The notion 'synergy' generally implies "the ability of forces to optimize each other thus enriching one another" (Hampden-Turner, 1996), while in socially-economic context it is "the result of reciprocal care for human relations whose purpose is further creative development of concepts and products" (Scherer, 1998). The idea of synergetic effect of heterogeneous moments is the idea created by Igor Ansoff, the founder of strategic management (cf. Ansoff, 1998). The idea is that inside a system different moments make contact with each other in order to not only fecundate its own potential by reciprocal imbuing but to improve the potential of the whole, whose constituent part they are. In that case, the synergetic effect of that kind of organization of work can be expressed with the following formula: $2 + 2 = 5$, which means that within the system 'the surplus' emerges, which does not present mere sum of effects of constituent parts, but is the result of interaction of constituents which raise the processes in the system on a higher quality level where the system itself in feedback enriches and improves each of its constituents.

In case that kind of conception of synergetic effect is applied in the field of education, the basic aim of teaching process imposes the acquisition of 'educational surplus'. The subject here is the organization of teaching within which the students are referred to each other during their co-operation whose aim is to accomplish the educational result, which qualitatively surpasses the activity of each individual and therefore improves the whole

² In connection with the development of methodology of foreign language teaching and characteristics of certain methods mentioned later in the text cf. Neuner, Hunfeld 1993.

process of learning and teaching, by interweaving their activities. Should we begin with the fact that the basic constituents of educational process are the teacher, students and teaching materials or teaching media, then achieving the 'educational surplus' would mean the kind of interweaving of constituents within which the contributions to the teaching process of each and every one of them influence the proliferation of potentials from one constituent to the other to the point that eventually their interaction and imbuing fecundates not only each one of them but also the whole process of teaching, which arises it on a higher 'energetic level' from where in every further educational cycle the creation of new 'educational surplus' is reinitiated. Thus, the formation of 'educational surplus' does not present only one of the constituents of the educational process, but its central axis around whose realization the other factors involved in the teaching process are systematized.

The way to shaping the 'self-fecund educational surplus' in foreign language teaching

At tertiary level, learning and teaching foreign languages is oriented towards the improvement of knowledge, capabilities and skills of students – the age group which is supposed to have abilities and skills that enable them the so called 'cognitive' approach to learning (foreign) languages after finishing primary and secondary educational level. That means the students at undergraduate institution learning a foreign language are capable of following the analytic approach to learning the foreign language, the purpose of which is dichotomous: on one side, to reinforce the knowledge of patterns which make a foreign language utterance; on the other side, to raise the awareness of the foundation of any utterance on foreign language patterns³. Without knowing the basic foreign language structural rules, namely morphological and syntactical, the work on the acquisition of foreign language lexis, especially its specific qualities connected to the profession, is utterly made difficult. Thus, one of the first aims of foreign language teaching at undergraduate level, but not the only one, is the revision of basic linguistic knowledge, together with raising awareness of the linguistic system structure in general, in order to not only make the foreign language lexis interpretation easier with resulting effect, but to improve general linguistic literacy of a student as one of the prerequisites for including the professional labor force into the developing global society of knowledge which is, among others, based on commutability of its constituents.

Certainly, parallel with that, the immediate work on foreign language linguistic competences is essential; especially considering the needs of a profession the individual will take up one day. Taken that into consideration, it is necessary to mention the fact that demographically, the age of so called echo-boomers or the net-generation has begun (cf. Kotler, 2006), the generation which is growing up surrounded by digital media; for that generation, digital technology and other forms of new literacy make normal, constituent part of its surroundings. Thus, in foreign language teaching, it is also necessary to reach for multimedia resources and contents, where we mean using different computer programs or virtual platforms within foreign language teaching. They, with their modular structure, contribute to diversity of the teaching process, which immediately attracts more attention from the part of the students to the content being taught; thus it directly affects their motivation. That effect is achieved by using multimedia resources and contents mostly because of their dynamic structure since it is about the combination of textual, visual and audio recordings, which

³ For that purpose, it seems most appropriate to reach for so called 'contrastive approach' to teaching foreign languages where one starts with similarity or difference in the context of native and foreign language, on the basis of which the awareness of structure patterns of any kind of language utterance raises.

offers various possibilities for the introduction of foreign language lexis, its revision or reinforcement⁴.

It is necessary to emphasize as another advantage of using multimedia resources and contents in foreign language teaching that by their adequate usage in glotodydactic sense introducing the students with simulated language situations becomes easier since, for example, with working on foreign language virtual platforms or platforms for online cooperation, chats or forums, the students are immersed in their 'natural' foreign language surroundings where utterances in foreign language they meet are situated in their 'authentic' environment, and are interwoven with social or value specifics of the 'foreign' culture. Here we talk about using the potential of multimedia resources and contents with the purpose of making the most immediate contact possible with a foreign language during which the students for a moment – by virtually transcending barriers of time and space – become direct participants in a foreign language speaking community.

By the above mentioned usage of multimedia resources and contents, the students do not only improve their knowledge in the field of foreign language lexis, but also acquire both skills and capabilities which are indispensable in the society of knowledge. Taking that into consideration, the crucial factor seems to be 'the cosmic dimension' of new literacy forms which are created as the consequence of computer technology development and is characterized by information saturation which makes students faced with immense abundance of data. Thus it seems essential to introduce the students, while covering the lexis, to the strategies of finding, analyzing, evaluating, and summarizing the information as the basic cognitive tools for orientation in the modern, nearly limitless universe of information.

Activating the students goes hand in hand with the acquisition of the above mentioned strategies because without their active and creative participation the acquisition itself is not possible. In this way, using multimedia resources and contents, actually mastering the strategies of their usage, synergetically affect both the students' activation and deepening not only their foreign language skills and capabilities, but also much further than that. In this regard, mastering the strategies of coping in the virtual computer world, the foundations for lifelong learning, or 'self-teaching', are laid; they are important distinctive features of professional labor force which is faced with the challenges of the society of knowledge and therefore the consequent positive and negative effects, like the fluctuation in the labor market. Having examined the indispensability of acquiring the strategies of 'self-teaching' already at tertiary level, the professional labor force not only ensures itself future survival on the (professional) knowledge market, but with later lifelong development contributes to the development of the whole society, which retroactively influences the quality of life of all individuals.

Normally, this as the third important moment arises the need for better and deeper familiarizing with the 'professional language'. Foreign language teaching at undergraduate professional institutions should not represent only the continuation of familiarization of a foreign language, which was specific at general educational level and which is, when it comes to glotodydactics and content, not different from teaching foreign languages at primary and secondary level. However, the students should not be satisfied with being introduced only to general patterns of foreign language system or general foreign language idioms, but in cooperation with the foreign language teacher and the teachers of professional subjects they should identify those lexical units or topics which are interwoven into their

⁴ In connection with definition of multimedia resources and content, and their glotodydactically adequate usage in foreign language teaching cf. Engler/Mikulan 2006, 31-47, especially 32-33.

professional studies in an interdisciplinary way in order for them to acquire lexis which would later serve them as the foundation for further lifelong recognizing of the specifics of the professional foreign language utterance. Thus, especially at tertiary level, this calls for interdisciplinary approach to teaching foreign languages in the context of which the students should be able to articulate not only the general needs regarding the mastering of professional foreign language lexis, but also to identify those lexical areas which overlap with their personal (professional) interests so that they would be able, starting from that point, to go ahead with the improvement of their own foreign language skills and capabilities.

For the purpose of achieving this aim, it seems adequate to organize foreign language teaching so that it is based on project work; its realization is interwoven with the students' interest and the aim of the whole teaching process in the sense that the student, by doing the project, is motivated to a deeper foreign language familiarization of a certain segment of profession in order to introduce the rest of the students with the results of the work by presenting it to them, which encourages them to work further.

In this way, the circulation of synergetic effect among the constituents of the teaching process is achieved: synergetic potential of multimedia resources and contents is activated by doing the project task or by using these resources and contents by the teacher and individual students so that the fulfilled effect could influence the other students, too. Moreover, their complete involvement does not influence the working atmosphere only, but it transforms the teaching process into teamwork where the teacher works as a referentially-evaluative point – a kind of focal point which manages the circulation of synergetic effect within the teaching process with aim to continually produce 'self-fecund educational surplus' as the basic motivational factor of teaching at undergraduate level. It is the 'surplus' in educational process which is achieved by continually active overlapping of constituents of the teaching process with the purpose of making the students aware that without being involved in the strategies of independent, responsible and deliberate learning – in the foundations of lifelong learning – it is not possible to survive among turbulences of the society of knowledge.

However, in order for that 'self-fecund educational surplus' to achieve its functional foundation, the structure of foreign language teaching or the foreign language itself must not be observed as isolated from its context. The wider context of foreign language teaching presents both its own and foreign language cultural surroundings within which the language interwoven with other forms of communication obtains its specific meaning. As it is known in the marketing field, every product has to be in accordance not only with the needs and expectations of the consumer, but also with different aspects of certain community. Every country has its own tradition, its own cultural and business norms, and its taboos (cf. Kotler, 2006), which in the foreign language teaching means that knowing the foreign language cultural surroundings is of equal importance as knowing how the foreign language functions.

This fact is becoming more important in the globalization age which imposes going to the markets outside the mother country with the purpose of accomplishing better and broader communication among the companies. Then simply knowing grammar and lexis patterns of a foreign language does not grant success; without being involved into the specifics of a foreign language culture, even a well-intentioned business activity can lead to failure⁵. Thus, teacher's task of equal importance when teaching a foreign language would be to raise the cultural awareness of students, whose goal is to become familiar with a large number of

⁵ For example, while exchanging business cards, an English manager will just take a quick glance at the card and put it in the pocket, while a Japanese manager will carefully look at it, read the background and the status of the company. Failure to respect the Japanese tradition could mean disrespect towards the culture itself and could lead to the situation in which one of the parties (in this case the Japanese one) feels unaccepted.

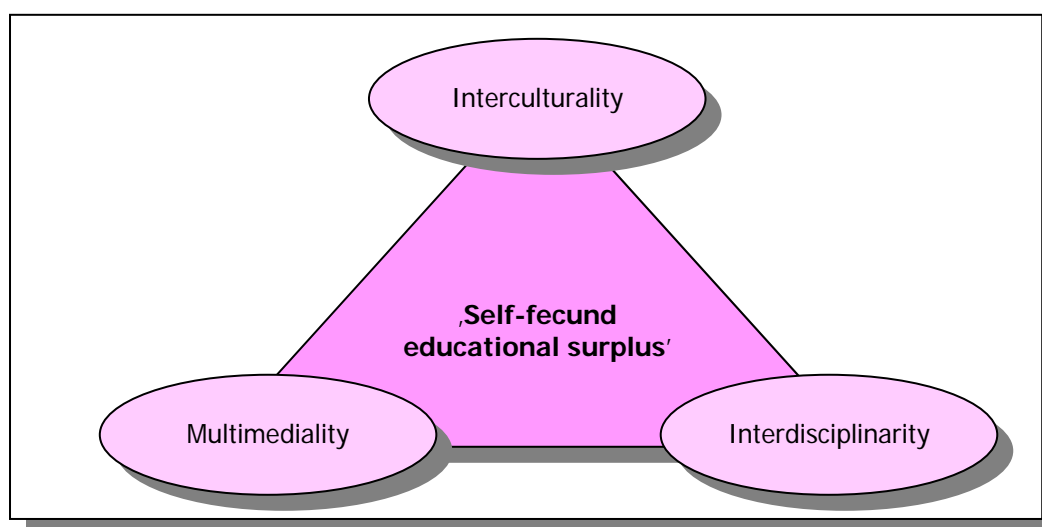
foreign language cultural patterns and norms, which implies raising awareness and challenging one's own cultural norms by comparing one's 'own' and 'foreign' in order to crystallize the attitude of intercultural empathy as the basis of the impact in the globalized business environment. By developing sensitivity towards cultural differences, the students, among other things, are prepared to avoid communicational misunderstandings because of not knowing the 'foreign culture' so that they could within lifelong learning and future practical use find their own way in order to optimize their own foreign language capabilities and skills⁶. The adaption to a certain working culture in the modern time of globalization is necessary and without it the individual cannot be competitive in the international labor market, let alone achieve satisfying results there. Thus, we can call teaching a foreign language successful when, apart from basic grammar rules and lexis, it mediates the awareness of the indispensability of identifying with foreign language cultural patterns and norms.

The effects of synergetic approach to teaching foreign languages at undergraduate professional institutions

To conclude, on the basis of the previously shown developmental way of 'self-fecund educational surplus' in foreign language teaching at tertiary level, it is necessary to point out the glotodydactic frame of organizing that kind of teaching, the competences which are developed at the same time, and the final aim of synergetic effect circulation within the foreign language educational process.

Pivotal points of glotodydactical frame within which foreign language teaching at undergraduate institutions should not only move around, but also accomplish its 'educational surplus', in the first place present multimodality of the teaching process, which means the use of multimedia resources and contents with the purpose of a successful simulation of authentic foreign language spoken situations; interdisciplinarity, as the only real anchor of foreign language teaching at the crossroads of more narrow, subdivided professional areas; and interculturality, as the only possible attitude of a modern man within the globalized leveling of cultural standards.

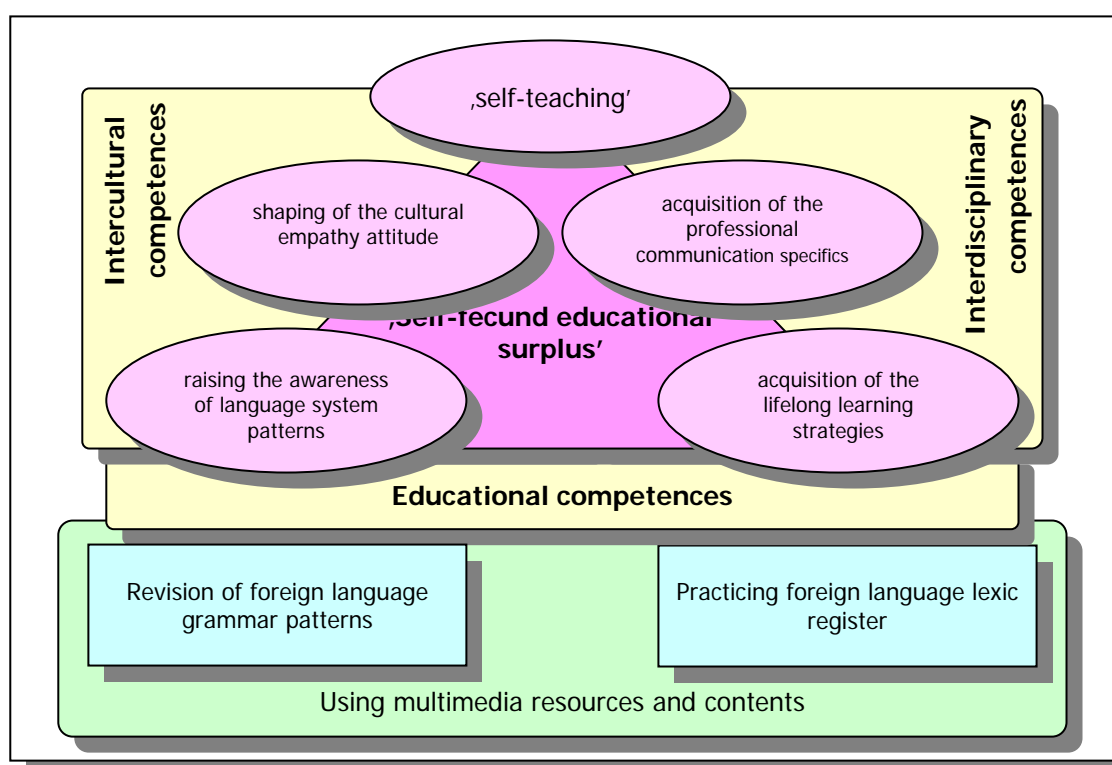
Figure 1: Glotodydactical frame of foreign language teaching at undergraduate institutions



⁶ In modern times, for that purpose students have many possibilities offered – TV shows, presentations, video conferences on the Internet, or other forms of computer recordings about how to work with foreign partners when it comes to professional and/or business cooperation.

In accordance with the above mentioned glotodydactic aims of undergraduate foreign language teaching there are competences which are mediated to students by the means of teaching. By using multimedia resources and contents as the means of successful revision of grammar patterns of a foreign language and by practicing lexical register, the students are mediated educational competences in the form of raising awareness of linguistic patterns and acquiring analytical strategies which are used as the basis for students' lifelong learning so that after finishing their formal education they would be able not only to apply their own educational competences in a responsible, individual, and quality way, but also to keep improving them continuously. Together with these competences, within acquiring the specifics of foreign language professional utterance and the connected communication, the students are also mediated interdisciplinary competences which allow them to leave their narrow, professional teaching environment, but they broaden and deepen their horizons of knowledge, skills, and capabilities in order to achieve (foreign language) professional competence as thoroughly as possible. Analyzing the lexis is accompanied by mediation of intercultural competences, on the basis of which the students shape their cultural empathy attitude whose acquisition makes them able to estimate not only their own position within and in comparison with the narrow professional field, but also a much wider context – social and political. The acquisition of all the above mentioned competences will eventually result in the creation of 'self-fecund educational surplus' in the form of empathy of the students when it comes to 'self-teaching' as a never finished and never ending process of self-formation.

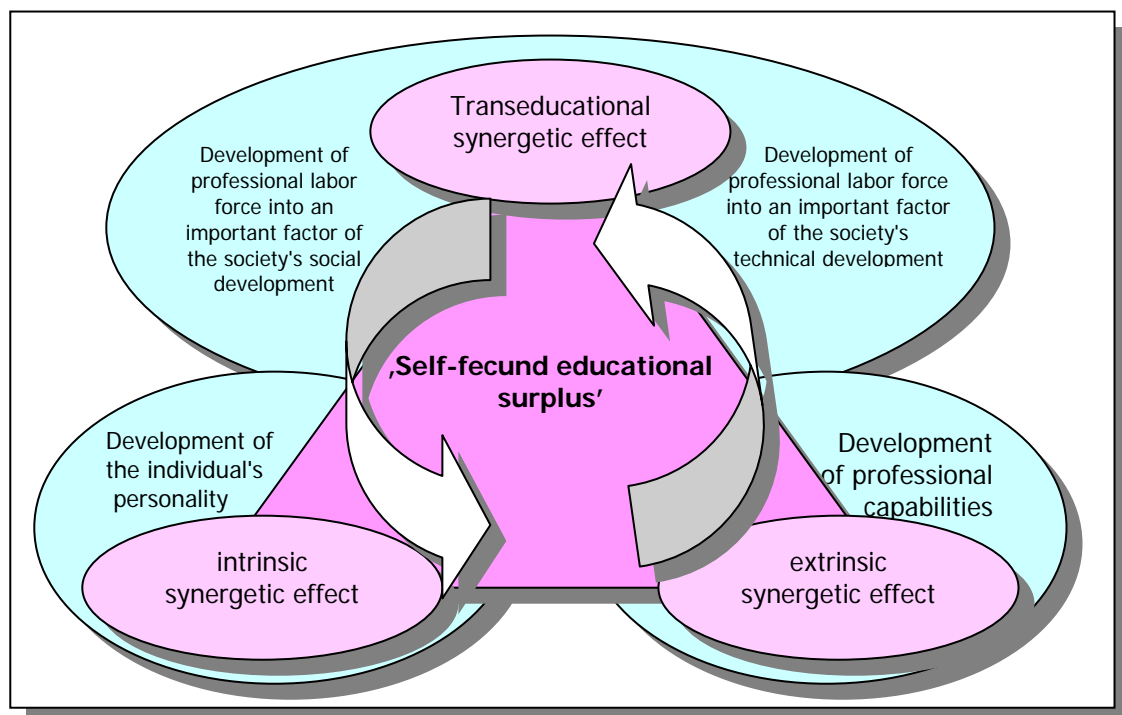
Figure 2: The overview of the competences which are mediated within the foreign language teaching at undergraduate institutions



This leads us to the final result of synergetic effect circulation within the foreign language teaching which is possible to be looked at in the form of shaping of the 'self-fecund educational surplus' as the ultimate purpose of teaching at undergraduate level institutions.

By using the adequate glotodydactic organization of foreign language teaching and by gradually developing certain competences with students, 'the intrinsic synergetic effect' is tried to be achieved in the form of inner need to continually improve one's own foreign language utterance, and general need to develop one's own potentials. This effect, once started, encourages the 'extrinsic synergetic effect' of foreign language teaching: based on the model of finding, analyzing, evaluating, and summarizing the foreign language lexis, the students are given strategies of data collection, processing, and presentation form direct and natural, but also from virtual environment. In that way, for the students, the world becomes a board on which they not only write down already accepted facts, but they can inscribe themselves into that world. This again enables the accomplishment of 'transeducational synergetic effect', which presents itself when students do not stop at the lead model of shaping their own knowledge, skills, and capabilities, but based on the acquired matter they individually, responsibly, and in a fecund way broaden their personal horizon on the other side of formal process of education.

Figure 3: The overview of circulation of synergetic effect and development of adequate competences of professional labor force



Here it is dealt with the development of professional labor force as an important factor of not only technical progress of society in the narrow professional field, but of a factor with risen awareness of social development of the society as a whole. Insofar, the central synergetic effect of foreign language teaching seems to be the diffusion of the work potential on acquisition of foreign language competences in several directions: in the direction of student's personality, his/her professional competences, and social competences which are essential for his/her inclusion in broader social moving as the personality which knows – since it is able to differ the pattern of the found social state – and which on the basis of that knowledge can and knows how to act in the surrounding environment because it has skills which are indispensable for constructive, advancing, and above all humanistic introduction of changes into the world around it. That kind of understanding of 'professional foreign language' teaching will contribute to the fading of the bogey mentioned in the introduction,

the bogey of lifelong learning, and the individual will find his/her active and true existence in those regions of society of knowledge which, while being caught in the discursive practices of realization of 'self-fecund educational surplus', will contribute to humanization of interpersonal relations.

Certainly, the introduction of synergetic approach into the foreign language teaching should be followed by theoretical evaluation of practical effects of such an approach, by elaboration of its concrete models, as well as by further elaboration of using the synergetic approach in other fields of acquiring professional and general competences. For that purpose, it would be advisable, by starting from the above mentioned postulates about the synergetic approach to foreign language teaching, to conceptualize specific researches at the institutions at tertiary level, especially if we take into consideration the insufficient exploration in that field. Thus the field of scientific analysis of the aforementioned approach seems as broad as the notion of 'humanitas' itself – the person's contact with the Other, no matter whether the Other be a social network, a technical invention, or a corporate system of a company. In each of these cases, the learned skills of achieving the synergetic effect shall have to be able to contribute to enlarging the potential of both the individual and the society as a whole, which should anyway be the basic function of educational institutions in the modern society.

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THE UNDERLYING MECHANISM OF EVOLUTION AND REVOLUTION DURING THE PROCESS OF ORGANIZATIONAL DEVELOPMENT

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Abstract

A systematic understanding of organizational development is critical to strategy research because organizational life cycle becomes increasingly shorter. In this paper, a new type of evolving model of organizational knowledge system which is comprises by empirical knowledge subsystem and revolution knowledge subsystem is constructed. The nature between evolution and revolution during the process of organizational development is defined. Based on this, the modes of organizational development are classified. The mechanism of different modes of organizational development is analyzed. The strategies and the opportunities during the process of organizational development are given. Finally, we

verify our proposed theoretical model through the studies of success and failure cases in reality.

Key Words: evolution, revolution, organizational development, knowledge system

Topic Groups: Change management and organizational development, Organizational behavior, Technology and innovation management

INTRODUCTION

Change management is the core and hot issues in the field of organization development and enterprise growth theory, and the related theoretical studies and practices mainly from such three aspects, the change mode of enterprise or organization, the influence factors of change and the strategies of change.

In the research of change mode, Lewin (1951) proposed discontinuous change model, which is syllogism of changes: defrost - change - redefrost. Weick & Quinn (1999) revised Lewin's point of view, divided change mode of enterprise into gradual mode and mutation mode. Larry (1998) proposed evolution and revolution according to the growth of enterprise, the evolution is moderate adjustments in order to keep the growth and the revolution is the great change in the practice of management. Zhang (2000) pointed that the enterprise that both can be integrated organically can be called self-organizing enterprise. Liu (2003, 2004) combined the complex system theory with change management, and put forward that enterprises should be multi-agent organization and the change process should be along with complexity growth in order to adapt to the complexity of external environment.

In the research of the influence factors of change, many studies think internal and external environmental factors affect organizational change, which is completed by the interaction of driving force and resistance force (Hu & Wan, 2005). Natural selection assumes that the internal and external network of the enterprise and the interaction between them influence the change path of the enterprise (Michael & John, 1977; Michael & John, 1984). Jeffrey & Gerald (1978) consider that, the distribution of key resources and the control mode of organization behavior will cause the change in the organizational behavior.

In the research of the strategies of change, there are process reengineering, the change of organization structure, and the establishment of networked organization, living organization, and learning organization. These change practices and theoretical research adapt to the development of the knowledge-based enterprise to a great extent.

However, the high failure rate of change practice demonstrates that the existing theories are lack of guidance and explanatory power. For example, the existing research about the classification of change mode (revolution and evolution) has not revealed the essential characteristics of different change modes. Moreover, it is lack of the research of the influence factors of change and intrinsic mechanism based on the characteristics of knowledge-based enterprise. To be exactly, what is the essential difference of different change modes? What is the decision mechanism of different change modes? What is the occurrence and feedback mechanism when the change process and the change of network structure and knowledge level are connected together? What is the dynamics theory of driving different change modes? These problems are not only the basic problems but also the core problems in the research of change management.

The systematic research of the influence factors of change, change modes and intrinsic mechanisms has theoretical significances and practical application values. Following we will define the essential difference of different change modes, consider the decision mechanism

of different change modes, analyze the occurrence and feedback mechanism when the change process and the change of network structure and knowledge level are connected together, and conclude the dynamics theory of driving different change modes.

In this paper, we mainly reveal the underlying mechanism of evolution and revolution from the aspect of knowledge during the process of organizational development. In section 2, a new type of evolving model of organizational knowledge system which is comprised by empirical knowledge subsystem and revolution knowledge subsystem is constructed. Moreover we analyze the stable state of the knowledge system. In section 3, the dynamic change of knowledge system and the structure of NIL networks are studied. In section 4, the mechanisms of different modes of organizational development are given. In section 5, management suggestions of this paper are pointed. Section 6 concludes the paper.

EVOLVING MODEL OF ORGANIZATIONAL KNOWLEDGE SYSTEM

The dynamic change process of knowledge-based enterprise is always under the co-evolution interaction of revolution force and stability force. The new and heterogeneity knowledge introduced during the growing process of knowledge-based enterprise form the revolutionary knowledge subsystem. And experience knowledge transformed by stocking knowledge after the entering of revolutionary knowledge forms the empirical knowledge subsystem. The revolutionary knowledge subsystem and the empirical knowledge subsystem form the knowledge system of knowledge-based enterprise commonly. The dynamic mechanism of the growth or revolution of the enterprise is determined by the evolution of knowledge organization systems (Park 2005). The revolution force comes from the revolutionary knowledge subsystem and the stability force comes from the empirical knowledge subsystem. Moreover the revolution force and stability force are proportional to the revolutionary knowledge level and the empirical knowledge level respectively. The revolution force and the revolutionary knowledge level form the positive feedback, and the stability force and the empirical knowledge level form the positive feedback either. Meanwhile, as the increase of the empirical knowledge level and the stability force, there will produce inhibiting effect on the revolution force, and the growth rate of the revolutionary knowledge will be reduced. The reduction of the growth rate of the revolutionary knowledge means the decrease of external heterogeneity knowledge which will also leads the decrease of the growth rate of empirical knowledge. When the growth rate of empirical knowledge and the revolutionary knowledge both decrease to zero, the knowledge level of the knowledge system comes to maximum. And the tension force produced by the stability force and revolution force reaches maximum.

Above mentioned knowledge dynamic characteristics corresponding to the change process of knowledge-based enterprise can be described as follows.

Suppose $x(t)$, $y(t)$ denote the empirical knowledge level and the revolutionary knowledge level of the knowledge-based enterprise at time t respectively, and $z(t)$ denotes the heterogeneity knowledge level at time t .

Moreover knowledge could not grow limitlessly, thus the basic dynamic model of knowledge evolution may be defined by the following differential equation:

$$\begin{cases} \frac{dx(t)}{dt} = a_1 x(t) \left(1 - \frac{x(t)}{K_{\max}^x}\right) (1 - b_1 y(t) + c_1 z(t)) \\ \frac{dy(t)}{dt} = a_2 y(t) \left(1 - \frac{y(t)}{K_{\max}^y}\right) (1 - b_2 x(t) + c_2 z(t)) \end{cases}$$

with the initial conditions

$$\begin{cases} x(0) = x_0 \\ y(0) = y_0 \end{cases}$$

where K_{\max}^x, K_{\max}^y denote the development limit of the empirical knowledge level and the revolutionary knowledge level of the knowledge-based enterprise respectively, and $a_i, b_i, c_i > 0$ ($i = 1, 2$).

The equilibrium conditions are

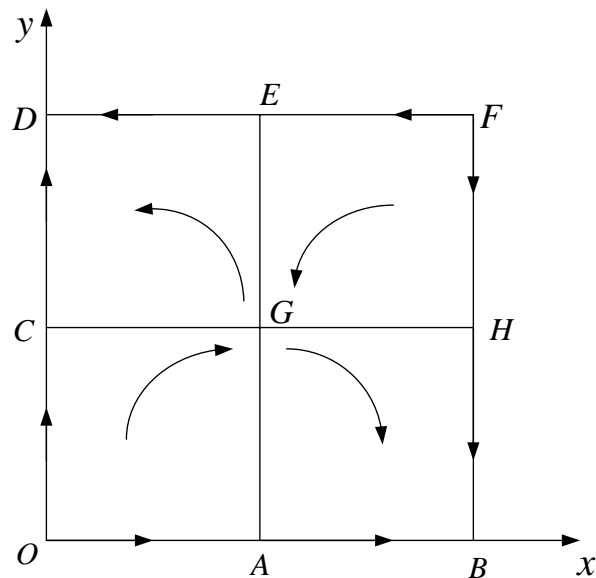
$$\begin{cases} a_1 x(t) \left(1 - \frac{x(t)}{K_{\max}^x}\right) (1 - b_1 y(t) + c_1 z(t)) = 0 \\ a_2 y(t) \left(1 - \frac{y(t)}{K_{\max}^y}\right) (1 - b_2 x(t) + c_2 z(t)) = 0 \end{cases}$$

The singular points of the equations are $O(0, 0)$, $A\left(\frac{1+c_2 z(t)}{b_2}, 0\right)$, $B(K_{\max}^x, 0)$, $C\left(0, \frac{1+c_1 z(t)}{b_1}\right)$, $D(0, K_{\max}^y)$, $E\left(\frac{1+c_2 z(t)}{b_2}, K_{\max}^y\right)$, $F(K_{\max}^x, K_{\max}^y)$, $G\left(\frac{1+c_2 z(t)}{b_2}, \frac{1+c_1 z(t)}{b_1}\right)$ and $H\left(K_{\max}^x, \frac{1+c_1 z(t)}{b_1}\right)$.

Following we will analyze the effect of heterogeneity knowledge level on the dynamic evolving process of knowledge system.

$$(1) \text{ When } \frac{1+c_2 z(t)}{b_2} < K_{\max}^x \text{ and } \frac{1+c_1 z(t)}{b_1} < K_{\max}^y, \text{ that is } z(t) < \min\left\{\frac{b_2 K_{\max}^x - 1}{c_2}, \frac{b_1 K_{\max}^y - 1}{c_1}\right\}.$$

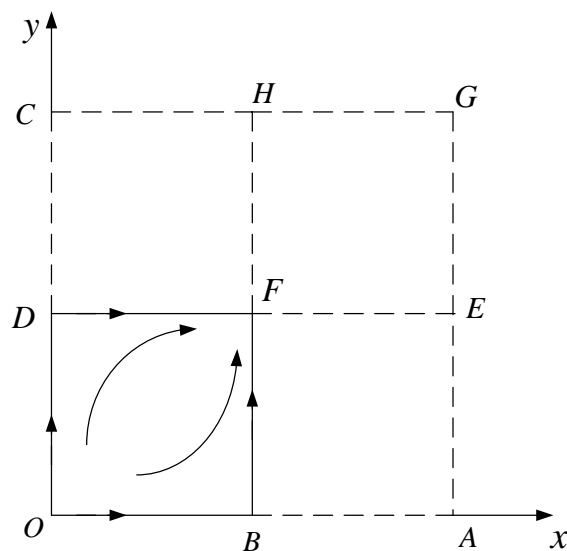
Figure1: The dynamic evolving process of knowledge system (case (1))



From the dynamic evolving process of knowledge system (Fig.1), we can derive that the stable points are B and D .

(2) When $\frac{1+c_2z(t)}{b_2} > K_{\max}^x$ and $\frac{1+c_1z(t)}{b_1} > K_{\max}^y$, that is $z(t) > \max\left\{\frac{b_2K_{\max}^x-1}{c_2}, \frac{b_1K_{\max}^y-1}{c_1}\right\}$.

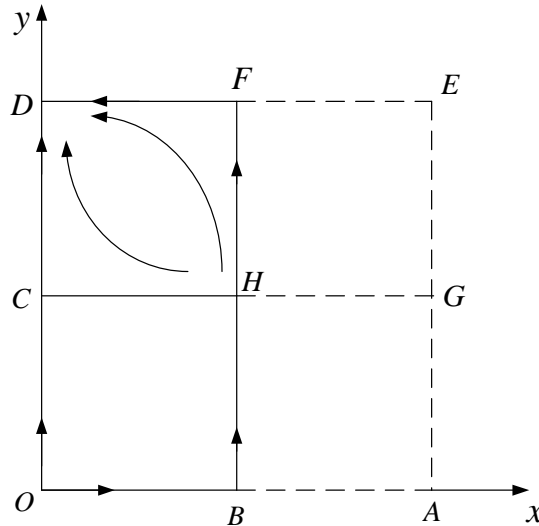
Figure2: The dynamic evolving process of knowledge system (case (2))



From the dynamic evolving process of knowledge system (Fig.2), we can derive that the stable point is F .

(3) When $\frac{1+c_2z(t)}{b_2} > K_{\max}^x$ and $\frac{1+c_1z(t)}{b_1} < K_{\max}^y$, that is $\frac{b_2K_{\max}^x-1}{c_2} < z(t) < \frac{b_1K_{\max}^y-1}{c_1}$.

Figure3: The dynamic evolving process of knowledge system (case (3))



From the dynamic evolving process of knowledge system (Fig.3), we can derive that the stable point is D .

(4) When $\frac{1+c_2z(t)}{b_2} < K_{\max}^x$ and $\frac{1+c_1z(t)}{b_1} > K_{\max}^y$, that is $\frac{b_1K_{\max}^y-1}{c_1} < z(t) < \frac{b_2K_{\max}^x-1}{c_2}$, similarly to case (3), the stable point is A .

THE CHANGE PROCESS AND NIL NETWORKS

Although the dynamic change process of knowledge-based enterprise is always under the co-evolution interaction of revolution force and stability force, people can not only through introducing new knowledge to change the enterprise's management style or strategy (Grieves 2000). To realize change, enterprise's behavior must be checked, the alternative plans will be verified, and the modified patters will be put into practice. To realize organizational revolution and evolution process, the enterprise need to conduct single loop learning to correct and enhance organizational capability and reconstruct double loop learning within the organization based on not changing the basic norms, policy and objectives of enterprise. And organizational learning effectiveness depends on all levels of staff and the interactions and mutual relations between them (Burke 1997). The main bodies between the organization's internal and external, formal and informal interactions and mutual relations construct the perception-strain-decision neural network with the property of optimizing or changing internal and external relations and interactions, and form immune network with the property of distributed autonomy meanwhile.

In order to support the evolution of revolutionary knowledge subsystem and form rapid and intuitive perception and reaction of external change, double loop learning manner is adopted to destruct stability in neural network which has the positive feedback process

characteristics. And in order to support the evolution of empirical knowledge subsystem and keep sustained and healthy development in stable region of evolution, single loop learning manner is adopted to strengthen the stability in immune network which has the negative feedback process characteristics. What is more, neural network and immune network commonly form learning network. The learning mechanism is determined by the synergy impact between single loop learning and double loop learning constantly to realize the collection, share, and integration of internal and external knowledge and generate dynamic knowledge system and core abilities for different stage of organization. Here we define such neural network, immune network and learning network formed during the process of organizational development as NIL networks for short.

At the same time, during the process of knowledge exploration and exploitation in neural network, immune network and learning network, the introduction of external new knowledge and increment of empirical knowledge will produce new interactive relationships and the change of the original connections of the organization, i.e., give rise to the change of structure of neural network, immune network and learning network. The dynamic change of knowledge system and the structure of NIL networks are concomitant.

THE MECHANISM OF DIFFERENT MODES OF ORGANIZATIONAL DEVELOPMENT

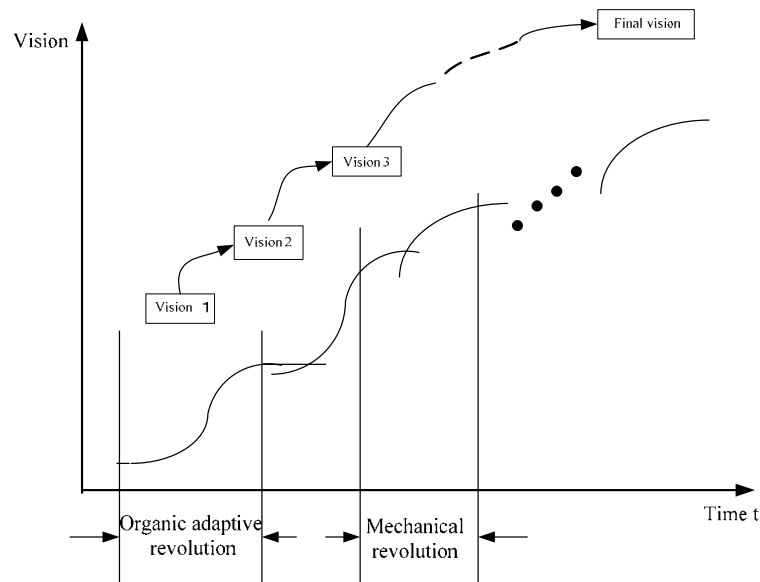
Based on knowledge system, the generation of change strategy in knowledge-based enterprise is determined by the mechanism of foreknowledge, referred as internal model, which is codetermined by organization structure, benefit structure, knowledge structure, subject of internal and external relations and ways of their interactions (John 1998). The internal model is the key to our basic standard, vision and behavior manner, and it also decides how to transform the perceptions of changes of external environment to the adjustment of its own NIL network structure. And the vision is the limit of time series of internal model in the knowledge-based enterprise. The internal model of the knowledge-based enterprise can be divided into explicit internal model and tacit internal model. Based on neural network, the explicit one is the prospective ability and mechanism organized by the effect of the revolution knowledge subsystem, while by assistant of the immune network, the tacit one is the predictive ability and mechanism organized by the effect of empirical knowledge subsystem.

Evolution and revolution are two ways of things development, and the essential difference between them is not the magnitude of the change rate, but whether there occurs new properties hereabout the change point. The change of the knowledge-based enterprise can be classified as evolution, mutation revolution and sliding revolution. The so-called evolution means invariant or minimal optimized changes of the internal model in the knowledge system. And with the domination of the empirical knowledge and the support of the immune network in the organization, the course of the evolution is realized through single loop learning. Meanwhile, revolution is a change process, which is driven by the external and internal innovative knowledge and characterized by changes of internal models and it is realized through double loop learning with the support of the neural network in the organization.

Revolution can be classified as mutation revolution and sliding revolution. Mutation revolution means discontinuous and saltatory changes in the internal model, while sliding revolution means the process of the continuous and non-saltatory changes in the internal model. The change process caused by evolution and mutation revolution has been defined as mechanical revolution mode, while the change process caused by evolution and sliding revolution has been defined as organic adaptive revolution mode. With the structure of the

sliding mode, the sliding movement should have good stability and dynamical quality. Different revolution modes during the change process of knowledge-based enterprise are shown in Fig.4.

Figure4: Different revolution modes of knowledge-based enterprise



PRACTICE IMPLICATIONS

Through the above analysis, knowledge-based enterprise can adopt some strategies and make use of some opportunities during the process of organizational development. Different strategies of knowledge change and different strategies of network change can be combined which will result in mutation revolution or sliding revolution and decide that whether the change mode is organic adaptive mode or mechanical mode.

Secondly, choosing suitable change opportunity is very important. Successful change should be happened at proper time with proper combinations. Proper knowledge change strategy and proper network change strategy should be organic matched. Otherwise if one hand is not matched, that will lead to failure of change.

Thus our proposed theoretical model and analysis can provide some suggestions or verifications during the change processes of knowledge-based enterprise in reality, such as the mode of Chrysler, Xerox Corporation, Haier and so on.

CONCLUSIONS

We have modeled the process of organizational development from the aspect of organizational knowledge system which is comprised by empirical knowledge subsystem and revolution knowledge subsystem. We define the essential difference of different change modes, consider the decision mechanism of different change modes, analyze the occurrence and feedback mechanism of different change modes, give the strategies and the opportunities during the process of organizational development, conclude the dynamics theory of driving different change modes and finally point out some practice implications. In a word, our efforts can explain the increasingly phenomenons of shorter life cycle, guide the behavior of knowledge-based enterprises, enrich the theory of organizational development and so on.

In further study, we will try to confirm our conclusions in practical knowledge-based enterprises and analyze the problem or the model in certain less restricted situations.

ACKNOWLEDGMENT

The authors acknowledge support from the funds provided by the National Natural Science Foundation of China (Grant No. 70571013, 70973017), Humanities and Social Sciences Planning Project of Ministry of Education (No.09YJA630020).

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