Managing Global Transitions

International Research Journal

EDITOR
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The Editor's Corner

The journal has achieved a wider – global readership in 2008. Additional efforts will be made to extend and improve our presence and recognition in the international academic arena in the future. I would like to extend my special thanks to the journal reviewers and the operational editorial team for their precious contributions to the development of the journal.

The journal continues focusing on the transition research and emphasizing openness to different research areas, topics, and methods, as well as international and interdisciplinary research nature of scholarly articles published in the journal. The current issue covers topics of the conflict in public and private sector organizations, changing preferences of states and societies, democratic governance, partnerships, and Euro currency adoption.

This issue (Vol. 6, No. 4) begins with a paper written by James M. Quirk, who presents a viewpoint on the changing preferences of states and societies, which may present impediments to globalization. In the second paper, Chris van Tonder, Werner Havenga and Jan Visagie investigate the causes of conflict in public and private sector organizations using data from South Africa. In the third paper, Matevž Tomšič and Mateja Rek study the role of civil society as a factor of European democratic governance. In the fourth paper, Michał Żemła investigates failures in building partnership for success in the competitive market by using the case of ski resorts in Poland. In the last – fifth paper, Helena Nemec Rudež and Štefan Bojnec examine the impacts of the Euro adoption on tourism in Slovenia.

Boštjan Antončič
Editor

Globalization at Risk: The Changing Preferences of States and Societies

James M. Quirk

After long, wide trends toward freer and more integrated markets, peoples and ideas, reluctance to subordinate the ideals of globalization to state interests shows signs of serious erosion. Recent examples include the breakdown of international institutions, the rise in state control over energy resources and their use as diplomatic leverage, and us abandonment of the principles of globalization. The sources of these changing preferences are both ideological and utilitarian. The result is that key elements of globalization are at risk, but with unpredictable consequences.

Key Words: political economy, globalization, international institutions, economic nationalism, resource nationalism, financial crisis
JEL *Classification:* F02, F13, F33, F52, G01

Introduction

At the end of the 20th century, the great debate between socialism and capitalism was judged largely to have been resolved in favor of markets, free trade and entrepreneurs over central planning, protectionism and state-led roles. The confluence of these 'victories' with the spread of democracy and great technological advances yielded a multi-faceted globalization of commerce, culture and even 'the end of history'. Liberalism seemed to have gone global, overtaking competing -isms in theory and in practice.

In the 1980s and 1990s, democratic and market reforms spread across Latin America, Eastern Europe, and parts of Africa and Asia. Great leaps in telecommunications increasingly connected these regions with the West and the rest of the world. Multilateral tariff negotiations expanded into a global organization of more than 150 countries bound to rules on goods, services, intellectual property, and dispute settlement. A détente-era forum for East-West issues became a 56-member organization to promote democratic, electoral, economic and human rights reform 'from Vancouver to Vladivostok'.[1] Between 1988 and 2007, the Nobel Peace Prize

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was awarded to eight organizations (including the United Nations) for worldwide humanitarian, nonproliferation, development and environmental efforts.

Rapidly, however, the promise of global peace and prosperity became challenged by terrorism, energy insecurity, faltering democratic movements and more. In this context, states and populations have more easily overlooked the open and cooperative ideals. Notable developments include the breakdown of international institutions, the rise of state control and diplomatic use of energy resources, and the us shift in priorities away from the basic ideals of globalization.

Alone, any of these might represent a normal 'blip' in international politics and economics. But considering new global economic and security concerns, emerging evidence of retreat from democracy in some countries (and continued lack of democratic development in others), and a rise in leaders' use of nationalism and populism to appeal to disquieted electorates, together they may augur an important and troubling trend. They may suggest political, economic and cultural indicators of a return to the centrality of states, and the willingness of governments and populations to put their state interests and identities first. A general acceptance of democracy and markets remains, but reluctance to subordinate those ideals to state interest shows signs of serious erosion. The question is whether all this amounts merely to a cacophony of cries from insecure workers, voters and leaders, or to an inchoate orchestral movement away from global liberalism. This article serves in part as a call for investigations, qualitative and quantitative alike, into these trends. Such inquiry would serve scholarly, policy and commercial interests.

First, this article highlights some of the classic and emerging literature on the changing nature of states and the state system during globalization. Second, it considers evidence of three potential trends: the breakdown of international institutions, the rise of state control and diplomatic use of energy resources, and the abandonment of the principles of globalization by the United States. Next, it evaluates two sources of these changes in preferences by states and societies: ideological shift and pragmatism. Finally, the article offers avenues of inquiry for further investigation, in search of corroborating or contradictory evidence and more informed scholarship and policy-making.

One caveat. The goal of the article is neither to mourn nor celebrate a possible decline of globalization. Some people focus on the economic, cultural and other costs of globalization – a rich and important area

of study. But this analysis examines threats to generally beneficial aspects of globalization such as the expansion of democracy and human rights, greater international cooperation, and the benefits of integrated and market-oriented economies. The purpose here is to recognize ongoing changes, to understand the sources of such changes, and to be aware of their implications. In these ways, policy makers, scholars, business and citizens can prepare for, ameliorate or even benefit from the effects of such changes.

Challenges to States and the International System

The shift away from the generations-old movement of freer and more integrated markets, people and ideas, and from the acceleration and intensification of it known as globalization, takes place within a context of a longer discussion of the challenges to the primacy of states and of competing descriptions of the global system.

Among the seminal ideas on the decline of the pre-eminence of the state is Keohane and Nye's (1977) 'complex interdependence', in which states were joined by non-state actors as legitimate contenders for power and influence in the international system. Albert Bressand (1983) warned of threats to the 'worldeconomy' [sic] even before globalization bloomed. Later, Susan Strange (1995) explored the expanded role of non-state actors in the global economy, including organized crime, multinational corporations and inter-governmental organizations. Moses Naim (2005) judged that the proliferation of micropowers – like bloggers, hedge funds, human traffickers (and suicide terrorists (Pape 2006)) – created a hyper-polar system.

The development of states themselves also came under increasing scrutiny. In an era widely perceived as a global 'wave' of democratization (Huntington 1991), the reality was more complex. Terry Lynn Karl (1995) identified 'hybrid regimes' that combined authoritarian and democratic practices. Guillermo O'Donnell (1996) observed difficulties in 'consolidating' new regimes as democratic. Larry Diamond (2000) warned of a 'reverse wave', signaling the end and ebb of the current era of democratization. Robert Rothberg (2003) and others drew attention to failed and failing states, while James Dobbins (2007; 2008) and others detailed the difficulties of nation-building.

States and other actors also faced a changing operational environment. Jessica Mathews (1997) discussed the shift of powers from the state to supra-, sub- and non-state actors. Anne-Marie Slaughter (1997) de-

scribed states as transferring some of their regulating duties to transgovernmental organizations. Joseph Stiglitz (2002) acknowledged some of the shortcomings of international institutions, while David Held (2004) offered a social democratic alternative to the markets-first globalization. Jorg Friedrichs (2001) and John Rapley (2006) offered a 'new medievalism' in which overlapping authorities and multiple loyalties are stronger than states. Henry Kissinger (2001) was critical of those seeking without due care to replace Westphalia's sovereignty and non-interference with humanitarian intervention and universal jurisdiction. Peregrine Worsthorne (1991) and Hubert Vedrine (1998) called the us a 'hyperpower'. But Andrew Bacevich (2005a; 2005b), Chalmers Johnson (2004; 2006) and others warned of the consequences of American empire, while Thomas Friedman (2005) and Fareed Zakaria (2008) described a 'flat', 'post-American' world. More broadly, Niall Ferguson (2005) noted an emerging resemblance to the global conditions that contributed to World War I, reminiscent of Norman Angell's (1909) warnings from that earlier era of globalization.

The international system was indeed evolving – 'global' was necessary to replace 'international' to reflect the rising role of non-state actors. But states and state interests did not disappear. It was national electorates that defeated EU restructurings. Governments defending national interests stalled trade negotiations, and responded with 'unprecedented measures' (Paulson 2008) to the financial crisis in 2008. It was national governments that increasingly took state control over energy sectors and used those resources in aggressive diplomacy. And it was us government policy, with broad popular support (at least for a while) which shifted from post-Cold War idealism to realism and from focusing on the benefits of globalization to focusing on its risks. The question is not whether strong states and globalization can co-exist, but whether state and societal tendencies are increasingly parochial or integrating. The changing preferences of states and societies is *away* from the principles of globalization.

The Changing Preferences of States and Societies

The postwar progress toward freer markets, people and ideas, which accelerated and globalized after the end of the Cold War, has come under increasing pressure. This can be illustrated by looking at three evolving trends: breakdowns in international institutions, increased state control and diplomatic use of energy resources, and considerable retraction

from globalization ideals by its prime mover and struggling hegemon.

BREAKDOWN OF INTERNATIONAL INSTITUTIONS

Key international organizations of the post-World War II era faced abrupt decelerations in the post-post-Cold War era. First, the proposed restructuring of the European Union stalled after being rejected by popular referendums in spring 2005 and summer 2008. Second, the Doha Development Round of the World Trade Organization talks broke down in June 2006, with little prospect for recovery. Third, the World Bank and International Monetary Fund (IMF) confronted a range of emerging challenges and criticism. Finally, the 2008 global financial crisis tested the world's leading economies, with governments responding in ways fundamentally opposite of market-based solutions.

Shaping the Future of Europe

The European Union (EU) traces its origins to postwar European efforts at economic reconstruction and political cooperation. After the Cold War, the pace of 'widening' (more member states) and 'deepening' (more integration) accelerated. It added Austria, Finland and Sweden in 1995, ten more states (several formerly of the Soviet bloc) in 2004, and Bulgaria and Romania in 2007. The areas of EU governance expanded from economic and trade topics to social, justice and foreign policy areas and the establishment of a common currency.

To manage the larger number of members and issues, a treaty establishing a constitution for Europe was developed. But in May and June 2005, popular referendums in France and the Netherlands rejected the new constitution, and polls indicated that voters in the United Kingdom and Poland might do the same. In France and the Netherlands, the main political parties supported ratification (as did UK prime minister, Tony Blair), but substantial elements across the population (55 and 61 percent, respectively) did not.[2] Of the 15 nations that ratified, only Spain (before France and the Netherlands) and Luxembourg (after) did so by referendum.

Support for 'no' to the constitution was found on both the political left and right. Issues ranged from concerns over the economy to dissatisfaction with the political parties, but also anti-immigration fervor, a 'general crisis in French society', and a sense of distance from the institution(s) of the EU itself.[3] (For context, the Maastricht treaty of 1992 also had early difficulties. Denmark and the UK eventually got special 'opt

out' provisions.) Today, a new governing structure remains necessary to manage 27 members of diverse geographic, economic, cultural and ethnic backgrounds and interests, including the debate over whether to admit Turkey.

In the wake of the failed constitution, EU members' leaders agreed to the Treaty of Lisbon in December 2007, with the goal of ratification by all 27 member states by the end of 2008. All national governments except Ireland put the decision-making in the hands of their parliaments. The Irish, entitled to a referendum by their own constitution, rejected the treaty in June 2008. As in France and the Netherlands, most of Ireland's political, business and labor leadership supported the treaty, but for a wide range of reasons (including insufficient understanding and protecting Irish identity), the majority of voters did not.[4]

This is not to suggest that EU integration was the same as globalization, or necessary for it. Rather, the ideas driving EU integration were dominant elsewhere during the era of globalization, while the questions facing the EU now are contemporary with and related to broader questions of global integration.

WTO-*Doha*

Like the EU, the World Trade Organization (WTO) has roots in the postwar era. Twenty-three countries founded an international trade regime January 1, 1948, the General Agreement on Tariffs and Trade (GATT). GATT rounds over the next four decades removed a wide range of tariff and non-tariff barriers and introduced a general principle of 'most-favored nation' status among the treaty's increasing number of signatories. By 1986, 125 countries began the Uruguay Round, which sought to develop GATT into a permanent institution, the WTO, which was established in 1995.[5]

Subsequent efforts at expanding the trade regime have been difficult.[6] The 'Seattle Round' was scuttled in the face of anti-globalization protests in 1999. WTO members tried again at a more secure location, Doha, Qatar, in 2001. It was to focus on development, not just trade facilitation. The difficulties of the Doha Round took shape by the time of the Cancun meeting in 2003. A group of developing nations (dubbed the G-20, with approximately that number of member states) contested US and EU agricultural policies on subsidies and market access, while developing nations were resistant to further opening of their markets to rich-country manufactured goods. When talks in Geneva broke down

in July 2006, many observers considered the Doha Round to be unsalvageable, since US law permitting 'fast-track' consideration of any trade bill (that is, without Congressional amendments) was set to expire, and did, in June 2007. Doha Round negotiations were restarted in Potsdam in 2007 and Geneva in 2008, but collapsed each time on the agricultural and market-access details.

World Bank and IMF

The principle international financial institutions are also under increasing pressure. The efforts of the World Bank and IMF came under a range of criticisms, including by at least two Nobel economists (Krugman 1999; Stiglitz 2002; 2006; Easterly 2001; 2006; Collier 2007). The IMF also strained under internal, conceptual questions. Its post-1989 'Washington Consensus' reform package was criticized as 'neo-liberal', blamed for financial crises and judged generally harmful to implementing countries. It was finally abandoned by its originators as the 'stale ideological rhetoric of the 1990s' (Williamson 2003).[7] The World Bank and IMF were also distracted when the controversial World Bank president Paul Wolfowitz (in 2007) and IMF managing director Dominique Strauss-Kahn (in 2008) faced personal personnel scandals.

The World Bank and IMF also faced new competition. Facing enormous demand for energy and other natural resources, China increasingly uses the vast resources of its government-owned China Development Bank to make loans to developing countries, to secure access for Chinese companies to the borrowers' natural resources.[8] China makes these and other deals without the human rights, social and environmental conditions imposed by the IMF and World Bank (IMF and World Bank 2006).

During the 2008 financial crisis, the entire postwar structure was questioned. IMF's Dominique Strauss-Kahn acknowledged that, 'It is necessary to review the functioning of the architecture of the global financial system.'[9] British prime minister Gordon Brown and French President Nicholas Sarkozy were among those who called for a 'new Bretton Woods [...] to rebuild our fractured international financial system' (Brown 2008).

Wall Street

From 2007 through 2008, the bursting of the American housing bubble, the implications for the highly leveraged mortgage-related financial instruments and the subsequent credit crisis among major investment

banks developed into a global financial crisis. Stock markets plummeted in Russia, Europe, North America and East Asia, with fears of a long recession. The responses to the crisis revealed at least two things: strong, activist governments and dramatic changes in policy assumptions.

First, the response to the crisis demonstrated that free-market, democratic governments in the most advanced economies could be strong, willing actors in an effort to prevent a crisis from becoming a catastrophe. us Treasury Secretary Paulson – dubbed 'King Henry' – was the key figure in the government's series of steps that included vast increases in authority for the Treasury and the Federal Reserve Bank. Through October 2008, these included arranging the sale, bailout, failure, or restructuring of the major investment banks; supporting the federal takeover of the giant us firms of the secondary mortgage market; temporarily banning short-selling; increasing the size and scope of the federal guarantee on bank deposits; orchestrating the government's right to purchase up to $700 billion of distressed assets; and issuing a plan to partially nationalize a number of us banks, with the Treasury purchasing $250 billion in shares and imposing new restrictions (Cho, Irwin, and Whoriskey 2008). Purchasing shares in insurers soon followed.

European banks were similarly engaged with plans that came to include loan and deposits guarantees and governments' direct purchase of bank shares. But some considered cooperation among the major countries to be slow in coming: 'Germany shattered any semblance of European unity on the global credit crisis last night' (Boyes 2008) read one report, after an unsuccessful Paris summit and unilateral efforts by Greece, Ireland, Denmark. As Iceland's banking system neared collapse, and failing to gather support from its Western allies, the prime minister complained that it was 'every country for itself', and turned to Russia for a loan (Mason 2008).

Second, the response to the crisis demonstrated a fundamental change among the governments of wealthy countries. Over the last three decades, these countries generally had switched from mid-century Keynesian-FDR interventionist policies toward Hayek-Thatcher-Reagan market-led policies. Politicians, scholars and the media all made headlines, such as 'Necessity pushes out principles' (Beattie 2008), 'Undertakers deliver last rites for us capitalism' (Guha 2008) and 'We're all socialists now.'[10] The American electorate slowed down Congressional approval of the original $700 billion plan – at least partly on ideological grounds – but seemed to concede in the face of rapidly declining retirement accounts and countless media references to the Great Depression. Secretary Paulson (2008)

acknowledged that, 'Government owning a stake in any private us company is objectionable to most Americans, me included.' Plans to nationalize private pension funds, as announced in Argentina, were received by prominent Democrats in Congress.[11] As Paul Krugman pointed out early in the crisis, 'Much of Washington appears to have decided that government isn't the problem, it's the solution.' (Krugman 2008.) Even Alan Greenspan (2008) confessed that in his trust in markets over regulation, 'I made a mistake.'

Whether this change is temporary or long-term remains to be seen. But if government efforts at saving the markets are perceived to fail, both the government and the markets will be criticized. If the interventions are perceived to work, markets may still be seen as a problem, and government as a solution.

The problems of the eu, wto, imf and World Bank, and the Western financial sector are important for at least two reasons. First, they identify that populations and governments in both the developed and developing regions have large concerns over the future direction and extent of markets and integration. Second, they mark significant pauses – or perhaps breaks – in a general trends in the West since the end of World War ii and globally since the end of the Cold War.

The breakdown of international institutions also may mark potential inroads for certain rising powers whose strengths lie in Western reliance on imported energy and whose commitments are not to democratic, human rights or market-oriented globalization. Ayatollah Ali Khamenei, Iran's supreme leader, claimed that the Marxist and capitalist models have failed, proving the Islamic model's superiority.[12] Venezuela's socialist president, Hugo Chavez, noted that in the face of crisis the West abandoned its free-markets model in favor of socialist policies.[13]

ENERGY: STATE CONTROL AND DIPLOMATIC LEVERAGE

Energy-exporting countries have begun to reassert the role of the state in their energy sectors, and are increasingly using their natural resources for diplomatic leverage. Concern about 'resource nationalism' in states like Russia, Iran and Venezuela is based on emerging diplomatic trends, including relations among these non-democratic energy exporters, and deteriorating relations between energy exporters and importers.

Russia

Russia headlines a discussion on energy diplomacy. It temporarily halted gas supply to Ukraine in 2006, reduced oil supplies to the Czech Repub-

lic after a 2008 us-Czech deal on antiballistic missile systems, and had extended and ultimately hostile disagreements with Georgia. Europe became increasingly worried about its own reliance on Russian energy.

Russia continues to enlarge state control over the energy sector, including the state takeovers of Yukos (beginning in 2003) and Sibneft (2005). By 2006, a new tactic emerged: Russian officials threatened foreign oil and gas investors in the name of environmentalism. The Shell (with partners Mitsui and Mitsubishi) oil and gas project, Sakhalin-2, and the Russo-Anglo TNK-BP deal in Siberia each became targets, with state-owned Gazprom as the beneficiary. In 2007, the French oil company Total was limited to a minority stake in a partnership with Gazprom for Arctic development.[14]

More generally, Russia's relations with the West cooled. In 2006, it received a scolding on energy and democracy from us vice president Dick Cheney in Vilnius, was again denied membership in the WTO, and made deals to provide arms to the anti-American regime in Venezuela. An EU pipeline deal with Kazakhstan avoiding Russian territory was completed, and questions were raised over Russia-Algeria cooperation over gas supplies to Europe. An OECD report (2006) criticized the expansion of Gazprom and Russian policies. In July 2007 Putin announced a moratorium on Russia's compliance with the 1990 Conventional Forces in Europe (CFE) treaty. In August 2007, Russia planted a flag on the Arctic seabed near the North Pole, symbolically claiming its potential resources. Russia has also begun strengthening ties with China and Central Asia in the Shanghai Cooperation Organization, a nascent military and/or energy alliance (Gat 2007). The war in Georgia in August 2008, and Russian recognition of independence for two Georgian regions, marked a new post-Cold War low point. Late in 2008, Russia and Iran (and Qatar) discussed creating a natural gas cartel. Advice from a former prime minister of Ukraine was foreboding: the West must 'counter Russia's longstanding expansionism and its present desire to recapture its great-power status at the expense of its neighbors' (Tymoshenko 2007).

Iran

Iran has the world's second largest reserves of oil and of gas, already dominated by the state. The government relies heavily on its state-owned energy sector: oil provides 85 percent of the government's revenues.[15] Despite higher global energy prices, Iran continued to struggle domestically with inflation, unemployment and production capacity limits, and in

July 2007 imposed gasoline rations on its citizens.[16] Nevertheless, higher global energy prices have enabled Iran to assert a more aggressive foreign policy.

Iranian President Mahmoud Ahmadinejad has attracted considerable negative attention for his Holocaust denials and threats to the existence of Israel. But concerns over Iran's foreign policies are also more fundamental, rooted in the dominance of Ali Khamenei, supreme leader since 1989 (Ganji 2008). His Iran has a two-pronged foreign policy of concern. First is ordinary regional contests: its support of Hamas, Hezbollah and certain Shiite militias in Iraq, pursuing its interests against Israel, the United States and Shia-Sunni cooperation in Iraq.

Second is the dispute over Iran's nuclear power program, and its alleged pursuit of nuclear weapons. A nuclear Iran could endanger Israel and its neighbors, and cause a regional arms race. If the international community were to increase sanctions for nuclear non-compliance, Iran might temporarily limit oil exports, or complicate passage of ships through the Straits of Hormuz,[17] resulting in a global price spike without resolving the issue. If the us or Israel were to attack suspected nuclear technology sites in Iran, any of a number of options might develop, from civil unrest to regional war – all threatening global oil supplies. Russia's military ties with Iran, its assistance with the development of Iran's civilian nuclear power, reports of a Russian scientist providing nuclear weapons assistance, and mutual interest in countering American strength in the region raise questions about their nuclear relationship (Scolino 2008).

Venezuela

Venezuela's president Hugo Chavez attempts to be a connection between these various energy issues and new allies. Energy provided over 90 percent of export revenues and more than half of the government's revenues.[18] Despite domestic electricity problems,[19] the increases in revenue from sharp oil price increases had a directly emboldening effect on Venezuelan foreign policy. In a 2006 world tour, Chavez secured an arms deal with Russia, warned against us military action in Iran and sought Iranian investment, praised Castro beside his hospital bed, entered the Mercosur trade pact, secured China as an oil market and investor, and cultivated allies in Africa, Syria, Belarus and elsewhere on energy or anti-American issues. Military purchases included Russian attack helicopters, fighters and submarines, Belarussian air defense sys-

tems, and Chinese jet trainers. After winning re-election in December 2006, Chavez announced the closing of RCTV television channel, gained authority from the National Assembly to rule by decree, moved to nationalize the telecommunications, electricity, gold and energy sectors (at considerable expense to foreign firms), and pledged to leave the IMF and World Bank. Chavez seeks a leadership role and increased cooperation among Latin American countries, including Argentina, Bolivia, Columbia, Ecuador and Uruguay.

These countries in turn followed Venezuela's example in reasserting state control over private assets. Argentina claimed to be defending its natural resources when it announced plans to expropriate large foreign-owned tracts of land, despite the owners' claims that they themselves are protecting the land as environmental philanthropists (Mander 2006). Bolivia's new populist leader and Chavez ally, Evo Morales, made claims on foreign companies' natural gas production. Ecuador nationalized the assets of US-based Occidental Petroleum. Mexico, meanwhile, continued to prohibit foreign investment in its national oil company, Pemex. A lack of energy infrastructure improvements risks the future of Mexico's largest source of income and the US's second-largest oil supplier. [20]

Together, these major energy-supplying countries (and some minor ones) are committed to interests other than full participation in a global economy, accepting certain costs or even dangers in exchange for short-term interests of the regime. But at the same time, the 800-pound globalization gorilla also began acting in some nationalist, protectionist ways.

UNITED STATES: ABANDONING GLOBALIZATION?

The Cold War victory fueled an American surge of faith in democratic values, and expanded confidence in those values as universal. In the 1980s, the American leadership shifted from containing communism to defeating it, intent on spreading the political, economic and security benefits it expected would follow (Reagan 1984; 1987; Bush 1989; 1992). In the 'unipolar moment' (Krauthammer 1990/1991) after the Soviet collapse, the US saw an opportunity to promote global leadership. The Clinton administration often (albeit not exclusively nor perfectly) sought to exercise this global leadership multilaterally, focused on democratic values and institutions, market-oriented economies and human rights. Democracy promotion was in part pragmatic, with bipartisan belief in the practical wisdom of expanding the 'democratic peace' (Baker 1992; Christopher 1993) and in blending realism and idealism (Krautham-

mer 1990/1991; Brzezinski 1997; Clinton 2000). More importantly, it elevated American idealism as a foreign policy tool and goal – a misunderstood version of 'the end of history' and a globalized sense of 'shining city on a hill'. The US military was employed in peacekeeping and nation-building in Somalia, Haiti, Bosnia, Kosovo and elsewhere. The democracy-promoting OSCE expanded to reach 'from Vancouver to Vladivostok'. Free trade and greater integration was promoted with the development of NAFTA and the WTO; similar agendas were advanced in the EU, ASEAN and Mercosur. The virtues of democracy, privatization and the freer flow of goods and capital were promoted to post-Communist transitioning countries, Latin America, East Asia and IMF borrowers.

Policy changes from the Cold War worldview were implemented at the administrative level as well. The US diplomatic corps made several changes reflecting and directing the nature of globalization (Talbott 1997). The Foreign Service Institute required a new course on transnational issues like narcotics trafficking and refugee flows. Many more US government employees from departments of Justice, Transportation, Treasury and Health and Human Services were staffing embassies, and working with multinational and non-governmental groups, not just bilateral relations. In postwar Bosnia, for example, 'nine agencies and departments of the US government are cooperating with more than a dozen other governments, seven international organizations, and 13 major NGOs – from the Red Cross to the International Crisis Group to the American Bar Association – to implement the Dayton Peace Accords.'[21]

The terrorist attacks on September 11, 2001, fueled at least two dramatic developments in US policy and sentiment away from these trends in globalization. The first was a reversion from idealism and multilateralism to realism and unilateralism, accelerating a trend that began even before the attacks. The second was a shift from emphasizing the benefits of globalization to focusing on its dangers. It manifested this shift with a more militarized foreign policy, rising nationalism, economic protectionism, and a state-led response to the 2008 financial crisis.

Return to Realism

US reversion to realism and unilateralism predated the 2001 attacks themselves. William Safire (1999a; 1999b) described this in the *New York Times* early in the nomination process, and Condoleezza Rice (2000) was an unabashed realist when she was Candidate Bush's key foreign policy

advisor. In the first months of the George W. Bush administration, the us abandoned the 1972 anti-ballistic missile treaty, the environmental approaches outlined in the Kyoto Protocol, and a standing international war crimes tribunal.

After the terror attacks, the obvious state-level action was the dislodgement of the Taliban government in Afghanistan. In October 2001, 89 percent of Americans approved of President Bush's handling of the situation – and 81 percent supported an attack on Saddam Hussein.[22] The White House and the American people had shifted from globally-interested, post-Westphalian humanitarian intervention and peacekeeping to self-preserving regime change and pre-emptive war.

Militarizing Foreign Policy

Changes in language and perspective reinforced the new attention to military problems and solutions.[23] Terrorism was no longer considered a law enforcement problem, but an act of war. President Bush declared a 'global war on terror', targeted al Qaeda as following 'in the path of fascism, and Nazism, and totalitarianism',[24] and warned of Iran, Iraq and North Korea as the 'axis of evil'. [25] In a strange combination of themes from former us Presidents Wilson, Truman, Reagan and Clinton, Iraq was targeted not only for possible weapons of mass destruction, but also as the cornerstone for democratic change in the Middle East. From Candidate Bush, who opposed nation-building, evolved the president of pre-emption, regime change, and coercive democratization. Rice was judged to have evolved in this same direction (Kessler 2007).

These changes were formalized in the 2002 National Security Strategy.[26] Its themes included 'preserve, defend and extend the peace' and justifying pre-emption as part of the war on terror. These echoed themes of the 1992 Defense Planning Guidance – unipolarity, unilateralism, pre-emption – drafted by persons who became top Bush administration officials in 2001.[27] America's 'gravest danger', warned the 2002 nss, is the 'global reach' of terrorists at the 'crossroads of radicalism and technology'. The theme continued in the 2006 National Security Strategy, with reference to illicit arms and wmd trade: 'Globalization has exposed us to new challenges and changed the way old challenges touch our interests and values.'[28]

Nationalism

In addition to Bush's more assertive military posture, questions combin-

ing cultural exceptionalism, national security and economic protectionism emerged on two fronts: a new East-West debate (between Islam and the (Christian or secular) West), and a battle over immigration.

The first was related directly to the September 11, 2001, attacks. Bush acknowledged that Americans were asking themselves, Why do they hate us?, and offered his answer: 'They hate our freedoms – our freedom of religion, our freedom of speech, our freedom to vote and assemble and disagree with each other.'[29] A variety of efforts to answer this question were undertaken in the subsequent years, with results ranging from Bush's presumably careless use of the word 'crusade' and a commitment to changing the political culture and structure of the Middle East, to a myriad of new university, think-tank, NGO, television and other 'understanding Islam' and 'Islam and the West' programs.

If Americans struggled with comprehending this 'clash of civilizations' (Huntington 1993), they knew an older one – immigration – very well. During the second Bush administration, the American public increasingly clamored for stricter immigration enforcement.[30] Polls from early 2005 through mid-2006 consistently showed that 77 percent of respondents said the US was 'not doing enough to keep illegal immigrants out of the country'. Polls in 2006 and 2007 found support for using the National Guard and 'building a fence' to help secure the southern US border against illegal immigrants exceeded 60 percent. Seventy percent believed that illegal immigrants weaken the economy, while nearly 90 percent thought the problems of illegal immigration were 'very serious' (between 59 and 62 percent) or 'serious' (between 25 and 30 percent). In Europe, polls also showed overwhelming support for stricter border control and widespread views that illegal immigration was a problem.[31]

Reasons for these views varied. Some cited economic issues such as taking American jobs and the costs to local governments for health care and education.[32] Some claimed a rule-of-law righteousness, arguing that 'my grandparents/my spouse/I came legally' and complaining about the 'catch and release' law enforcement. Cultural protectionists like Huntington (2004) questioned whether new immigrants had the appropriate interest in and ability for 'assimilation'. The national security-minded warned against the ease with which terrorists could cross the border; this last group often noted the vulnerability of our ports as well. These viewpoints coalesced in response to President Bush's 2007 immigration reform proposal, which was branded as 'amnesty' for providing a path to citizenship for illegal immigrants.

Economic Protectionism

In some ways, security, cultural and economic dynamics were mutually reinforcing. Unlike the usual topics of tariffs and subsidies monitored by special interest groups, two cases of foreign direct investment became topics of fierce public debate: the purchase of a us oil company by China, and the transfer of several us port operations to the United Arab Emirates.

In the summer of 2005, cnooc, an oil firm owned 70 percent by the government of China, made a bid to purchase Unocal in the us. What emerged was a 'potent informal political alliance between pragmatic security hawks and the opponents of free trade' (Hassett 2005). After considerable pressure from its constituents, Congressional (but not White House) opposition pressured cnooc to withdraw its bid, and Unocal was acquired by Chevron, a us company.

In early 2006, us legislators again joined popular objection to an international corporate deal. By purchasing a publicly-traded British company, the uae's state-owned dp World would take over operations at several us ports. Under public pressure, key leaders of both parties in both houses of Congress worked to block the deal, while President Bush publicly asked, 'I don't understand why it's ok for a British company to operate our ports but not a company from the Middle East.'[33] A deal for dp World to sell its us port operations to American-owned aig Global Investment Group was announced in December 2006. (Foreign takeovers of 'national security' assets were also resisted even among fellow eu members. In 2006, France opposed a bid from metals giant Mittal, headed by a London-based Indian, for Luxembourg-based Arcelor; Italy opposed a takeover of its toll-road operator by a Spanish firm; and Spain opposed the merger of Endesa by the German energy firm, E.On.)

2008 Financial Crisis

As described above, the responses to the 2008 financial crisis by us and European governments were state-centric, with bailouts, arranged deals, new financial guarantees, and the partial nationalization of banks orchestrated by self-empowering finance ministers, central bankers and heads of state. This varied considerably from the imf prescriptions for troubled economies in the 1990s, which usually called for fiscal responsibility and market-oriented reforms. During the 1990s, Sweden and Japan took critical actions, the us supported Mexico and Long-Term Capital Management, and the imf supported a spiraling Russia. But the govern-

ment roles in the 2008 crisis were historic in scope, dollar amount, and philosophy.

It is noteworthy that in the us, the White House did not share the opinion of many of its usual supporters on DP World and immigration; the protectionism was led by constituents, especially among the president's conservative base. Elsewhere, the president generated criticism for unilateralism and protectionism. Meanwhile, Democratic voters became frustrated with their own Congressional leadership for failing to deliver on pledges of troop withdrawals from Iraq. The judiciary was not exempt: the public demanded state and local responses to a 2005 us Supreme Court decision expanding the government's right to seize private property for re-development.[34] A disconnect between governments and their publics is seen in Europe too: the governments typically supported the new governing treaties, but the French, Dutch and Irish voters rejected them, and others might have. In the energy states, though, the state (even if that means a particular ruler) has led the policies. Putin and Chavez are criticized as increasingly authoritarian, while some see a swing to the populist, nationalist, or socialist left in Latin America.[35]

Academics, politicians and voters are not the only ones struggling to understand these changes and conflicts. International business leaders, long at the vanguard of globalization, 'are being trapped by the uneven landscape of sovereign protectionism' and 'national parochialism' among mature democracies (Hamre 2007). That is, the diminishing reluctance to subordinate the principles of globalization to parochial interests comes from voters and regimes of different political philosophies in various parts of the world, affecting people, governments and business.

The Sources of Changing Preferences

The changing preferences of states and societies that are manifesting themselves as the breakdown of international institutions, the increased politicization of oil and the wavering of us commitment to globalization have at least two underlying sources. The first is philosophical – an ideological shift. The second is pragmatic, reflecting changing assessments of the utility of existing policies and structures.

Philosophical Changes

The post-Cold War era, which lasted perhaps a decade, was filled with hope, expectations and promises of idealism trumping realism. Human

rights, free trade, a global democratic peace, and the end of history would replace oppression, protectionism, nationalism, balance of power and ideological struggles. The ideals of intervention in Bosnia, Cambodia, East Timor, Eastern Slavonia, El Salvador, Haiti, Kosovo, Mozambique, Namibia, Sierra Leone, Somalia and elsewhere were to promote the human condition over and despite the political realities of the preceding decades and centuries.

Even before September 11, 2001, though, the ideological return of realism was underway. George W. Bush's top foreign policy advisor (Rice 2000) promised a realist Weltanschauung. The administration's prominent neo-conservatives such as Wolfowitz and Cheney sought to advance American hegemony and self-interest, rather than any multilateral confluence of global ideals. After the 2001 terrorist attacks, the American public gave wide latitude to the administration, at home and abroad, in the interest of national security (Casey 2008; Giuora 2008). Support for war against Afghanistan was nearly universal; a seemingly easy victory there made expanding this militarization of foreign policy to Iraq easier. This ideological position was joined by much of the American public in fear of the 'new normal', and spread to opposition to previously obscure foreign direct investment and immigration issues.

Putin and Chavez were likewise motivated by ideology, although in some different ways. Yeltsin's handpicked successor did not focus on the skillful repair and advancement of Russia's broken democratic and market 'reforms'. Rather, Putin sought to meet Russians' desperate hunger for order, stability and a return of national prestige. The economic collapse, the rise of the oligarchs, the struggle with Chechnya, the military's internal troubles, and the loss of super-power status – Putin was charged with rectifying these, not strengthening civil society and human rights law. Putin took on these challenges with his own personal and political strength, enabled and emboldened by the growing price of oil.

Latin America became increasingly democratic in the 1980s and 1990s. But in Chavez, Venezuela elected a former military coup leader committed to a Bolivarian social revolution, promoting social welfare, reining in the private sector, and combating the prevailing international power structure. Arguably, these views were not merely politically expedient but sincere and long-held (Chavez 2005; Guevara 2005). Surviving a coup attempt in 2002 and a recall vote in 2004, Chavez leveraged rising oil prices into globalizing his Bolivarian agenda, combating international power arrangements (particularly us hegemony), positioning himself as the ail-

ing Fidel Castro's philosophical heir, and asserting regional leadership and a global role for Venezuela.

In Iran, the clerical/political leadership's conservatism resisted prospective reforms under President Khatami. Bordered east and west by us military occupation (and potentially democratizing regimes) in Afghanistan and Iraq, Iran did not choose some fantastical democratization reform of its own. Instead, it advanced policies to keep the elites in power and to develop regional hegemony: persisting with its nuclear program, bombast against Israel, and support of anti-Western Hamas, Hezbollah and certain Iraqi Shiite factions. Meanwhile, Russia, Venezuela and Iran cooperated in military, economic and diplomatic matters, in what the London *Times* called the 'axis of diesel'.[36]

New Pragmatism

Understanding ideological trends in countries – returning to 'normal' or 'historical' patterns of state-centered, self-interested, power-seeking realism rather than post-Westphalian, Kantian, liberal global idealism – is an important but incomplete approach to recognizing the threats to globalization. The trends in the United States, in the newly assertive oil powers, and especially the breakdown of international institutions also need to be understood within a more tangible context: pragmatic decisions about utility.

Institutions are created and maintained not merely for what they symbolize, or what they are said to 'mean', but for mutual practical advantage. The League of Nations had invaluable aims, but could not deliver; the United Nations and its many agencies were created in its wake for particular tasks. The postwar European Recovery Program was founded, implemented and concluded. Interpol, opec, fifa and the Shanghai Cooperation Organization had various founders for various reasons; each evolves subject to the changing needs, perceptions and abilities of its members. In the early 2000s, it is this same pragmatism about utility that threatens several key international institutions – structures that were established after World War ii, expanded after the Cold War and served as foundations of globalization.

The 'democratic deficit', accountability, bureaucracy and other problems of the European Union have been well chronicled (Ross 1995; Siedentop 2001; Lord 2004). But the 'no' votes in France, the Netherlands and Ireland were accumulations of particular concerns more than larger philosophical debates. At the time of referendums, there were

uncertain national economies, unpopular governments, and concerns about proposed EU voting structures and Turkey. The Treaty of Lisbon was signed with widespread practical acknowledgment of the need for improvements to the EU's decision-making processes, but without any emotional surge of 'Euro'-ness.

The postwar international financial institutions are also challenged by practical matters. First is a question of value. With regional financial collapses in Asia, Russia and Latin America in the last dozen years, and the global crisis in 2008, external and internal evaluations detailed their shortcomings. Second is a question of governance. The IFI's decision-making processes are dominated by the United States and a few other countries. They are criticized for not reflecting changes to the global political economy since the 1940s. The World Bank began to recognize this, putting forth in 2006 a 'medium term strategy' to change its governance, surveillance and assistance policies (de Rato 2006). Third, and related to value and governance, is the emergence of competition. States and firms can turn to new bilateral sources of support, such as China and sovereign wealth funds, for lending and development deals without the usual IFI conditions and oversight. Private efforts of Billanthropy (neologism from 'Bill Gates' and 'Philanthropy') or philanthrocapitalism[37] emerged partially in response to IFI shortcomings.

Like the EU and IFIs, the World Trade Organization is struggling to adapt to new missions. The 50 years of lowering tariff and non-tariff barriers has left only the most difficult cases, such as services, intellectual property rights and, especially, agriculture. Beyond questions of subsidies and market access, agricultural issues include environmental protection, food security, and rural development. After a record of success with industrial-age manufactured goods, the WTO labors to manage pre- and post-industrial issues.

Finally, pragmatism drove US and European governments to respond to the 2008 financial crisis with new regulations, special ad hoc arrangements, promises of very large financial relief, and discussion of overhauling the global financial system. These decisions were not made at a graduate seminar on Smith and Ricardo or a social justice forum on affordable housing. They resulted from contentious, international, cross-partisan efforts to prevent dire circumstances from becoming catastrophic.

Utility is not entirely dissociated from philosophy, of course. Deciding to reconsider long-held institutional arrangements, to take advantage of

changing commodities prices, or to focus on new threats is not simply to choose one ideological perspective over another. It is to make decisions based on assessments and re-assessments of domestic and international conditions. The risk is whether in the aggregate such re-assessments incline states and other actors increasingly toward rivalry, threats and violence, or towards new possibilities for mutual benefit.

Looking Ahead: Possible Consequences

The significant instances of international institutional breakdown, hostile state-controlled energy diplomacy, and trends away from globalization call for various kinds of inquiry for the benefits of policy makers, industry and citizens. Questions include the future of international organizations, the complex matrix of global energy politics, and the role of the United States on the world stage.

International Institutions

International organizations have played important roles in advancing cooperation since the end of World War II and the end of the Cold War. They serve as forums for grievance and negotiation, as coordinating regimes for functional utility, as sources of technical expertise and assistance, and more. The question of whether they can mature to address the needs of the 21st century remains to be seen. Not only is the WTO deadlocked on development issues, but also on membership: two decades after Gorbachev's reforms began, Armenia, Georgia and Latvia (and China and Cuba) are members of the WTO, but Russia is not. The EU struggles with several new, large, and/or poorer members, the longstanding question of Turkey, and formulating a new framework to address its concerns. The IMF and World Bank have new competition, less 'liberalizing' and 'integrative' in intent, while high-profile calls for debt relief may well prove to be only a short-term solution without broader development success. The reconstruction of global finance is an enormous challenge: the initial G-20 meeting in Washington in November 2008 received mixed reviews.

According to Joseph Nye (2006), even NATO's future is at risk. It has membership debates with Russia over its 'near-abroad', and internal debate over special partnerships with Australia, Japan and others. NATO faces key questions over shaping its new mission, and it has mission difficulties in Afghanistan. That the alternative, 'coalitions of the willing', (Haass 1997) has a mixed record in Iraq is no consolation. The OSCE,

once committed to promoting democracy 'from Vancouver to Vladivostok', faces the prospect of undemocratic Kazakhstan as its chair in 2010 (Walker 2007).[38]

New proposals to solve old and new problems will emerge and evolve, of course. Global stewardship, such as Billanthropy and environmental initiatives, may be one such pattern. The world's wealthiest individuals are privately funding new approaches to political and economic development, education, poverty, health care, environmentalism, and the provision of other public goods. George Soros, Ted Turner, Bill Gates, Warren Buffet, Carlos Slim, Mo Ibrahim and others are able to go around the usual organizations, or leverage them, in innovative ways where international efforts have struggled. Even if personal fortunes are lacking, individuals like Princess Diana, James E. Carter, Bill Clinton, Al Gore and Bono can mobilize public awareness (and attract funding) for their own global initiatives. Meanwhile, non-profit, commercial and state-led environmental initiatives may offer not only new technologies but also new forms of collaboration as policy makers, activists, scientists and entrepreneurs each seek to advance their versions of global stewardship. Al Gore's book, *An Inconvenient Truth,* was a *New York Times* bestseller; the film version won the 2007 Academy Awards for best documentary feature. Whether these or other approaches can improve or replace the roles of states or international organizations will prove to be an important area of analysis.

Petropolitics

Global energy politics has numerous military, political, economic and environmental aspects. Even if there were a 'reverse oil shock' (Romero 2008) it would likely be temporary. The world's energy needs, particularly of large and developing China and India, will continue to increase, and much of this increased demand will be for oil. The global supply of oil is under pressure in the short term because its primary sources are subject to terrorism, war and political instability, and in the long term because soon (if not already) the world will pass its maximum production possibility ('peak oil', Hubbert 1956) and work from there toward depletion. A new boom is underway in the search for renewable and alternative energy technologies, but no magic formulas are imminent.

Beyond geologic and geopolitical issues, additional problems exist. Countries positioned to benefit from natural endowments of oil and other energy resources frequently encounter acute political and eco-

nomic difficulties instead (Gelb 1988; Auty 2001; Ross 2001). Thomas Friedman (2006) asserted an inverse relationship between freedom and the price of oil. According to the Failed States Index (*Foreign Policy* 2005) nearly two-thirds of the world's proven natural gas reserves and nearly three-quarters of the world's proven oil reserves were in states that were judged 'borderline', 'in danger', or 'critical'. Additionally, environmental concerns and environmental activists have increased pressure on governments, corporations and individuals to wean themselves from carbon fuels. The science and politics of energy – carbon and alternative – will continue to prove fertile and dynamic areas of inquiry.

us *and Globalization*

Study of the United States on its own merits and as a force in world affairs will remain vibrant and important. Whatever its shortcomings, for most of the past half century the United States has been a strong, liberal and mostly benevolent empire. Harold Innis (1948) called American imperialism 'plausible and attractive'. John F. Kennedy (1961) challenged other nations to 'ask not what America will do for you, but what together we can do for the freedom of man.' Post-Cold War American empire became a bipartisan blend of realism and idealism – 'the indispensable nation' (Clinton 1996).[39] But this occurred while the world became 'normal' again (Kagan 2007). The United States has citizens and allies weary from Iraq, emerging competitors in Russia, China and elsewhere, a combination of domestic forces opposing immigration and war, reduced credibility in global opinion polls, and mutual suspicion between it and a wide range of important global actors. If there is a 'new Bretton Woods', both the prominence and the philosophical approaches of the new us presidential administration will be important to note.

Paraphrasing the quintessential American writer, Mark Twain, reports of the death of globalization may be greatly exaggerated. One might see conditions that contributed to World War I (Ferguson 2004), a 'new Cold War', China surpassing the West, or a new kind of global conflict. But one scenario is that the United States could devolve into a great power that eschews leadership in most non-vital global issues and areas – a hegemon unable or unwilling to provide global public goods, becoming instead mercantilist, predatory, unpredictable, a declining empire, or some combination (Mann 2003; Wallerstein 2003; Ferguson 2004; Johnson 2004; 2006; Hoffman 2004; Bacevich 2005a). Many, in the us and elsewhere, may initially welcome this retreat to a humbled American isolationism.

But in combination with energy conflicts and ineffective international organizations, the long, wide trends toward freer and more integrated markets, peoples and ideas may be threatened. Academia, private sector resources, policy makers and their publics must work vigilantly to note and understand these and other developments if they seek to advance not only their strategic interest but also the human condition.

Notes

1 The Conference on Security and Cooperation in Europe became the Organization for Security and Co-operation in Europe with the Charter of Paris for a New Europe in 1990. See www.osce.org.

2 The BBC web site has a thorough introduction to the EU constitution at http://news.bbc.co.uk/2/hi/europe/3954327.stm, much of the discussion here relies on it. UK polling data from ICM, MORI and others is collected at www.ukpollingreport.co.uk.

3 On the international and domestic sources of public dissatisfaction with the EU and its constitution, see, for example, Cohen-Tanugi (2005) and Kramer (2006).

4 See, for example, the survey by the Eurobarometer at http://ec.europa.eu/public_opinion/flash/fl_245_full_en.pdf for an analysis of voters and non-voters in the days immediately following the referendum.

5 Of related interest is the analysis of the increasing difficulty of admission to the WTO, by Jones (2006).

6 See, for example, Jones (2006).

7 Compare with Williamson's (2002) defense of the Washington Consensus and his criticism of it being labeled 'neo-liberal'.

8 A recent *New York Times* column on China in Chad, for example, is by French and Polgreen 2007.

9 Reuters, IMF urges coordinated EU approach to crisis, October 4, 2008. Http://www.reuters.com/article/usDollarRpt/idUSL470304920081004.

10 Possibly the first to use this was Libertarian Party US presidential candidate Bob Barr, http://www.telegraph.co.uk/opinion/main.jhtml?xml=/opinion/2008/10/09/do0901.xml.

11 Targeting your 401(k). *Wall Street Journal,* November 14, 2008.

12 Agence France-Presse, Iran hails world financial crisis as 'end of capitalism'. October 15, 2008. Http://www.breitbart.com/article.php?id=081015152055.72llwkbo.

13 Reuters, Chavez says 'Comrade Bush' turns left in crisis. October 15, 2008. Http://www.reuters.com/articlePrint?articleId=USTRE49F0K720081016.

14 Notably, Germany's energy relationship with Russia stood out from other European countries. Germany and Russia agreed to a special pipeline route, Nord Stream, toward the end of chancellor Gerhard Schroeder's term; Schroeder took position at Gazprom shortly thereafter (Kramer 2007). In 2008, German energy company E.On completed a deal with Gazprom to acquire a stake in a major Siberian natural gas field, on terms said to be friendly to E.On (see, for example, Chazan and Esterl 2008).

15 us Department of State. 2008. Background Note: Iran. Http://www.state .gov/r/pa/ei/bgn/5314.htm.

16 See, for example, IMF (2007) and Economist Country Briefings: Iran (http://www.economist.com/countries/Iran); compare with Campbell (2007).

17 Ayatollah Ali Khamenei offered such a scenario in September 2008 (Agence France-Presse, Iran boasts its forces can control the Gulf, http:// www.breitbart.com/article.php?id=080916143106.poyzy127&show _article=1).

18 us Department of State, Background Note: Venezuela. June 2008. Http:// www.state.gov/r/pa/ei/bgn/35766.htm.

19 Reuters, Oil powerhouse Venezuela struggles to keep lights on. October 22, 2008. Http://www.reuters.com/article/GCA-Oil/ idUSTRE49M0BW20081023.

20 Worldwide, firms owned and/or controlled by the state are the largest companies in the emerging markets. Of the top 100 companies in the world, by market capitalization, nine are from Russia, China or Brazil. Mexico is the only other emerging market with a company in the top 200. Of these nine, six are energy companies (including Gazprom, third largest company in the world by market capitalization), and five are Chinese (two energy, two financial, one telecom). Of the top 200 companies worldwide, 16 are emerging market firms, and only two of those are not state controlled. (Emerging into a world of giants, *Financial Times,* August 22, 2006.)

21 Examples are offered by Talbott (1997); Bosnia from p. 79 therein.

22 PollingReport.com, Newsweek/Princeton Survey Research Associates. October 10–11, 2001. Http://www.pollingreport.com/terror8.htm.

23 Bacevich (2005b) and Johnson (2004) examine this new militarism from a broader perspective and longer time horizon.

24 Address to a Joint Session of Congress, September 20, 2001.

25 State of the Union, January 20, 2002.

26 National Security Strategy. September 17, 2002. Http://www.whitehouse .gov/nsc/nss/2002/index.html.

27 Authors included Paul Wolfowitz (Donald Rumsfeld's deputy secretary of defense), and I. Lewis Libby (chief of staff to vice president Richard Cheney). For the original reporting, see Tyler 1992a; 1992b.

28 2006 National Security Strategy. Http://www.whitehouse.gov/nsc/nss/2006/sectionX.html.

29 Address to a Joint Session of Congress, September 20, 2001.

30 The following us data is from PollingReport.com (http://www.pollingreport.com/immigration.htm).

31 The European data is from ft/Harris polls of uk, France, Germany, Italy and Spain (October 2006), at http://www.harrisinteractive.com/news/allnewsbydate.asp?Newsid=1107. Ipsos mori poll of uk (August 2006), at http://www.times-archive.co.uk/onlinespecials/trends1.pdf.

32 During the 2006 election cycle, the pro-immigrant factions also became more vocal, gaining some support from Democrats on social justice and anti-discrimination bases and from big-business Republicans on economic rationales – see, for example, the editorial 'The Immigration Dodge' in *Los Angeles Times,* September 6, 2006.

33 Quoted by cnn, Bush, Congress clash over ports sale. February 22, 2006. Http://www.cnn.com/2006/politics/02/21/port.security/.

34 Kelo v. City of New London, ct, Supreme Court of the United States, June 23, 2005.

35 The narrow, eventual loss by presidential hopeful Andres Manuel Lopez-Obrador in Mexico by fall 2006 had slowed this 'leftward swing', but Hugo Chavez's reelection in Dec. 2006 may keep it alive – see Casteñeda (2005) and Schamis (2006). On Putin, see, for example, the series of articles by Aron (2007), Kasparov (2007) and Sestanovich (2007) in the *Journal of Democracy.*

36 The axis of diesel, *Times,* October 18, 2008. Http://www.timesonline.co.uk/tol/comment/leading_article/article4965123.ece.

37 The birth of philanthrocapitalism, *Economist,* February 23, 2006. Billanthropy, *Economist,* June 29, 2006. For competing perspectives, see Bishop and Green (2008) and Edwards (2008).

38 Kazakhstan was originally slated to chair osce in 2009.

39 Clinton at the Democratic National Convention, Chicago, August 29, 1996. M. Albright used the term 'indispensable nation' upon being nominated as secretary of state, December 5, 1996, and subsequently. On the bipartisan blend of realism and idealism, see, for example, Krauthammer (1990/1991), Wolfowitz (1992) and Brzezinski (1997).

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The Causes of Conflict in Public and Private Sector Organizations in South Africa

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The uncertainty that accompanies organizational change heightens prospects for intra organizational conflict. Notwithstanding this, the knowledge base on the sources (or causes) of organizational conflict is underdeveloped – largely as a result of a low incidence of empirical research, and in particular in South Africa. The current study explored the perceived sources of conflict in two South African organizations operating in different economic sectors. An experimental survey focusing on both the causes and the impact of conflict was administered to a sample of 203 employees, representing both companies. Comparative analysis revealed significant differences between the two organizations' views with regard to the causes and consequences of conflict. The implications of these findings for future research and conflict management are discussed.

Key Words: organizational conflict, conflict management, human resource management, management
JEL *Classification:* D740, L290, M120

Introduction

Major change and continued turbulence in the social, political, technological and economic environments at a global level, but also locally in South Africa, are creating an uncertain and complex environment in which organizations have to operate. Fuelled predominantly by rapid advances in the information and communications technology (ICT) sector, globalism has become both a cause and a consequence of sustained change (Van Tonder 2008), which, by all accounts, appear to be increasing in magnitude and pace (Burnes 2003; Schabracq and Cooper

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2000; Vakola, Tsaousis, and Nikolaou 2004; Van Tonder 2007a; 2007b).

Increasing uncertainty and complexity in the operating environment of organizations provide fertile ground for the onset of conflict in the workplace (in the vernacular *conflict* is typically viewed as a form of disagreement or argument, or an incompatibility in the views, opinions, principles and so forth of two or more individuals – *The South African Concise Oxford Dictionary* 2002: 242). Indeed, an increase in the incidence of conflict is to be expected (cf. De Dreu, Van Dierendonck, and De Best-Waldhober 2002). Given these considerations a strong case can be argued for a heightened probability of conflict in both public and private sector organizations in South Africa on grounds of the influence of, among other, organizational change, affirmative action programmes, competition for scarce resources and regular changes in management. In the South African context, however, limited empirical information is available on local authorities' and private sector businesses' awareness and understanding of conflict, their perception of the causes or sources thereof, and how conflict should be managed. In this regard Holtzhausen (1994, 19) has argued that organizational conflict can be resolved if the causes are identified and solutions are found which accommodate all the parties involved. Indeed, attempting to deal with and/or manage conflict successfully without identifying the causes of such conflict is a lost cause (Havenga 2004, 04). With conflict being a pervasive phenomenon in organizations, effective management i. e. dealing with conflict in such a way that it does not recur, is clearly needed. In this regard the management of the origin (or sources) appears to be key to the effective resolution of the conflict. This, in turn, presupposes that managers have a clear understanding of the many sources of conflict in organizational settings (cf. Nelson and Quick 2001, 24).

With regard to the causes of conflict, it is useful to note that the causes (sources) and 'conditions' of conflict can be linked and collectively regarded as prerequisites for conflict (Jordaan 1993, 25–45). Closer scrutiny of relevant terminology reveals that several authors in fact equate sources of conflict to prerequisites or causes of conflict (Marx 1965; Dahrendorf 1976; Hellriegel, Slocum, and Woodman 1983; Robbins, Odendaal, and Roodt 2003).

Marx (1965) and Dahrendorf (1976) specifically emphasized *freehold* (poverty rights), *poverty, social mobility, absence of security, unemployment, competition* and *class consciousness* as causes of conflict. Some of these sources were implicitly identified by the authors as forming an inte-

gral part of the structure of society. Scholars in the domains of sociology, industrial sociology, behaviorism, and management science have since incorporated these causes, in one way or another, in their typologies of the causes of conflict (Ashley and Orenstein 1985; Lopreato and Hazelrigg 1972; Deutsch and Coleman 2000; Ritzer 1992; Turner 1991). Most of these scholars, however, approached conflict and its causes from a macro economics and political perspective and paid very little attention, if any, to conflict as experienced at the level of the individual organization or business, whether small, medium or large.

Problem Statement and Objective

The impact and consequences of unattended conflict in the workplace on employees and the organization generally (cf. Dijkstra 2006), would argue for immediate attention to the resolution of the conflict rather than a careful and systematic (and invariably more time-intensive) approach to investigating the underlying causes of conflict. There is little to indicate that organizations actually attempt to establish the underlying causes of institutional conflict. Rather, and in order to resolve conflict, individuals or groups resort to conflict management instruments without first determining what the sources (causes) of conflict are – a key element in developing appropriate conflict resolution strategies (Havenga 2004, 88). Mayer (2000, 8), for instance, argues that if the causes of conflict are known and understood, a conflict map can be developed, which could guide conflict resolution processes. Understanding the different forces that inform conflict behavior consequently empowers the facilitator or manager with the opportunity to develop a more selectively focused and nuanced approach for dealing with the specific occurrence of conflict.

An important consideration, however, is the likelihood of organization-specific conflict perceptions. In much the same way that employees at different levels within the organization tend to differ in their perception and characterization of a common change event (cf. Van Tonder 2006; 2007b), so too should inter-organizational differences in conflict perception be anticipated. Perceived differences in the characterization of organizational changes imply a differentiated approach to dealing effectively with the unfolding change event (i. e. 'change management'). A comparative analysis of conflict perceptions, between different types of business organizations, may consequently itself assist in the process of identifying appropriate conflict resolution styles or strategies.

The key research question that emerges from this brief consideration

of organizational conflict is whether the *perceived causes of institutional conflict are organization-specific or universal across organizations* in different economic sectors. Secondly, and related to the former, is *whether employees' experience of the impact of the conflict is organization-specific or common across different organizations?* The current study's primary objective, consequently, was to establish and compare causes of conflict in a private business and a public concern. As a secondary consideration, the study also attempted to establish, at this preliminary stage, variation in the reported impact of conflict on the individual employee.

Before considering the design and methodological parameters for conducting such an (exploratory) study, it is necessary to briefly consider prevailing views on the sources of organizational conflict.

Sources of Conflict

The number and range of potential sources of conflict suggested by scholars are substantive, but most of these were theoretical conceptualizations with rigorous empirical research a rarity. The scientific legitimacy of these claimed sources of conflict as well as the categorization systems proposed, remain problematic in the absence of empirical research. This is particularly applicable to the South African environment where empirical studies on the causes of organization-level conflict are not in evidence.

When considering research beyond the South African setting, it is observed that the causes of conflict emphasized by scholars seldom pertinently addressed the organization or business level. Earlier and more recent accounts of these sources of conflict in many instances addressed the subject at the *macro-structural* rather than the micro- or business level, where these sources were typically interpreted as prerequisites for conflict to develop (Dahrendorf 1976; Jordaan 1993; Marx 1965; Mayer 2000; Robbins Odendaal, and Roodt 2003; Stroh 2002). Those who did consider the causes of conflict at the *organizational level* identified a multitude of potential sources of conflict. Accordingly, such sources or causes included differences in knowledge, beliefs or basic values; competition for position, power or recognition; a need for tension release; a drive for autonomy; personal dislikes; and differing perceptions or attributes brought about by the organizational structure, different role structures, heterogeneity of the workforce, environmental changes, differences in goals, diverse economic interests, loyalties of groups, and value discrepancies, which were all considered at various stages as major causes of

conflict in organizations (Renwick 1975, 444–456; Weider and Hatfield 1995, 687).

Havenga (2002, 160) indicated that causes of conflict at the level of the organization could also include resource availability; affirmative action programs; the scope and content of workload; the introduction of new management techniques; and differences of a cultural and racial nature. A typology that further categorizes sources of conflict is offered by Nelson and Quick (2001, 424–8) who differentiate between structural factors (causes) i. e. those that develop from within the organization and originate from the manner in which work is organized, and secondly, personal factors, which emerge as a result of individual differences among employees. Although the potential sources of conflict seemingly abound, the important role of communication as a potential source of conflict appears to be understated. With a few exceptions (Ritzer 1972; Robbins 1998; Vecchio 2000) communication is infrequently considered as a source of conflict. The typologies utilized by these authors tend to suggest that the various sources of conflict can be classified into three categories, namely communication processes, structure, and individual behavioral factors. However, despite the frequency with which causes (sources) of conflict are nominated or suggested, empirical support for the claimed validity of these causes or typologies is substantively lacking, which suggests that any and each categorization framework is as helpful or unhelpful as the next.

Research Methodology

The preceding and somewhat reductionistic perspective on conflict belies the complexity that has gradually crept into definitions of conflict over time. These definitions have invariably further differentiated or accentuated different types of conflict, for example intrapersonal, interpersonal, intra- and intergroup conflict, and organisational conflict (Rahim 1983). Others have focused on the different dimensions on which conflict is partially or completely described, for example, the emotive and cognitive components of conflict (cf. Schmidt and Kogan 1972), while others accentuate the act of opposition, disagreement or argument (the action component) of conflict as emphasized in the Oxford definition. It is understandable that definitions will range from the inclusive to the exclusive and would reflect discipline-specific foci and variation.

Several considerations, however, have a bearing on the manner in which conflict is conceptualized and operationalised in this study. The

paucity of empirical research in the South African context suggests an exploratory study which would constitute a first step towards more refined and focused research on the sources of organizational conflict. The current study consequently aims to empirically explore the causes or sources of conflict as perceived by employees of participating organizations.

Moreover, the adoption of a specific definition of conflict could impose unnecessary constraints on the operationalisation of the construct, especially if it is acknowledged that the average employee is bound to have an internalized, yet rudimentary concept of conflict – more in line with popular usage and definitions. Dijkstra (2006, 104–5) for example has proposed that the distinction between cognitive and affective conflict be abandoned on the grounds of the strong correlations observed in two independent studies and the virtual impossibility of precisely separating out cognitive and affective dimensions in an assessment of workplace conflict. For the purpose of this study and drawing on definitional parameters utilized among other by Dijkstra (2006, 21), De Dreu, Harinck and Van Vianen (1999), Schmidt and Kochan (1972), and Wall and Callister (1995), conflict is viewed as a dynamic process that commences with a perception of incompatibility of opinions, beliefs, principles, values, and perceptions between individuals and groups of varying sizes.

Practical considerations suggested a survey-based field study design. This entailed the development and administration of an experimental questionnaire that sampled employees' perceptions with regard to various causes (or sources) of organizational conflict and, secondly, employees' reported experience of the impact of institutional conflict. For comparative purposes two organizations operating in different economic sectors were approached for participation in the research. The methodological parameters of the study are briefly outlined in the ensuing section.

THE RESEARCH SETTING

For the current study the research setting was limited to one public (non-profit) *local authority* and one private (profit-orientated) agricultural *company.* The choice of these two organizations was based on the perceived differences in their relative status, not only in terms of their core business orientation (public versus private) but in particular because of the differential rates at which affirmative action and transformation programs have been implemented in these organizations. At the time of the research, the local authority has progressed considerably with regard to affirmative action and transformation programs, and in excess of 45%

of its employee complement was people of color. In the case of the agricultural company more than 90% of the employees in post levels 5 to 16 were white. Differences are also observed in the organizations' employee profiles on dimensions such as ethnicity, language, social and cultural factors, but also in terms of the pace with which affirmative action and transformation have taken place in the organizations. Against this context, it is intuitively logical that variation in the causes and manifestations of conflict would more readily surface in a comparative study of organizations with more rather than less diverse employee profiles. The primary focus, consequently, is not so much on discerning differences between similar organizations as it is about discerning variation in potential sources of conflict (which is maximized by the inclusion of dissimilar organizations and consequently employee profiles).

Notwithstanding the preceding, and using a common measure, both the local authority (municipality) and the agricultural company were classified as B-category (or B-type) organizations when considered in relation to 'peer' organizations. This simply meant that the two participating organizations were comparable in terms of the size and scope of operations.

MEASURING INSTRUMENTS

The study utilized a single, experimental questionnaire to explore respondent perceptions of the causes and manifestations of organizational conflict. It comprised three sections which sampled biographical information (section A), perceived causes of organizational conflict, (section B), and alternative manifestations or consequences of organizational conflict (section C).

Section B employed a 4-point Likert-scale which allows respondents to indicate the extent of agreement or disagreement with listed causes of conflict. The choice of variables for inclusion in section B, the potential causes of conflict, was hampered by the many different viewpoints on what variables should be regarded as causes of organizational conflict. The limited empirical research available, furthermore, does not provide adequate guidelines or pointers in terms of more or less prominent causes, or the settings or circumstances in which they are likely to be observed or not. As point of departure, nine seemingly more prominent sources of conflict were identified from the literature, as well as *affirmative action* – a potential cause of organizational conflict that is novel and unique to South Africa. This variable has received attention in several

other areas of scholarly pursuit, but in the domain of conflict research has received limited attention. It was argued that these ten causes should suffice as an initial and exploratory framework for revealing differences between different organizations (and different sectors) on the causes of organizational conflict (should they exist). Subsequent research could focus more pertinently on using a refined and possibly more elaborated list of potential causes of organizational conflict. The ten sources of conflict evaluated empirically were: *affirmative action; cultural differences; racial differences; new management techniques; scarce physical resources; effective personnel; rationalization; new technology; extent and content of employee's work;* and *misuse of power.*

Section c made use of seven statements which conveyed different forms in which conflict could manifest. These were identified after considering the views of Folger (1993), Nelson and Quick (2001) and Opotow (2000) and included a decline in performance, hostility towards colleagues, a decline in cooperation, experienced depression, considering a job change, alienation from colleagues, and developing health problems. Respondents were asked if they experienced conflict and if so, how it impacted on them. They then had to indicate those consequences or manifestations that applied to them.

The questionnaire was pretested in a pilot study to enhance its validity and was administered among academic colleagues at two universities, and human resources managers and staff-members of the organizations that participated in the study (but who did not form part of the sample).

THE SAMPLE

For both the local government and the agricultural organizations, samples were drawn from top-management and middle-management as well as operational levels. In the case of the *local authority* a stratified random sample was drawn which spanned all departments and included employees who differed in terms of gender and race group. The theoretical sample comprised 193 of a population of 386 employees (job-levels 1 through 13), but in practice 143 questionnaires were returned, of which only 139 were useful. This represents a 72% return rate, which is considered adequate for purposes of employing statistical procedures and making inferences about the population (Hair, Anderson, Tatham, and Black 1995, 103).

The corresponding population for the agricultural company comprised 101 employees. Questionnaires were sent to every member of this

group and 65 completed questionnaires were returned. One question-naire proved unusable, with the remaining 64 questionnaires signifying a return rate of 63.4%. This return rate, similarly, was considered adequate for purposes of statistical analysis.

In the local authority sample of 139, males dominated (74.1%) while females (62.5%) constituted the largest contingent of the 64 respondents in the agricultural company. Local authority respondents were evenly spread across the age categories 'up to 35 years', '36 to 45 years' and '46 years and older' (34.5%, 32.4% and 32.4% respectively). For the agricultural company the comparative proportions of respondents for these categories were 28.1%, 37.5% and 32.8% respectively. The majority of the agricultural company sample, 78.1%, possessed a grade 12 or lower educational qualification compared to the 56.1% for the local authority sample. This difference is accounted for by the observed variation in post-school qualifications, where the local authority sample consisted of 43.9% or 61 respondents that possessed a tertiary diploma or degree, compared to the 21.9% (14 respondents) of the agricultural company. The most notable differences observed between the two samples relate to home language. In the case of the local authority, 56.5% of respondents were Afrikaans-speaking (8.7% were English-speaking) compared to the 92.1% of the agricultural company (no English-speaking respondents were among the participating members). This substantial difference is echoed also in the difference observed with respect to African languages. In the local authority 34.8% of respondents spoke African languages compared to the 7.9% in the agricultural company. In the latter instance all respondents (7.9%) spoke Sotho. In the Local Authority sample the proportion of respondents that spoke African languages (34.8%) comprised Tswana (15.2%), Sotho (10.9%), Xhosa (5.8%) and Zulu (2.9%). For the purpose of analyzing the structure of the measurement instruments, the two samples were combined and treated as a single sample. However, demographic indicators (e. g. group/organizational affiliation) allowed the researcher to control for variation between groups and where indicated independent analyses per subsample were conducted.

PROCEDURE

Authorization to conduct the research and administer the questionnaires was obtained in advance from both companies, and employees were notified of the impending research via the Human Resource departments

of the participating organizations. In both instances respondents were briefed and questionnaires distributed with the assistance of these departments. Protocols were all received within two weeks of distribution.

DATA ANALYSIS

Data obtained in response to the questions on the sources of conflict (section B) was of a continuous (interval) nature, while that obtained in respect of the impact of conflict (section C) was of a categorical nature, requiring different analytical procedures. For all analyses the SPSS 16.0 program (SPSS 2007) was utilised, and for all statistical tests an alpha or significance level of 0.05 was the accepted threshold at or beyond which the occurrence of a type I error will be tolerated.

On grounds of the theoretically inductive manner in which the sources of conflict items were identified and the questionnaire constructed, it was uncertain whether the different sources of conflict (items in the questionnaire) did in fact measure distinct constructs. For this reason principal components analysis, which utilises total and unique variance as opposed to shared or common variance, was selected to reveal potential latent constructs and to establish underlying patterns in the data set. This suited the exploratory objectives of the study to a greater extent than factor analysis (cf. Hair et al. 1998). The internal consistency of the extracted components (sources of conflict) was established using Cronbach's α, after which component scores were computed and mean differences between the local authority and the agricultural organisation analysed with the aid of ANOVA procedures.

For the second focus of the study which dealt with the impact or manifestation of conflict, the obtained categorical (frequency) data were converted to proportions and the different effects of conflict (variables) were subjected to an exploratory hierarchical cluster analysis using Ward's method. This was followed with a two-step cluster analysis, which incorporated the extracted sources of conflict as continuous variables. The local authority and the agricultural company were then compared on the basis of how respondents per organisation were grouped by the procedure.

Research Findings

The results of the empirical study are reported in accordance with the two main foci of the study, namely the causes or sources of conflict and the effect or manifestation of conflict.

TABLE 1 Intercorrelations among items related to sources of conflict

Item	1	2	3	4	5	6	7	8	9	10	M	SD
1. Affirmative action	1.00	.49[3]	.43[3]	.30[3]	.31[3]	.45[3]	.23[3]	.08	.28[3]	.39[3]	2.76	1.07
2. Cultural differences		1.00	.79[3]	.24[3]	.29[3]	.35[3]	.15[1]	.12	.34[3]	.44[3]	2.48	1.08
3. Racial differences			1.00	.17[2]	.27[3]	.31[3]	.10	.13[1]	.35[3]	.49[3]	2.45	1.03
4. New management techniques				1.00	.31[3]	.28[3]	.16[1]	.31[3]	.33[3]	.31[3]	2.55	.99
5. Lacking physical resources					1.00	.60[3]	.19[2]	.29[3]	.31[3]	.37[3]	3.02	1.06
6. Shortage: effective personnel						1.00	.27[3]	.26[3]	.36[3]	.45[3]	3.08	1.03
7. Rationalization/dismissals							1.00	.12[1]	.15[1]	.36[3]	2.21	1.17
8. New technology								1.00	.42[3]	.11	2.21	1.03
9. Work: scope, content									1.00	.34[3]	2.33	1.04
10. Misuse of power										1.00	2.50	1.16

NOTES Correlations of 0.3 and 0.5 are regarded as indicating medium and large effects respectively (Cohen 1988). A correlation in excess of 0.3 was considered practically meaningful for the sample and research population engaged in this study. $N = 184$, [1]$p < .05$, [2]$p < .01$, [3]$p < .001$ (one-tailed).

CAUSES OF CONFLICT

After allowing for the elimination of cases with missing values, a sample of 184 was available for analysis and the intercorrelation matrix of the ten sources of conflict items was compiled (table 1). The latter was considered suitable for the application of principle components analysis on grounds of Bartlett's test of sphericity (approximate χ^2 (45, $N = 184$) = 614.17, $p < .0005$) and the Kaiser-Meyer-Olkin measure of sampling adequacy (.789).

Principle components analysis, using varimax rotation, revealed multiple components, but four components were retained (three complied with the latent root criterion of one, while inclusion of the fourth component was based on interpretation of the scree plot). The four components collectively accounted for 71.34% of the total variance and although the small number of items per scale (4) impacted on the reliability coefficients, the obtained alpha values (.81, .75, .65 and .62) were acceptable given the study's exploratory nature (see table 2).

Inspection of table 2 reveals that data on sources of conflict did indeed follow response patterns which essentially indicate that respondents perceived four primary sources of conflict. These indicate that respondents view conflict as originating in managerial practices that are perceived as racially informed (or related) abuses of power (workplace discrimina-

TABLE 2 Rotated component matrix, Eigen values, explained variance
and reliability coefficients

	Component[b]			
Variables	C1	C2	C3	C4
3. Racial differences	.90	.08	.14	−.00
2. Cultural differences	.89	.13	.13	.04
1. Affirmative Action	.55	.40	.04	.22
10. Misuse of power	.51	.32	.13	.48
5. Lacking physical resources	.12	.84	.23	.03
6. Shortage: effective personnel	.22	.81	.19	.17
8. New technology	−.04	.12	.85	−.02
9. Scope and content of work	.33	.13	.71	.06
4. New management techniques	.13	.22	.57	.21
7. Rationalization/dismissals	.03	.08	.10	.93
Eigen values	3.90	1.34	1.04	.84
% total variance	39.05	13.41	10.44	8.44
Cumulative variance (%)	39.05	52.46	62.90	71.34
Alpha Coefficient[a]	.81 (4)	.75 (4)	.65 (4)	.62 (4)

NOTES $N = 184$. Principal Component Analysis with varimax rotation and Kaiser normalization.
[a] Cronbach α calculations based on standardised items/variables. For each of the four scales the four highest loading variables were retained. Alpha coefficients of .70 or above are desirable (Bartholomew, Handerson, and Marcia 2000; Nunnally and Bernstein 1994), but in exploratory research could be as low as .60 and be acceptable (Hair et al. 1998).
[b] Components were labelled Racially-informed management practices (C1), Inadequate and ineffective resources (C2), Work demands associated with changes in technology and management practices (C3), and unjust layoffs/rationalization (C4).

tion would be illustrative). Inadequate and ineffective resources, which include physical resources to perform work, but also ineffective staff, emerged as the second major source of conflict (Component C2 – table 2). Changes in work demands associated with changes (e. g. innovation) in technology and management practice, and perceived unjust rationalization (staff layoffs) emerged as the third and fourth sources of conflict in these organizations.

The individual variables (items) which loaded highly on the first and second components (C1 and C2) suggest that employees in this study effectively interpreted racial and cultural differences as synonyms. They

TABLE 3　Analysis of variance for group differences with regard to sources of conflict

	Local Authority		Agricult. Company								
	M	SD	M	SD		SS	df	MS	F	p	d^a
C1	7.91	2.36	6.10	2.51	B	133.88	1	133.88	22.93^3	.000	.75
	(2.87; 11.48)		(2.87; 11.48)		W	1085.61	186	5.83			
C2	7.63	1.68	5.62	1.99	B	171.43	1	171.43	53.69^3	.000	1.12
	(2.39; 9.58)		(2.39; 9.58)		W	609.76	191	3.19			
C3	6.14	1.76	5.00	1.62	B	56.30	1	56.30	19.02^3	.000	.66
	(2.38; 9.52)		(2.38; 8.56)		W	565.30	191	2.96			
C4	4.68	1.49	3.88	1.64	B	26.93	1	26.93	11.24^2	.001	.52
	(1.86; 7.44)		(1.86; 7.44)		W	450.22	188	2.39			

NOTES　Values in parentheses represent minimum and maximum values for the group. Sources of conflict: C1 – racially-informed management practices, C2 – inadequate and ineffective resources, C3 – work demands associated with changes in technology and management technique, C4 – rationalization/layoffs perceived as unjustified (sources of conflict are the retained components from PC analysis).
[a] Cohen's d (index of effect size) is considered small when ranging between .20 and .50, medium when between .50 and .80, and large when equal to .80 and above (cf. Cohen 1988; Rosenthal and Rosnow 1991; Valentine and Cooper 2003). An effect size of $d = .80$ is generally considered practically meaningful.
B – between, W – within, $^1p < .05$, $^2p < .01$, $^3p < .001$.

similarly experienced difficulty in disassociating a lack of physical resources and a shortage of effective personnel. This observation underscores the necessity of empirically testing theory-derived concepts of conflict (sources of conflict).

When comparing the local authority and the agricultural company on each of the four sources of conflict, statistically significant differences were observed between the two organizations (see table 3). For each of the four sources of conflict the staff of the local authority experienced this more intensely than those of the agricultural company. Most notable, were perceived racially-informed management practices and the absence of adequate and effective resources, which were more prominent sources of conflict in the local authority, compared to the agricultural company, $F(1,186) = 22.93$, $p < .001$ and $F(1.191) = 53.69$, $p < .001$ respectively. Medium to large effect sizes are recorded for the differences observed between the two institutions with regard to the sources of conflict (refer Cohen's d, table 3), which suggest that differences are practically meaningful (or approaching practical meaningfulness).

The mediating role of demographic variables in the perceived causes

of conflict (dependent variable) was tested with several factorial ANOVAs. Significant main and interaction effects for different demographic variables were occasionally observed e. g. *language* for racially-informed managerial practices, $F(2,132) = 4.50$, $p = .01$ and $\eta_p^2 = .06$). In a similar manner main effects for *organization* and *age,* and several interaction effects with *organization* were observed for the second source of conflict (c2 – quality of resources), while a *gender-age* interaction was noted for the third source of conflict (c3 – work demands). For the fourth source of conflict, c4 (rationalization), *organization* and *qualifications* emerged as main effects together with a *language-age* interaction effect. The strength of these associations, however, was negligible (the highest partial Eta-squared recorded were $\eta_p^2 = .15$ and $\eta_p^2 = .10$, with the majority $\eta_p^2 < .07$). The influence of these demographics on the differences observed in the mean sources of conflict scores for the two organizations are therefore inconsistent and of no practical significance. These findings instead point to further analyses at the level of the organization where the role of various other organization-specific variables including demographic variables might shed further light on *organization-specific* respondent views of the sources of conflict. These analyses are beyond the scope of the current study.

In essence the results suggest that sources of conflict are likely to be multifaceted, but common to different types of organizations (across economic sectors) in South Africa, yet may not be equally relevant or influential in the perceived onset of conflict within these organizations.

MANIFESTATION AND IMPACT OF ORGANIZATIONAL CONFLICT

The second research question dealt with the manifestation or effects of organizational conflict. Respondents were presented with seven response categories which conveyed the effects of conflict (or manner of conflict manifestation) in their respective workplaces. Each respondent marked those effects he/she experienced. The frequency with which the different effects of conflict were experienced by the respondents of the two organizations is indicated in table 4.

Again, and consistent with the exploratory aims of the study, the obtained response frequencies for *effects of conflict* (variables) were subjected to hierarchical cluster analysis (cf. Hair et al. 1998) using Ward's method and squared Euclidian distance (standardized) to reveal structure and coherence in the categorical data. The dendrogram resulting from this analysis is presented in figure 1. Variables (or cases) with high

TABLE 4   Frequencies for the local authority and the agricultural company on effects of conflict

Effects of conflict	Local Authority		Agriculture Company		Total Sample	
	f^a	%	f^b	%	f^c	%
ca Performance decline	67	49.3	31	49.2	98	48.3
cb Hostility towards colleagues	37	27.2	18	28.6	55	27.1
cc Decline cooperation	29	21.3	7	11.1	36	17.7
cd Experience depression	65	47.8	24	38.1	89	43.9
ce Contemplate job change	43	31.6	21	33.3	64	31.5
cf Withdrawing from colleagues	41	30.1	26	41.3	67	33.0
cg Develop health problems	41	30.1	14	22.2	55	27.1

NOTES $N = 203$. For the local authority, $n = 139$. For the agriculture company, $n = 64$. $^a f$ = number of local authority respondents who experienced this effect of conflict, while % indicates f expressed as a proportion of all local authority employees that participated in the research. $^b f$ = number of agriculture company respondents who experienced this effect of conflict, while % indicates f expressed as a proportion of all agriculture company employees that participated in the research. $^c f$ = total number of respondents (local authority and the agriculture company) who experienced this effect of conflict, while % indicates this frequency expressed as a proportion of the total sample ($N = 203$).

similarity (or low distance) are clustered close together. The proximity observed between effects of conflict on the *y*-axis indicates this perceived association between different effects of conflict. This is echoed by the proximity coefficients on the *x*-axis where lower order effects of conflict (clusters) converge to form more embracive clusters and constructs, for example *depression* and *health problems* are closely associated, which when clustered together address the impact of conflict on the employees' physical and emotional wellbeing. This category is somewhat removed and hence different from experienced hostility towards colleagues, and withdrawing from colleagues as a result of conflict, which both indicate the effect of conflict on relations with colleagues. The next level of convergence occurs when thoughts of changing jobs (a state of mind) combine with depression and health problems to provide an overall index of the impact of conflict on employee wellbeing (mentally, emotionally and physically). At more or less the same position on the *x*-axis it is also observed that a decline in cooperativeness as a result of conflict, converges with experienced hostility towards and withdrawal from colleagues. This suggests that conflict has a pronounced effect on social and interpersonal
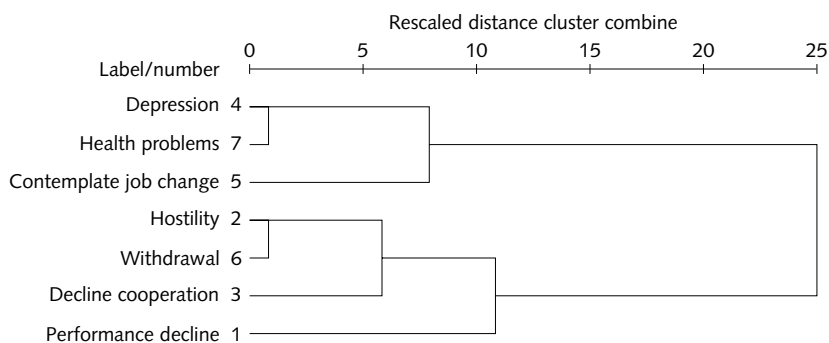
FIGURE 1   Effects of conflict: Dendrogram of cluster solutions (hierarchical cluster analysis using Ward's method and squared Euclidian distance between observations (converted to z-scores), $N = 199$)

relations more generally. A decline in the employee's performance appears to be distinct from the social and individual well-being effects of conflict. These categories similarly suggest that the effects of conflict in these organizations reflect different degrees of severity with a decline in the employee's performance presumed to be less severe than social withdrawal or depression. Regardless of the relatedness of these categories of conflict manifestations, they all constitute undesirable outcomes for the individual and organization.

In summary, hierarchical cluster analysis for this sample indicates that the experienced impact of conflict contributes to a decline in performance, has a social impact which manifests in hostility, withdrawal and uncooperative behavior, and impacts on the mental, emotional and physical wellbeing of the employee.

To probe whether the experienced impact of conflict was consistent across the participating organizations or organization-specific, but also associated with the sources of conflict, a two-step cluster analysis procedure was performed. During the first step of this exploratory technique the categorical variables of organizational affiliation, gender, age, qualifications, tenure and the seven effects of conflict, as well as the four standardized continuous variables (sources of conflict, refer table 2) were incorporated in the extraction of 'preclusters'. This was achieved through the centroid method with the log-likelihood criterion as a distance measure (Chan 2005; SPSS 2007). During the second step these 'preclusters' were used as single cases in a hierarchical clustering procedure. The Schwarz Bayesian information criterion (BIC) indicated that five clusters

TABLE 5 Cluster profiles following two-step cluster analysis: Categorical variables

Variables	Cluster 1[a]		Cluster 2[b]		Cluster 3[c]		Total
	f	%	f	%	f	%	f
Demographic variables							
Organization							
• Local Authority	88	75.2	29	24.8	.0	.0	117
• Agriculture company	7	12.1	15	25.9	36	62.1	58
Gender							
• Male	76	69.7	19	17.4	14	12.8	109
• Female	19	28.8	25	37.9	22	33.3	66
Age							
• Less than 35	22	36.7	26	43.3	12	20.0	60
• 36–45	32	58.2	14	25.5	9	16.4	55
• More than 46	41	68.3	4	6.7	15	25.0	60
Qualifications							
• Up to grade 12	53	48.6	28	25.7	28	25.7	109
• Diploma/certificate	27	65.9	11	26.8	3	7.3	41
• Degree	15	60.0	5	20.0	5	20.0	25
Language							
• English	9	100	.0	.0	.0	.0	9
• Afrikaans	60	48.8	27	22.0	36	29.3	123
• Other	26	60.5	17	39.5	0	.0	43
Tenure							
• 1–4 years	5	14.3	17	48.6	13	37.1	35
• 5–10 years	32	58.2	16	29.1	7	12.7	55
• More than 11 years	58	68.2	11	12.9	16	18.8	85
Effects of conflict							
Performance decline	41	45.6	35	38.9	14	15.6	90
Hostility towards colleagues	17	32.7	30	57.7	5	9.6	52
Decline cooperation	15	45.5	18	54.5	.0	.0	33
Experience depression	37	45.7	37	45.7	7	8.6	81
Contemplate job change	18	32.1	33	58.9	5	8.9	56
Withdrawing from colleagues	17	28.3	28	46.7	15	25.0	60
Develop health problems	28	56	19	38.0	3	6.0	50

NOTES $N = 175$. Excluded cases = 28. *f* conveys the cluster frequency on the specific row variable, which is expressed in the adjacent column as a % of the total row frequency for the row variable (indicated in the last column). [a] $n = 95$, [b] $n = 44$, [c] $n = 36$.

TABLE 6   Centroid means on continuous variables (sources of conflict)

	Cluster 1[a]		Cluster 2[b]		Cluster 3[c]	
Source of conflict	M	SD	M	SD	M	SD
Racially-informed management practices (c_1)	7.35	2.34	8.87	2.01	5.16	1.94
Inadequate and ineffective resources (c_2)	7.54	1.53	7.55	1.87	5.00	1.77
Work demands associated with changes in technology and management technique (c_3)	6.04	1.72	5.98	1.89	4.71	1.43
Rationalization/layoffs perceived as unjustified (c_4)	4.61	1.47	5.08	1.52	3.38	1.35

NOTES $N = 175$. Excluded cases = 28. [a] $n = 95$, [b] $n = 44$, [c] $n = 36$.

were probably optimal, but the spss two-step cluster algorithm by de-
fault selects that number of clusters beyond which the anticipated gains
of adding further cluster information are offset by the complexity of the
new (elaborated) cluster solution, and instead extracted three clusters
(spss 2007). Tables 5 and 6 provide an outline of the three cluster profiles
in terms of included categorical variables as well as the centroid means
and standard deviations for the clusters on the different sources of con-
flict.

As observed in the data presented in tables 5 and 6, the three identified
employee groups (clusters) differ markedly and significantly in terms of
important categorical and continuous variables (figures 2 and 3).

Inspection of figures 2 and 3 reveals that clusters one and three are
effectively organization-specific employee groups with the vast majority
of the membership in cluster one (88 or 83.6% of cluster one member-
ship) employed by the local authority, while all employees in cluster three
(36 or 100% of cluster three membership) are employed by the Agri-
cultural company. Chi-square values (horizontal axes, categorical vari-
ables – figure 2) indicate that cluster one, comprising largely long-serving
male local authority employees, differs significantly from cluster two (a
predominantly young to middle-aged group with relatively short tenure
with membership equally distributed among the Local Authority and the
Agriculture organization), and cluster three (two thirds of members be-
ing female, all Afrikaans-speaking and all employed by the agriculture
company).

Of importance is that the local authority and agriculture company em-
ployees (clusters one and three) do not differ from one another in terms
of the impact of conflict, apart from the muted effects of conflict re-
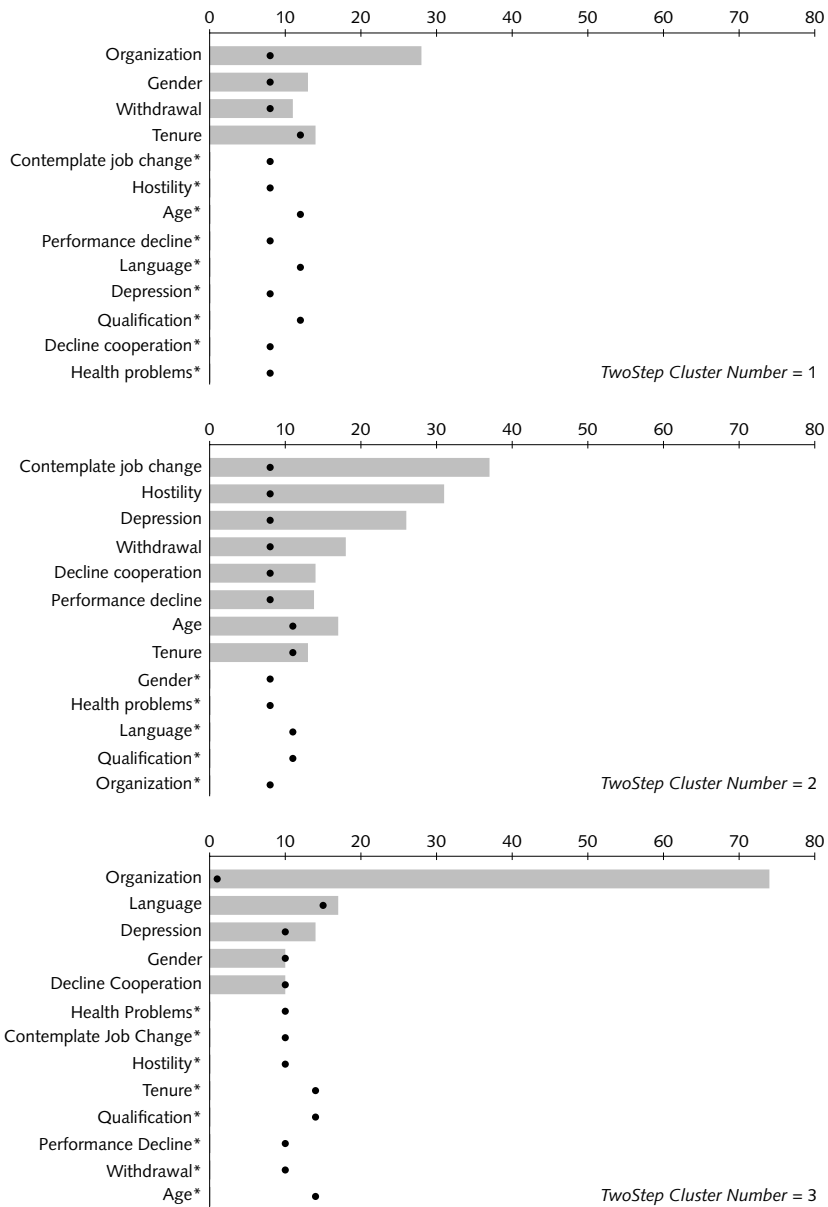
FIGURE 2   Extracted clusters and the importance of demographic variables and effects
of conflict: Chi-square

NOTES   Two-step cluster analysis performed through using the centroid method with
log-likelihood as distance measure. $N = 175$ (case-wise deletion of missing values),
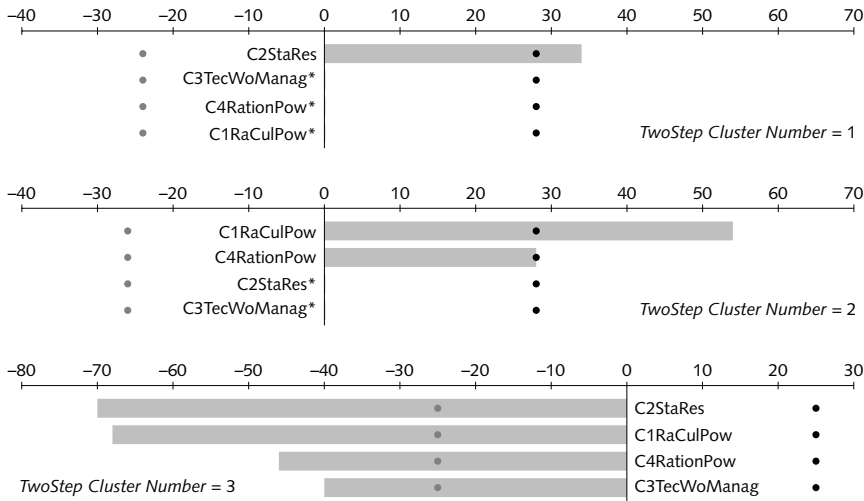* non-significant, • critical value, ▢ test statistic.

FIGURE 3   Extracted clusters and the importance of sources of conflict: Student's *t*

NOTES   Two-step cluster analysis performed through using the centroid method with log-likelihood as distance measure. $N = 175$ (case-wise deletion of missing values), * non-significant, •• critical value, ▨ test statistic.

ported on a single dimension (in the former, 28.3% of employees tend to withdraw socially, while 8.6% in the latter experience depression as a consequence of conflict). Employees in the agriculture company cluster, however, also differ significantly from the other clusters in terms of the absence of a reported decline in cooperation.

In stark contrast, the younger and relatively short-tenure employee group (cluster two), comprising both the local authority and agriculture company employees, differs significantly from groups (clusters) one and three in terms of their experience of the effects of conflict. In this cluster the proportion of members who reported experiencing six of the seven manifestations of conflict, ranged between 38.9% and 58.9%. Whereas the most important differentiating categorical variables for groups one and three were organizational affiliation and gender (cluster one) and organizational affiliation, language and gender (cluster three), this group's most prominent differentiating categorical variables were the six manifestations of conflict. These results suggest that factors other than demographic features and organization-specific features may be contributing to this intense and wide-ranging experience of the impact of con-

flict. What these factors may be, is the subject of speculation, but stress-proneness and/or a personality predisposition may be explored as hypothetical factors in subsequent research.

The three employee groups, however, are also significantly differentiated by their perceptions of the *sources of conflict* (see figure 3). The *shortage of effective staff and resources* (c2) emerged as a more important source of conflict for the local authority group (cluster one) compared to the other groups. By contrast, the employees of the agriculture company (cluster three) do not perceive the four sources of conflict with the same intensity as the local authority group (cluster one) and the mixed membership group (cluster two). The mixed membership group (cluster two), comprising employees of both the local authority and agriculture organizations, is significantly differentiated from the two organizational groups (clusters one and three) on the basis of the significant importance accorded to *racially-informed management practices* (c1) and perceived *unjust rationalization or layoffs* (c4) as sources of conflict.

It is not possible to infer causality, but cluster analysis does indicate that younger and shorter tenure employees (male and female, from both organizations) display a greater sensitivity to sources of conflict associated with power abuses, and experience such conflict in a significantly more elaborate and destructive manner when compared to the organization-specific employee groups. To be expected, the diverse employee profiles of the two organizations preclude sensible comparison of the sources and effects of conflict as observed for the two organizations.

In summary, the exploratory two-step cluster analysis reveals that both the perceived sources of conflict and the reported effects of conflict for this sample are group (cluster)-specific but also organization-specific (yet at the same time not exclusively so).

Discussion and Conclusion

The current study set out to investigate firstly whether the perceived causes of institutional conflict are *organization-specific* or *universal across organizations* in the public and private sectors and, secondly, whether employees' *experience* of the *impact* of conflict follows similar patterns. More importantly, results reveal a coherent structure for the sources of conflict across the different respondent populations and organizations engaged in this study. Yet, at the same time, evidence of organizational distinctiveness (organization-specific variation) was also observed. The exploratory cluster analyses suggest that this 'similar-yet-different' pat-

tern applies equally to respondents' experience of the impact of conflict.

SOURCES OF CONFLICT

The results generated by this exploratory study are broadly consistent with earlier observations by Renwick (1975) and Weider and Hatfield (1995) who have indicated that factors such as the heterogeneity of the workforce, loyalties of groups, diverse economic interests, among other, are relevant sources of workplace conflict. To an extent the findings also affirm Havenga's (2002) perspective that causes of conflict at the organizational level would include factors such as resource availability, affirmative action programs, the scope and content of work, the introduction of new management techniques, and differences of a cultural and racial nature. The findings obtained do indeed indicate these factors to be relevant, but not in the unidimensional and somewhat reductionist manner in which they were conceptualized. Indeed, sources of conflict are bound to be more complex and multifaceted than are currently suggested by the unidimensional labels encountered in the bulk of the literature.

The findings of this study indicate, for example, that it is not management that is a source conflict, but management that *is predisposed to act in a racially-informed manner* and which manifests in managerial practices that are perceived as *abuses of power* that emerges as a source of conflict. Similarly, it is not rationalization or staff layoffs that are considered a source of conflict, but rationalization/staff layoffs that are perceived as *an abuse of managerial power.* New technology in itself (and new management techniques for that matter) do not prompt conflict, but it is the relationship of these innovations to the *employee's scope and content of work* that is likely to be perceived as a source of conflict in the workplace. These observations suggest that perceived sources of conflict in the organisation cannot be disentangled, inter alia, from broader systemic, socio-political, economic and labour trends and dynamics. Indeed, researchers should exercise caution and avoid overly reductionist conceptualisations of organisation behaviour constructs in an increasingly dynamic and open systems setting.

The prominence of 'organization' as differentiating factor between respondents' views of sources of organizational conflict in the absence of consistent and significant demographic influences, prompts us to hypothesize that other organization-specific characteristics may be more important mediators of perceived sources of conflict than may be generally presumed. This may for example relate to phenomena such as orga-

nizational identity and organizational culture (cf. Van Tonder 2000; Van Tonder and Lessing 2003), the dynamics associated with distinctive management profiles and styles in such identity- and culture-specific settings, the attitudes cultivated under such circumstances, as well as the influence of these features in attracting employees with a particular profile to these companies.

The marked differences observed between the two organizations in terms of perceived sources of conflict and the experienced impact of conflict are accounted for by the advanced stage of sociopolitical transformation in the local authority. Of the two companies, the latter has substantially progressed with the introduction of employment equity practices and has a large contingent of African (non-white) employees (principles of affirmative action and employment equity have been implemented to a considerable extent). This substantially diverse workforce presents with greater heterogeneity (e. g. in values and belief systems) and hence the enhanced prospects for conflict (cf. Williams and O'Reilly 1998). The agricultural company's workforce, by contrast, is substantially more homogeneous (has very few non white employees in the job levels sampled, and a single language, Afrikaans, is dominant which, in a broader ethnical sense, conveys greater conservatism in nature and culture). This coherence should translate into a reduced likelihood of misunderstanding and consequently a lower incidence of perceived conflict. Not being a private sector company, the local authority would experience resource constraints to a greater extent than the agricultural company. Note, however, that although these sources of conflict are less intensely experienced in the agricultural company, they are still strongly felt.

The low incidence with which sources of conflict is perceived in the agriculture company is likely to be an artefact of a largely homogeneous workforce where socio-political transformation has not yet progressed to the extent that the organisation's culture, identity and managerial and workforce profiles have been altered substantially by the 'enforced' intake of senior staff from previously disadvantaged communities. Unlike the significant differences observed between the local authority and the agriculture company groups (clusters), which are explained in terms of the impact of transformation on the homogeneity of the workforce in the respective institutions, the results for the mixed membership group (cluster 2) are less clear. The severity with which conflict is experienced by this group (cluster 2), which is equally comprised of local authority and agriculture company employees, and which is markedly different from the

organisational groups (clusters 1 and 3) points to common denominators other than institutional affiliation or population demographics. Personality predispositions and tendencies toward anxiety, stress, and burnout, but also coping styles, belief systems and attitudes may offer important avenues for more elaborate investigation. In the prevailing South African setting with its diverse workforces, employment equity legislation, and heightened sensitivity to racism, it is quite plausible that Baron's (1997) 'hostile attribution bias' may offer additional explanatory power. The latter refers to a predisposition towards attributing the conduct of other parties in the conflict situation to hostile motives and objectives.

Although tentative, the results nonetheless suggest that ongoing research should adequately account for the complex influence of context – both the immediate organizational setting and the broader sociopolitical and national context in which organizations are situated. This is evidenced in references to affirmative action and in particular in its association with managerial practices and perceived power abuse.

EFFECTS OF CONFLICT

Results of the two-step cluster analysis confirmed the largely organisation-specific nature of not only the perceived sources of conflict, but in particular also the reported experience and impact of workplace conflict. Consistent with Dijkstra's (2006) observations, conflict as a stressor in the current study elicited unpleasant emotions, which are associated with reduced work performance and individual well-being. Drawing on the Euclidian distance measures which portray similarity-dissimilarity between effects of conflict (see dendrogram, figure 1), it can be surmised, *ceteris paribus,* that a declining performance would be the most obvious and common consequence of these three equally undesirable outcomes of conflict. The interpersonal and social relations impact of conflict, as well as the compromised mental, emotional and physical well-being of the employee, represents increasingly severe consequences of workplace conflict. The intrapsychic dynamics involved in the differential experience of conflict cannot be discerned from the results of the current study and represents an important area of continued research into the sources and effects of workplace conflict. This is important, as differentiated responses to conflict call for differentiated conflict mediation and management strategies. In the current study (refer figures 2 and 3) the mostly male and longer tenure local authority employee group (cluster 1), manifested with a significantly greater incidence of reported withdrawal, which is not only damaging to the organization and will

adversely impact organizational performance, but also suggests and re-inforces a conflict strategy best described as 'conflict avoidance'. This in fact appears to be the essence of the response of employee groups two and three to the experienced conflict. The reported effects of conflict as evidenced for these two groups similarly convey a conflict negation or conflict avoidance approach or strategy (see figures 2 and 3). Withdrawal or alienation from peers and superiors in conflict situations echoes an avoidance style of conflict management, while experienced depression may result in a similar avoidance style of dealing with conflict – both adversely impacting on the individual and the organization's performance. Evidence of such 'avoidance' of conflict, is also observed in, for example, absenteeism and personnel turnover, as observed by Van de Vliert (1996, 405–25). The observed inefficiencies reported by Van de Vliert (1996) were also recorded by Jehn (1997, 557), who noted that these inefficiencies resulted in poor work performance. This perspective underscores the importance of differentiating between the occurrence (incidence) of conflict and the employee and organization's response to such conflict (e. g. avoidance) – as argued by Dijkstra (2006). Not only will such a distinction facilitate understanding of the nature of conflict and its impact on every day employee well-being, but it will crystallise the action component in the response to the conflict ('the reaction'). This in turn introduces greater focus and specificity and will result in differentiated conflict management strategies, which should prove more effective in the resolution of specific sources of workplace conflict. Effective conflict resolution strategies will remove and eliminate the underlying causes of conflict and will reduce the potential for recurrence of similar conflicts in future. The implications of this, however, are that appropriate and accurate data on the sources of conflict should emerge, and secondly, that organizational functionaries and managers acknowledge that conflict resolution is a shared priority (Kreitner and Kinicki 2000, 43), which in turn necessitates a greater involvement of all individuals and groups likely to be effected by the conflict. The fundamental challenge of conflict management, is to address the identified sources of conflict effectively and expediently in a manner that will minimise its negative impact on the workforce (cf. Crawley 1995, 5).

CONSTRAINTS OF THE CURRENT STUDY AND FUTURE RESEARCH

Notwithstanding the exploratory aims, the findings of the current study should be interpreted with a measure of caution. In the current study

the range and nature of sources of conflict and its manifestation have been constrained by the theoretically-inductive approach adopted by the researchers in conceptualising the sources and effects of workplace conflict. The results of the principle components analysis suggest that more potential sources of conflict exist than those reliably extracted. Continuing research should consequently concentrate on the theoretical elaboration and refinement of the tentative measures employed in this study. This should address both the range of potential sources of conflict, and the item pool which operationalizes such theoretically derived constructs. However, it would be more productive and expedient to engage in in-depth exploratory qualitative research to supplement the prevailing understanding of theoretically-derived conflict sources – as a precursor to elaborating and refining the measurement instruments. The current study furthermore indicates that reductionistic conceptualisations of otherwise elaborate and complex dynamic constructs, such as sources of organisational conflict, is a material threat.

The exploratory design utilised in the study, while revealing in many respects, nonetheless imposed constraints which precluded analyses and observations on causality. Future research should also probe the extent to which specific sources of conflict contribute to specific response patterns (experienced impact of conflict), and whether specific types of conflict (sources) may elicit specific behavioural, emotional and psychological responses. This points to a need also for more systemic theories of conflict that not only reveal causality between antecedent conditions, sources and experienced effects of conflict, but also adequately account for personal (e. g. psychological), institutional and broader contextual factors that relate to the phenomenon of workplace conflict.

Despite these cautions, the findings of this exploratory study nonetheless provide pointers and several productive avenues for continuing research on the sources of conflict, which ultimately should contribute to the emergence of more effective conflict diagnosis and management strategies.

In closing, the current study – albeit tentative – has raised awareness of the multifaceted nature of sources of conflict and revealed both universal and idiosyncratic content in the sources and effects of conflict. This underscores the importance of maintaining a contextual and systemic frame of mind when conceptualizing and operationalizing sources of conflict and, indeed, when contemplating the effective resolution of conflict in organizational settings.

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Governance and Civil Society at the EU Level

Matevž Tomšič
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In their article, the authors deal with the role of civil society as a factor of European democratic governance. Democratic governance is perceived as an 'extended polyarchy' that refers both to the electoral dimension of accountability and to the mechanisms of permanent control over power-holders through institutional balance of power. The authors examine specifics of governance and civil society at the EU level, claiming that participatory democracy is unrealistic at the EU level, which holds also for citizens' engagement in civil society organized at EU level. They argue that civil society organized at the EU level can contribute to higher accountability of the Union's institutions, but in a specific way, less through enhancing political engagement of citizens and linking them to political institutions but more through mutual control of different societal actors that would foster greater transparency of political process.

Key Words: governance, civil society, democracy, accountability,
    European Union
JEL *Classification:* Y9

Introduction

Governance that in general terms refers to the system of measures that involve setting the rules for the exercise of power and settling conflicts over such rules (Hyden 1999, 185) is one of the most widely used political concepts and takes a central place in contemporary debates in social sciences (Pierre and Peters 2000, 1). In the last years, the notion of a need for establishment of mechanisms of efficient and democratic governance not only on the national but also on supra-national level has gain on importance. These would mean creation of institutions that would be able to deal with problems brought by the processes of globalization, especially in the sense of provision of global public goods (see, for example, Griffin 2003), and enhancing the accountability of global actors (see Kahler 2004; Held 2004).

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The issue of governance is strongly related with democracy, i. e. its status as a form of political order. The so called third wave of democratization (Huntington 1993) that started in the 1970s in Southern Europe, continued in the 1980s in Latin America and ended with the collapse of communist regimes in Central and Eastern Europe in 1989, brought the spread of democracy as a form of government that has been unprecedented in history. However, there are disagreements about the prospects of the development of democracy. While some analysts see some problematic elements in the situation after the fall of communism, that may instead of world-wide democratic order bring the new world disorder (see Jowitt 1993), others claim that nowadays democracy has no equal contender on the global level (see Plattner 1991). The fact is that the number of formally democratic countries from the early 1970s more than doubled (Diamond 1999, 25). However, reversals of democratic processes are not excluded, as well as processes which could undermine the quality of governance of advanced societies. Stability and progress of the democratic process thus depends on political as well as non-political institutions and actors and their mutual relations, especially in terms of their ability to cooperate for the common good.

In our article, we will examine the role of civil associations as a factor of democratic governance at the level of the European Union, a political entity which is the most integrated supra-national association in the modern world. It is characterised by complex interactions and networking between public and private actors. As Smismans (2006, 6) points out, *this may be a democratic time bomb as it challenges traditional ideas of democratic accountability but may also provide a potential to deepen democracy through participatory procedures.* It is often assumed that EU citizens can gain new power and voice through the mobilization in transnational civic organizations. These organizations should represent mechanisms of vertical accountability that may include citizens acting through civic organizations on the EU level policy processes. In this theoretical framework organised civil society is seen as a lever for a higher degree of participative democracy in the EU (Kohler-Koch and Finke 2007; Cichowski 2007).

The purpose of our article is to test some of these assumptions and to contribute to a wide, ongoing academic and policy debate about the role of civil society in the EU governance. First we will clarify some conceptual issues of modern democracy and elaborate the very concept of democratic governance and its main components, and then we will deal

with the specifics of governance and civil society at the EU level, especially in terms of the relation between civil actors and political institutions and the role of civil associations as agents of European governance. We will present our empirical studies, which aimed to explore the ability of civic organisations to mediate between EU citizens and 'their' institutions. Our empirical work focuses on intra-organisational ties and mechanisms of communication and cooperation in transnational civic organisations in the EU. We assumed that the quality of these organisational ties could play an important role in assuring democratic effects of civic organisations at the EU level but we questioned the ability of transnational organisations to develop sustainable ties reaching across different levels of EU's governance (reaching from EU citizens organised on local levels, across national levels and supranational level to the EU institutions and back again to the grassroots of society) which could ensure vertical accountability. Consequently our thesis is that civil society organized at the EU level can contribute to higher accountability of the EU's institutions, but in a specific way, less through enhancing political engagement of citizens and linking them to political institutions but more through mutual control of different societal actors that would foster greater transparency of political process.

Good Governance in a Democratic Polity

Dilemmas about the future of democracy as a system of governance at the national as well as supra-national level lead us to the very notion of this term, meaning that some conceptual issues ought to be clarified. First of all, it should be pointed out that democracy is a complex phenomenon which could refer to some kind of ideal state of society, characterized by perfect freedom and equality where the real power is located in the hands of people, as well as to real-existing forms of socio-political order, usually referring to modern Western societies (often in connection with the market economy). As stated by Michael Saward (2000, 3), 'the story of democracy is nothing if a story of innovation'. It is thus characterized by dynamism and openness to new ideas, notions and concepts. Even by the notion of democracy as an existing system (which is nevertheless our research interest) we have different definitions of its 'scope' (in the sense of its constitutive elements). Many theorists advocate the minimalist approach, a kind of Schumpeterian definition of democracy as a system in which citizens can choose between different political actors/elites (Schumpeter 1996). In that case, the most important issue is the exis-

tence of institutional mechanisms, which enable free political competition (of course, with constitutionally determined exceptions) and selection of preferable alternatives. The weakness of this approach is its 'shallowness'. Namely, because of its focus on the normative level of politics it often disregards the back-stage happenings, as well as factors that are not a part of the political system but nevertheless importantly influence its nature.

However, there is another, more 'qualitative' notion of democracy which takes into account the conditions needed for its 'healthy' functioning. Dahl's concept of polyarchy as 'real-existing democracy' contains the following institutional factors, necessary for the persistence of democracy: elected officials, free, fair and relatively frequent elections, freedom of expression, alternative sources of information, autonomy of association and inclusive citizenship (Dahl 1971; 1989; 1998). Some theorists stress the importance of institutional factors like viable civil society, rule of law, competent and autonomous civil service etc., without which democratic political life is not possible. O'Donnell stresses the need for control over power-holders through mechanisms of so – called horizontal accountability, which refers to the mutual control in the sense of a system of checks and balances – the principal condition for it is the existence of independent control institutions (judiciary, different agencies etc.) (O'Donnell 1998; see also Schedler et al. 1999). There are also some other factors that are often mentioned as conditions of fully developed democracy, for example the existence of welfare policies and other mechanisms for tackling social inequalities.

Despite the desirability of such kind of qualitative completion, it is necessary to warn against other kind of biases in a case when one wants to include into a framework of democracy everything that is in his/her opinion necessary for the well being of the people. In this way, the characteristics of the concept could become blurred. Too idealized a notion of democracy is problematic since it could lead into disappointment and the belief that democratic order does not exist at all – in this way, he/she neglects the differences between different levels of democracy of existing political systems. As stated by Karl and Schmitter (1996, 59), democracy is even not necessarily more economically and administratively efficient and orderly run than other forms of government. Considering this, we could agree with Samuel Huntington who says: 'Governments produced by election may be inefficient, corrupt, short-sighted, irresponsible, dominated by special interests, and incapable of adopting poli-

cies demanded by the public good. These qualities make such governments undesirable but they do not make them undemocratic.' (Huntington 1991, 10.) But we could add to this that such characteristics make democracies of lower quality.

In our conceptualization, we connect good governance to the notion of democracy as an 'extended polyarchy'. This means a supplementation of the original (Dahlean) concept that is related primarily to the electoral dimension of accountability (i. e. processes of political selection based on freedom of political action and political equality) with mechanisms of permanent control over power-holders through institutional balance of power between different branches of government as well as through mutual checking of civil and state actors on a different level of polity.

Our definition of good, i. e. democratic governance is, thus, in accordance witha 'wider' notion of democracy, meaning not only formal rules and institutional norms but also the performance of democratic institutions and their agents. As stated by March and Olsen (1995, 44), 'democratic governance is more than the management of efficient political coalition building and exchange within prior constraints […] It involves moulding social and political life – shaping history, an understanding of it, and an ability to learn from it.' In this sense, it is related to the state of political stability, perceived in a dynamic and flexible way, as the 'capacity of the political system to be selective when including in its modus operandi relevant actors and topics, and the capability of developing the problem-solving capacities in order to fulfil the functions entrusted to it' (Adam 1994, 37).

Quality of Governance at the ᴇᴜ Level

Since the European Union has been developing into the direction of a more integrated form of political entity, the issue of governance at the Union's level is becoming increasingly relevant. It stopped functioning as an inter-state association but continued as a political formation with institutions, activities and authorities on its own. An important question is whether and towhat extent the model of good governance, described above, is applicable to the level of the European Union. Aspects of democratic governance like system stability, inclusiveness and effectiveness are to some extent important for political life at the ᴇᴜ level. However, it is not possible simply to transplant to the ᴇᴜ institutions the principles of democracy that are in place at the level of member-states. There are certain limits to democracy at the ᴇᴜ level if one means by the term

'democracy' the majoritarian principle with equal weight of each citizen's political preference (the rule 'one person, one vote'). What is often stressed is so called 'democratic deficit' (see Norton 1996), meaning the lack of many features we associate with democratic governance (Horeth 1999, 249), such as involvement of citizens in the political processes at the Union's level and their influence on European affairs. The EU is too different from the domestic democratic institutions that citizens are used to. As a result, citizens have troubles in understanding the EU, and have problems with adressing and regarding it as a democratic system, nor can they identify with it (Follesdal and Hix 2006).

This is related to the realization that EU institutions increasingly, through broadening of their policy scopes, directly influence lives of the citizens of the EU, who – if we for instance consider the data from Eurobarometer (2008) – don't really care much for participation on the EU level, don't think that their 'voice is heard on the level of the EU' and don't express high levels of trust regarding the EU institutions. The democratic challenge is one of the reasons why the EU was for instance trying to produce a new constitution and is fostering the development of organized civil society on the level of the EU, designed to make the Union easier to understand, more open and more efficient. One of the main targets of criticism of such a process is its top-down nature that leads to the perception of it as an elite project or enterprise (see, for example, Dahl 1999), which makes the possibility of establishment of mechanisms of vertical accountability that may include citizens acting through the electoral process or indirectly via civic organizations rather questionable.

One has to acknowledge that a number of mechanisms of accountability have been put in place in the EU. Electoral accountability, involving the European Parliament, is only part of the picture. EU institutions are accountable to governments; agencies within governments are held accountable to one another through the process of 'comitology'; a considerable degree of transparency holds participants, much of the time, accountable to the public through the media. Additionally there is a need for mechanisms of permanent control over power-holders through mutual checking of civil and EU actors on a different level of polity, as it is assumed that a number of elements of democracy and accountability are still lacking in the EU. This is true on at least two levels. On one level, the EU lacks the kind of integrated public sphere and civil society that sustains democracy and accountability in national states. On the other level,

the EU's institutions fall short of standards of democracy and account-ability: popular representation plays only a minor role in many policy areas, and mechanisms of accountability are not always well-developed. In addition, the EU's policy-making system as well as its political system is not transparent, which prevents effective democratic control and ac-countability. Solutions to these perceived problems are compounded by the multilevel character of the EU and the diversity between its member states.

This can be clearly seen in the case of the organized civil society on the level of the EU, where even the very basic questions of who are the actors of the civil society (Magnette 2006; Armstrong 2003), organized on the level of the EU, being a multi-form, multi-dimensional and multi-level phenomenon, and what should be their role in the processes of European integration, are unclear and left to contested interpretations. This affects functional mechanisms of communication and cooperation among civil society actors and the EU bodies (Fazi in Smith 2006) which – as we will argue – even though they are intended to foster vertical accountability do not really reach across different levels of the multilevel system of EU governance.

Civil Society as an Actor of EU Governance

It is often assumed that transnational European civic organizations can play an intermediary role between the citizens and institutions of the EU (CEC 2001; 2006) and with these processes also establish mechanisms of vertical accountability that may include citizens acting through civic organizations on the EU level. This assumption plays a key role in defin-ing the ways in which civic organizations, that are active at the EU level, access and can influence the EU policy making (Fazi and Smith 2006; Kohler-Koch and Finke 2007). In the White Paper on European Gover-nance we can find following statement: 'Civil society plays an important role in giving voice to the concerns of the citizens and delivering ser-vices that meet people's needs. [. . .] Civil society increasingly sees Europe as offering a good platform to change policy orientations and society. [. . .] It is a real chance to get citizens more actively involved in achieving the Union's objectives and to offer them a structured channel for feed-back, criticism and protest.' (CEC 2001, 34.) Other important documents, which are defining the dialogue between civic organizations and the Eu-ropean Commission, like The Green Paper (CEC 2006) or the document called 'Communication on general principles and minimum standards

for consultation of interested parties by the Commission' (2003) are full of similar ideas, when defining the role of transnational civic organizations in the EU. Consultations with civic organizations is becoming a common procedure of policy processes on the EU level (see Fazi and Smith 2006; Gornitzka and Sverdrup 2007), even though there are still a number of unresolved questions, especially regarding the representation, accountability in the actual ability of transnational civic organizations, to mediate across the EU's multilevel system. One of the biggest concerns is, whether transnational civic organizations are actually able to mobilise Europeans on specific policy issues and whether they can promote interests and participation of the EU citizens and on their behalf influence the policy making of the EU institutions.

There are thousands of civic organizations in the EU. Many of them have organized themselves on the EU level with intent to influence the policy making on the EU level. Such transnational organizations usually adopt a multilevel structure, including local, national and international elements. European consent is consent between member states, and the structuring of EU associations mainly follows these guidelines. EU associations are mostly confederate structures or, so say, umbrella organizations„ i. e. associations of national associations, that were set up by their members for the purpose of representing their political interests in EU policy-making (Greenwood 2005); even though other forms are also present (individual-based organizations, virtual organizations etc.). These umbrella organizations should 'not only mobilize, but represent a framework for resolving conflicts and reaching agreements, which in turn results in better cooperation and integration of activities' (Hadenius and Ugga 1996, 1622). We should also stress that the majority of these EU associations are composed of national groups/organisations and not of EU citizens (Kohler-Koch 2005; Rek 2007). Their members are national organizations, which present views and concerns as well as represent interests of their citizens or local civic organizations on the EU level. The concept of participation within organized civil society at the level of the EU is limited to organized interests and groups (Magnette 2006) and provides spaces of interest representation (Warleight 2001; 2003), advocacy (Skocpol and Morris 1999; Ruzza 2008) and lobbying (Saurugger 2006; Greenwood 2005; 2008) and not active participation of citizens.

In an absence of active participation of EU citizens directly on the EU level, the organizational ties of transnational civic organizations (between local, national and supranational/EU level) become crucial for

civil society to be able to play the assumed intermediary role between the EU citizens and 'their' institutions. To better understand the quality and strength of these ties within transnational organizations, which are reaching across different levels of the EU governance, Mateja Rek and Frane Adam (Adam 2007a; Rek 2007) organized a workshop entitled 'Social Capital, Civic Engagement and Quality of Governance in the European Union' in December 2005 in the framework of the 6th framework CONNEX project. The workshop was structured as a focus group. The aim of our focus group was to gain additional insights into current reflections on the role, functioning and characteristics of civil society organised at the EU level by bringing together practitioners (NGOs and interest group representatives, policy-makers etc.)[40] working in the field of civil society in the EU with scientists researching these issues.

The participants in our focus group painted a quite pessimistic picture of co-operation and communication across different levels of the internal organization of EU associations: Talking about European associations, ideally there is a European representation and membership – national members, regional members. In order to be effective in interest representation and in influencing policy decisions, all members should be well prepared to be engaged in the agenda of the discussion and to make compromises and good decision-making possible. It is highly important that everybody is prepared to find a common position and that this common position is accepted across different levels of the confederal composition. This is a question of culture, that includes both the national characteristics that individual players 'bring to the table' as well as the organizational culture of a particular association. Once the composition has been agreed on, it is lobbied during the European decision-making process, preferably with one voice, at the national level vis-à-vis the national institutions and at the same time vis-à-vis the Commission and the parliamentarians in the EU. If everybody is well briefed then there are much greater chances of a successful lobbying outcome.

Yet, as argued by the participants in the focus groups, this is an ideal model but in practice there are usually issues of communication and problems of co-ordination among the different layers. On the one hand, a specialised body of expertise is centered in Brussels and they are the only ones who have contacts, knowledge and up-to date information about the current state of affairs at the EU level. But at the same time it was argued that regional and national organizations, even though they are affiliated with the Brussels level, often do not recognise the impor-

tance of lobbying at the EU level or taking advantage of these affiliations for co-ordinated actions among different levels. In that sense, the vertical communication and co-operation within the multi-level structure of interest group associations seems to be very weak.

> In Brussels everything makes sense to everyone in Brussels. It makes perfect sense, all the policies, and the processes. But this needs to be translated down to the national level to regional levels and so on. And vice-versa, when it comes to this 'bottom-level' the information has to come back up.
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Why is a feedback loop important for the lobbyists? The members give them support for lobbying and a negotiation mandate for lobbying at the EU level and often act as lobbyers at the national level. National members or, better said, national organization and experts are usually correspondents for the EU level, feeding them with information from the national and local levels. Members provide resources for the lobbying activities at the EU level, which is crucial especially for the pressure groups of private interests which are usually more dependent on the resources of their members compared to NGOs dealing with social issues, as the latter have easier access to funding by an EU institution. There is a need for a positive, well-informed communication loop between the Brussels level and the national level. In that sense we could argue that civil society organized at the level of the EU and the national levels represents introverted circles that have in most cases only weak (face-to-face) links to the other level. The (horizontal) links between national representations are even weaker – which is an obstacle to building a stronger common position and identification with the organization as a whole, as federal strategies are especially effective when members can participate in more than one national group, thus weaving personal ties among these groups and reinforcing a sense of identity with the larger whole (Putnam 2004, 278) – but as it seems, building horizontal ties among national or local groups remains the future task of EU associations. What is the reason for this state of affairs?

Lobbying in Brussels is a very technocratic job. It is a profession on its own, grasping specialised knowledge of EU affairs and contacts in a specific sector of policy-making in the EU. The national members are not interested in having the skills of an EU lobbyer and to in being able to actively participate in lobbying, but they do need representation. Another reason for 'communication filters' between national and EU levels

was seen in the predominantly virtual form of communication among different levels. Members are geographically distanced from each other and in many cases they do not know each other, or even the Brussels office does not know them personally. If there is no personal contact it is even harder to engage them in the process. If somebody is disinterested to begin with, if they only hear from 'Brussels' in a virtual setting, it is really hard for them to become actually physically involved in the process. When there is just interest from one side in this quasi-virtual space, this creates problems and gaps in communication.

How can the communication between the layers be improved?

- *Personalisation of experience:* by trying to find ways to increase the human touch because this is ultimately the best way of communication. Examples of good practices are small-scale workshops and 'field trips', which make the experience of the EU level tangible, applicable and more personal.

- *Leadership* of the EU associations is an under-researched area but what can be detected is a lack of 'big' or, better put, European leaders. Leadership as perceived in the modern world is really an American concept. In Europe we have to redefine the concept of leadership in terms of the capacity to lead in a multi-national, multi-cultural and multi-lingual environment. Strong leadership figures who are present over a long period of time could have a stronger capacity to mobilise people for participation and to facilitate communication across the filters of different layers.

- *Legitimacy:* in the sense of having trust and confidence in certain organizations as opposed to others. There is a certain boldness on the part of European institutions and the civic organizations at the EU level to fulfil their goals and to present their implementation. Even the Commission and all the civic associations should have to legitimise themselves; by fulfilling their obligations to the members. This is broader than just communicating the ideas or being transparent. Incorporating legitimacy into the organization's strategy could have positive effects for both communication and transparency.

- *The issue of transparency* – all of the stakeholders are calling for transparency – at the EU level and at the level of member states. A more transparent structure of communication could facilitate communication within the organizational structure. In this context, the

problem of virtual or semi-virtual organizations was presented – in the majority of cases it is hard to identify their actual membership and the role of the members in the organization.

These findings can be compelemnted with other current studies (see Warleigh 2001; 2003; Kohler-Koch and B. Finke 2007; Deth Van et al. 2006; Maloney and Rossteuchtscher 2007) which are suggesting that European civic associations display little interest in educating their members back in the member states about EU issues, but rather get caught up within the ivory tower world of Brussels institutional politics. We can encounter a situation of civil society associations becoming elitist in a way that leadership distances itself from the followers instead of providing incentives for citizens' active participation. In an attempt to detach the elite networks into which leaders of civic organizations are included, a study was carried out in Slovenia and Poland (in the frame of EU's 6th framework Connex project). The study was carried out by coworkers of the Center for Theoretical Sociology at the Faculty of Social Sciences (see Adam 2007b) in Ljubljana and a research team affiliated to the Institute of Philosophy and Sociology at the Polish Academy of Science in Warsaw (see Gasior-Niemec at al. 2007). In February and March 2007 we conducted a series of structured interviews. One of the preliminary conclusions of this study concerns the relationships between the leadership of national civic organizations (which are usually also the ones who represent the civic organization members in European civic associations) and the members of these organizations. We encounter a situation where non-governmental organizations, in order to exert democratic effects, have to perform in accordance with 'the logic of influence'. If a particular organization is to be successfully engaged in participation (networking), i. e. being able to effectively represent issues or assert influence, it may be necessary to act in pursuit of influence, even if this would consequently mean putting the role of membership behind (Kristan 2007). The study confirmed the assumption that the leadership of civic organizations does not necessarily need to consult membership regarding important issues. On the contrary, it happens quite often that only a few people decide, which raises a serious doubts regarding the democratic nature of civic organizational structures. Their democratic effects are thus highly contingent. We can also encounter a new type of elitism – civic elitism – that still needs to be researched.

The irony of all this focus upon transnational structures of organized

civil society is that EU policies do open up spaces for civic engagement which do have potential to connect societal actors to transnational systems of governance. Though they may not directly bring about the democracy enhancing effects, they can, nevertheless, function as agenda-setters and provide a counter-balance to state and economic actors. By providing an intermediary infrastructure they support the articulation and bundling of societal interests and are also able to give their own impetus to the definition of these interests. But by placing so much emphasis upon the need for a transnationalised and Europeanized civil society, the EU institutions seems to undermine the very claims for the inclusion of civil society which prompted the search for a means of bridging the gap between society and transnational governance. As Armstrong points out (2001), though the explicit objective is to further transnational cooperation, EU policies focusing predominantly on the EU-level organized civil society may in practice create additional obstacles, and domestic civil society actors may further lose influence as transnational governance and transnational civil society take on greater roles – with a stress on representing interests and lobbying – while having only weak links among different levels of EU governance, which is not really a fertile ground for the establishment of mechanisms of vertical accountability that may include citizens acting through civic organizations on the EU level.

Conclusion

The notion of 'democratic deficit' of the EU is – as much as it is based on understandable frustration of many Europeans with 'detached' and often unresponsive political institutions – problematic since it derives from the assumption of 'transplantability' of the democratic principles from the level of member-states to the EU institutions. There are certain limits of democracy at the EU level if one means by the term 'democracy' the majoritarian principle with equal weight of each citizen's political preference (the rule 'one person, one vote'). The reason for this 'democratic deficiency' is the non-existence of a European constitutional *demos* (Weiler, Haltern, and Mayer 1995; Weiler 2002), i. e. a European-wide constituency sharing common values and identity that would replace – or at least complement – national ones. The European demos, European public and European civil society could be established only in an evaluative way.

One can argue that participatory democracy is unrealistic at the EU

level, which holds also for citizens' engagement in European civil society. According to the above mentioned, it can be argued that the establishment of mechanisms of vertical (electoral) accountability corresponding to those in nation-states is, at the moment, not an option at the EU level. What is more feasible is the creation of institutions of horizontal accountability, i. e. highly professional, competent and autonomous bodies that would supervise activities of the key executive institutions of the EU. This means in the first place strengthening of the European rule of law and policies that would enhance the transparency of European policies.[41] Civil associations, organized at the EU level, could be a factor of accountability of European political institutions but in a rather elite manner, meaning not through direct involvement of citizenry and representation of grass-root initiatives but through advocacy of different important interests of social, economic, political or cultural nature and informing political institutions as well as the general public on the issues that are of their particular concern. They can be perceived as a part of the European system of checks and balances, where different actors from both the political sphere and civil society cooperate in the process of policy-making to exchange information on different issues as well as to monitor each other's activities.

Notes

1 14 individuals (4 scientists, 2 representatives of business EU associations, 1 representative of a think-tank dealing with EU policies, 2 representatives of civic EU associations, 4 representatives of liaison offices in the field of research and a representative of the European Commission) participated in our focus group. For further information on the participants and outcomes of the focus group, visit: http://www.connex-network.org/.

2 Some analysts argue that the institutional setting of the EU already contains mechanisms to provide accountability of European policy-makers. As stated by Moravcsik (2002, 604): 'Constitutional checks and balances, indirect democratic control via national governments, and the increasing powers of the European Parliament are sufficient to ensure the EU policy-making is, in nearly all cases, clean, transparent, effective and politically responsive to the demands of European citizens.'

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Failures in Building Partnership for Success in the Competitive Market: The Case of Polish Ski Resorts

Michał Żemła

The topic of local stakeholders' collaboration for success on the tourism market is a popular one, however research is usually devoted to well established Western economies. Created in this way, rules of cooperation are not fully suitable for new democracies in Central and Eastern European countries. Western standards of cooperation can not be achieved in Polish winter sports destinations, which is mirrored in the analyzed example of the Polish biggest ski resort – Szczyrk. Mutual mistrust and hostile attitude are typical for stakeholders in this example. The very low competitiveness level of the product is the most visible effect. Additionally, ski product development in Poland is highly criticized from the environmental point of view, which results in another difficult to manage, severe conflict sourced in different interpretations of the idea of sustainable tourism development.

Introduction

Mountain holidays are regarded as being the third most popular way of spending leisure holidays in Europe with an estimated share of 12% of the market. Among them almost half of the journeys are taken in the winter season (Freitag 1996). It is very probable that most of those winter mountain holidays are connected with winter sports like skiing or snowboarding. So winter sports create a huge and very competitive market. The opening of borders and the European integration process have changed conditions of operating for most of ski resorts both in Western and Central Europe. Both of them were given an opportunity to enter new markets but also have to face new competitors. It is a very challenging task for Polish ski resorts used to the surplus of the demand over the supply.

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According to Flagestad and Hope, indicators such as the number of ski visitors in lift systems during the 1980s and 1990s suggest that the Western European ski market is in stagnation (Flagestad and Hope 2001a, 6). The ski markets of Eastern and Central Europe, including, amongst others, Poland, Slovakia, the Czech Republic and Bulgaria, are exceptions. The Eastern and Central European market is characterised by rapid growth resulting in an average growth for the whole continent reaching 2.5% annually (Smith and Jenner 1999). According to Hudson, with two million visits annually, Poland's share in the world ski market can be estimated to be about 0.5% (Hudson 2000, 28). These statistics are significant and illustrate the huge potential of the Polish ski market, as these two million visits are almost entirely domestic ones. As many as 20% of Poles declare they go skiing at least once a year (TNS OBOP 2004).

The concept of local and regional cooperation for success in the tourism market, although still discussed regarding details and changing requirements (Hall 1999), is well developed (Jamal and Getz 1995; Fyall and Garrod 2005) and the idea of a Local and Regional Tourism Organization looks to be set down strongly (Murphy 1985; Middleton and Hawkins 1998). Still, the theory prepared on the basis of and for western well-established democracies is not always suitable and easy to implement in countries of Central and Eastern Europe (Brezovec and Brezovec 2004; Roberts and Simpson 1999). The aim of presented paper is to close partially this gap by analyzing the example of Polish winter sports destinations and their specific problems. Instead of being another good example of positive effects gained thanks to the local partnership, the case of Polish winter sports destinations reveals clearly what can happen if the effective cooperation is missing. However, Schendler argues that failure is often more instructive than a case study of a success (Schendler 2001). One of the most illustrative examples of local problems which remain unsolvable is Szczyrk – one of the most traditional and popular Polish ski resorts.

The main methodology used is the case study approach (Yin 1981; 1994; Miles and Huberman 1994). Regarding Yin's (1994, 39) terminology, it is a Type 3 case study – embedded single case study. One of the most popular and biggest Polish winter sport destinations – Szczyrk – is the main object of the study, however, when necessary, other examples of Polish ski resorts are also mentioned. The use of case study methodology is justified here by the fact that the presented research involves initial reconnaissance, as no previous research on Polish winter sports desti-

nations was conducted before. Data necessary to prepare the case study were collected from official and informal statements of local stakeholders and from the analysis of their web pages. The case study is supported by results of marketing research into the Polish winter sports market conducted by the Tourism Department at the Katowice School of Economics in 2004 and 2005. Data were obtained from ten Polish major ski areas, including Czyrna-Solisko in Szczyrk. In each of the ski areas, 100 skiers, or snowboarders, were asked to answer a questionnaire in the form of an interview. As the interview was conducted while people were standing in ski-lift queues, and was generally perceived as an attractive way of making use of time, there were very few refusals, which is similar with other researches conducted among queuing skiers (Tsiotsou 2005). A full presentation of the obtained results is presented in Żemła 2005 and Cieślikowski, Chudy-Hyski and Żemła (2004). Most of those results are only partially connected with the specific subject of this paper and are not presented here. However, answers to questions about the level of satisfaction derived from a stay in a resort, evaluation of main weaknesses of the researched resort, the most important customers' requirements and length of ski trip are used here to illustrate the presented ideas and problems.

Although stakeholders' cooperation in tourism destinations' and winter sports destinations operating are widely presented in the literature, they are not so far presented thoroughly in the context of Central and Eastern European countries in transition. Typical problems of those countries connected with tourism destinations' development were also presented in the literature but with regard to analysis of destination competitiveness (Gomezelj Omerzel 2005), economic change (Williams and Balaz 2000), destination image (Hall 1999; Konečnik 2004; Konečnik and Ruzzier 2006) or destination positioning (Orth and Turečkova 2002). Among the rare examples in which the stakeholders' cooperation in tourism destinations in European countries in transition was examined are the works of Roberts and Simpson (1999), Brezovec and Brezovec (2004) and Holesinska (2007). Still only in the work of Holesinska (2007) is a focused analysis of a specific case offered but, in contrast to the present paper, Holesinska's research was based on the interview with stakeholders, which leads rather to a description of stakeholders willingness to cooperate than to the less optimistic reality. Also all cited papers are written within a national or regional context and it is difficult to find a single study of problems of collaboration in countries in transition in Central and Eastern Europe devoted to the analysis of local development.

Cooperation, Partnership and Networking in Winter Sports Tourism Destinations

In present – day society, rapid changes in the transitional global economy have increased competition between businesses and organizations that produce value for customers. The use of cooperation and alliances between local actors has for a long time been discussed as providing strategies to meet up with this increasing competition. One example where this focus has gained acceptance is among tourist destinations. Middleton and Hawkins point out four major groups of players involved in local tourism development. They are: residents, elected representatives and appointed officials of local government, businesses providing directly and indirectly services and goods for visitors to the destination, and visitors (Middleton and Hawkins 1998, 87). Because of differences in goals and ways of acting between the stated players, the importance of developing partnership to achieve synergy between the private and public sector is inescapable. Local partnership, however, needs jointly negotiated and agreed approaches to tourism management in which the goals are mutually defined and endorsed, and the techniques designed to achieve matching of demand and supply are jointly operated (Middleton and Hawkins 1998). Such a partnership might be reached thanks to the effective operations of the Local Tourism Organizations. Although the concept of lto is well known, there is no universal best way of organizing effective structure of such institution, and instead the need for an elastic situational approach is pointed (Heath and Wall 1992). New management theoretical concepts, especially networking and inter-organizational competitive advantage paradigms (Gulati, Nohria, and Zaheer 2000), might be helpful when searching for effective ways to achive destination management (Fyall and Garrod 2005; Wang and Xiang 2007; Beritelli, Bieger, and Laesser 2007).

Previous studies show that traditional marketing theory is only of limited value to most tourist enterprises and destinations, as it is based on the assumption that a company has full control over the marketing and image-creation of its product (von Friedrichs Grängsjö 2007, 2). A further limitation for tourist enterprises is that a tourist product with spatial fixity does not usually involve a single entrepreneur, but ownership is often spread amongst several small enterprises, each of which is dependent on the others to provide a unified quality product for the tourist. The different entrepreneurs involved in the tourist destination could all have

their own individual motives and values that affect the way in which they operate. Another of the disadvantages of traditional marketing theories is that they do not include the relationships, interactions and networks that provide the geographical and social framework within which the entrepreneur operates. The relationship between cooperation and competition becomes essential with regard to the marketing of a tourist destination as it occurs at various levels (Weaver and Oppermann 2000). In one respect, the tourist destination constitutes a unified tourist product in relation to other potential destinations for tourists. In another respect, competition exists at the destination between the various elements of the tourist product (von Friedrichs Grängsjö 2007, 2).

It is considered here that tourism is a network industry par excellence (Scott, Cooper, and Baggio 2007, 7). Support for this claim is found in the definition of tourism as systems where interdependence is essential (Bjork and Virtanen 2005), and collaboration and cooperation between different organizations within a tourism destination creates the tourism product (Pechlaner, Abfalter, and Raich 2002; Fyall and Garrod 2005). In this way, local alliances, agreements and other formal and informal governance structures help to compensate for the fragmented nature of a tourism destination (Scott, Cooper, and Baggio 2007, 8). Networking theories has been suggested as a way to better understand ongoing marketing activities and processes aiming to develop a business (von Friedrichs Grängsjö 2007, 2). Buhalis (2000) indicates that most destinations consist of networks of tourism suppliers and that the benefits of such networks include a more profitable tourism destination (Morrison, Lynch, and Johns 2004). A second reason for studying networks as a central part of tourism is that they form a basis for collective action. In tourism, many of the main resources of a tourism destination are community 'owned', so that are used jointly to attract tourists. These may be physical resources such as beaches, lakes, scenic outlook, national parks and beaches; built resources such as museums, art galleries and heritage buildings; or intangible resources such as destination brands or the reputation for friendliness of the local people. Such collective action does not necessarily require a network organization, but in a situation with a general lack of resources and where decisions related to tourism are not often seen within the government mandate, the response is often a network of interested stakeholders (Scott, Cooper, and Baggio 2007, 8).

Implementation of company management originated theories into the ground of tourism destinations has to be very careful, as phenomena

not observed commonly in business networks do occur here. These are, among the others, strong involvement of public authorities and the political nature of decisions (Hall 1999; 2003), key role of free goods in product development (Hassan 2000), or non-profit character of the destination, Also the management should acknowledge the existence of a very big number of stakeholders with different characteristics, powers and aims, often conflicting (Flagestad 2002; Hall 2004), though the multistakeholder approach should be implemented (Sautter and Leisen 1999; Flagestad 2002), and one of the most important tasks is conflict management. In presented here case study, conflicts between stakeholders are pointed as one of the most important reasons for failure in establishing long term partnership or at least operational cooperation. Understanding the difference between different levels of cooperation and partnership is also important here, as, according to Mendell (1999) and Hall (1999), those might include; 1) linkages or intensive contacts between two or more actors; 2) intermittent coordination or mutual adjustment of the polices and procedures; 3) ad hoc or temporary task force activity; 4) permanent and/or regular coordination; 5) a coalition; 6) a network structure. As far as cooperation might be taken only to implement some current actions and to achieve short-term goals, the term partnership imposes a long time horizon of cooperation and mutual trust. So the real partnership in a destination will be established when all parties involved in development of the product would gather, not once but regularly, and work out and implement a common vision of this development and common strategy with measures taken to achieve common goals. This task seems to be much more challenging than just taking from-time-to-time common actions, but the existence of local partnership may be the starting condition for effectiveness of short-term common actions.

Ski resorts are specific destinations because of their tourism infrastructure and strong connection with mountain areas. There are also specific management problems characteristic for ski resorts. The first and most obvious difference is connected with business engaged in the local tourism stage. In resorts with big ski areas the operator of the ski lift infrastructure is often one of the most powerful actors and a bigger company than the rest of local tourism sector. Then, differently than in most other destinations, Jarillo's (1988) hub network seems to describe best the relationships among stakeholders in winter sports destinations. This situation might be even more complicated in many Polish ski localities like in Wisła or Szczyrk as there are numerous examples

of the existence of two or more not interlinked ski areas in one locality which are rather competitors than cooperators. The question of stakeholders' cooperation in winter sports destinations was undertaken by Flagestad (2002) and Bieger, Beritelli and Weinert (2004) but only with regard to the well developed markets of Alpine countries or Sweden and their results are not to be easily extended into the Polish winter sports market.

On the basis of literature analysis, four major problem areas of collaborative approach to winter sports destinations are examined in the paper. These are: cooperation and conflicts between local stakeholders, involvement of local authorities, intra-destination cooperation and dealing with conflict between tourism product development and nature preservation. Studying the bases of cooperation and conflicts between local stakeholders is the most obvious. Regarding the fact that most Polish winter sports destinations can be classified as integrated resorts (Żemła 2004) where the special role is reserved for public authorities, also here their role is examined thoroughly. Western European destinations examples proves that nowadays only intra-destination cooperation is usually not enough for creating a competitive offer, for the question of regional inter-destination cooperation is also raised. Finally, the underlying the problem of nature preservation mirrors the typical feature of winter sports destinations, which is especially sharp criticism from ecologists' organizations.

Polish Ski Market and Szczyrk's Position as a Leading Polish Winter Sports Destination

The general perception that Poland is a typical lowland country is a correct one as only about 3% of the country area is 500m above sea level. However, the 3% of the Polish territory represents, in absolute terms, a surface area of about 10,000 km² which is about half of the size of Slovenia. Although relatively small in size, one fifth of the Polish accommodation capacity, is concentrated in these mountainous districts. Demand for this area comes from domestic markets, as about 20% of Poles state that they go skiing at least once a year (TNS OBOP 2004).

The Polish ski market's closure to international tourism has resulted in specific attitudes of Polish skiers, who used to ski only on Polish slopes, and of the owners of Polish ski areas, who used to cater only for the domestic market. Now, almost 20 years after the fall of communism, the Polish ski market continues to be almost autarkical. Polish skiers, gen-

erally preferring one-day ski trips, usually ski in Poland, while foreign guests in Polish ski resorts are extremely rare.

Therefore, the Polish ski-operators have been operating in a market characterized by the surplus of demand over supply. The opening of borders and the growing popularity of outbound tourism, especially after Poland's accession to the EU, have begun to change the comfortable situation of Polish ski operators. Due to the huge quality gap between Polish and foreign ski-resorts, those in neighbouring Slovakia and the Czech Republic, as well as those in the Alpine regions are becoming more popular among Polish skiers. The key question now is how the stakeholders in Polish ski resorts can adapt their actions to become competitive internationally.

In total, there are almost 100 towns and villages in the Polish Carpathians and Sudety Mountains with some ski infrastructure, although these are mostly small and poorly equipped ski resorts. Most of them are located in the Carpathian Mountains, where Szczyrk, Białka Tatrzańska, Wisła and Zakopane seem to be the most popular ones, although only Zakopane and Wisła have become recognizable names among international tourists due to the hallmark ski-jumping competitions, and the Polish ski-jumping champion Adam Małysz. Szczyrk and Zakopane are the best developed Polish ski resorts regarding numbers of lifts and slopes. Although the Sudety Mountains have only fourteen ski areas, they have the two amongst the biggest ones in Poland – Szklarska Poręba and Karpacz. In addition, the resorts in Zieleniec and Sienna are also very popular.

Polish ski-resorts are exceedingly overcrowded and 30 minute queues for a ski lift are nothing out of the ordinary. This is due to the high popularity of skiing in a country with a very limited supply of mountainous areas. In Poland statistically there are 1300 people per 1 km² of the mountainous area. In comparison this figure is 10 times lower in Austria. As a consequence, ski lift operators do not feel any need to improve their services as their profits are dependent almost entirely on weather conditions. Thus, Poland has many small ski-areas with appalling infrastructure and poor quality of service, which partly explains why there are almost no foreign tourists at Polish ski-resorts.

Up till now, Polish skiers nurtured on Polish resorts have not been very demanding and have accepted the local offer as long as it was provided at a reasonable price. However, since Polish ski resorts have become more expensive than their Czech and Slovak counterparts, and

Poles have started visiting the Alpine regions, Polish resorts are gradually facing a very competitive market environment. To adjust appropriately is a challenging task for most of the Polish ski-operators, who are used to having a guaranteed visiting rate as long as there are good snow conditions. Some of them visibly follow the market changes, and rapid development of the existing and new ski areas can be observed in Poland during recent years. This includes both quantitative growth represented by the increasing number of ski facilities and qualitative growth connected with the growing number of high standard lifts, snow guns etc.

Szczyrk – a popular town in the western part of Carpathian mountains range – can be presented as an example of a locality where ski areas built by external investors have existed for over 20 years. In spite of many investments made in other places, the Czyrna-Solisko ski area in Szczyrk remains by far the biggest Polish ski area as regards the number of lifts and total length of slopes. Remembering that Czyrna-Solisko is not the sole ski area located in Szczyrk, this town can be truly regarded as the 'Polish winter capital'.

In spite of the impressive numbers, the situation is not so optimistic when looking deep inside. Szczyrk is the only important ski locality in Poland where a single ski lift has not been built in last five years. The ratio of slopes with artificial snowing equipment as well as with evening lights is among the lowest Poland. There are only two very old and slow chair lifts and t-bar ski lifts are also often behind the times. Szczyrk is justifiably regarded as one of the most crowded ski localities in Poland and the level of visitor's satisfaction remains lower than in competing places. Long queues to lifts were pointed out by 62% of Szczyrk visitors as one of the three major weaknesses, which was the second highest result among 10 researched resorts. Respondents were asked also about their general satisfaction derived from their stay in a given ski resort. They were asked to use a 5 point Likert scale ranging from –2 (completely unsatisfied) to 2 (completely satisfied). Results are presented in table 1. With the mean 0.59 Szczyrk found itself to be number 9 among 10 researched ski resorts. However, one should not conclude that Szczyrk's visitors are more unsatisfied than those of its competitors. Only 7 respondents declared themselves to be unsatisfied and none to be completely unsatisfied, which is comparable to most of Szczyrk's competitors. Low level of overall satisfaction is here strongly affected by the highest among researched resorts ratio of visitors remaining indifferent – not satisfied nor unsatisfied (0). Generally it is visible in table 1 that the highest level of customer satis-

TABLE 1 Overall satisfaction derived from the stay in the researched ski resort

Resort	2	1	0	−1	−2	Mean
Szczyrk (Czyrna-Solisko)	17	32	43	7	0	0,59
Zakopane (Gubałówka)	32	54	14	0	0	1,18
Białka Tatrzańska (Kotelnica)	36	45	15	3	1	1,12
Wierchomla Mała	31	52	15	0	2	1,10
Międzybrodzie Żywieckie (Żar)	32	44	22	1	1	1,05
Sienna (Czarna Góra)	24	48	28	2	0	0,94
Szczawnica (Palenica)	19	54	23	3	1	0,87
Ustroń (Czantoria)	16	49	28	6	1	0,73
Szklarska Poręba (Szrenica)	18	32	41	7	0	0,61
Zakopane (Kasprowy)	14	35	34	5	2	0,54
10 researched resorts	25	45	26	3	1	0,90

NOTES   2 – completely satisfied, 1 – satisfied, 0 – neutral, −1 – unsatisfied, −2 – completely unsatisfied.

faction was detected in newly built resorts like Białka Tatrzańska, Wierchomla or Żar, while the most traditional resorts with established position in the Polish ski market for many years, because of suffering from the lack of new investments in improvement of the old infrastructure – Szczyrk, Szklarska Poręba and Zakopane-Kasprowy Wierch – were evaluated as the worst among the researched resorts.

Conflicts and Problems: In Search of Reasons for Szczyrk's Stagnation

Szczyrk is also the model example of conflicts blocking the development of winter sports destinations. The big potential and leading positions on the market are being lost due to the helplessness of local stakeholders involved in numerous conflicts.

SKI AREA OPERATOR VERSUS LAND OWNERS CONFLICT

In countries where there are no legal regulations on use of land for ski purposes and where ski lift operators usually only lease land for slopes, like Poland, owners of the land agreement for the development or even existence of ski infrastructure must be ensured. The most convincing negative example is Szczyrk. Due to the conflict of the land owners with GAT – the company operating the Czyrna-Solisko ski area – 9 out of 13 ski lifts had to be closed down because their slopes were cut with

fences. Both sides treat their opponents as enemies and accuse them of numerous little frauds. Additionally the conflict has also a personal background, as one of the most prominent GAT opponents among the land owners is a previous member of the board of GAT who clashed with the new board. The unpredictable situation with the land owners is still pointed to as the main reason why GAT has not made any new investments since the ski area opening over 20 years ago.

Sharp conflicts between ski area operators and land owners can be observed also in many other Polish ski resorts. The most famous, in the 2005/2006 winter season, was the case of Gubałówka in Zakopane where only one family against all the other land owners stopped the ski area. This was the direct reason for setting up works on snow law by a few politics parties. However the project, created in a nervous atmosphere, instead of solving problems was concentrated only on defending the interests of ski operators. The main accusations made by land owners were not referred to. These include the way of using and preparing slopes both in winter and in summer, including illegal cutting of trees to widen the slope by the ski operator and conducting building and other construction works in summer by land owners. The projects of 'snow law', prepared in consultancy with major ski operators, show their perception of land owners and their role in ski resort development. They are perceived rather as an anti-development power and rivals than as partners and important local stakeholders. Often good examples of Alpine countries with some kind of 'snow law' were referred to. But presentation of only legal conditions without full examination of practice may give the wrong impression of the role played by land owners in countries with the highest level of development of the skiing industry. In research conducted by Flagestad (2002) land owners were found to be the most important and powerful stakeholders in winter sports destinations both in Sweden and Switzerland, overlapping investors or ski operators.

One of the reasons for the problem is the impression of being excluded from the decision process and from benefiting their own propriety felt by land owners. Especially when the ski operator is an external, big company, this may lead to the existence of two different groups of stakeholders with two different goals and conflicting interests. Local stakeholders, including land owners, and external investor do not play in one team to create an outstanding market offer, instead they try to maximize their profit at the expense of the second side. In Szczyrk there is one more reason for such a situation. This is its localization and connected with this

the structure of visitors. The biggest segment of skiers visiting Szczyrk are one day visitors from the Silesian voivodeship, especially from the nearby located Katowice agglomeration, who are characterized by very low interest in local services other then ski lifts. Visitors from the Silesian voivodeship made up as much as 46% of visitors in Szczyrk. This results in one of the shortest mean declared lengths of stay – 4.39 days (while the mean for 10 researched resorts was 5.19) and one of the biggest ratios of one day visits – 46% (mean for 10 resorts – 30%). Also respondents were asked about the three most important requirements regarding a ski resort. Characteristic is that visitors in Szczyrk put much more weight than visitors of other resorts onto elements connected directly with ski infrastructure, like good preparation of ski slopes, no queues to lifts or comfortable lifts, while not appreciating the importance of elements of the ski resort's product not directly linked with skiing, like accommodation, après-ski or safety (table 2).

The data presented above shows that skiers' spendings at the destination in Szczyrk are small, and almost the sole stakeholders truly benefiting from their visits are the ski area operators. Then it is easy to understand why local inhabitants do not connect their prosperity with winter offer development, which connection should be obvious in other situations and which is treated as obvious by GAT.

OTHER CONFLICTS AND LACK OF COOPERATION BETWEEN LOCAL STAKEHOLDERS

Apart from the most important and sharpest conflict between GAT and land owners, there are also many other conflicts or at least passiveness and mistrust between stakeholders. As an effect, there is no much – needed cooperation between them. The best example can be the two biggest ski areas which are situated just next to each other. Actually they are even connected by a slope, but skiers have to watch out which lift they take to use the ticket they have bought. This impossibility of implementing a common ticketing system or other forms of cooperation is even stranger when it is considered that both operators are state owned companies (however they are within the responsibility of different ministries). During the problems described above with slopes closure, the number of winter visitors in Szczyrk felled so dramatically that it not only threatened the profitable existence of local service providers like accommodation facilities or gastronomic outlets, but was also visible in diminished turnover in other ski areas, including Skrzyczne – the second biggest ski area. However, even this situation did not force ski area op-

TABLE 2 Three of the most important customer requirements in a winter sport destinations

Requirement	Visitors to Szczyrk (%)	Visitors to 10 resear- ched resorts (%)
Easy access	35	38
Information available	7	7
Feeling of safety	9	18
Guarantee of snow-cover	24	33
No queues to lifts	50	32
Large number of diversified ski slopes	23	20
Well-prepared ski slopes	53	31
Fast and comfortable lifts	26	15
Ski ticket covering many lifts	9	7
Low price of services	11	18
Separated snowboard infrastructure	4	6
Additional services for skiers	2	4
Satisfying accommodation base	3	10
Satisfying gastronomic base	6	7
Evening entertainment	1	5
Additional recreational offer	1	2
Local folk/cultural events	0	2
Scenic beauty	7	10
Peaceful atmosphere	0	2
Others	3	4

erators or other stakeholders to think over some collaborative actions to fight the crisis.

In many Alpine countries ski operators cooperate with other services providers in promotion by preparing common publications and web pages. Also, often a common pricing policy is established by creation of tourism packages consisting of ski ticket and accommodation. Those kinds of cooperation so far have been not even considered. There is also no idea of ski buses, even though the number of skiers' private cars exceeds highly the capacity of local roads and parking places.

THE ROLE OF LOCAL AUTHORITIES

One of the first ways, which come to one's mind when thinking about possible solutions to the described situation might be the strong lo-

cal leadership, which could integrate all stakeholders, including those in conflict, around the idea of development of the ski resort. This role should and might be played by the local government. Unfortunately local authorities in Szczyrk are weak, without the charisma needed to be a leader, and are not efficient. Totally helpless with huge traffic jams and lack of parking places, responsible for poor and dispersed tourism promotion and, even worse, absence of vision for development of the town's tourism offer and not effectively acting as mediator, Szczyrk local authorities cannot be regarded by other stakeholders as a powerful player and potential leader.

However the strongest criticism of Szczyrk's local authorities is connected with their weak response to the conflict between GAT and land owners, which can be dangerous for the whole economy of Szczyrk. The priority taken by authorities is to not get involved in the conflict as one of the sides, which is correct, however neutrality cannot be mixed with passiveness. Also no single interesting solution was offered by the authorities.

POTENTIAL EFFECTS OF REGIONAL COOPERATION BETWEEN SKI RESORTS

As long as local partnership is the basic condition for achieving sustainable success for a ski resort, regional cooperation between resorts seems to be a good way of setting up the competitive advantage. This cooperation should be carried out within the wider understood region managed as a tourism destination. This task appears to be especially challenging because it encourages the closest competitors to cooperate.

The first reason why it is worth considering such cooperation is connected with the very essential feature of tourism – tourists' need to visit and explore different places. Many tourists during their stay in one place tend to visit also some other towns and villages around. This means that the relative increase in attractiveness of the neighbouring locality need not necessarily create the threat of losing some potential guests, but could be also an opportunity to attract new visitors to nearby located attractions. The same thing may concern ski resorts. First of all, communities within the ski area may benefit from a non-skiing attraction located nearby. This justifies the need for cooperation of ski resorts with other types of resorts. But also the cooperation between ski resorts may by profitable. In Alpine countries where huge ski areas prevail, the cooperation between communities connected by one ski area is obvious.

But rather less probable is cooperation of that type between communities from different ski areas as, due to the uncountable number of slopes and ski operators' pricing policies, skiers tend to spend all the stay in one area. The opposite situation emerges in Poland: 3 or 5 slopes are usually not enough for tourists to spend a week skiing in one ski area, and visitors often look for new impressions in neighbouring resorts. So improvements made in nearby areas may stimulate visits, but this needs not only cooperation between resorts but also taking specific action like information campaigns.

One of the most important dimensions of segmentation of the winter sports market is the distance between destination and visitor's place of living, which is strongly connected with length of stay and frequency of visits. Not surprisingly, tourists from remote markets usually visit a ski resort rarely and stay longer, while skiers from the closest surrounding prefer frequent one-day visits. It's worth adding that the demand of each of those segments is seasonal, but their seasonality differs by the length of the cycle. Visits from distant places are usually concentrated into the short period of the peak of the season, especially during winter holidays, Christmas or Easter, while one-day visits are divided more equally over the whole winter season with strong intensification during weekends. in order to combat the negative effects of seasonality, ski resorts have to keep a balance between visits by tourists from both segments, and too strong dependency on one of them can be dangerous. This situation may be observed in many Polish ski resorts like Szczyrk, where short visits are dominant.

Operating on two market segments imposes the use of different marketing strategies. When competing in nearby located markets among the most important factors are ease and length of journey. The limited time that skiers agree to devote to a journey also limits their possibilities of choice. In this market, the closest neighbours must be also the closest competitors. Remembering the already stated great importance of this market in Poland, it is easier to understand mutual reluctance between neighbouring resorts.

Still, there is a need to balance short visits with longer stays much more profitable for a resort. However, there is a barrier for many Polish ski resorts to compete effectively on remote markets. They are simply too small and not sufficiently recognizable, not only for international tourists but also for inhabitants of Central and Northern Poland. To fight this situation they should create a positive image of the region, which can

easily be recognized. Without a positive overall image of the Polish areas, any single Polish resort can have only limited chances for success on the international market. The decision to start closer cooperation with closest competitors can be painful for many resorts, yet it seems to be unavoidable in long-term horizon.

Establishing such a cooperation or even partnership at regional level can produce one more opportunity. Apart from the criterion of length of stay, also some other dimensions of segmentation can be very useful. An example of one of them is the choice between attracting families with children or youth. Expectations of those two groups are different and sometimes even divergent, so it is difficult to serve them both in one locality. Ski resorts in one region, however, instead of competing with each other in offering similar products can differentiate their offers and specialize in serving one specific segment. This is well illustrated by examples of Austrian resorts from Landers Tyrol or Salzburg. Maria Alm in Hochkönig Winterreich is a typical resort prepared to serve families with kids where there aren't any places playing loud music late, but where there are plenty of attractions for children and also specially prepared ski-schools. Located 30 km. from Maria Alm, Saalbach offers a completely different product based on well-developed après-ski services and amusement business.

Such differentiation of ski resort images can be copied also into the Polish ground, but is practically impossible without involvement of regional authorities. As with Tirol Werbung in Tyrol or Salzburger Land GMBH in Salzburg, a similar role can be played by Polish voivodeship governments and Regional Tourism Organizations created with their initiations. Regional government and/or the Regional Tourism Organization is responsible for the image of the whole region and has to coordinate actions taken by all localities, and should also support or even prepare plans for strengthening the image of the region as a destination offering differentiated products well adjusted to the specific needs of many different tourists. A suggestion for implementing such a product differentiation was made in the Strategy of Tourism Development in the Silesian voivodeship. According to this proposal, Szczyrk is to develop the position of perfect resort for demanding skiers while Wisła and Istebna should attract skiers interested in local traditions and culture, and Brenna should appeal to families with children and other groups looking for small scale tourism often combining skiing with agrotourism stays. This long-term vision seems to be a bit unrealistic according to the hith-

erto lack of cooperation at both local and regional levels, yet if carefully implemented by small steps it may strengthen the competitive position of all Silesian resorts in few years time.

Alpine skiing is considered to be one of the most environmentally damaging forms of tourism (Kurek 2004; Holden 2000; Pickering and Hill 2003; Geneletti, forthcoming). Also the location of skiing in mountainous areas means that it is using using one of the most fragile and also often valuable ecosystems (Kurek 1999). Conflict between protection and development of the ski industry is especially sharp in Poland, where traditions of ecological movements are very strong and the supply of suitable areas for skiing is dramatically lower than the demand. Almost all Polish mountain ranges, and even single mountains with better than average natural conditions for skiing development, are protected as National Parks or in other ways. Often on the area of National Parks there are some infrastructures for skiers, existing which are older than those of park protection. This is the situation of 3 of Poland's biggest ski resorts: Zakopane (Tatrzański NP) and Karpacz and Szlarska Poręba (Karkonoski NP). Since law forbids new investments in ski infrastructure in National Parks – and this restriction includes not only building new lifts or slopes, but also raising their capacity – those ski areas remain with very old equipment and a rather low quality of services. This causes great dissatisfaction to the so-called 'ski lobby' including ski operators, some skiers and local officials. Very strong pressure made by them integrates also the 'ecologist lobby'. The position of National Parks' administrations supported by many ecologists' organizations seems to be also unbreakable. The most extreme example of 'war' between those two parties is from the Carpathians resort of Korbielów – where ski lifts operate up to the peak of Pilsko where conditions for skiing are especially good, but where also a very valuable nature reserve is located. During the strongest argument a few years ago an 'unknown delinquent' damaged the rope of a lift in a way that caused a big loss for the ski operator and might have threatened the safety of users if not detected earlier. This shows that players like National Park administration,ecological organizations and the Ministry of Nature Protection, have to be welcomed when plans for developing ski areas are made. Building new lifts cannot be treated as a single victory over the ecologists but has to be based on a long-term agreement. This agreement can be reached only when both sides soften their positions.

Protectionists have to understand the need for the existence of ski infrastructure, but also the most environmentally damaging projects have to be abandoned.

Development-protection conflict is not visible in Szczyrk as strongly as in other regions of the Polish mountains. Located far away from National Parks and nature reserves, Szczyrk is usually not perceived by ecologists as an especially valuable area. Additionally, the scale of investments taken many years ago means that nowadays there is not much nature to preserve in Szczyrk. However, this 'peace' between ecology and development lobbies in Szczyrk can be explained also the other way. Usually ecologists' protests are connected with new investments projects. And in Szczyrk there has been no such a project with high probability of implementation for many years.

Discussion and Conclusions

The practice of Western European countries offers easy and efficient solutions when trying to develop a tourism destination. However, in a country without many years of existence of established and effective local democracy and free market, inhabited mainly by people who have grown up under communism, characterized by lack of knowledge and difficulty with defining the common good, tourism destinations in Central and Eastern European countries in transition are not yet prepared to implement those solutions based on collaborative actions of local stakeholders. In Polish winter sports destinations, differently than in other Central and European countries like Slovakia, the Czech Republic or Slovenia, the huge domestic demand and low level of skiers' expectations additionally 'helped' local stakeholders to underestimate threats connected with competition in the open market. In such conditions it is even harder to persuade almost anyone to consider collaboration.

In Poland, ski areas are often situated in former existing settlements in which the tourism offer is not limited to the ski product. This situation imposes on local governments the task of ensuring sustainable development of ski tourism. The first step must be to integrate all players and encourage them towards close cooperation. All examples of local conflicts listed above show how difficult a task it is. Unfortunately neither of the parties, including the authorities, is prepared for cooperation. The awareness of divergences of goals of different players and mutual mistrust are still dominant in Polish ski resorts. Actually, doubts about the existence of common goals are partially justified. Especially the ski oper-

ator, when it is as an external investor, might be the subject of suspicions of other players. the operator's simplest aim is maximal usage of the lift's capacity. In many Polish resorts the easiest way to achieve this is to attract one-day visitors from nearby located cities. But one-day visitors are not profitable guests for the local economy, which needs need development of some public services like transport, parking places etc. In a situation when demand for one-day skiing in Poland is huge, ski operators expect from local governments rather improving those services than preparing and implementing a holistic development strategy. On the other hand, local governments vainly rarely attempt to implement the strategy by encouraging ski operators to adopt a discount ticket polocy for longer or off-season stays.

Sharing profits is the most common problem blocking potential co-operation between business entities in Polish ski resorts. The conflicts between ski lift operators and landowners are typical examples. Also this seems to be the main reason why it is so difficult to implement common ticketing systems. In this situation, such normal things in Alpine countries like price cooperation between ski operator and accommodation entities or common financing of operation of ski buses are not even considered.

Overcoming those prejudices may be done by local governments, yet local governments are often responsible for their existence. Attempting to initiate the local cooperation is their important task, and without such actions all other players tend to be passive too. In all conflicts where the authorities are not directly one of the sides, they should also act as a mediator. This includes conflicts of ski operators with landowners or with ecologists. (Unfortunately many Polish local governments got involved in the second mentioned conflict by taking the side of ski development.) Closing most of slopes in a town economically dependent on skiers' expenses, as in Szczyrk, can cause serious damages to the local economy – and passive position of local authorities is surprising.

The low efficiency of local governments' actions can be a self-evident prediction. The common lack of competency in implementing political aims warned citizens and companies of the pointlessness of all actions taken by local governments. Such a position is maintained often without deep analysis of local authorities' aims, which are neglected even if they are really well prepared. In these conditions it is difficult to persuade almost anyone to break the mistrust and start to cooperate with the local authorities. Lack of current efficient actions taken by local government is

the most visible and damaging effect of aversion to cooperation among the local players.

Problems of cooperation for development of inter sports destinations in Poland, as illustrated by the example of the 'Polish winter capital' – Szczyrk – presented in this paper, show how difficult is implementation of the rules prepared on the basis of Western highly developed countries in the practice of the new democracies of Central and Eastern Europe. Especially, since those general rules usually do not cover precisely the problems observed in those countries as well as the specific problems of destinations of a special kind, like winter sports destinations in this example. To be prepared for effective collaboration and partnership, stakeholders in Western destinations have gained experience over many years and have had strong support of science in analyzing the extensively emerging problems. In countries like Poland, it is difficult to expect that public or private sector stakeholders would be prepared to make the move and cut the distance to Western European countries, especially since the support from the scientists is very low and the debate on the approach proper for the new democracies is still absent (Hall 1998). In a situation when neither of the parties is prepared for cooperation, the stress has to be made on stakeholders' education and a help in changing their hostile attitude towards other stakeholders. The presented paper analyzes the main reasons for typical Polish ski resorts' problems of development and suggests some ways of solving them. This is, is hopefully the beginning of scientific debate on the topic of creation of the most effective solutions and spread of knowledge among actors involved in winter sports product development in Poland. The main contribution of the presented paper is, therefore, pointing out the main reasons for failure of the researched destination, which might be similar to many other destinations in Central and Eastern Europe. Earlier studies on destination collaboration (Brezovec and Brezovec 2004; Roberts and Simpson 1999) in this region were concentrated rather on searching for some general rules than on investigating specific examples.

Further studies based on the presented topic should include two main areas. First, is there a need for a tailor-made theory for destinations like Szczyrk? Can the failure of Szczyrk be explained by the same measures as the success of one of the Western European destinations? And if not, is Szczyrk different from most other destinations because it is a destination located in country in transition in Central Europe, or because it is a destination of specific type – winter sports destination? Once the general

theory of collaboration within tourism destinations is well developed it is time to investigate the adjustment needed in given situations.

The second question is connected with actions needed to enhance collaboration in Szczyrk-like destinations. Do local stakeholders not cooperate because they do not have knowledge to understand possible benefits of cooperation, or because the mutual mistrust is strong enough to overcome the expected benefits of cooperation? The case of Szczyrk might suggest that to some extent both possibilities are correct. Expert support and education can be enough to overcome lack of knowledge, however it might not be sufficient to overcome prejudices. This task without sound leadership and good practice examples could be not feasible.

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Impacts of the Euro on the Slovenian Tourism Industry

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This paper examines the impacts of the Euro adoption in Slovenia on its tourism. For this purpose, the empirical research among foreign tourists in Slovenia was conducted on their perceptions of the Euro adoption in Slovenia during the second half of 2007. The multivariate factor analysis was performed, which confirmed the four common dimensions of the Euro impacts on Slovenian tourism: attractiveness, costs, expensiveness, and comparison. The mean values of the analyzed items indicate the most positive impacts of the Euro on the direct price comparison and the easiness of comparison among tourist destinations in the Euro zone. The empirical results suggest that the Euro adoption has had the greatest impacts on better comparisons among tourist destinations in the Euro zone, followed by a significant decline in travel-operational costs. The increase in the expensiveness of the destination among foreign tourists is confirmed, whereas no significant improvement in the attractiveness of Slovenia as a tourist destination was proved after the Euro adoption.

Key Words: the Euro adoption, European Union, Slovenian tourism, multivariate factor analysis
JEL *Classification:* C42, E42, F36, L83

Introduction

The literature about tourism suffers from a lack of studies concerning the effects of the Euro adoption on the attractiveness and competitiveness of tourist destinations. The tourist sector has failed to attract research about the Euro impacts on tourism (Gil-Pareja et al. 2007). Notwithstanding, this open question is a very crucial research topic with policy implications, since the Euro as a national currency will be also adopted in some

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other, particularly Central and Eastern European, countries in the future. This might explain why studies about the Euro impacts on tourism are focusing especially towards these non-Euro zone countries and their tourism industry (e. g. Bieger and Laesser (1999) for Swiss tourism; Jenkins (2001) for the UK hospitality industry; Ratz and Hinek (2006) for Hungarian tourism).

At the time when the European Union (EU) was founded in the late 1950s with the Treaty of Rome, the modern tourism in Europe was beginning to develop. The phase of the modern tourism development has been characterized by a strong tourism development and a steady growth of tourists' arrivals and tourism expenditures, but there has also been emerging a strong competition among existing and new tourist destinations.

Since the 1990s the Single European currency (Euro) has been introduced in fifteen EU countries.[3] The EU drafted the Treaty of Maastricht in December 1991, and signed it in February 1992, which provided a basis for the Euro. Five economic and monetary conditions (called the Maastricht convergence criteria) that have to be fulfilled before a state is allowed to join the European Monetary Union (EMU) were decided in the Treaty of Maastricht.[4] To become a member of the Euro zone, Slovenia had to satisfy the set Maastricht convergence criteria. On 27 June 2004 Slovenia entered the Exchange Rate Mechanism ERM2. The aim of the ERM2 entry was to ensure the stability of the Slovenian Tolar/Euro exchange rate in agreement with the competent European institutions. Finally, on 1 January 2007 Slovenia adopted the Euro as the 13th country to enter into the Euro zone. Now, since Slovenia has entered the Euro zone, we can evaluate the concrete effects of the Euro adoption on the Slovenian inbound tourism. For this purpose, research was undertaken on effects of the Euro adoption among the foreign tourists visiting Slovenia.

The goal of the research is to analyse possible effects of the Euro adoption in Slovenia from the foreign tourists' point of view and, thus, to examine the consequences of the Euro for the Slovenian inbound tourism. It is presumed that the adoption of the Euro in Slovenia has had impacts on the attractiveness and competitiveness of the Slovenian tourism industry. The results can foresee and anticipate the possible effects of the Euro adoption on tourism in countries that will adopt the Euro in the future. The field research work with the written questionnaire (table 1) was conducted in 2007. Consequently, the short-term pre- and post-Euro adoption effects are reflected in the research.

TABLE 1   Questionnaire on Euro impacts on Slovenian tourism

Please, give your personal opinion on the statements below, where 1 means 'I strongly disagree', 2 means 'I somewhat disagree', 3 means 'I neither agree nor disagree', 4 means 'I somewhat agree', and 5 means 'I completely agree'.

A1	The Euro allows me to directly compare prices in Slovenia with prices in other Euro zone countries.	1	2	3	4	5
A2	The Euro makes me feel that I get greater value for money in Slovenia than in my country.	1	2	3	4	5
A3	Not having to exchange currencies for travel to Slovenia represents an important reduction in travel costs for me.	1	2	3	4	5
A4	The fact that the Euro is used in Slovenia reduces the time I need for travel preparation.	1	2	3	4	5
A5	Slovenia is now a more expensive destination than it was before it adopted the Euro.	1	2	3	4	5
A6	Travelling in Slovenia is now more expensive than travelling to destinations outside the Euro zone (for example Croatia, Bulgaria, Hungary).	1	2	3	4	5
A7	Travelling in Slovenia is now as expensive as travelling to other destinations within the Euro zone (for example Austria, Italy).	1	2	3	4	5
B1	Travelling in Slovenia is now easier for me because of the Euro.	1	2	3	4	5
B2	When I made my travel decisions, I chose Slovenia because the Euro is used as the national currency.	1	2	3	4	5
B3	I will probably travel to Slovenia more often than I would otherwise because the Euro is used as the national currency.	1	2	3	4	5
B4	Slovenia has become better known as a destination than it was before the Euro was introduced.	1	2	3	4	5
B5	Slovenia has become a more attractive destination than it was before the Euro was introduced.	1	2	3	4	5
B6	Slovenia has a better image now than it had before it introduced the Euro.	1	2	3	4	5
B7	It is easier to compare prices in Slovenia to other destinations inside the Euro zone (for example Austria, Italy) since Slovenia adopted the Euro.	1	2	3	4	5

• Please, indicate your age group: (a) 19 or below, (b) 20 to 29, (c) 30 to 39, (d) 40 to 49, (e) 50 to 59, (f) 60 or over.

• What country are you from? _____

• Gender: (a) male, (b) female.

The paper proceeds as follows. The next section provides a review of the literature. After that the research design is explained. Following this,

data sources, methods and empirical results are discussed. The concluding remarks are presented in the last section.

Review of Related Literature

More than 300 million people use the Euro as their own national currency, and the number will increase with the further Euro adoption particularly in some new member states of the EU. Prior to the Euro coming into physical circulation, Torres Marques (1998) argued that the Euro currency is potentially a major instrument for decisively improving the present overall trends in the European tourism industry.

According to the European Commission (2007), positive impacts or benefits of the Euro adoption can be classified into several categories: easier travel for people (no need for currency exchange, and better compared prices), impacts of the single market (no exchange rate fluctuations and transaction costs, price transparency, enhances competition by allowing for easier price comparison, better investment decisions and more investment opportunities), impacts on the financial market, macroeconomic impacts on the economy as a whole (for example price stability, sound public finances, and lower interest rates), impacts on the international role of Europe, and impacts on political integration. Indeed, there are many impacts of the Euro on tourism.

It is clear that the Euro creates a more transparent economic environment by eliminating exchange rate risk and uncertainties in tourism inside the Euro zone (WTO 1998). Additionally, within the Euro zone, the exchange rate is no longer a factor of relative price competition, since it is not possible through real exchange rate depreciation to take possible advantages to lower the relative price of tourism products vis-à-vis competitors in the Euro zone. Altogether, inside the Euro zone, exchange rate costs have been eliminated.

The stability of the economic environment in the EMU was confirmed also by the limited effect of the Euro adoption on prices. The statistical analysis by Eurostat showed that price increase linked to the Euro changeover in the Euro zone in 2002 ranged within 0.12% to 0.29% compared to the 2.3% of inflation (measured by HICP), but the most significant part of the total effect of the Euro changeover took place between December 2001 and January 2002 within the range of 0.09% and 0.28% (Eurostat 2003, 5). However, Eurostat indicated that the Euro changeover had led to some price increases in specific sectors, such as restaurants, cafes and hairdressers, recreational and sporting services. Some of these

are internationally non-tradable services that are targeting not only visitors and tourists, but particularly domestic consumers. According to the European Commission (2007), because of the regular purchases of these kinds of services, the effect on public opinion may have been notable. The first analyses in Slovenia, undertaken by the Institute of Macroeconomic Analysis and Development (IMAD) have shown that: firstly, the contribution to price rises that can be linked to the adoption of the Euro in Slovenia is comparable to a corresponding contribution in the Euro zone in 2002; secondly, the price increase of services in the hospitality sector can be largely associated with the Euro adoption and explained by corrections and rounding-up of prices; thirdly, the price increases due to the Euro adoption were estimated at 1.8% in December 2006, and at 1.4% in January 2007 when the price increase was taking place (as in other EMU countries) in two months, i. e. in the month prior to the Euro adoption and in the subsequent month (IMAD 2007, 9).

The Euro may be seen as an important tool for the attractiveness and competitiveness of tourist destinations in the Euro zone countries as it can bring many advantages to the tourism industry, as was already discussed in the 1990s' (Leu 1998; Keller 1998; Raffling 1998; Shackleford 1998). Keller (1998) divided the impacts of the Euro on tourism into two categories: macroeconomic impacts and structural impacts (such as price transparency). Following Keller, macroeconomic impacts include reinforcement of the European economic and political integration and growth within the Euro zone that causes lower interest rates and thus less expensive investments in tourism, which enhances competitiveness. On the other hand, according to Leu (1998, 8), the Euro contributes to the expansion of freedom of travel since its use reduces the costs and time spent on currency exchange, as well as mitigating administrative problems and even possible cheating on the currency exchange. In addition, Shackleford (1998, 11) lists three benefits of the Euro for the consumers. They are: firstly, simplicity of transactions since tourists have to carry only one, a single currency; secondly, transparency in use, represented by a greater familiarity with the purchasing-power of the Euro, which enables better comparison of prices; and, thirdly, elimination of costs and time in the economy regarding exchange of currencies.

Raffling (1998) also argues for several benefits of the Euro, such as: easier price calculation, no foreign exchange risk and costs, fewer currencies – thus making daily life easier, image corrections through price transparency and, consequently, higher travel budgets. In fact, price trans-

parency enables price comparability inside the Euro zone and, as such, increases price competition among the tourist destinations inside the Euro zone. Therefore, it reduces prices in the long-run and leads to the improvement in price-to-value ratio. However, contrary to the theoretical expectations, Ratz and Hinek (2006, 594) found a lack of increased competition in the Hungarian tourism industry vis-à-vis the other European tourist destinations as a result of the Euro introduction. This suggests that not only monetary, exchange rate factors, but particularly structural and real economy factors are important for competition in the enlarged Euro zone tourist markets.

Furthermore, Gil-Pareja et al. (2007) argue that the Euro has induced effects also on the expansion of business tourism as a consequence of the positive impact of the EMU on trade creation. Indeed, several papers found a positive impact of the Euro on merchandise trade developments. Therefore, this implies that international tourism in the Euro zone is fully affected by several impacts that the Euro has brought to this area. Moreover, shifts in international tourism flows were predicted and thus expected because of the removal of the exchange rate (Smeral and Weber 2000, 997). However, so far we have not found any study, made after the Euro adoption, to confirm or reject these predictions and expectations of the Euro adoption on tourism.

So far, most of the literature on the Euro effects on tourism dates from the period before the Euro adoption in 2002 (e. g. WTO 1998; Keller 1998; Leu 1998; Raffling 1998; Shackleford 1998; Bieger and Laesser 1999; Socher 1999; Smeral and Weber 2000; Jenkins 2001) or refers to data prior to the Euro adoption (Mazanec 2002; Kanada 2003), or else it relies on investigation into Euro impacts outside the Euro zone. For example, Ratz and Hinek (2006) examined the Euro impacts in Hungary. Similarly, Bahar and Kozak (2006) investigated on the Euro impacts on tourism in Turkey in 2004, irrespective of whether the respondents were from the Euro zone or not. Nevertheless, according to the findings of Gil-Pareja et al. (2007), the impact of the Euro on tourism is greater when the Euro is effectively circulating in the economy rather than when it was simply a unit of account (before the year 2002). Thus, the research regarding the Euro impacts on tourism in the Euro zone after the Euro adoption might be crucial for understanding the attractiveness and competitiveness of tourist destinations within the Euro zone as well as externally. Unfortunately, it has received relatively little attention in the literature with the exception of the study by Gil-Pareja et al. (2007).

Kanada (2003) studied the Euro effects on tourism in Tenerife (Spain) and found that tourism flows to the Tenerife tourist destination declined after joining the EMU. He explained this fact by a price increase in Tenerife due to a price convergence across the EMU (since Spain was treated as a low-price country) that outweighs any increase in demand due to reductions in transaction costs and currency risks. Furthermore, Kanada states that tourism flows to Germany increased after joining the EMU because of a price convergence (since Germany was treated as a high-price country). Smeral and Weber (2000, 1000) forecasted the changes in international tourism that are induced by the Euro adoption, which raises tourism export in the hard-currency countries (for instance in Germany or Austria) by improving price competitiveness, while it lowers tourism export in the soft-currency countries (for instance in Italy). In addition, Jenkins (2001, 228–9) argued that there will be downward pressures on prices in the Euro area, especially where prices are high, because tourists seek better value-for-money, which may easily be identified by better comparison of prices in the Euro as a single currency. Similarly, Bahar and Kozak (2006, 241) found that Turkey has a higher competitive power in prices than its counterparts in the Euro zone (for instance France, Spain, and Greece). However, Gil-Pareja et al. (2007) investigated the Euro effects on tourism in 2004 in the EMU-12 members and found that the EMU boosts tourism flows by having a positive and significant effect on tourism, which is quite widespread across tourist destination countries of the EMU.

Research Design

The Euro contributes to the profile and positioning of 'Destination Europe' in world tourism (Leu 1998, 7). Moreover, according to the aforementioned literature review, we can derive an assumption that the adoption of the Euro results in more attractive and competitive tourism in the Euro zone. In addition, the question on the importance of the Euro for competitiveness vis-à-vis the non-Euro zone using cross-exchange rates is estimated in different models of destination competitiveness.[5] The effects of the Euro adoption can be found in several factors of tourism destination competitiveness. For instance, real exchange rate (De Keyser and Vanhove 1994), awareness/image/brand and cost to value ratio (Ritchie and Crouch 2000), and price competitiveness (Gooroochurn and Sugiyarto 2005) that are found as factors of tourism destination competitiveness. Nevertheless, there is a lack of studies in the field of tourism

competitiveness research to investigate and assess the Euro impacts on the attractiveness and competitiveness of tourism destinations inside the Euro zone. Hence, we argue and set a hypothesis that the Euro adoption has made the Slovenian tourist destination more attractive and competitive. Based on the literature review, we try to explore foreign tourists' perceptions of the Euro adoption in Slovenia.

Data Sources and Methods

A written questionnaire for the current study was designed (see table 1 for more detail) to estimate the perception of the foreign tourists that visited Slovenia during the second half of 2007 on price and non-price impacts of the Euro adoption on Slovenian tourism attractiveness and competitiveness. The written questionnaire is divided into two main parts. The first part of the questionnaire comprised 14 five-point Likert-type scales in order to investigate how respondents perceive the effects of the Euro adoption, where 1 indicated 'I strongly disagree', 2 indicated 'I disagree', 3 indicated 'I neither agree nor disagree', 4 indicated 'I somewhat agree' and 5 indicated 'I strongly agree'. The second part of the questionnaire comprised three questions and examined basic questions on the demographic characteristics of respondents in order to classify them by age, country of origin and gender. The questionnaire was translated from Slovenian into English, German and Italian for the purpose of the survey. A pilot test was conducted with 21 foreign tourists to ensure clarity and comprehensibility of the written questionnaire.

The survey was conducted among foreign tourists. For this purpose the foreign guests of 7 Slovenian hotels were asked to complete the questionnaire. The hotels were randomly selected. The important factor for choosing the hotel was the willingness of hotel managers to ask their guests to participate in the survey. The data were collected in the second half of 2007. The written questionnaires were given to the hotel guests at the hotel reception desk when they checked into the hotel, asking them to complete and return the questionnaire at the reception desk. A total of 139 usable questionnaires from the foreign tourists were collected from the survey. We are aware that among possible limitations is the size of the sample, since there were 1,751,332 foreign tourist arrivals in Slovenia in 2007 (see http://www.stat.si). However, we believe that our sample is representative as it was conduced in the most important Slovenian tourist destinations and within them in the hotels that are important by the number of foreign tourist arrivals and overnight tourist stays.

The collected data were analysed using multivariate methods of analysis and employing the Statistical Package for Social Sciences (SPSS) version 14.0. Firstly, descriptive statistical analysis is used for the demographic data of respondents and for each of the Likert-type scale questions. Secondly, exploratory factor analysis (e. g., Kachigan 1991; Kline 1999; Hutcheson and Sofroniou 1999) was conducted to identify underlying dimensions of the Euro impacts on the Slovenian tourism industry.

Results

Descriptive statistical analysis (table 2) shows the collected demographic characteristics of the respondents in order to reveal their age, country of origin and gender characteristics. The respondents were by gender 49.6% male and 50.4% female. The largest age group was older than 60 years of age, represented by 33.8% of the respondents, followed by the 50-to 59-year age group of 20.9% of respondents. The majority of the respondents originated from Italy (61.2%), followed by Austria (19.4%) and the UK (11.5%). The structure of the foreign tourists in the sample differs from that of the structure of the foreign tourists in Slovenia. In fact, according to the data of the SURS (2008), the structure of the foreign tourists in Slovenia in 2007 was: 21% of Italian tourists, 12% of German tourists, 12% of Austrian tourists, 5% of tourists from the UK. Therefore, we can see that our sample includes a greater percentage of Italian tourists.

The multivariate factor analysis confirmed the existence of the four common factors explaining the impacts of the Euro adoption: attractiveness, costs, expensiveness, and comparison (table 3). The Principal Component methods with Varimax rotation were employed on all 14 items from the first part of the questionnaire. The eigenvalue criterion and Scree Plot were used to identify the number of common factor dimensions. The four common factors emerged with eigenvalues greater than 1. The four common factors solution was found to explain 66.7% of total variance across the 14 items. A Bartlett's test of sphericity indicated a statistically significant ($p = 0.000$) correlation matrix and a KMO produced value of 0.793. This reveals that a factor analysis solution was appropriate for the 14 items. Cronbach's alpha was computed for each common factor. Its scores ranged from 0.557 to 0.873. Thus, the results of the factor analysis are considered to be reliable.

The first common factor is labelled as 'Attractiveness' and includes five items with the highest weights greater than 0.8. They are items 'Decision on choice to travel to the destination', 'More frequent travel to destina-

TABLE 2 Descriptive statistics on the demographic profiles of respondents

	Frequency	%
Gender		
Male	69	49.6
Female	70	50.4
Age group		
19 years or below	5	3.6
20 to 29 years	14	10.1
30 to 39 years	20	14.4
40 to 49 years	24	17.3
50 to 59 years	29	20.9
60 years and over	47	33.8
Country of origin		
Austria	27	19.4
Belgium	1	0.7
Czech Republic	1	0.7
Germany	6	4.3
The UK	16	11.5
Italy	85	61.2
Netherlands	3	2.2

tion', 'Better known destination', 'More attractive destination because', and item 'Better image of a destination'. The second common factor is interpreted as 'Costs' comprising four items with the highest weights greater than 0.7 for the 'Feeling of greater value for money', 'Reduction in travel costs', 'Time reduction of travel preparation' and item 'Easier travel'. Item 'Decision on choice to travel to the destination' had a factor loading of 0.552 on the first common factor and 0.588 on the second common factor. However, since the item reflects attractiveness more than costs dimension, we decided to include it in the first common factor. The third common factor reflects three items with the highest weights greater than 0.8 that are associated with 'Expensiveness'. These items are: 'More expensive destination', 'More expensive than outside the Euro-zone' and 'As expensive as in other parts in the Euro-zone'. Each of the three items is 'negatively' worded, meaning that higher values of the results show less agreement with positive impacts of the Euro or, more specifically, they indicate negative impacts of the Euro. The last, fourth common factor

TABLE 3 Factor matrix explaining the impacts of the Euro adoption

Factors and items	(1)	(2)	(3)	(4)
Factor 1: Attractiveness		5.017	35.834	0.873
B6 Better image of a destination	0.849			
B5 More attractive destination	0.812			
B4 Better known destination	0.771			
B3 More frequent travel to the destination	0.598			
B2 Decision on choice to travel to the destination	0.552			
Factor 2: Costs		1.844	13.169	0.769
A3 Reduction in travel costs	0.767			
A4 Time reduction for travel preparation	0.701			
B1 Easier travel	0.684			
A2 Feeling of greater value for money	0.605			
Factor 3: Expensiveness		1.379	9.851	0.665
A6 More expensive than travelling outside the Euro zone	0.805			
A5 More expensive destination	0.794			
A7 As expensive as in other parts of the Euro zone	0.717			
Factor 4: Comparison		1.099	7.847	0.557
B7 Easier comparison	0.744			
A1 Direct price comparison	0.716			

NOTES Column headings are as follows: (1) factor loading, (2) Eigen-value, (3) variance (%), (4) alpha. KMO = 0.793. Bartlett's Test of Sphericity = 755.516 at df = 91 with a significance of p = 0.000.

is labelled as 'Comparison' and includes two items with weights greater than 0.7 for 'Direct price comparison' and 'Easier comparison'. Therefore, these results imply lower transactional and operational costs using the Euro across the Euro zone.

The mean values and standard deviations for the 14 analyzed items were calculated (table 4). The mean scores of the Likert's scale possible from 1 to 5 ranged from the lowest of 2.77 to the highest of 4.17. The results suggest that the adoption of the Euro enables better comparison of the tourist economy between Slovenia and other tourist destinations in the Euro-zone. In fact, the mean values of both items reflecting the common factor 'Comparisons' are the highest among all the items as they ranged between 4.14 and 4.17, respectively. The respondents had a

TABLE 4 Mean values and standard deviation of analyzed items

Factors and items	M	SD
Factor 1: Attractiveness		
B6 Better image of a destination	3.45	1.294
B5 More attractive destination	3.17	1.293
B4 Better known destination	3.44	1.287
B3 More frequent travel to the destination	3.03	1.523
B2 Decision on choice to travel to the destination	2.77	1.515
Factor 2: Costs		
A2 Feeling of more value for money	3.30	1.317
A3 Reduction in travel costs	3.63	1.247
A4 Time reduction for travel preparation	3.45	1.270
B1 Easier travel	3.84	1.270
Factor 3: Expensiveness		
A6 More expensive than travelling outside the Euro zone	3.25	1.235
A5 More expensive destination	3.54	1.249
A7 As expensive as in other parts of the Euro zone	3.04	1.334
Factor 4: Comparisons		
B7 Easier comparison	4.17	1.113
A1 Direct price comparison	4.15	1.335

NOTES M – mean value, SD – standard deviation.

relatively high level of agreement with the items regarding the common factor 'Costs'. Their mean values ranged between 3.30 for the item 'Feeling of greater value for money' to 3.84 for the item 'Easier travel'. There was less agreement among the respondents about the common factor 'Expensiveness' and the common factor 'Attractiveness'. The mean values of the items in the common factor 'Expensiveness' range between 3.04 and 3.54, indicating the perception of a more expensive destination after the Euro adoption. The items of the common factor 'Attractiveness' have mean values that ranged from 2.77 to 3.45. We have to stress that there is just one item with a mean value below the neutral answer 3.00 in the common factor 'Attractiveness'; this is item 'Decision on choice to travel to the destination' that regards the Euro impact on the decision to visit Slovenia. There is also a wide divergence of opinion among respondents reflected by relatively high standard deviations ranging between the lowest of 1.113 and the highest of 1.523 among the items. The widest

divergence of the opinions was with the item 'More frequent travel to destination', which states that tourists are likely to travel to Slovenia more often because of the Euro adoption.

Conclusion

The aim of the paper has been to answer the question of whether there are any impacts of the Euro adoption on the international attractiveness and competitiveness of the Slovenian tourist destination. The study has uncovered the characteristics of the Euro adoption in Slovenia as perceived by the foreign tourists. A great majority of the foreign tourists in our sample are Italian tourists. It was found that there are four common dimensions of the Euro adoption connected with the perceptions of the foreign tourists in Slovenia as the tourist destination particularly inside the Euro zone.

The price competitiveness due to the Euro adoption is explained by the four common factors: Factor 1 (Attractiveness), Factor 2 (Costs), Factor 3 (Expensiveness), and Factor 4 (Comparison). The mean values of the analyzed items have revealed that there is a strong agreement among the respondents regarding the items that are included in the common factor 'Comparison'. The result suggests that a higher level of competitiveness in international tourism in the Euro zone is set through enabling easier and direct comparison of prices among the tourist destinations inside the Euro zone. Lower agreement is found with items regarding the common factor 'Costs' according to the mean values. Furthermore, there is an agreement with the items regarding the common factor 'Expensiveness' showing that, in the light of the foreign tourists in our sample, Slovenia is now a more expensive tourist destination than it was before the Euro adoption (mean score = 3.54) and it is also more expensive in comparison to the countries outside the Euro zone (mean score = 3.25). The latter finding depends also on cross-exchange rates or on real exchange rate developments of the Euro vis-à-vis other currencies, which has not been explicitly analyzed. However, this is in line with the findings of Smeral and Weber (2000) that countries with soft-currency will feel disadvantages in price competition after the Euro adoption. This disadvantage, however, can be surpassed in the long-run through structural and real economy improvements, whereas our focus has been on the better comparison of prices in the Euro zone. Contrary to our expectations, there is just a slight association between the Euro adoption and the increase of the attractiveness of Slovenia in the perceptions of the foreign

tourists. The mean values of the items that are included in the common factor 'Attractiveness' vary around the average score. The empirical results imply that the advantages of the Euro adoption are seen by better comparisons, lower travel-operational costs and just a slight improvement in destination attractiveness. The Euro adoption is not found as the main criterion among the respondents for choosing Slovenia as a destination to visit. Other items regarding the common factor 'Attractiveness' are all above the neutral answer. This is quite important for Slovenia for its positioning as an international tourist destination.

The elimination of exchange rate transaction costs and better price comparisons in the Euro zone have been clearly confirmed by the perceptions of the foreign tourists, but higher prices and just a slight increase in attractiveness of the tourist destination have failed to contribute to a more competitive environment of Slovenian tourism. Nevertheless, the research does shed some light on issues related with the Euro adoption effects on the tourism industry.

We are aware that among possible limitations is the size of the sample as an issue for future research. Among the possible improvements of the research is also the widening of the number of the variables in the questionnaires to be used in the multivariate factor analysis. Furthermore, among the issues for future research are the impacts of cross-exchange rate relations between the soft- and hard-currency countries. This can be investigated by an inclusion of the real exchange rate with issues of real exchange rate appreciation vs. depreciation and by different sample coverage focusing not only on the Euro zone tourists, but also on wider international tourist destinations. Lastly, further research is needed to investigate possible improvements in the competitiveness of Slovenian tourism in the long-run, vis-à-vis other new member states of the EU, that are caused by the Euro adoption.

Notes

1 In 2002, the Euro was introduced in twelve countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. Among the EU-15 at that time, Denmark, the United Kingdom, and Sweden remained outside the Euro adoption. In 2007, the Euro was introduced in Slovenia and in 2008 in Cyprus and Malta. Moreover, it is worth mentioning that the Euro is also used in transactions in some non-Euro zone countries, particularly as explained by Gros (2002), in the 'euroized' Balkans (Montenegro and Kosovo).

2 These five macro-economic convergence criteria are: an inflation rate of no more than 1.5 percentage points above the average of the three countries with the lowest inflation rates; nominal long-term interest rates not exceeding by more than 2 percentage points those for the three countries with the lowest inflation rates; no exchange rate realignment for at least two years prior to the Euro introduction; a government budget deficit not in excess of 3 percent of each country's GDP; and a gross debt to GDP ratio that does not exceed 60 percent.

3 We have to clearly underline that our focus is not on the Euro impacts in cross-exchange rate terms (e. g. Euro vis-à-vis US dollar or any other world significant currency), but rather on the importance of the Euro adoption for tourists that are visiting Slovenia. As the majority of them are from the Euro zone countries, our results are biased towards the Euro impacts on attractiveness and competitiveness of the Slovenian tourist destination inside the Euro zone.

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