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The Creative Class in Poland and Its Impact on Innovation in Polish Regions

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The aim of this study is to investigate and discuss the importance of the creative class as a significant factor affecting innovation in geographical regions, and to promote the idea of the creative class and its impact at the level of regional innovation. The empirical material was collected and analysed on the basis of data gathered by the Central Statistical Office for years 2009–2013. The data relates to the number of dynamically operating business entities classified as belonging to the creative class. Research results reveal that geographical regions with bigger share of business entities belonging to the creative class show significantly higher level of innovation than regions with lower share of such entities.

Key words: creative class, innovation, human capital, regional development, management

Introduction

Innovation contributes to economic growth. Identification of factors influencing innovation might therefore be a meaningful task to increase organisational, regional, as well as national performance. People might also represent one of the major factors influencing the level of innovation – especially individuals who are able to create new things or introduce new solutions. Human capital (HC) as a synonym for human resources (HR) has a positive impact on social and economic development because it boosts innovation and competitiveness and encourages global development in science, engineering and culture.

Knowledge about groups of people who significantly contribute to the innovation and about other factors can be decisive for organizational, regional or national performance. Identification of groups who exert impact on the level of innovation enables action directed into determining, activating and making the use of people's skills

and their abilities. Emphasizing the meaning of ʜᴄ, Florida (2002) identifies the so-called creative class as a group of people – workers whose job function is to create new meaningful forms – innovation.

The aim of the paper is to explore existence of the creative class in Poland and to verify the relationship between existence of the creative class and the level of innovation in Polish regions (voivodships). To verify the relationship (i) the conceptual model is developed in order to measure the size of the creative class in Poland, and (ii) statistical data concerning the number of dynamically operating and registered business entities conducting economic activity and classified in accordance with the Polish Classification of Activities 2007 (ᴘᴋᴅ) in ǫ4 2009, 2010, 2011, 2012 and 2013 is used. The existence of the creative class and its relationship with innovation is explored in all Polish regions.

Creative Class

DEFINITION OF THE CONCEPT

The concept of the creative class relates to some other concepts like creative nation, creative industries or creative city. The concept of creative nation was developed in the beginning of 1990s in Australia as a response to challenges resulting from increase of innovation in information technology. In 1997, in the ᴜᴋ, the term creative industries appeared with the attempt to map the enterprises in industries such as advertising, architecture, art, crafts, design, fashion, film, music, performing arts, publishing, ʀ&ᴅ, software, toys and games, ᴛᴠ and radio, and video games (Howkins 2001, 88–117). In the late 1980s, the term creative city was coined by Charles Landry (Landry and Bianchini 1995). Finally, in the beginning of 21th century, Richard Florida (2002) presented his concept of the creative class.

Florida (2002) uses the term creative class to refer to groups of individuals performing a job whose purpose is to create meaningful new forms of ideas, products, services, etc. Such forms are created by the super-creative core of a group; selection and commercial use of these forms on the other hand, are the responsibility of a group of knowledge-intensive employees – creative professionals. The two groups of workers are surrounded by the third, smaller group of people-bohemians. Their role is usually to give their opinions on the new forms, but very often mocking them or even protesting against them. Bohemians are represented by groups of artists, celebrities, creators of niche or/and alternative arts, performers, active anar-

chists, minority movement activists, etc. In some cases, these groups might also participate in the processes of developing the new forms providing intellectual anchor and revival of the forms.

The difference between the creative class and other classes lies in what the members of these two groups are primarily paid to do. Members of the working class and the service class are mostly paid to deliver activities according to their plan, while members of the creative class are primarily paid to create and commercialise new forms, thus they have considerably more autonomy and should be more flexible than the other two classes (Florida 2010, 9). Moreover, the creative class is dominant in terms of wealth and income, with its members earning on average nearly twice as much as members of the remaining two classes.

As mentioned, the creative class consists of two sub-groups – the super-creative core and creative professionals. Members of the super-creative core are scientists and engineers, performing artists, actors, designers and architects, poets and novelists, as well as representatives of opinion-forming environments existing in contemporary society – authors of non-fiction publications, publishers, cultural figures, analysts, think-tank researchers etc. (Florida 2010, 83). Super-creative core covers professional fields (Florida 2010, 338) such as computer-related occupations and jobs using mathematical knowledge, architecture and engineering, jobs related to social science, natural science and life science, education, training and libraries, art, design, entertainment, sport, media, etc. Individuals included in the super-creative core are directly involved in the creation of new forms that are readily transferable and broadly useful. Their work is related not only to solving but also to searching for problems.

Creative professionals are individuals working in a wide range of knowledge-intensive industries, such as high-tech sectors, financial services, legal and healthcare professions, and business management. The sub-group of creative professionals primarily includes individuals having the occupations (Florida 2010, 338) such as managerial positions, financial and business services, legal professions, healthcare jobs (doctors), technicians, sales management, sales (high-end segment) etc. This kind of workers engages in creative problem-solving drawing on complex bodies of knowledge. Such work typically requires high degree of formal education and thus high level of HC. Workers who do such kind of work may sometimes come up with methods or new ideas about the products that turn out to be widely useful, but such kind of achievements are not

expected from them. For example, their jobs usually require testing and enhancement of new methods, applying new medical treatment methods or new management techniques etc., but when a worker from the creative professionals' sub-group focuses more on developing new solutions, e.g. by embarking on a new career or getting a promotion, he or she might be transferred to the super-creative core. His or her primary function becomes therefore production of new, readily transferable and widely used forms (Florida 2010).

THE GEOGRAPHY OF THE CREATIVE CLASS

Concentrations of skilled workers and skilled industries may increase local productivity. Yet, one can be worried due to the equity consequences of the spatial policy encouraging such concentrations, especially because skilled people already tend to move disproportionately into skilled areas where skills are already abundant (Glaeser and Gottlieb 2008).

According to Landry (2013, 41), people and their wellbeing become key resources for every city. Thus, cities' physical infrastructure is expected to provide comfort to city residents. Urban planning should therefore take into account the emotional perspective closely related to human beings. Nowadays, it is crucial to promote solutions stimulating imagination, skills, abilities and entrepreneurship. Competitive advantage of a city is no longer determined only by its natural resources but by cognitive, emotional and behavioural characteristics of its residents. Talents, skills and creativity are becoming more important than location, mineral resources, workforce and market access. Future success of any city depends on ingenuity and innovation skills of people, who live, work and govern in the city (Laundry 2013). Glaeser (2011) identifies cities as the world's key economic actors. He indicates that HC far more than physical infrastructure explains which cities would succeed in today's competitive environment and which not (Glaeser 2011). Access to talented and creative people is going to determine the places where companies will be located in the future, because such people are their key assets (Florida 2010). Cities making new investments in advanced technologies but failing to provide a broad range of cultural experiences fall behind (Laundry 2013). Creative people have always gravitated to certain kinds of communities, which provide the simulation, diversity, and a richness of experiences that are the wellsprings of creativity (Florida 2010, 36).

There are studies that have been conducted worldwide measuring the proportion of the creative class in the active population of

a country. In 2011, the top ten nations were Singapore (47.3%), the Netherlands (46.3%), Switzerland (44.8%), Australia (44.5%), Sweden (43.9%), Belgium (43.8%), Denmark (43.7%), Finland (43.4%), Norway (42.1%), and Germany (41.7%). United States (us) lag behind in this scale – ranking 27th in the world, just behind Slovakia. One of the bric (Brazil, Russia, India and China) nations, Russia ranks higher than the us. It is in the 20th place (38.6%), while Brazil on 57th (18.5%) and China 75th (7.4%) (Florida 2011). The creative class in the us has grown from roughly 3 million workers in 1900 to 38.3 million workers in 2002, which means that their number has increased more than tenfold. The creative class represents roughly 30% of the entire us workforce (Florida 2010, 74). In 2010, the creative class represented more than 40% of the entire workforce in larger metropolitan areas like San Jose Silicon Valley, Washington, dc, and Boston, as well as smaller college towns such as Durham, North Carolina; Ithaca, New York; Boulder and Ann Arbor (Florida 2011, 11). Recently, many regions and cities have taken up the challenge of attracting and keeping representatives of the creative class. Florida (2010, 17) points out that there are no 'universal strategies' for attracting and keeping the creative class. He shows that developing a creative ecosystem is an integrated process relying on specific assets of a given region, whereas solutions are based on knowledge, intelligence and abilities of the residents of a given region. The role of decision-makers should be to attract creative people and keep them by establishing attractive conditions for living and development. Florida points out the need to block the hindering parties – e.g. authority structures and decision-makers, who quash energy and direct it to the sidetrack. Centres of creativity and innovation have been developed not due to traditional economic factors or decisions of local authorities but due to lifestyle attractions making the creative class willing to live there. This claim is supported by Landry (2013, 46) who notes that the most diversified, tolerant and artistic places are the most successful in a new economy.

Creative Class as a Driver of Innovation

CREATIVE CLASS AND HUMAN CAPITAL (HC)

Discussions about economic value of human beings have been around since antiquity, when Xenophon made a distinction between the work of a qualified artisan on the one hand and an artisan having no relevant qualifications on the other, as well as addressed the issues of differences in work performance and work management. The be-

ginnings of the ʜc theory were based on studies by T. W. Schultz, G. S. Becker and J. Mincer, and related to the analysis of the ways of decision making on human self-investment dating back to 1960s. T. W. Schultz developed the concept of ʜc in 1981 claiming that 'all human abilities are either innate or acquired qualities [which] may be developed through proper investments and they shall comprise human capital' (Armstrong 2010, 75).

ʜc can be divided into general and organisation-specific ʜc (Swart 2006; Wright and McMahan 2011). General ʜc is mostly generated outside the organisation, and the costs of its generation are mostly covered by the individuals in which this kind of ʜc is embedded. It is highly transferable and therefore related to social capital, i.e. knowledge coming from networks of relationships beyond the organisation. On the other hand, organisation-specific ʜc is mostly generated within an organisation depending on the volume of individual's experience in an organisation, number of specific projects in which this individual is involved, etc. This kind of ʜc is mostly tacit and almost impossible to transfer beyond the boundaries of the organisation, therefore it can be related to intellectual capital (Edvinsson and Malone 1997), i.e. knowledge gathered in an enterprise and flowing through the organisation, or even organisational capital (Edvinsson and Malone 1997), i.e. knowledge gathered by the organisation in databases, manuals etc.

INNOVATION AT REGIONAL LEVEL

Regional sciences emphasize that innovation is a process, which is geographically rooted. It is characterized as a factor influencing regional performance and growth (Bottazzi and Peri 2003; Sternberg and Arndt 2001). High levels of innovation have positive influence on performance at the company level (business performance, see e.g. Bhaskaran 2006) as well as on economic performance at regional or national levels (see e.g. DiPietro and Anoruo 2006). Besides innovation, other factors affect economic performance as well, such as the legal system and culture (North 1990), social capital (Putnam 2001), infrastructure (Mamatzakis 2003) and natural resources (Winter-Nelson 1995). Nonetheless, innovation might be the key factor for regional development (Klomp and Roelandt 2004; Gössling and Rutten 2007, 254). Innovation is of key importance for economic growth and an underlying element of the European Union policy for the years 2007–2013 as well, with the aim of accelerating the construction of knowledge- and innovation-based economy and reinforcement of regional innovation systems.

It is important to know the factors that affect the level of innovation in a region. In this respect, influence of regional factors such as HC and the number of companies have been analysed (see e.g., Weibert 1999; Brenner 2004). Florida (2010, 14), on the other hand, argues that regions with high share of creative people perform economically better because they generate more innovations, are more entrepreneurial/have a higher level of entrepreneurship, and attract more creative businesses. He notes that it is human creativity that predominantly drives innovation in a country and in specific regions. Creativity and innovation management are therefore extremely important in today's changing social, economic, technological and cultural environment and may prove to be the right way to increased competitiveness and market responsiveness (Suciu, Iordache, and Ivanovici 2009, 211).

As an example we may point out, that the level of innovation in EU Member States is assessed annually on the basis of selected indicators, and published in 'Innovation Union Scoreboard' (IUS). In 2013, in terms of innovation performance, Poland, for example, fell into the group of countries referred to as modest innovators. Assessment of regional innovation, on the other hand, is made every second year with the use of IUS indicators at the regional level for all EU Member States and other countries participating in the European Innovation Partnerships for which sufficient data is available.

RELATIONSHIP BETWEEN HC AND INNOVATION

There are many theories developed in recent years concerning the HC concept (see for example, Folloni and Vittadini 2010), however from the point of the creative class concept, attention should be paid to the HC model developed by R. E. Manuelli and A. Seshardi who believe that HC (considering its quantity and quality) is able to influence countries' gross national income. The study by R. Florida and S. Youl Lee confirmed the impact of creativity and diversity on innovation across different countries (measured by the number of patents per capita), and taking into account other factors such as HC or enterprise differentiation (Florida 2010, 273).

Perception of the important role HC plays in encouraging organisational, regional or national development has been strengthened together with the perception of increased importance of knowledge of specific economic processes. One of the major carriers of knowledge is a human (Hicks, Dattero, and Galup 2006; Nonaka 1994; Nonaka, Toyama, and Konno 2000), as only human beings, having access to information and data, are able to process and interpret it

so as to create knowledge (Huber 1989). Therefore, HC might be regarded as the prerequisite for the creation of knowledge. In addition, for this reason, only HR (defined by size and quality) are able to ensure smooth and uninterrupted process of creating, collecting, transmitting and implementing knowledge in the field of economy (Nowakowska, Przygodzki, and Sokołowicz 2011, 43). Moreover, HC acting as a factor of promoting innovation not only expands possibilities of developing innovative businesses, but also is, in fact, their determinant. According to J. Dyer, the DNA of an innovative enterprise is composed of three components: people, processes and philosophies, as parts of the organisational structure (Dyer, Gregersen, and Christensen 2011, 167–73).

The HC theory emphasizes the meaning of value added by workers who contribute to an enterprise, which depends on the determination of workers' impact on the enterprise and their share in the goodwill. According to Florida (2005, 249), it is the intrinsically human ability which creates new ideas, new technologies, new businesses models, new cultural forms, and new industries that really matters. Florida calls it creative capital. For an economy to grow and prosper, individuals, organizations, companies, cities, regions, states, and even nations must nurture, harness, mobilize, and invest in creativity across the board (Florida 2005, 32–3). Florida indicates that (i) creativity is the most important source of wealth in the modern world, that (ii) every human being is creative, and that (iii) people everywhere in the world attach importance to engaging into creative work.

The importance of deploying HC is stressed also by Trias de Bes and Kotler (2011, 2) who argue that HC should be developed in the whole company because when a company limits its approach to the technological aspect or to its R&D department, it also misses out on the creative potential of professionals working in other departments:

> […] we are not saying that R&D shouldn't innovate or be involved in the innovation process. What we are saying is that, in addition to R&D and technology, there are lots of other departments and ways to generate innovation in the company. Part of the gap between the need to innovate and the limited capacity to do so has to do with narrow-minded policies that restrict innovation policy and strategy exclusively to technical departments. The consequence of such a limited vision is that managements in many companies don't have much to show for their investments in innovation.

Based on the review of literature, we can assume that the creative class seems to be an important factor, which influences innovation in organizations, regions and countries. In the paper, we are going to verify the following research hypotheses: *Creative class positively affects the level of innovation in a geographical region.*

Research Methodology

In the study, the conceptual model is developed to measure the size of the creative class in Poland. In reference to Florida's (2005) concept, the creative class is defined as a group, which integrates two sub-groups of workers: (i) the super-creative core, corresponding to the scope of operation of creative industries, and (ii) other employees, corresponding to the scope of operation in the rest of the knowledge-intensive industries. The size of the creative class in a geographic area is defined by a set of industries and the number of businesses operating in those industries within the geographic area. The conceptual model consists of business entities operating in six groups of industries regarded as the creative class (Karasek 2012, 181–2). Among them, there are business entities operating in the 'Creative Activities and Entertainment' industry engaged in film, sound and music making, journalism, radio and television, advertising, publishing, cultural activities, designing service, and retail sales of cultural property. The second group of industries is 'Information and Communication Technologies' (ICT) which combine entities in manufacture of ICT, including computers, electronic and optical devices, provision of ICT services, software and games. The conceptual model includes also the following groups of industries: financial intermediation, legal and business services, R&D and higher education, architecture and engineering.

As already mentioned, size of the creative class is defined as the number of actively operating business entities in one of the industries mentioned above, which are also formally entered into the National Official Register of Business Entities (REGON). The sample consisted of all micro, small, medium and large Polish enterprises under NUTS II in 16 regions (voivodships). Evaluation of the size of existing creative class in Poland is based on the data gathered by the Central Statistical Office at the end of the year (Q4) 2009, 2010, 2011, 2012 and 2013. The methodology of measuring the size of the creative class gives the possibility to measure only active and registered entities. The measurements were taken over the period of five years in the last quarter of the year, to show changes in the size of the creative class.

Discussion and Results

CREATIVE CLASS IN POLISH REGIONS

Study results show distribution of the creative class in specific regions, according to all types of enterprises, based on the adopted measurement model for the creative class in Q4 2009, 2010, 2011, 2012 and 2013, as shown in table 1. As can be seen, since 2009 the share of entities belonging to the creative industry in relation to all dynamically operating entities entered into the National Official Register of Business Entities (REGON) has been growing continuously.

In the fourth quarter of 2013, there were altogether 525,868 business entities dynamically operating in Polish regions (voivodships) belonging to the creative industry, which represents increase of 8.2% when compared to 2009. The largest growth was observed in 2012. As showed in table 1, in 2013, the highest concentration of enterprises operating in the creative industry was in the Mazovian (124,815 entities), Silesian (58,679 entities) and Wielkopolskie (50,246 entities) voivodships. The smallest number of entities belonging to the creative industry was recorded in Lubuskie (10,974 entities), Podlaskie

TABLE 1   Business Entities Classified as Belonging to the Creative Class in Specific Voivodships in Q4 of 2009, 2010, 2011, 2012 and 2013

Regions (voivodships)	2009	2010	2011	2012	2013
Lower Silesian	40148	42014	33161	42724	43987
Kujawsko-Pomorskie	21999	22345	17403	21923	22409
Lubelskie	18341	19062	15031	18380	18952
Lubuskie	10914	11286	8712	10885	10974
Lodzkie	26720	28174	21970	28147	28790
Malopolska	40162	42630	34198	43811	45040
Mazovian	108781	114894	91608	118235	124815
Opolski	12168	12562	9223	11856	12008
Podkarpackie	15698	16689	13610	16652	17749
Podlaskie	10642	10702	8406	10789	11097
Pomeranian	31173	32375	26301	32394	33368
Silesian	56033	58705	45378	57421	58679
Swietokrzyskie	11224	11371	9108	10942	11144
Warminsko-Mazurskie	11878	12340	10098	12083	12420
Wielkopolskie	46040	47932	38253	48445	50246
West Pomeranian	24112	24589	18646	23466	24190
Total	486033	507670	401106	508153	525868

NOTES   Calculations based on data from the Central Statistical Office.

The Creative Class in Poland and Its Impact on Innovation

Region	Value
Mazovian	19.39
Malopolskie	14.46
Lower Silesian	14.41
Silesian	14.36
Pomeranian	14.30
Wielkopolskie	14.20
Lodzkie	13.68
Opolskie	13.44
Kujawsko-Pomorskie	13.18
West Pomeranian	12.91
Podlaskie	12.84
Lubelskie	12.73
Podkarpackie	12.57
Warminsko-Mazurskie	11.55
Swietokrzyskie	11.45
Lubuskie	11.44
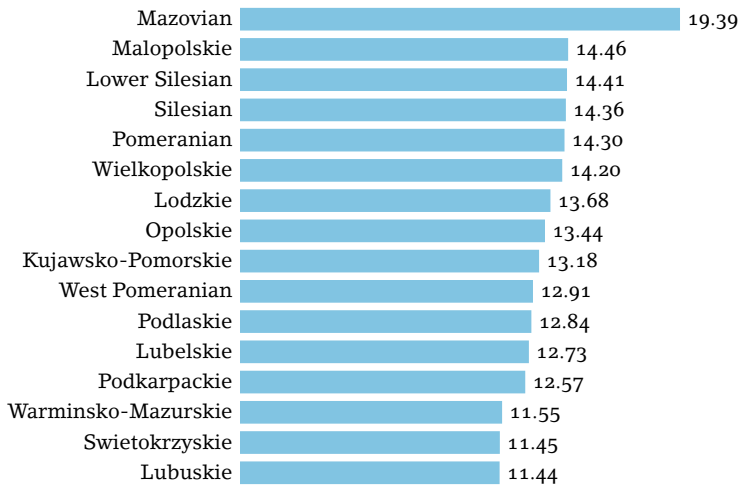
FIGURE 1   Share of Entities Belonging to Creative Class to All Entities in Voivodship (calculations based on data from the Central Statistical Office)

(11,097 entities) and Swietokrzyskie (11,144 entities) voivodships.

At the level of regions (voivodships), increase in the number of entities operating in creative industries between 2009 and 2013 may be observed in 14 out of 16 Polish regions (voivodships). The largest increase is reported in the Mazovian (114.7%), Podkarpackie (113.1%), Malopolskie (112.1%), Lower Silesian (109.6%) and Wielkopolskie (109.1%) voivodships. On the other hand, decrease in the number of entities occurs in two voivodships: Opolskie (98.68%) and Swietokrzyskie (99.29%). In 2013, entities belonging to the creative class accounted for 14.65% of all registered entities. At the country level, the share of business entities belonging to the creative class has increased since 2009. Nevertheless, the share of business entities classified as the creative class differed across specific regions (voivodships). The largest share is reported in Mazovia (19.39%), Malopolska (14.46%) and Lower Silesia (14.5%). The smallest share is recorded in Lubuskie and Swietokrzyskie (11.44%) as well as Warminsko-Mazurskie (11.55%) voivodships. This data points to high diversification of business entities operating in the creative class in specific regions (voivodships), which is shown in figure 1.

REGIONAL INNOVATION LEVEL

Measurement of the level of innovation in regions is based on data available in the Regional Innovation Scoreboard (RIS) prepared by the European Commission. The measurement is based on a set of 12

indicators available in a given region, grouped into enablers, firm activities and outputs. In the group of enablers, percentage population aged 25–64 having completed tertiary education, and R&D expenditure in the public sector as percentage of GDP are analysed. Firm activities are measured by indicators such as: R&D expenditure in the business sector as percentage of GDP, non-R&D innovation expenditure as percentage of GDP in SMSS, SMSS innovating in-house as percentage of SMSS, innovative SMSS collaborating with others as percentage of SMSS, public- private co-publications per million population and EPO (European Patent Office) patent applications per billion regional GDP (PPS€). The outputs of innovation in regions are measured by indicators such as: SMSS introducing product or process innovations as percentage of SMSS, SMSS introducing marketing and organisational innovations as percentage of SMSS, employment in knowledge-intensive services, employment in medium-high/high-tech manufacturing as percentage of total workforce and sales of new to market and new to firm innovations as percentage of turnover in SMSS. Depending on the obtained score, a region may be classified as an innovation leader, innovation follower, moderate innovator or modest innovator.

Regional assessment showed that in 2011, 15 out of 16 regions were classified as moderate innovators and only the Mazovian voivodship was allocated in the group of modest innovators. By analysing the levels of innovation in specific regions in the years 2009–11, it may be noted that 11 regions maintained their ranks whereas the Mazovian voivodship improved its level of innovation (in 2009, it was classified as a medium moderator and in 2011 as a high innovator). In four regions (voivodships) on the other hand, the level of innovation deteriorated. In 2009, Silesian voivodship was classified as a high innovator, but in 2011, it was found in the group of medium innovators. In case of Opolskie, Lubelskie and Podkarpackie voivodships, their status was changed from modest innovators to low innovators.

RELATIONSHIP BETWEEN THE CREATIVE CLASS AND INNOVATION IN A REGION

In our study, we measured the level of regional innovation on the basis of output indicators – patents and rights of protection for utility models granted in 2012 to domestic entities broken down by the voivodship or patent applications and utility model applications filed in 2012 in Poland by domestic entities broken down by the voivodship per each 100 thousand inhabitants. This indicator is used by

OECD to measure the level of innovation (*Oslo Manual* 2005, 26).

Pearson's correlation coefficient was calculated for patents and rights of protection for utility models granted to domestic entities (2012) and the size of the creative class in 2012. Pearson's correlation coefficient for Polish regions (voivodships) is 0.931 at significance less than 0.001, which indicates a strong correlation between the size of the creative class in each voivodship and the number of patents and rights of protection for utility models granted to domestic entities.

DISCUSSION

In the research hypothesis, we focused on the impact of the creative class on the level of innovation in Polish regions (voivodships). The hypothesis was verified using statistical data of the number of dynamically operating, registered business entities conducting their economic activity classified in accordance with the Polish Classification of Activities 2007 (PKD) in Q4 2009, 2010, 2011, 2012 and 2013. Data pertaining to the year 2013 shows that Mazovian voivodship with the largest number of dynamically operating business entities is the most innovative region of all regions in Poland. Moreover, there is a strong correlation between patents and rights of protection for utility models granted to domestic entities and the size of the creative class in 2012.

When comparing data for 2009 and 2013 in Poland, it should be noted that the number of entities belonging to the creative class has clearly increased (by 8.2%). As far as individual regions (voivodships) are concerned, we have observed an increase in the number of dynamically operating business entities classified as belonging to the creative class in 14 out of 16 regions (voivodships), and in case of 2 a slight decrease.

Conclusions

Identification of factors influencing the level of regional innovation is an important source of information for entrepreneurs and decision-makers. The study confirms that one of such factors is the existence of the creative class. The aforementioned identification will allow starting actions providing for attracting, sustaining and triggering active involvement of the creative class, which consequently may lead to an increased level of regional innovation.

Analyses conducted in the study have confirmed that regions with a larger number of actively operating business entities identified as belonging to the creative class show a higher level of innovation.

However, we may observe some diversity across regions as regards prevalence of business entities identified as belonging to the creative class, and their share in the structure of all actively operating entities. Moreover, between 2009 and 2013, the number of entities identified as belonging to the creative class in Poland has grown rapidly and the ratio of business entities classified as the creative class to all registered enterprises has grown as well.

The essence of creative class impact on the level of innovation was grasped in the report 'Poland 2030,' where it was shown that the key to boosting development of Polish cities is increasing their general attractiveness, domestically and internationally. Investments should be made in the infrastructure and city space, нс quality should be enhanced and conditions for development of the creative class should be provided (Poland 2030, 266).

Creative people constitute the most significant capital of any country, region or an enterprise, influencing the level of innovation and competitiveness. Therefore, creation of favourable conditions enabling their development should serve as a challenge for decision-makers, at the level of enterprises, regions and the country as well.

limitations/further research

During this research, some limitations have occurred during measurement of the creative class as the number of business entities. The research could be more precise if we measured the size of the creative class through the number of employees belonging to the creative class who actually represent the human capital. Further research in this area could include such research in the future.

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Factors Influencing Store Selection for Supply with Fast-Moving Consumer Goods

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The main purpose of this paper is to contribute to the discussion on factors that influence store selection for supply with fast-moving consumer goods. We have surveyed 90 households in the Republic of Kosovo. We have decided to undertake this research seeing in one hand 'competitive struggle' which is being developed among the largest retail chains of fast-moving consumer goods, and, on the other hand, the created 'situation' for traditional stores as a result of the expansion of these retailers. This study also aims to highlight factors that consumers consider in order to improve the performance of these businesses. We have proposed that the opening of hypermarkets in Kosovo has affected negatively on traditional stores' turnover. We have also proposed that the most influential factors in customers in the selection of stores where they will be supplied with fast-moving consumer goods are the rich store offering, good customer service and good staff behaviour. We have also proposed that the factors affecting the selection of hypermarket/store for supplying are closely related to the factors that affect customer dissatisfaction that leads to the change of hypermarket/store. The results of this empirical study are consistent with the hypothesis set out in the paper.

Key words: traditional store, hypermarket, FMCG retail chain, situational factors, customer behaviour, purchasing decision, Kosovo

Introduction

Sometimes less than two decades ago, Kosovo had only convenience stores that provided fast-moving consumer goods (hereafter, often abbreviated as FMCG) that also are known in the literature as traditional stores. However, the trend of opening hypermarkets as a global phenomenon swept Kosovo as did in other countries.

Today, Kosovo as any other country of the world is full of markets/hypermarkets (hereafter referred to as M/HM) and there are some retail chains. Most of them are local businesses, with a few exceptions that we will consider below. However, it seems that is a real mess, a fierce battle between them.

There are some provocative questions on the topic. What is their competitive struggle based on? At low prices? Good customer service and good staff behaviour? On rich offering? In creating an entertainment atmosphere for family, etc.? Are there differences between them? In the other hand, there are many questions about consumer preferences and their dissatisfaction. What should the M/HM change and offer in order to fulfil the needs and desires of customers? Is always the offered price source of customer satisfaction or dissatisfaction? On the other hand, are there other different factors, which would not be too costly for these businesses to improve them and this improvement to have a direct impact on their growth of turnover and profitability as a final goal? These and many other questions we have attempted to answer in the following.

Numerous factors affect customers in store selection, where they will decide to supply with FMCG. Among the general factors are customer characteristics, brand characteristics and situational factors. Whereas, special factors that we think are important for research and investigation in Kosovo are level of market offer, price, merchandising, customer orientation, good staff behaviour, merchandising, entertainment activities for customers etc. One of the key issues directly affecting the success of retail chain is good customer service. Many businesses invest in physical surroundings but leave behind one of the main segments that directly affect the outcome of their work, the customer service. We can say that by identifying these factors, retailers can improve the appearance and design of the shop, merchandising and no doubt their business performance. These factors obviously are a critical basis for the development of competitive advantage in today's dynamic market competition in retail stores.

This topic has been and remains a topic of discussion among academics, researchers and experts in relevant fields. Many studies have concluded that the retail chains and stores generally should reorganize and taking into consideration information technologies not only because of their impact on improving the efficiency of human resources, but they are also related to profit growth and reorganization of work and many other benefits.

However, there are still discussions on the importance of factors as per their influence. Factors affecting the selection of stores supply

also differ from country to country. As emphasized above, the impact of various factors in the selection of stores supply is a controversial topic and further opened. The results of numerous studies provide different information, which will be highlighted in the third section of the theoretical framework.

Research Methodology

The study is based on primary data collected by quantitative survey, investigating the factors, which influence on customers for selection of stores to be supplied with FMCG in Kosovo. The main methods used to address this issue were analysis and synthesis methods. The nature of our research is empirical. Sampling was pre-selected through non-probability method. A total of 90 households were surveyed.

The questionnaire consisted of 26 questions. Depending on the respondents' answers the number of answers varied since a negative answer to a question could bypass some other questions. The average time to complete the questionnaire was 13 minutes. During the meeting, the respondents were presented with the study aims and methods to be used. The respondents were asked for permission to conduct the study. They were guaranteed that the data will remain confidential and were assured that they will be used for this study only. During the data analysis, we used descriptive and logical analysis and responses were processed and interpreted objectively.

Theoretical Insights

The global retail chain landscape is changing dramatically. Since the early 1990s, there has been a substantial re-structuring of the retailing in Europe. Retailing is changing from a *reactive* to a *proactive* sector in the European economy (Krafft and Mantrala 2006). Recently traditional retail shops have been replaced firstly by supermarkets, and then by hypermarkets, which has dramatically changed both the market structure and the regulatory policy (Wrigley 1994). Hence, greater changes in the restructuring expected in the near future.

The supermarket revolution is a 'two-edged sword.' On the one hand, it can lower food prices for customers and create opportunities for farmers and processors to gain access to quality-differentiated food markets and raise incomes. On the other hand, it can create challenges for small retailers, farmers, and processors who are not equipped to meet the new competition and requirements from supermarkets (Reardon and Gulati 2008).

Retailing, as an activity linking customers to goods and services, operates in local markets. As such, many of the managerial decisions are a response to both the local culture of the consumers and the local culture of consumption. Within Europe, these local *cultures* are subject to considerable social, economic, political, and technological changes (Krafft and Mantrala 2006).

Nevertheless, what is happening to traditional stores? Will they be able to survive? The studies give different results. Some authors think that traditional stores will soon be replaced with modern м/нм of retail chains; they will lose their customers because of the rich supply of these retailers, product safety and warm environments that they provide (Trappey and Lai 1997). As supermarkets spread and their market share grows, the market share of traditional retailers' declines (Reardon and Gulati 2008). According to Desmet and Renaudin (1998), traditional retailing formats for consumer goods have entered the mature phase of their life cycle.

Without a doubt, such a thing is already happening. The retail store chains currently are having more perspective. We are witnesses of the impact of the globalization in the world. Some known retailers are present in many countries. *Wal-Mart,* the largest retail chain known worldwide, has written a phenomenal history, becoming the biggest retail chain all over the world with 11,526 stores in 22 countries and over 2.2 million employees! How has it achieved to write such a history? Undoubtedly, offering customers greater value than its competitors through supply chain management.

French retailer *Carrefour* is the second largest retailer in the world and the largest in Europe. It has begun with the first store in 1959 and today operates in 33 countries around the world with 10,860 stores in six different formats. In 2012 opened a hypermarket format in Skopje, Macedonia. There are also many popular retailers known worldwide as Metro, Lidl, Tesco, Intermarché etc.

Many studies have been done to investigate the success basis of these big retailers. How have they managed to spread in many continents of the world? How did they manage to be competitive to local stores? According to Grewal et al. (2010), retailing is indeed a dynamic enterprise, and they have proposed a model to describe some of the most successful retail strategies that have emerged in the last few decades. The model describes the evolution of retail strategy based on two dimensions: relative price, which is depicted on the horizontal axis, and relative offerings, depicted on the vertical axis. Retailers typically fall into one of four segments *Innovative, Big Middle, Low Price* and *In Trouble*.
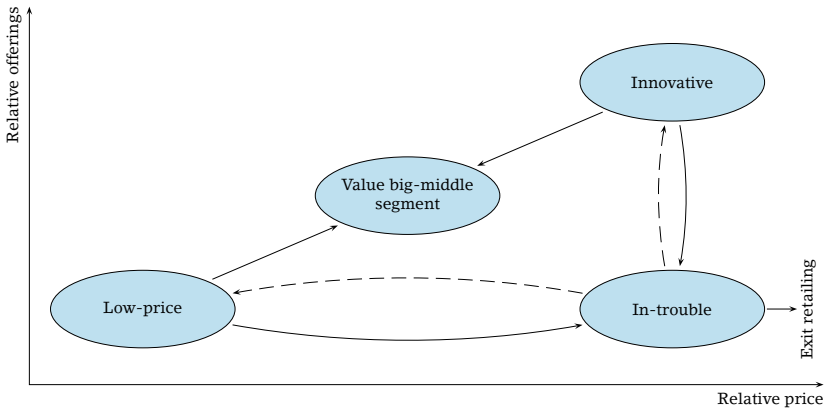
FIGURE 1   Retail Landscape (adapted from Levy et al. 2005)

Retailers occupying the *Innovative* segment direct their strategies toward quality-conscious markets seeking premium offerings; *Low Price* retailers appeal to price-conscious segments; *Big Middle* retailers thrive because of their value offerings, and *In Trouble* retailers are those who are unable to deliver high levels of value relative to their competitors.

Many of the retailers now in the Big Middle have gotten there by way of initially providing either an innovative offering or low price or both, thus providing superior value to customers. The expansion of global retail chains leads to a significant increase in the total factor productivity in the supplying industries (Javorcik and Li 2008). Centralizing such functions as purchasing, logistics or merchandising at a higher level than that of the store is one means of reaching that double goal and appears to be an effective way of achieving a homogeneous set of points of sale that reflect the market position of the retail chain (Desmet and Renaudin 1998).

Figure 2 illustrates how the share of the modern retail sector (supermarkets, hypermarkets and discount stores) in total retail grew rapidly in the Czech Republic, Slovakia, and Croatia, although starting at different times. As seen from the chart, three countries as the Czech Republic, Slovakia and Croatia has been rapidly growing modern retail chains.

Kosovo has a new labour force and growing, which need to be educated and trained in order to meet the needs of the economy. More than 50 per cent of Kosovo's population is under the age of 25 and 70 per cent of them under the age of 35 (sme's Support Agency 2011).

One of the results presented in a research report on entrepre-
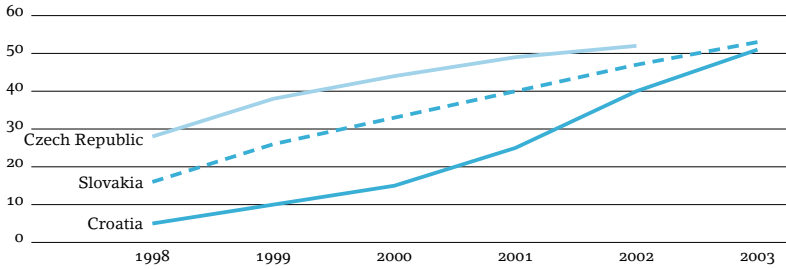
FIGURE 2   Change in Market Share of Modern Retail Sector (adapted from Dries,
Reardon, and Swinnen 2004)

neurship and small business development in Kosovo, states that
in the majority of SMES' (75.6 per cent) owners are also managers.
These findings indicate that SMES in Kosovo may have problems of
managerial capacities in solving managerial problems and this, of
course, may inhibit companies from achieving their full potential
(BSC Kosovo 2012). Berisha-Namani (2007) has recommended for
SMES in Kosovo to use information technologies in SMES in order
to achieve competitive advantage, producing value-added products,
development of processes and competitive strategies in regional and
international terms.

The influence of factors on consumer purchasing behaviour has
been the object of study time ago and recently is even more intense.
It is known Belk's framework of situational factors (1975). It is a use-
ful tool in analysing the impact of situational variables on purchasing
outcomes since it includes variables that might be controlled by re-
tailers. This framework has been tested in different countries and
the results have been different depending on the countries have
changed the factors too. However, factors *time* and *companionship*
have resulted as critical factors in purchasing behaviour of Hispanic
customers in a US mall setting (Nicholls, Roslow, and Dublish 1997).
Also, there have been found differences in shopping patterns across
seasons and different countries observed (Roslow and Nicholls 2000;
Zhuang et al. 2006).

There is little known how situational variables affect consumer
purchasing behaviour in hypermarket setting in Croatia (Anić and
Radas 2006). While according to the study results conducted by Tang,
Bell, and Ho (2001) at 500 households across 5 stores for a 2-year pe-
riod, it is proved that the factors affecting the selection of stores are
rich offering, quality customer service, etc.

Managers can use various forms of price policy to increase the
number of buyers, the number of customers' visits and the increase

of goods turnover. According to Trappey and Lai (1997), lower prices are an important reason for customers to purchase at a particular store. Price sensitivity is most evident at grocers (Fox, Montgomery, and Lodish 2004). Farhangmehr, Marques, and Silva (2000) pointed out that the fact that prices in traditional stores usually are higher; motivate customers to choose modern markets (hypermarkets) for supplying with fmcg.

Physical surrounding is one of the situational factors that affects pretty much in purchasing decisions. According to Belk (1975), physical surrounding includes location, decor, sound system, lighting, music, colours, scenes, weather. Although some results of studies showing no effect of the atmosphere of the shopping centre on purchasing results (Nicholls, Roslow, and Dublish 1997).

The atmosphere of the place is more influential than the product itself in the purchase decision (Kotler 1973). Manufacturers and retailers have found that it is to their mutual benefit to design shopping environments that effectively engage customers and help to convert demand into the purchase (Burke 2005). Meanwhile, several other studies, come to the conclusion that the shop atmosphere influences consumer purchasing behaviour as staying longer in the store/shopping centre and unplanned purchasing, while not a good atmosphere leads to avoidance of attendance that shop (Hui and Bateson 1991; Donovan et al. 1994; Spangenberg, Crowley, and Henderson 1996; Tai and Fung 1997; Baker et al. 2002). In addition, according to a study conducted by Turley and Milliman (2000), out of 28 articles that examined the effect of the atmosphere on sales, 25 of them found some significant relationship between the environment and customer purchasing behaviour. Buyers accompanied by someone tend to buy more than buyers entering the store alone (Nicholls, Roslow, and Dublish 1997).

The ratio between the length of the trip to the store and purchase it appears to be important. In addition, according to Nicholls, Roslow, and Dublish (1997) buyers who shop away from home tends to buy more than near shoppers. Results from the study conducted by Desmet and Renaudin (1998), show that space elasticity's increase with the impulse buying rate of the product category and do not depend on the type of store.

According to Anić and Radas (2006) the longer a shopper stayed inside the store, the more items she or he purchased and the larger amount of money spent. Research results from the same study indicate that social surroundings, high-perceived density and large-scale shopping were factors that significantly contribute to higher

level of purchasing outcomes. Loyal customers tend to purchase more and spend a greater amount of money in their primary store as compared to non-loyal customers (Anić and Radas 2006).

Bowen and Chen (2001) have argued that having satisfied customers is not enough. Customer satisfaction should have a direct impact on customer loyalty. Krafft and Mantrala (2006) pointed out that present-day consumers are more experienced, more aware of their important role in the business, and more self-confident than previous generations. According to them as international retailers have found out, there is a great need for retail chains to adapt to 'local' ways, so as to fulfil regional needs and shopping habits, especially in the food business.

Research Results and Discussion

Out of 100 per cent of respondents, 60 per cent were females and 40 per cent were males. The average age of respondents was 33 years. Their marriage status was as follows: 73.33 per cent were married and 26.67 per cent were single. Out of 100 per cent of respondents, no one was with primary education only, 6.67 per cent were with secondary education, and 60 per cent were with higher education and 33.33 per cent with a superior education.

THE RESEARCH RESULTS RELATED TO THE FIRST HYPOTHESIS

H1 *The opening of hypermarkets and development of fast-moving consumer goods retail chain in Kosovo resulted in the decline of traditional stores' turnover.*

H0 *The opening of hypermarkets and development of fast-moving consumer goods retail chain in Kosovo did not result in the decline of traditional stores' turnover.*

The origin of hypermarkets in Kosovo is late. Most of the hypermarkets in Kosovo were opened after the war (1999). In addition, the idea of developing the concept of the retail chain in Kosovo was late. Previously, purchase and supply to meet the needs of families were done in markets or the nearest store called also convenience shop/traditional shop. As a result of this global change, even in Kosovo, there have been many changes, thus affecting the consumer behaviour.

Most of the hypermarkets are in peripheral areas. However, frequent visits of these different retail chains give us the opportunity to suppose the first hypothesis: *The opening of hypermarkets and development of fast-moving consumer goods retail chain in Kosovo resulted in the decline of traditional stores' turnover.*

TABLE 1 Regular Supply of FMCG (%)

Usually the closest store	6.67
In one of the M/HM of any retail chain	80.00
I have no favourite store, so I buy things that are needed in any market that happened	13.33
Total	100.00

TABLE 2 Number of Retail Chains Visited by the Respondents (%)

One retail chain	43.75
Two retail chains	25.00
Three or more retail chains	31.25
Total	100.00

As seen from the results presented in table 1, out of 100 per cent only 6.67 per cent of people were supplied with the products they needed at the nearest store. 13.3 per cent of them had no favourite store, they were supplied anywhere queue falls way. While the majority of them (80 per cent), were supplied regularly in one or more M/HM of any retail chain.

In addition, we asked the respondents that usually purchase in retail chains about the number of retail chains they use to purchase. From them, 43.75 per cent of respondents stated they supply in any of the M/HM of a certain retail chain in Kosovo, 25.00 per cent of them replied they supply in any store of the two retail chains and 31.25 per cent replied in any of the three or more retail chains.

It is important to mention that all these retail chains (ETC, Albi, Maxi, Viva Fresh Store, Interex etc.) in 2009 had a total of 29 markets in cities across Kosovo, and now altogether number over 60 M/HM. It results that growth of retail chains in Kosovo for 4 years has doubled. In addition to the retail, chains mentioned above that date earlier (some of them have started the business as traditional stores 20 years ago). Also, there are new chains that have grown quickly as Meridian which started this kind of business in 2012 and now has over 32 markets throughout Kosovo (they developed the concept of smaller stores rather than hypermarket). In addition, it is worthy to mention that from all retail chains operating is Kosovo, there are only two foreign retail chains: Interex (French retail chain, also known as Intermarché) and Conad (Italian retail chain).

Based on the above results we can confirm the first hypothesis that *the opening of hypermarkets and development of fast-moving consumer goods retail chain in Kosovo resulted in the decline of traditional stores' turnover.*

TABLE 3 Respondents' Rating the Importance of the Rich Offering of M/HM (%)

Item	(1)	(2)	(3)	(4)	(5)	(6)
The store is always very well supplied	0.00	0.00	0.00	40.00	60.00	92

NOTES Column headings are as follows: (1) there is no importance at all, (2) there is no importance, (3) neutral, (4) important, (5) very important, (6) overall average.

THE RESEARCH RESULTS RELATED TO THE SECOND HYPOTHESIS

H2 *Among the most influential factors in selecting M/HM for supply is the rich offering of relevant M/HM.*

H0 *Among the most influential factors in selecting M/HM for supply is not the rich offering of relevant M/HM.*

Table 3 presents the results of research regarding the submission of the second hypothesis. Based on the results it appears that well supplied market or its rich offering is very important and influential factor to the customers for selecting the M/HM. None of them sees it as an unimportant factor. Out of 100 per cent, 40 per cent of them see it as an important factor, and 60 per cent of them see as a very important factor. This factor at the same time is ranked as the most important factor of all other factors. Therefore, based on the above results we can confirm the second hypothesis that *among the most influential factors in selecting M/HM for supply is the rich offering of relevant M/HM.*

THE RESEARCH RESULTS RELATED TO THE THIRD HYPOTHESIS

H3 *Among the most influential factors in selecting M/HM for supply are good customer service and good staff behaviour.*

H0 *Among the most influential factors in selecting M/HM for supply are bad customer service and bad staff behaviour.*

In the questionnaire, we have submitted a series of questions regarding the impact of staff behaviour and services to the customers. How they perceive these factors? Do they affect determining their choice for supply?

TABLE 4 Importance of Good Staff Behaviour and Good Customer Service in M/HM (%)

Item	(1)	(2)	(3)	(4)	(5)	(6)
Good staff behaviour	0.00	0.00	6.66	46.67	46.67	88.00
Good customer service	0.00	0.00	20.00	40.00	40.00	84.00

NOTES Column headings are as follows: (1) there is no importance at all, (2) there is no importance, (3) neutral, (4) important, (5) very important, (6) overall average.

According to the results presented in table 4, good staff behaviour is very important and very influential factor in customers selection of m/hm in which they will be supplied. None of the respondents sees it as irrelevant or no important factor at all. Only 6.66 per cent of them see it as a neutral factor. While 46.67 per cent of them see it as important and 46.67 per cent of them see it as very important. On average, 88 per cent of them evaluate this factor as important, at the same time it is ranked as one of the most important factors of all factors involved in this research.

In addition, none of the respondents sees the good customer service as an irrelevant factor or not an important factor. Out of them, 20.00 per cent see it as a neutral factor. While, 40.00 per cent see it as an important factor and 40.00 per cent evaluate it as a very important factor. On average, 84 per cent of them evaluate this factor as a very important factor, ranking it as one of the most important factors of all factors involved in this research.

Based on above results we can confirm the third hypothesis, *that among the most influential factors in selecting m/hm for supply are good customer service and good staff behaviour.*

THE RESEARCH RESULTS RELATED TO THE FOURTH HYPOTHESIS

h4 *Factors influencing the selection of m/hm for supply are closely related to dissatisfaction factors affecting store changing for supply.*

h0 *Factors influencing the selection of m/hm for supply are not closely related to dissatisfaction factors affecting store changing for supply.*

In addition to specific factors that were analysed for confirmation of hypothesis 2 and 3, other factors affecting the customers with the selection of m/hm for supplying with fmcg have also been analysed. Respondents also were asked for ranking the factors of importance, which affect them to make a decision to change the store or retail chain for supply. Therefore, we have proposed that the factors that influence customer decision for the selection of the m/hm are closely related to factors affecting supply replacement with a new store. The following presents results in tabular form and diagrams.

In table 5, factors are ranked by respondents. So, we can conclude that 5 factors that most affect customers and they appreciate their importance most, on average 80–92 per cent are as follows the rich offering, good merchandising, good staff behaviour, good customer service and good family atmosphere. Then come factors with the av-

TABLE 5   Overall Rating Factors, Which Affect or Not Affect the Customers in Selection of M/HM (%)

Item	(1)	(2)	(3)	(4)	(5)	(6)
The store is always very well supplied	0.00	0.00	0.00	40.00	60.00	92.00
Easy orient. and easy to find products	0.00	0.00	6.67	33.33	60.00	90.67
Good staff behaviour	0.00	0.00	6.66	46.67	46.67	88.00
Good customer service	0.00	0.00	20.00	40.00	40.00	84.00
Good family atmosphere	0.00	0.00	20.00	60.00	20.00	80.00
Lower prices compare to other stores	6.67	6.67	13.32	26.67	46.67	77.33
Enough parking space	0.00	13.33	13.33	53.34	20.00	76.00
Always offer new products	6.67	13.33	26.67	26.67	26.67	70.67
Music, colours to make you feel good	6.66	26.67	26.67	26.67	13.33	62.67
Always organize ent. activities	20.00	40.00	26.67	13.33	0.00	46.67

NOTES   Column headings are as follows: (1) there is no importance at all, (2) there is no importance, (3) neutral, (4) important, (5) very important, (6) overall average.

TABLE 6   Overall Rating Factors, Which Affect the Customers to Change the M/HM for Supplying (%)

Item	(1)	(2)	(3)	(4)	(5)
Poor offering, lack of products	33.33	40.00	26.67	0.00	0.00
Unsatisfactory customer service	6.67	33.33	20.00	6.67	0.00
Lower prices for the same products/brands	40.00	13.33	13.33	6.67	20.00
Waiting in line at the cash register	20.00	6.67	6.67	13.33	20.00
Bad staff behaviour	6.67	6.67	26.67	53.33	6.67
Discrepancy in products' prices on the shelf and at the checkout	0.00	6.67	6.67	6.67	26.67
Gloomy atmosphere	0.00	0.00	0.00	6.67	26.67

NOTES   Column headings are as follows: (1) there is no importance at all, (2) there is no importance, (3) neutral, (4) important, (5) very important, (6) overall average.

erage estimate of 46.67–77.33 per cent as lower prices, enough parking spaces, new products offer, and the least evaluated factors are considered entertainment activities, music, colours, lights etc.

While the results of our research on the factors affecting the customer to change the stores or retail chains for the supply of FMCG are presented in table 6 (factors are ranked by respondents). We can conclude that the factors that most affect customers to change the store for supply are the following factors poor offering, unsatisfactory customer service, and lower prices for the same products/brands. Then there are factors with lower impact as waiting in line at the cash register, bad staff behaviour, the discrepancy in product prices on the shelf and at the checkout and at the end gloomy atmosphere etc.

TABLE 7   Comparison of the Factors Influencing the Selection of M/HM and the
Factors Influencing the Change of M/HM (%)

Item	(1)	(2)	(3)	(4)	(5)	(6)	(7)
The store is always well supplied	0.00	0.00	0.00	0.00	40.00	60.00	100.00
Poor offering, lack of products	0.00	0.00	0.00	26.67	40.00	33.33	73.33
Good staff behaviour	0.00	0.00	0.00	6.67	46.67	46.67	93.34
Bad staff behaviour	6.67	53.33	60.00	26.67	6.67	6.67	13.34
Good customer service	0.00	0.00	0.00	20.00	40.00	40.00	80.00
Unsatisfactory customer service	0.00	6.67	6.67	20.00	33.33	6.67	40.00
Good family atmosphere	0.00	0.00	0.00	20.00	60.00	20.00	80.00
Gloomy atmosphere	26.67	6.67	33.34	0.00	0.00	0.00	0.00
Lower prices comp. to other stores	6.67	6.67	13.34	13.32	26.67	46.67	73.34
Lower prices for the same products/brands	20.00	6.67	26.67	13.33	13.33	40.00	53.33

NOTES   Column headings are as follows: (1) there is no importance at all, (2) there is
no importance, (3) 1 + 2, (4) neutral, (5) important, (6) very important, (7) 5 + 6.

In order to analyse more thorough the fourth hypothesis, the table
7 presents the factors, which mostly affect the customer in the selec-
tion of stores, and the dissatisfaction factors. Therefore, by compar-
ison method we have the following results.

The most important factor influencing the customers is rich of-
ferings and the lack of goods. Therefore, between these two factors,
there is a very strong relation according to the results of this study.
While good staff behaviour is ranked with high importance as a fac-
tor that affect the customer in the selection of stores, bad staff be-
haviour is not rated similarly by respondents. Only 13.34 per cent of
them stated that they would change the market due to bad staff be-
haviour. Therefore, here we do not see a strong relationship between
these factors analysed from two perspectives.

At the question *how satisfied they are with the behaviour of staff in
the store where they are supplied,* 66.67 per cent of the respondents
stated that they are satisfied, which in our opinion is one of the rea-
sons that they are supplied right there.

The atmosphere in the M/HM does not appear to be an important
factor according to our comparison. While for customer service, ap-
pears that there is a greater coherence, where as a factor in deter-
mining the selection of the store is estimated at 80 per cent and as a
factor of changing the store by 40 per cent.

One of the most important elements of this study has undoubtedly
been the offered price for the same product and brand. Therefore,
based on these results, it appears that the price has strong coher-

ence according to this view, although not ranked as one of the most important factors.

Based on the aforementioned results, we conclude generally that the fourth hypothesis is confirmed. *Therefore, we say that some of the factors that influence the selection of M/HM for supplying are closely related to some of the dissatisfaction factors affecting store replacement for supplying.*

ADDITIONAL INFORMATION DERIVED FROM THE RESEARCH

At the question *how many times do you attend the market,* 13.33 per cent of respondents answered *every day,* 60 per cent of them answered *once a week,* 20 per cent of them *2–3 times a week* and 6.67 per cent of them *once a month.* From this, we can conclude that most of them (60 per cent) are supplied *once a week,* and *every day* and *every two days* about 33.33 per cent and few are those who are supplied *once a month* (6.67 per cent).

In an ordinary purchase, 20 per cent of them buy 1–10 items, 26.67 per cent of them 10–20 items, 33.33 per cent of them 20–40 items, and 20 per cent of them 40–60 items and none of them buys over 60 articles.

From all respondents, 73.33 per cent of them declare that they are supplied in the market with high attendance, 20 per cent of them with average attendance, and 6.67 per cent of them with very high attendance and none of them has chosen to attend the market with low attendance.

Respondents were asked about the type of purchase they make, planned (with the list) or unplanned, as needed. From them, 53.33 per cent said they go to the M/HM with a list of products they need, 40 per cent of them answered, they choose impromptu the products they need and 6.67 per cent stated that they made the selection of products under the impact of store special offers.

Waiting in line at the cash register, is seen as one of the factors that cause dissatisfaction of customers. At the question *do you happen to wait at the checkout in order,* 26.67 per cent of respondents stated sometimes, 13,33 per cent of them answered rarely, 60 per cent of them were declared *often* and none *too often.*

Another phenomenon that practically is not rare for us is the discrepancy in products' prices on the shelf with the prices at checkout. Even when respondents were asked about the issue, 20 per cent of them responded that prices *match ever,* 53.33 per cent of them said, *sometimes do not match* and 26.67 per cent stated that they *do not match rarely.*

Conclusions and Recommendations

According to Results of Household Budget Survey (Kosovo Agency of Statistics 2012), there is an increase of 18.9 per cent of total consumption of Kosovo compared to 2011, and an increase of 9.23 per cent of consumption per households and 13.97 of consumption per head. Based on the same source over 50 per cent of consumption in Kosovo are fast-moving consumer goods. This is an important indicator for the awareness of retail chains in improving their performance in order to increase the number of loyal customers. Preliminary study results have provided a good basis for identifying the factors that most affect the selection of M/HM of the retail chain for supplying.

The results of this empirical study show that among the factors that most influence the selection of M/HM for supplying are the rich offering, good staff behaviour, good customer service, and low prices. In addition, according to the results of this study, most people prefer to be supplied in hypermarkets than in traditional stores. We can say that such results are largely consistent with results from previous researchers.

Retail chains of M/HM have advantages in offering products with affordable prices for customers, as they are stronger in negotiations to purchase the bulk quantity because of the high goods' turnover. Therefore, we can conclude that for traditional stores in Kosovo, each time will be more difficult to be competitive despite these chains.

This research shows that only 6.67 per cent of surveyed people are supplied with the products they need in closer stores. In addition, out of 100 per cent only 13.33 per cent of them have no favourite retail chain, they will be supplied wherever they end up. The vast majority of them (80 per cent) are regularly supplied in one or more markets/hypermarkets of any retail chain.

From this research, it comes out that the rich offering of the stores is very important and very influential factor in customers to select the M/HM in which they will decide to purchase. On average, 92 per cent of them evaluate as a very important factor, at the same time ranked as the most important factor of all other factors.

Good staff behaviour and good customer service are very important and influential factors in customers for selection of M/HM in which they will decide to purchase. On average, 88 per cent of them evaluate good staff behaviour as an influential factor and 84 per cent of them appreciate good customer service as important factor.

Five most influential factors to the customers and most appreci-

ated by them for importance, (on average 80–92 per cent) are rich offerings, good merchandising, good staff behaviour, good customer service and good family atmosphere. Then come factors with the average estimate of 46.67–77.33 per cent as low prices, enough parking spaces, offering new products, and factors such as leisure activities, music, colours, lights, etc. While the five most influential factors to the customers for changing the store to purchase are the poor offering, unsatisfactory customer service, low prices for the same products/brands. After some other influential factors as waiting in line at the cash register, bad attitude of staff and inconsistency of product prices on the shelf with the prices at the checkout, and at the end come the gloomy atmosphere. In general, there is a strong link between these factors addressed in particular and then compared to each other.

Based on this study, we have submitted the following recommendations:

- Retailers of FMCG should manage their stock well in the market, in order for the store to be supplied according to customers' requests for related products and brands.

- Practicing CSM (Customer Satisfaction Management) and SCM (Supply Chain Management) since these practices have been very successful in developed countries.

- Defining and creating a merchandising system under which the goods will be ranked and given the necessary space so the required goods are not out of stock as well as many other benefits that come with the application of such a system.

- Staff training in order to be able to respond to costumers in a timely manner with the information they require.

- Having a high focus on improving the staff behaviour, as the study has resulted in it being one of the most important factors.

- Rich portfolio offers according to the customers' requests.

- Creating a good atmosphere within the stores with lighting, proper temperature, sound system, and beautiful colours so the customers have a feel-good ambiance.

- Organizing entertainment activities for customers.

- Better management of employees working on the checkouts because the customers are not willing to wait at the cash register.

- Offering loyalty cards to the customers, by which users get discounts on purchases.

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HRM Model in Tourism, Based on Dialectical Systems Theory

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A human resources management (HRM) model integrating trends in HRM with trends in tourism into a dialectical system by the Dialectical Systems Theory (DST). HRM strategy, integrated within the tourism organization's (TO's) strategy is implemented through functional strategies helping their users to achieve a requisitely holistic (RH) HRM strategy replacing the prevailing one-sided ones. TO's strategy covers: employees (1) planning, (2) acquisition and selection, (3) development and training, (4) diversity management, (5) teamwork and creativity, (6) motivation and rewarding, (7) stress reduction and health, (8) relationships, (9) personal holism, (10) well-being, (11) work and results assessment; etc. Everyone matters; their synergy is crucial. An innovated HRM model for TOS, which applies employees', organizations' RH and integrates new knowledge about HRM. HRM belongs to central managers' tools. Their HRM must be adapted for TOS, where employees are crucial.

Key words: tourism, human resources management, well-being, Dialectical Systems Theory, social responsibility, Organizational Cybernetics

The Selected Problem and Aspects of its Treatment

Human resources[1] management crucially contributes to employees' optimal skills and behaviours enabling the organization's sustainable competitive advantage (Wright, Dunford, and Snell 2001). Competitors can hardly imitate innovations generated by employees due to significant time-lags in implementation of innovation-generating approaches and innovations and their impact on employees as the human capital pool.

The following hypotheses are tested theoretically by analysis of findings collected in *Kybernetes* 43 (3–4) (see Lebe and Mulej 2014) based on most of the cited literature applied as criteria:

H1 *Some* HRM *practices in* TOS *are more unprofessional and under-developed, than elsewhere; the given practices hardly generate employees'/co-workers' commitment, satisfaction, requisite personal holism, and motivation.*

H2 TOS*, as service organizations, need specific* RH HRM *models.*

METHODS

Scientific description is used to present the theoretical bases and describe the key facts, processes, techniques and methods that matter for TOS' HRM and related research; one uses dialectical systems, i.e. synergetic networks of all, and only, crucial aspects (Mulej 2013; François 2004) and organizational cybernetics. The theoretical basis of the key concepts of the key contents (HRM, tourism) is defined by analysis. Within the given research frame compilation was used to summarize the other authors' findings related to the chosen research. Comparison enlightens facts, phenomena, processes and techniques for the discussed content by establishing similarities and differences concerning HRM and TOS. Deduction uncovered important theoretical conclusions and hypotheses about connections between HRM and TOS. Induction helped defining the meaningfulness of the problem at the beginning and to empirically check the research hypotheses that were defined deductively.

Other methods include: the historical method (e.g. development of the positive psychology), qualitative modelling (presenting researched areas, e.g. HRM), systemic and contingency theory (determination of the basic research frame) and the cognitive process.

Human Resource Management

Good work of hosts and guests' and hosts' well-being (WB) depends crucially on RH behaviour in TOS. HRM crucially impacts employees' personal RH and effectiveness in TOS, hence TOS' competitiveness by compilation of activities, which enables working people and the organization, which uses their skills to agree about the objectives and nature on their working relationships and also ensures that the agreement is fulfilled (Torrington, Hall, and Taylor 2008, 25).

Many writers stress active HRM addressing organizations' crucial, i.e. human, capital (Ployhart and Moliterno 2011; Wright and McMahan 2011; Becker 2002; 2008; Petzinger 2000). Wilton (2011) defines

HRM as 'the term commonly used to describe all those organizational activities concerned with recruiting and selecting, designing work for, training and developing, appraising and rewarding, directing, motivating and controlling workers. In other words, HRM refers to the framework of philosophies, policies, procedures and practices for the management of the relationship that exists between an employer and worker.'

Management of people at work influences human behaviour to help employees work with others and other resources to achieve the identified goals (Lipičnik 2002).

The literature with relevance for HRM exposes one of the following categories (although there are other issues, too): (1) employee personality and emotional intelligence, (2) emotional and aesthetic labour, (3) HRM practices, (4) internal marketing, (5) organizational culture and climate, (6) business and HRM strategy, and (7) employee job attitudes and behaviours (Kusluvan et al. 2010). TOS are no exceptions: they need strategic and RH HRM.

STRATEGIC AND REQUISITELY HOLISTIC HUMAN RESOURCES MANAGEMENT

HRM necessitates RH (Mulej 2013) as a part of business politics (Štrukelj 2015). This includes strategic, not only short-term criteria. The basic idea behind strategic HRM is simple (Dessler 2011): In formulating human resource management policies and activities, the manager's aim must be to produce the employee skills and behaviours that the company needs to achieve its strategic aims. The idea consists of formulating of strategic plan, at first. That plan implies certain workforce requirements. Given these requirements, HRM formulates HR strategies (policies and practices) to produce the desired workforce skills, competences, and behaviours. Finally, the HR manager identifies the measures he or she can use to gauge the extent to which its new policies and practices are actually producing the required employee skills and behaviours. These measures might include, for instance, 'hours of computing training per employee,' 'productivity per employee' and others.

Three theoretical approaches to strategic HRM are identified (Torrington, Hall, and Taylor 2008):

1. 'There is "one best way" of HRM aimed to improve business performance.'

2. 'One must align employment policies and practices with the business strategy whose requirements must be achieved for

business success. Different types of HR strategies, presumably, suit different types of business strategies.'

3. 'Strategic HRM results from the resource-based view on the firm, and the perceived value of human capital.' This approach exposes quality of the available employees and their ability to learn and adapt more quickly than their competitors. This perspective challenges the need to assure HRM's mechanistic fit with business strategy; they focus, instead, on organisation's long-term sustainability and survival, through its human capital.

TOS are no exceptions.

Bases for the New Model of HRM in Tourism Organizations

BASIC NOTIONS ABOUT TOS

Tourism covers activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or other purposes (World Tourism Organization 1999). Tourism has existed for millennia, but never in the modern extent.

The tourism, hospitality and leisure industry is enormous; it is the world's largest employer and, despite the global financial crisis, the decline in international tourism arrivals may have bottomed out (ibid). It encompasses virtually every country and culture and has its foundations (Baum 2006b).

TOS' can become competitive: by lowering prices, unique manufacturing processes, skills, methods of providing services, appearance and location of the destination (Jerman, Uran, and Radi 2006). Their restructuring and improving the old products and service quality help, too. This requires highly qualified employees and HRM supporting them with RH approach aimed at requisite wholeness of outcomes (Mulej 2013). Because the environment in which employees work in TOS is rapidly changing, the evolutionary aspect of organizations and human resources in HRM matters.

People are critical for successful TOS' services; successful TOS excellently apply knowledge about ways to recruit, manage, train, educate and develop optimal employees, to evaluate and reward them, and to ensure their vocational and personal development by their permanent learning (Fáilte Ireland 2005; Baum 2007) and up-dating of values, culture, ethic, and norms (VCEN). HRM is critical for TOS, as service organizations, crucially driven by humans (Kusluvan et al. 2010). This includes the necessity of a permanent and socially responsible HRM (Baum 2006b). The future challenges

to HRM also matter (D'Annuzio-Green, Maxwell, and Watson 2004).

All these findings match the good times, but may be too one-sided in crisis when new, more holistic models might be necessary; hopefully, one will attain RH. Otherwise, crisis of affluence (Mulej 2013; Mulej and Dyck 2014) may hit TOS, too, especially the one-sided and short-term oriented TOS, forgetting that social responsibility (SR), i.e. one's responsibility for one's impacts on humans and nature, i.e. society (International Standards Organization 2014) enables RH and provides a way out from the current crisis, therefore (European Commission 2011).

DIALECTICAL SYSTEMS THEORY AND EMPLOYEES' REQUISITE HOLISM AS BASES FOR THE NEW MODEL OF HRM

Dialectical Systems Theory methodologically supports RH to replace the usual specialists' one-sidedness through adding bridges for their interdisciplinary creative cooperation (Mulej 1974; Mulej 2013). The narrow specialization is unavoidable, but insufficient for humans' successful coping with contemporary complex situations.

Now, ISO 26000 on SR, supported by European Union' documents (International Standards Organization 2014; European Commission 2011), enables informal RH. SR claims that (1) interdependence/co-operation and (2) holistic approach replace independence-cum-dependence-and-one-sidedness, to solve the current global socio-economic crisis by application of the seven principles of SR: accountability, transparency, ethical behaviour, the respect for stakeholders' interests, for the rule of law, for international norms and for human rights. SR is based on RH individuals' personal responsibility toward themselves and society (Šarotar Žižek 2012). By developing these attributes in synergy, TOS' HRM increases (creativity-based) well-being (CBWB) of tourists and their hosts (Šarotar Žižek et al. 2014).

EMPLOYEES' WELL-BEING AND INTERVENTIONS/STRATEGIES TO INCREASE WELL-BEING (WB)

WB is the main purpose of tourism. WB is complex and contested. One distinguishes: (1) hedonic and eudemonic WB; and (2) related objective and subjective measures (Sustainable Development Research Network 2005). The hedonic and eudemonic broad psychological traditions have historically been employed to explore well-being (Springer and Hauser 2006). In our research, presented here, the hedonic tradition is focussed.

In the hedonic tradition, psychologists exposed 'subjective (emotional) well-being,' covering: (1) life satisfaction; (2) the presence of positive mood; and (3) the absence of negative mood. Their synergy is summarized as happiness (Ryan and Deci 2001). Subjective well-being (SWB) evaluates individuals' lives through their positive emotions, work, life satisfaction and meaning (Diener and Seligman 2004). SWB measures a person's WB including all life events, aspirations, achievements, failures, emotions and relations of humans, adding their neighbouring cultural and moral environment (Rojas 2004).

Humans can increase their creativity-based WB (CBWB) by learning from the happy ones, e.g.: pleasant appearance, meaningful activities, sociability, developing positive attitudes toward life, striving for healthy personality. One could positively contribute to the CBWB, e.g. by techniques for physical balance, spiritual maturity, social integration, and economic stability. Laziness is no productive basis of WB.

Because humans are frequently co-workers, their CBWB at work matters. So, organizations/employers should and can significantly increase their co-workers' CBWB. We expose: (1) motivation, (2) diversity management, (3) role and empowerment, (4) balancing working and personal lives, (5) enabling health improvement, (6) managing health risk and preventing harm, (7) management style and labour culture, (8) communication and conflicts management, (9) age management, (10) time management, (11) teamwork and creativity, (12) employees development, (13) personal RH, (14) interpersonal relations and (15) rewards and benefits (Šarotar Žižek 2012). See figure 1.

Our new HRM model is based on employees' CBWB model. Along with preconditions of employees' CBWB our new model also requires a new view facing the crisis with more RH and SR in TOS.

IMPORTANT FACTS AND ISSUES OF HRM IN TOS

Before building the new model for HRM in TOS, which could match the contemporary challenges, we reviewed various authors' related references. Some main findings, important for our study are presented now. Baum (2007) exposed facts why HRM is crucial for tourism and what are characteristic of HRM in tourism. Liu and Wall (2006) criticised: 'tourism's human resource issues are poorly conceptualised and the many studies of tourism development approaches, both theoretical and practical, provide no consolidation of useful recommendations to situate the human dimension as an
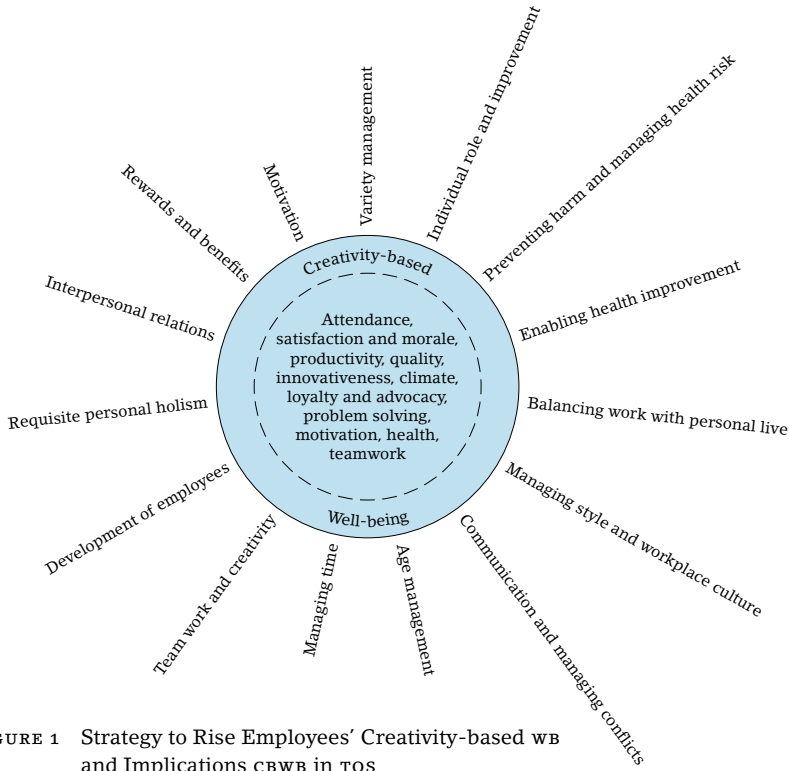
FIGURE 1   Strategy to Rise Employees' Creativity-based wb
and Implications cbwb in tos

integral part of a comprehensive planning framework for tourism.'

Two streams of research examined hrm practices in tos (Kuslu-van et al. 2010). The first stream integrates several studies examining individual hrm practices such as recruitment and selection (Janes 2004), empowerment and involvement (Lashley 2000), leadership and managerial styles (Deery and Jago 2001), performance appraisal (Woods, Sciarini, and Breiter 1998), and wages (Lee and Kang 1998). The second stream comprises a few studies analysing the state and impact of various bundles of hrm practices. This stream has the systems view emerging as the dominant trend in linking hrm practices to employee, customer, and organizational outcomes. Both streams of research concluded that individual, or bundles of, hrm practices in tos are unprofessional, underdeveloped, inferior to other industries, and poorly generate employee commitment, satisfaction, and motivation (Kusluvan et al. 2010; Head and Lucas 2004; Lucas and Deery 2004; Lucas 2002; Lucas 2004; Lucas et al. 2004; Timo and Davidson 2005). On this basis defining the current state of hrm

practices is crucial. Related to that good HRM and HRM practice is only (and partially) observed in few large, foreign-owned, international chain estab-lishments (Kusluvan et al. 2010). Therefore, TOS are reputed for poor HRM practices, using traditional and exploitative ways. Thus, TOS are described as 'bleak houses,' or 'ugly' and 'bad' establishments in employment terms (Lucas 1996; Lebe and Vrečko 2014; Rok and Mulej 2014; Štrukelj and Šuligoj 2014; Zupan and Milfelner 2014). One should not disregard the increasing number of TOS with highly effective HRM practices; regarding their consequences, individual and various combinations of HRM practices were related to employee, customer, and organizational outcomes, including turnover, organizational commitment, job satisfaction, service quality, customer satisfaction, and organizational performance (Kusluvan et al. 2010).

Dhar's (2015) study presents an integrated model examining the effect of high performance human resource practices on the commitment level of the tourist hotel employees. Commitment of employees is important for service innovative behavior. This can be regarded as the core demand of hotel employees who serve their customers in the best possible manner. Commitment is conected to the employee's satisfaction on work. Paek at al. (2015) mentioned that work engagement partially mediates the effect of psychological capital on job satisfaction and affective organizational commitment.

For TO's is very important to build satisfied employee's because this has a positive impact on customer satisfaction. Jung and Yoon (2014, 1) exposed that their research results showed that employees' satisfaction did not have a significant, direct impact on customer loyalty, but showed an indirect influence via customer satisfaction. In addition, customer satisfaction was positively associated with customer loyalty. Davidson, McPhail, and Barry (2011) exposed the following challenging perspectives:

- HRM in TOS is at a crossroad: either HRM will evolve, adapt and become more important or HRM will disappear and be replaced by outsourcing and technology. It matters also that the existing type of organisation and work culture will determine which ones of these possibilities eventuate in TOS (Woods 1999). So HRM may become the TO's integral component following the Strategic Human Resource Management (SHRM) model. Of course, this requires a shift from administrative to strategic, from a functional to a business-based model, from one-sidedness to RH (Štrukelj 2015).

- Lucas and Deery (2004) found review of 100 papers concerning hrm in five leading hospitality journals: hrm research in tos predominately replicated the mainstream hrm research. They suggest that tos' hrm researchers should investigate several key issues including the ownership of career development and the boundary-less career, the role of hrm in managing the 24/7 work environment, the impact of shift work on health, and managing the employees' safety and wellbeing in dangerous environments. Examination of the conflict between the cultural values of the owners and managers of large global tos and of their host communities also matters.

- While the same hrm's elements – strategic partner, change agent, administrative expert, and employee champion – are used across organisations, the balance of how they are applied differs widely (Raub, Alvarez, and Khanna 2006): the corporate level shows much more balanced approaches, whereas at the department level the administrative element and employee champion roles predominate. The appropriate balance for the corporate level must be more strategic and the unit level more balanced (Raub, Alvarez, and Khanna 2006). The positive relationship exists between some hrm practices and shareholder values, including evidence supporting the proposition that some hrm practices assist firms to achieve their strategic objectives (Warech and Tracey 2004).

Hence, hypothesis h1 is confirmed: Some hrm practices in tos are unprofessional, underdeveloped, and inferior to other industries, and generate poor employee commitment, satisfaction, and motivation; literature review confirms it (Head and Lucas 2004; Lucas and Deery 2004; Lucas 2002; Lucas 2004; Lucas et al., 2004; Timo and Davidson 2005; Lebe and Mulej 2014).

Literature review confirmed also the hypothesis h2: tos need a rh hrm model specified for tos (Lucas 2004; Liu and Wall 2006, 162; Kazlauskaite, Buciuniene, and Turauskas 2012, 143).

The New Model of Human Resource Management for Increasing Creativity-Based Well-Being of Employees in Tourism

The given crisis challenges the current hrm models. Based on the presented starting-points we suggest a new model of tos' hrm combining in synergy:

- The Harvard hrm model (Beer et al. 1984)

- Model Management and Human Resources Based on Business (Boxall 1996)
- The HRM Model (Anthony, Perrewe, and Kacmar 1993)
- The European Model of HRM (Brewster and Bournois 1991)
- The Linear Model of HRM
- The human resource cycle and strategic management and environment pressures.

Their common purpose must be employees' CBWB, resulting in guests' wellbeing leading also to TOS' economic success.

Our guideline in developing this model was: people – owners, managers, co-workers, local population, partners, competitors, and co-workers – are the critical dimension for successful implementation of services; thus, the successful TOS excellently apply knowledge about ways to recruit, manage, train, educate and develop their optimal employees, to evaluate and reward their work, and to ensure their vocational and personal development by means of the permanent learning (Fáilte Ireland 2005; Baum 2007) and updating of values-culture-ethics and norms (VCEN) (Potočan and Mulej 2007) by a RH knowledge-cum-values management (Šarotar Žižek et al. 2014). So, the key themes of contemporary HRM in the proposed modern HRM model include (Page and Connell 2006):

- Creating work reputation
- Employees education and training
- Considering the influence of globalization
- Employing and preserving the number of employees considering their fluctuation
- Flexible employment forms
- Providing the necessary skills
- Creating adequate wages politics along with remuneration and facilities
- Gaining a balance between work and non-work
- Consideration of legislation and government measures
- Ensuring competitiveness.

As a starting point we also considered the necessity of a permanently socially responsible HRM (Baum 2006a). This is typical e.g. for TO Amon from Podčetrtek, Slovenia.

The proposed HRM model comprises the future challenges to HRM (D'Annuzio-Green, Maxwell, and Watson 2004). Some relevant challenges include:

- Ensuring affiliation
- Employees' loyalty in organizations
- Employees' education and training
- Services quality
- Recruiting and selection of employees
- Team building
- Management development
- Managerial professionalization
- Employees' business and finance awareness
- Career planning
- Flexibility of employees
- Personal efficiency of managers
- Manner of appearance, etc.

The principal aims of hrm include linking all functions of co-workers into rh forms to reach tos' strategic goals. Reasons for implementation of the suggested model (figure 2) include: (1) restructuring of the market, (2) decentralization, internationalization, mergers and acquisitions of companies, (3) endeavours for better quality of products and services, (4) technological and other changes, etc.

According to this model, the individual and organizational attributes, and the environmental influences,[2] determine the global strategy, which determines the orientation of functional strategies, including the hrm strategy. The top management first selects (in a sr rh approach!) the organizational strategy and then its functional strategies, to realize its primary chosen global strategy. Every functional strategy affects the global strategy, too. Before choosing its strategy, the top management must consider the existent functional strategies. This includes the strategy concerning co-workers and their accomplishments; it enables estimation, how successful the chosen global strategy will be.

Figure 2 demonstrates integration of the over-all company strategy with its hrm strategy: several functional strategies are required, contributing to tos' realization of their rh hrm strategy. They particularly tackle: (1) hrm planning strategies concerning: (2) recruiting and selecting, (3) development and training, (4) appraisal of work performance and turnover of co-workers, (5) teamwork and creativity, (6) motivation and remuneration, (7) diversity, (8) relations between employees, (9) health and safety, (10) well-being strategies, (11) holism-related strategies, etc. Following the Nickson's (2006)

suggestion, at determining the strategies we considered the crucial importance of reaching hospitableness and ensuring top-innovative services and adequate organizational vcen.

The mentioned functional strategies result in human behaviour in organizations: it creates numerous advantages including employees' better motivation, health, relations and communication, (team) work, appreciation to their organization, enrichment of knowledge and experiences, work performance, etc. When implementing rh and sr hrm strategies employees: (1) do the right things in the right way at the right time, (2) are efficient and productive, (3) create excellent results, (4) are satisfied with their work, (5) are good motivators, (6) have good self-esteem, (7) expand their social network in personal and professional contexts, (8) have particularly positive emotions, and therefore fewer negative emotions, (9) express more self-initiative, (10) have greater self-control, (11) have inner-place control, etc.

These advantages have a long-term effect reflecting in tos' higher efficiency, subjective and objective welfare of each individual, and in social welfare/well-being. Specifically, it increases employees' satisfaction, productivity and loyalty, and lowers absenteeism. Well-being becomes cbwb (Šarotar Žižek, Mulej, and Treven 2014). Important impact on strategic planning has also social responsibility.

In the hrm model for to's we foresee several functional strategies. The implementation of these strategies helps tos create competitive advantages concerning hrm, e.g. employees' higher motivation, better health, better mutual relations, more successful teamwork, higher affiliation to the organization, enrichment of knowledge and experiences, etc. All of them positively influence the organizational success, including the individual's subjective and objective cbwb and welfare (as the material part of wb). Thus, employees/coworkers in tos will be happy, creative, motivated, helpful, friendly. All outcomes will be delivered to customers, benefiting from to's services' quality. Guests will spend more, will be more loyal etc. Results can be summarized as presence of iso 26000 in this research; see table 1.

A case study which was performed in May 2013 helped us to better understand hrm in e.g. Slovenian tos, including three different and important tos: Terme Olimia, Terme Maribor and City Hotel Maribor.

Summarized, these Slovenian tourism companies practice sr: they are employee-friendly and care for hrm; all stress internal communication, free schedule of working hours, rewarding system, team
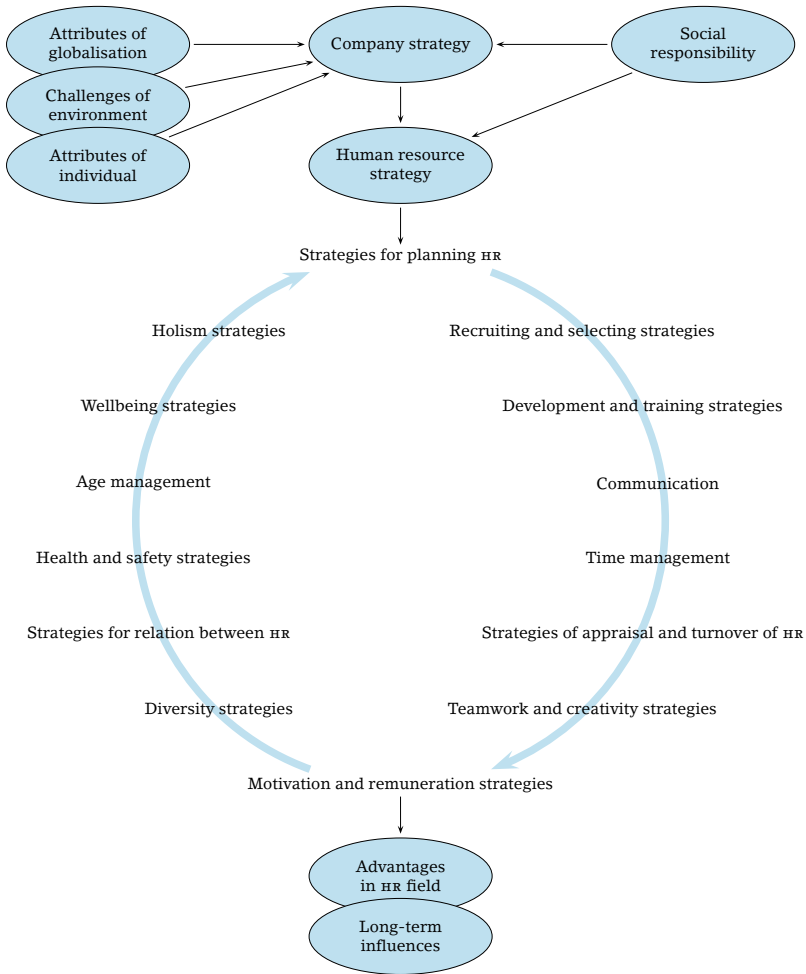
FIGURE 2   Model of hr Management in tos (adapted from Šarotar Žižek 2012)

work, well-being and safety of employees, and the yearly interviews including employees' knowledge. The survey also showed Slovenian tos' deficiencies, including too little learning, coaching and involvement of employees in the main organizational processes. The case study results influenced our new model to help Slovenian and other tos to improve their hrm.

Based on these case study and new knowledge brought by the articles collected in *Kybernetes* 43 (3–4) (see Lebe and Mulej 2014) and presented earlier in this paper, we confirmed both research hypothesis:

TABLE 1 Presence of ISO 26000 in This Study

Principles	Topics						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Accountability	+	+	+	+	+	+	+
Transparency	+	+	+	+	+	+	+
Ethical behaviour	+	+	+	+	+	+	+
Respect for stakeholder interests	+	+	+	+	+	+	+
Respect for the rule of law	+	+	+	+	+	+	+
Respect for international norms of behaviour	+	+	+	+	+	+	+
Respect for human rights	+	+	+	+	+	+	+

NOTES Column headings are as follows: (1) organization, management and governance, (2) human rights, (3) labour practices, (4) environment, (5) fair operating practices, (6) consumer issues, (7) community involvement and development.

H1 *Some* HRM *practices in* TOS *are more unprofessional and underdeveloped, than elsewhere; the given practices hardly generate employees'/co-workers' commitment, satisfaction, requisite personal holism, and motivation.*

H2 TOS, *as service organizations, need specific* RH HRM *models.*

Conclusion

Tourism will grow, especially in the developing economies whose cultural backgrounds vastly differ from the dominant international TOS. This will enable many different ways of handling HRM and the likelihood of very location-specific models portend a challenging, innovative and somewhat volatile future for HRM (Davidson, McPhail, and Barry 2011).

A new modern model of HRM for TOS, which is based also on employees' CBWB, will support TOS' accelerated development. The model is based on TOS' evolution, attributes of their individuals and organization, as well as on challenges from environment. All these factors influence TOS' strategic management. During this process the TO's strategy is determined first, i.e. management/owners using RH and SR define the global strategy. Based on the global strategy managers define functional strategies, including the HRM strategy with the RH&SR approach. This approach should realize the global strategy including the TOS' aims, employees' expectations, with RH&SR.

Notes

1. In tourism, at least, one should better speak about human capital (Ciekanowski 2013). This expresses more respect for co-workers, who are not only 'resources.' Thus, more room would exist for

social responsibility in managers', owners', employees', partners', and guests' behaviour (O'Sullivan 2013). However, the main-stream makes us use 'HRM,' which is more respectful than 'personnel,' although not matching Mulej/Kajzer's law of RH (Mulej 2013) and principles of SR in ISO 26000 (International Standards Organization 2014). 'Co-workers' would be even more respectful.

2. The environmental influences include the opportunities and risks in: (1) economy and employment market, (2) branch and competition, (3) society and demographic influence, (4) politics and law, (5) international influence and (6) technology concerning humans and nature.

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Impact of Financial Meltdown on the Relationship Between Dividend Policy and Shareholders' Wealth

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Dividend policy (DP) is considered one of the major decisions of the corporate firms regarding how much earnings could be paid as dividend. Such a DP will greatly influence the shareholders' wealth (SW). Hence, the objective of the paper is to analyze the impact of DP on SW of Basic Material Sector in India. Out of 29 firms listed on Bombay Stock Exchange (BSE), 13 firms that have been paying dividend consecutively for the past ten years are considered for analysis. Besides descriptive statistics, Augmented Dickey Fuller Test (ADF), Levin, Lin, and Chu (LLC) *t*-test, Philip Perron (PP) Fisher χ^2 test, Im-Pesaran-Shin W (IPS-W) and Breitung test are used to test whether the data are stationary and to satisfy one pre-condition for co-integration Johansen Co-integration test is used. Regression and Chow test are also applied. The results of the co-integration test proves that there exists a stationary, long-run relationship between dividend per share (DPS) as well as dividend yield (DY) with SW. Regression result proves that DP has significant impact on SW and the Chow test result proves that the impact of DP on SW of Basic Material sector has been significantly affected by the event, financial meltdown.

Key words: dividend policy, firm's performance, financial meltdown, shareholders' wealth

Introduction

The dividend is the key indicator of share price and firm's value. The dividend policy (DP) determines the division of earnings between payment to stockholders and reinvestment in the firm. The question on whether the DP is an indicator of an increase in shareholders' wealth (SW) is often debated. Therefore, the present study

is aimed at to study the long-run relationship between the DP and SW, and the impact of DP on SW considering an event viz., the global financial meltdown. Previous researchers have propounded many theories about the firm's value as well as the SW. There is a substantial literature on the relationship between DP and SW. The review of the past literature drew attention to the importance and value of several research studies that are significant for building a framework for the study. The studies revolve around emphasizing the significance of DP in maximizing the SW.

Miller and Modigliani (1961) stated that in the world without taxes, transactions costs or market imperfections, DP is actually irrelevant. Black and Scholes (1974), on the same line of Miller and Modigliani (1961), stated that the choice between common stocks that pay dividend and of those stocks pay no dividend was similar, if transaction costs and taxes are absent. Arnott and Asness (2003) were of the view that there was a positive relationship between dividend payout and growth in future earnings. A high dividend payout indicated the firm's confidence in stability and growth in future earnings while a low dividend payout suggested that the firm was not confident about the stability of earnings or sustainability of growth in earnings.

Azhagaiah and Sabaripriya (2008) stated that the SW was greatly influenced by variables viz., *growth in sales, improvement in profit margin, capital investment decision, capital structure decision and cost of capital.* Aminimeh and Iqbal (2008) stated that car-manufacturing firms created positive value for their shareholders. Aravanan and Mannarakkal (2011) stated that there was a significant impact of DP on SW in Alloy steel firms, while it was not so in Ferro alloy steel firms in India. Iqbal, Waseem, and Asad (2014) found that the *firm size* and *firm's growth* had significant positive impact on SW while Tahir and Raja (2014) proved significant correlation between DP and SW.

The literature provides an overview of impact of DP on SW. Most of the previous studies had followed similar methodology to estimate the impact of DP on SW, hence in present study; an attempt has been made to estimate the difference in the impact of DP on SW considering an event viz., financial meltdown (between before and after the event periods) happened during 2008–9.

Study Rationale and Plan of the Paper

There is a considerable debate on how does the DP affect the SW, which resulted into a mixed response and inference. Previous researchers viz., DeAngelo and Skinner (2004) believed that DP in-

creased the sw however, others viz., Miller and Modigliani (1961) proved that the DP was irrelevant and it didn't affect the sw; but, some other empirical evidences supported for classic dividend irrelevance proposition viz., Miller and Scholes (1978), Black and Scholes (1974), Jose and Stevens (1989), Toby (2014), and Baker et al. (2007) believed that the DP decreased the sw. However, studies considering an event methodology are seldom hence, the present study mainly analyses the difference in the impact of the DP on the sw considering the financial meltdown as an event.

The paper has been structured in to 10 sections. Introduction is given in the first section, while the second section substantiates the rationale and plan of the study. The third section states the main objectives and hypotheses. The fourth deals the research methodology of the study. Analysis on descriptive statistics is presented in the fifth section. In the sixth section, the relationship between DP and sw is discussed. The seventh section discusses the results of impact of DP on sw, while the eighth Section shows the difference in the impact of DP on sw in pre and post-financial meltdown periods. The ninth section deals with the concluding remarks and limitations of the study.

Main Objectives and Hypotheses

The paper proposes to achieve the following objectives:

1. To study the long-run relationship between *dividend per share* (DPS), *dividend payout* (DPO) as well as dividend yield (DY) and shareholders' wealth (sw) of the Basic Material Sector in India.
2. To estimate the impact of dividend variables along with finance variables on shareholders' wealth of the Basic Material Sector in India.
3. To estimate the influence of finance factors on shareholders' wealth of the Basic Material Sector in India.
4. To study the difference in the impact of dividend policy on shareholders' wealth of Basic Material Sector between pre and post-financial meltdown periods.

The hypotheses are as follows:

H_0^1 *There is no co-integration between dividend per share (DPS) and shareholders' wealth (sw).*

H_0^2 *There is no co-integration between dividend payout (DPO) and shareholders' wealth (sw).*

H_0^3 *There is no co-integration between dividend yield (DY) and shareholders' wealth (sw).*

H_0^4 *There is no significant impact of dividend policy (DP) on share-holders' wealth (SW).*

H_0^5 *There is no significant difference in the impact of dividend per share (DPS) on shareholders' wealth (SW) between pre and post-financial meltdown periods.*

H_0^6 *There is no significant difference in the impact of dividend pay-out (DPO) on shareholders' wealth (SW) between pre and post-financial meltdown periods.*

H_0^7 *There is no significant difference in the impact of dividend yield (DY) on shareholders' wealth (SW) between pre and post-financial meltdown periods.*

Research Methodology

The study used secondary data of Basic Material Sector, which are collected from the capital market database called Centre for Monitoring Indian Economy Private Limited (Prowess CMIE) for a period of 10 years on year-to-year basis from 2003–4 to 2012–3.

SAMPLING PROCEDURE AND TECHNIQUE

The study used multi-stage non-random sampling technique and the different stages involved in it are shown in table 1.

Table 2 shows the number of firms of Basic Material Sector listed in Bombay Stock Exchange (29), out of which dividend non-paying firms (12), and firms for which adequate data were not available in

TABLE 1   Multi-stage Non-Random Sampling Procedure

Stage 1	The study proposed to include all the listed firms of Basic material sector (29).
Stage 2	Out of 29 firms, 12 firms are dividend non-paying firms, hence they are eliminated, the result being 17 dividend paying firms.
Stage 3	Out of 17 dividend paying firms, for 4 firms adequate data were not available in the data source, hence they are also eliminated, the result being 13 firms.
Stage 4	Hence, the final sample comprises 13 dividend paying firms only.

TABLE 2   List of Basic Material Sector Firms Selected for the Study

(1) Total no. of firms	29
(2) Dividend non-paying firms	12
(3) Adequate data not available in the data source	4
(4) Total number of firms not considered for the study (2 + 3)	16
(5) Ultimate sample firms selected for the study (1 − 4)	13

the data source (4) are eliminated, hence the ultimate number of sample firms considered for the study is 13 only.

The Basic material sector includes mining and refining of metals, chemical producers and forestry products. It is sensitive to change in the business cycle, because it supplies materials for construction, which depends on a strong economy. The sector is also sensitive to supply and demand fluctuations because the price of raw materials, such as gold or other metals, is largely demand driven. A basic material comprises chemicals, fertilizers, iron and steel and cement industries.

RESEARCH METHODS AND VARIABLES (RATIOS) USED FOR ANALYSIS

The paper used variables viz., dividend related (DP) ratios, shareholders' wealth (SW) ratios, profitability ratios, leverage ratios, owners' fund ratios, liquidity ratios, earnings ratios, working fund ratios, and asset quality ratios to study the difference in the impact of dividend policy on shareholders' wealth.

Market price per share (MPS) is considered as proxy response variable for shareholders' wealth (SW) while dividend per share (DPS), dividend payout (DPO), dividend yield (DY), return on capital employed (R_CE), return on net worth (R_NW), return on assets (R_A), return on long term fund (R_LF), return on equity (R_E), total debt to equity (TD_EQ), total debt to total assets (TD_TA), total debt to fixed assets (TD_FA), equity multiplier (EM), proprietary ratio (PR), total liabilities to net worth (TL_NW), current ratio (CR), quick ratio (QR), earnings per share (EPS), price earnings ratio (PER), working capital to total assets (WC_TA), current assets to total assets (CA_TA), net fixed assets to net worth (NFA_NW) are considered as predictor variables. Besides using various dividend variables and finance factors, statistical methods viz., Augmented Dickey Fuller Test, Johansen Co-integration, Ordinary Least Square method and Chow test are applied for analysis using Eviews 7 Econometrics software package.

The study used Panel unit root test (Augmented Dickey Fuller Test) to find out whether the time series data are stationary; six different lag selection criteria viz., Log Likelihood (Log L), Likelihood Ratio (LR), Final Prediction Error (FPE), Akaike's Information Criterion (AIC), Schwarz Information Criterion (SC or SIC), and Hannan-Quinn Criterion (HQ or HQC); Johansen Co-integration test to determine whether a set of endogenous variables share a common long-run stochastic trend; factor analysis, extracting factors viz., profitability (P), leverage (LEV), owner's fund (OF), liquidity (LQ), earnings

per share (EPS), working fund (WF), and asset quality (AQ) are used as predictors in the regression model; regression analysis to ascertain the unique impact of DP on SW; and Chow test (1960) to determine whether the predictor variables have different impact on different sub-groups of the population.

Analysis and Discussion

The analysis is done using descriptive statistics (Jarque-Bera test) to specify if the data are normally distributed. The study used mean, standard deviation (SD), skewness, kurtosis and Jarque Bera (JB) test. (If skewness lies between –0.50 and +0.50, the data are considered to be approximately symmetric; it is considered as moderate if it lies either between –1 and –0.50 or between +0.50 and +1; the data series led to kurtic if kurtosis >3, i.e. excess kurtosis is >0; a normal distribution has kurtosis exactly 3).

The JB test for normality is based on the null hypothesis that the data are normally distributed with skewness zero and excess kurtosis is zero (alternate hypothesis is that the data are non-normally distributed). The significance of the test statistics is ascertained by a χ^2 statistics with 2 degrees of freedom. The null hypothesis of normality is rejected if the calculated JB test statistics exceeds the critical value of χ^2 at given level of significance, say 1% or 5%. If null hypothesis is accepted, the data series are normally distributed.

Panel unit root test (Augmented Dickey Fuller Test) is carried out to find out whether the time series data are stationary. There are three test statistics to ascertain the statistical significance viz., Levin, Lin, and Chu (LLC) t-test (2002), Augmented Dicky Fuller (ADF) Fisher χ^2 test, and Philips and Perron (PP) Fisher χ^2 test (1988). The Im-Pesaran-Shin W (IPS-W) (2003) statistics for the second model and Breitung test (2000) for the third model is added besides the three test statistics to ascertain whether time series data are stationary and to satisfy one pre-condition for co-integration test.

The number of lags required for running co-integration test is determined by means of six different lag selection criteria viz., Log Likelihood (Log L), Likelihood Ratio (LR), Final Prediction Error (FPE), Akaike's Information Criterion (AIC), Schwarz Information Criterion (SC or SIC), and Hannan-Quinn Criterion (HQ or HQC). Johansen Co-integration test provides a mean to determine whether a set of endogenous variables share a common long-run stochastic trend. A finding of co-integration indicates interdependence of the endogenous variables, which may be the result of economic linkages between the markets or arbitrage activity between the investors.

The approach to testing for co-integration relies on the relationship between the rank of a matrix and its characteristic roots, or eigen-values (Johansen and Juselius 1990). Let X_t be a vector of n time series variables, each of which are integrated of order (1), and assume that X_t can be modelled by a Vector Auto Regression (VAR):

$$X_t = A_1 x_{t-1} + \cdots + A_p x_{t-p} + \varepsilon_t. \tag{1}$$

Rewriting the VAR as

$$\Delta x_t = \Pi X_{t-1} + \Sigma \Gamma \Delta X_{t-i} + \varepsilon_t, \tag{2}$$

Where, $\Pi = \Sigma A_i - I, \Gamma_i = -\Sigma A_i$.

If the coefficient matrix Π has a reduced rank $(r < k)$ there exists kxr matrices where α and β each with rank r such that $\Pi = \alpha\beta$ and $\beta'xt$ are stationary. The number of co-integrating relations is given by r, and each column of β is a co-integrating vector.

According to Johansen (1991), there are three possibilities to exist i.e. co-integrated Vector Autoregressive Model:

1. If Π is of full rank, all elements of X become stationary and none of the series has a unit root.

2. If the rank of $\Pi = 0$, there are no combination which are stationary and there are no co-integrating vectors.

3. If the rank of Π is r such that $0 < r < k$, then the X variables are co-integrated and there exists r co-integrating vectors. Equation (4) can be modified to allow for an intercept and a linear trend.

The number of distinct co-integrating vectors can be obtained by determining the significance of the characteristic roots of Π. To identify the number of characteristic roots that are not different from unity, the study used two statistics viz., the trace test and maximum eigen value test:

$$\lambda_{\text{trace}}(r) = -T\Sigma \ln(1 - \lambda_i) \tag{3}$$

and

$$\lambda_{\max}(r, r+1) = -T\ln(1 - \lambda_{r+1}) \tag{4}$$

Where λ_i is the estimated values of the characteristic roots (eigen values) obtained from the estimated Π matrix, r is the number of co-integrating vectors, and T is the number of usable observations. The trace test evaluates the null hypothesis that the number of distinct co-integrating vectors is $\leq r$ against a general alternative hypothesis (the number of distinct co-integrating vectors $\geq r$). The maximum

eigen-value test examines the number of co-integrating vectors versus the number plus one. If the variables in X_t are not co-integrated, the rank of Π is zero and all the characteristic roots are zero. Since $ln(1) = 0$, each of the expressions $\ln(1 - \lambda_i)$ will be equal to zero (Johansen and Juselius 1990; Osterwald-Lenum 1992).

The extracted factors (factor analysis) viz., profitability (P), leverage (LEV), owner's fund (OF), liquidity (LQ), earnings per share (EPS), working fund (WF), and asset quality (AQ) are used as predictors in the regression model. There are two regressions; the first one with dividend variables (DPS, DPO and DY) along with financial factors (P, LEV, OF, LQ, EPS, WF and AQ) and the second one is with financial factors only. The significance of the explanatory power of DP on SW, when all the financial factors are held constant, is estimated based on F-Value and R^2 values of the two models using the following formula:

$$F = \frac{\frac{R_L^2 - R_S^2}{df_L - df_S}}{\frac{1 - R_L^2}{N - df_L - 1}}, \tag{5}$$

where $R_L^2 = R^2$ from the larger model (full model), $R_S^2 = R^2$ from the smaller model (subset model after removing certain predictors), df_L are row degrees of freedom (or number of predictors) in the larger model, df_S are row degrees of freedom in the smaller model, and N is the number of observations.

REGRESSION EQUATION

Regression model (full model with dividend variables and financial factors):

$$\begin{aligned}
\text{MPS} = {} & \beta_1(\text{P}) + \beta_2(\text{LEV}) + \beta_3(\text{OF}) + \beta_4(\text{LQ}) + \beta_5(\text{EPS}) \\
& + \beta_6(\text{WF}) + \beta_7(\text{AQ}) + \beta_8(\text{DPS}) + e,
\end{aligned} \tag{6}$$

where MPS is market price per share, P is profitability, LEV is leverage, OF is owners' fund, LQ is liquidity, EPS are earnings per share, WF is working fund, AQ is asset quality, and DPS is dividend per share.

Regression model (subset model after removing dividend variables i.e. only with the financial factors):

$$\begin{aligned}
\text{MPS} = {} & \beta_1(\text{P}) + \beta_2(\text{LEV}) + \beta_3(\text{OF}) + \beta_4(\text{LQ}) + \beta_5(\text{EPS}) \\
& + \beta_6(\text{WF}) + \beta_7(\text{AQ}) + e,
\end{aligned} \tag{7}$$

where MPS is market price per share, P is profitability, LEV is lever-

age, OF is owners' fund, LQ is liquidity, EPS are earnings per share, WF is working fund, and AQ is asset quality.

In evaluation, the Chow test (1960) is used to determine whether the predictor variables have different impact on different subgroups of the population. Therefore, the chow test is applied using the following formula:

$$F = \frac{\frac{RSS_p - (RSS_1 RSS_2)}{k}}{\frac{RSS_1 RSS_2}{N_1 + N_2 - 2k}}, \tag{8}$$

where F is the test statistic, RSS_p is residual sum of squares for the whole sample, RSS_1 is residual sum of squares for the first group (before dividend announcement), RSS_2 is residual sum of squares for the second group (after dividend announcement), N is the number of observations, k is the number of regressors (including the intercept term) in each unrestricted sub-sample, $2k$ is the number of regressors in both the unrestricted sub-sample regressions (whole sample), N_1 is the number of observations for the first group (before dividend announcement), and N_2 is the number of observations for the second group (after dividend announcement).

Relationship Between DP and SW

Table 3 presents the descriptive statistics along with Jarque Bera test results for market price per share (MPS) and dividend variables. The mean of MPS ranges from 78.47 (Berger Paints India) to 1553.04 (Larsen and Toubro) (see table 3). From the standard deviation, it is found that for most of the firms, the MPS is highly dispersed from their central tendency (mean) (standard deviation is high for majority of firms) and it is positively skewed (skewed to the right) for four firms (skewness >1), which shows that the data are asymmetrical for these four firms. For six firms, the data are moderately skewed (moderately asymmetric) whereas skewness is trivial for the other three firms. The data led to kurtic for three firms while it plays kurtic for the other 10 firms (kurtosis < 3). Out of 10 firms with play kurtic, the MPS data are found to be with kurtosis, approximately equals to 3 for 5 firms, which reveal that the MPS data are approximately symmetric. As no conclusive decision about the normality of the data can be arrived from the skewness and kurtosis, the Jarque Bera (JB) test is carried out. The JB test statistics for MPS data are insignificant for all the (13) firms, which led to accept the null hypothesis that the data are normally distributed i.e. the MPS of firms are normally distributed.

TABLE 3   Descriptive and Jarque-Bera Normality Test Statistics for Market Price per
Share and Dividend/Earning Variables

Firm	(1)	(2)	(3)	(4)	(5)	(6)
Market Price per Share (MPS)						
ACC	761.54	361.01	−0.19	1.92	0.55	0.7597
Ambuja Cements	163.29	80.23	1.36	4.01	3.49	0.1747
Asian Paints	1479.90	1266.10	0.91	2.48	1.49	0.4739
Berger Paints India	78.47	35.20	0.77	2.53	1.08	0.5822
Coromandel International	197.15	115.70	0.99	3.14	1.65	0.4390
Divi's Laboratories	1292.00	669.74	1.14	2.96	2.16	0.3397
Larsen & Toubro	1553.00	674.78	0.27	3.58	0.26	0.8771
Pidilite Industries	192.97	80.51	0.66	1.84	1.28	0.5261
Sesa Goa	810.83	751.95	1.35	3.94	3.42	0.1807
Shree Cement	1297.80	1072.20	0.92	3.24	1.44	0.4874
Tata Chemicals	248.28	85.56	−0.32	2.03	0.56	0.7573
Tata Steel	464.86	125.04	0.60	2.89	0.60	0.7394
United Phosphorus	269.57	178.45	1.10	2.75	2.03	0.3620
Dividend Per Share (DPS)						
ACC	1.86	0.97	−0.22	1.66	0.83	0.6598
Ambuja Cements	1.33	0.38	−0.43	1.96	0.76	0.6830
Asian Paints	2.23	1.32	0.66	2.02	1.13	0.5684
Berger Paints India	0.64	0.24	−0.21	2.12	0.40	0.8190
Coromandel International	3.35	2.62	0.25	1.43	1.13	0.5695
Divi's Laboratories	3.06	2.48	0.72	2.08	1.23	0.5420
Larsen & Toubro	8.43	2.49	0.91	3.16	1.39	0.4981
Pidilite Industries	1.58	0.51	0.37	3.02	0.22	0.8946
Sesa Goa	2.91	1.47	−0.79	2.33	1.22	0.5424
Shree Cement	1.03	0.63	0.48	1.88	0.91	0.6332
Tata Chemicals	0.85	0.14	−0.37	1.62	1.02	0.5991
Tata Steel	1.24	0.31	−0.15	1.80	0.63	0.7281
United Phosphorus	0.81	0.34	−0.10	1.64	0.79	0.6729

Continued on the next page

As far as the DPS data are concerned, skewness lies between −0.50 and +0.50 for most of the firms, which shows that the DPS data are approximately symmetric. The kurtosis < 3 for most of the firms and is around 3 for two firms. The JB test statistics are not significant at level for all the firms, which confirm the existence of normality in the DPS of firms. The JB test result is greater than the critical value of χ^2 at 5% level for all the firms and for 12 firms in respect of DY and DPO respectively; also in case of EPS, the normality violation is rejected for most of the firms (10 out of 13), hence it is found that the data

TABLE 3 *Continued from the previous page*

Firm	(1)	(2)	(3)	(4)	(5)	(6)
Dividend Yield (DY)						
Ambuja Cements	0.98	0.41	−1.03	2.72	1.79	0.4088
Asian Paints	0.19	0.06	0.49	2.12	0.71	0.7002
Berger Paints India	0.85	0.31	1.44	4.40	4.30	0.1165
Coromandel International	1.67	1.09	0.87	3.37	1.33	0.5151
Divi's Laboratories	0.33	0.33	0.63	1.71	1.35	0.5089
Larsen & Toubro	0.75	0.64	1.48	3.69	3.83	0.1473
Pidilite Industries	0.98	0.47	−0.66	1.75	1.38	0.5009
Sesa Goa	0.58	0.55	1.04	2.70	1.84	0.3989
Shree Cement	0.12	0.08	1.38	3.97	3.55	0.1698
Tata Chemicals	0.38	0.11	1.65	4.76	5.81	0.0548
Tata Steel	0.28	0.08	−0.03	1.41	1.05	0.5916
United Phosphorus	0.44	0.33	0.57	2.04	0.92	0.6314
Dividend Payout (DPO)						
ACC	4.14	1.18	0.81	2.66	1.13	0.5677
Ambuja Cements	15.12	6.42	−0.40	2.58	0.34	0.8430
Asian Paints	4.97	0.65	0.52	2.49	0.56	0.7559
Berger Paints India	15.43	7.33	1.12	4.20	2.70	0.2587
Coromandel International	16.61	9.94	0.00	2.03	0.39	0.8211
Divi's Laboratories	7.50	7.35	0.68	1.66	1.51	0.4703
Larsen & Toubro	16.82	10.48	1.93	5.55	8.92*	0.0116
Pidilite Industries	22.19	12.92	−0.45	1.68	1.06	0.5873
Sesa Goa	6.04	5.31	0.66	1.86	1.27	0.5311
Shree Cement	2.16	1.74	1.43	3.96	3.79	0.1507
Tata Chemicals	4.83	1.19	−0.71	2.87	0.85	0.6538
Tata Steel	2.07	0.53	−0.03	1.74	0.66	0.7172
United Phosphorus	18.01	10.53	−0.33	1.51	1.11	0.5750

of MPS, DPS, DY, DPO and EPS are normally distributed for the firms.

The results of the panel unit root test are shown in table 4. From the table it is seen that all the three test statistics (LLC, ADF, and PP) for the first model (no intercept and no trend) are insignificant for MPS data at level, hence it implies that the MPS at level has unit root and therefore is non-stationary. On the other hand, all the three test statistics are significant for the first difference MPS data series i.e. the MPS data are non-stationary at level and are stationary when they are first differenced.

The MPS data series have unit root at level but has no unit root when first differenced about a constant as well as with time trend

TABLE 3   *Continued from the previous page*

Firm	(1)	(2)	(3)	(4)	(5)	(6)
Earnings Per Share (EPS)						
ACC	49.37	26.74	−0.53	1.76	1.12	0.5723
Ambuja Cements	9.99	3.68	1.60	4.87	5.73	0.0569
Asian Paints	47.28	31.33	0.63	1.89	1.19	0.5522
Berger Paints India	4.80	3.34	2.17	6.48	12.88**	0.0016
Coromandel International	19.31	8.12	0.33	3.05	0.19	0.9103
Divi's Laboratories	51.42	16.72	0.51	2.52	0.54	0.7647
Larsen & Toubro	57.46	15.09	−1.81	5.89	8.93*	0.0115
Pidilite Industries	10.94	7.87	1.07	2.46	2.03	0.3632
Sesa Goa	81.36	67.32	0.36	1.44	1.23	0.5409
Shree Cement	77.09	68.77	1.18	3.75	2.55	0.2787
Tata Chemicals	19.22	7.97	1.42	4.65	4.49	0.1058
Tata Steel	61.27	11.7	−1.22	3.61	2.65	0.2656
United Phosphorus	6.60	5.49	1.80	4.93	6.95*	0.0309

NOTES   Column headings are as follows; (1) mean, (2) standard deviation, (3) skewness, (4) kurtosis; Jarque Bera Test: (5) value, (6) *p*–level.

as test statistics, the IPS-W statistics for model with intercept and without trends, the Breitung *t*-test for model with both intercept and time trend is insignificant at level and significant at first difference besides LLC, ADF and PP test statistics. Hence, it is evidence that the MPS data are integrated in order 1, i.e. I(1), satisfying one precondition for co-integration test. With regard to DPS data series, it is found from the unit root test with zero-mean (no intercept and no trend) that only intercept (intercept and no trend) and with both intercept and trend, the DPS data series are non-stationary (unit root) at level but stationary (no unit root) when it is first differenced, which evidences that the DPS data series is I(1).

With regard to DPO data series, the unit root test statistics are significant both at level as well as at first difference based on the models without deterministic trend (no intercept and no trend) and with deterministic trend having only intercepted. Both the IPS-W statistics and the Breitung *t* statistics are significant at level and at first difference, the DPO data series with time trend is considered stationary at both the levels and at first difference as majority of the test statistics are significant i.e. the DPO data series is both integrated of order zero (I(0)) and one (I(1)) respectively.

In respect of DY, the unit root test statistics are significant for both at level and at first difference based on models without intercept and trend as well as with only intercept. However, 3 out of 5 test statistics

TABLE 4 Unit Root Test (Panel) Results for Market Price per Share and Dividend Variables

Variable/ method		No Intercept No Trend				Intercept No Trend				Intercept and Trend			
		Level		First Difference		Level		First Difference		Level		First Difference	
		(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
MPS	(a)	3.01	0.9987	−8.05**	0.0000	0.46	0.6756	−8.29**	0.0000	−3.61**	0.0002	−24.57**	0.0000
	(b)									2.53	0.9942	−4.56**	0.0000
	(c)									0.65	0.7431	−2.65**	0.0040
	(d)	15.81	0.9407	99.29**	0.0000	21.16	0.7336	60.22**	0.0002	18.03	0.8746	62.87**	0.0001
	(e)	15.99	0.9365	107.61**	0.0000	24.80	0.5301	68.37**	0.0000	19.57	0.8117	102.90**	0.0000
DPS	(a)	4.98	1.0000	−3.51**	0.0002	4.85	1.0000	−6.51**	0.0000	−1.21	0.1140	−18.62**	0.0000
	(b)									4.88	1.0000	−1.98*	0.0239
	(c)					3.75	0.9999			0.92	0.8224	−3.88**	0.0001
	(d)	7.71	0.9998	74.34**	0.0000	14.07	0.9721	60.33**	0.0002	17.59	0.8901	92.65**	0.0000
	(e)	7.09	0.9999	88.52**	0.0000	14.57	0.9647	80.58**	0.0000	23.34	0.6139	104.09**	0.0000
DPO	(a)	−3.47**	0.0003	−13.23**	0.0000	−10.93**	0.0000	−11.21**	0.0000	−8.84**	0.0000	−8.87**	0.0000
	(b)									−1.82*	0.0344	−1.54	0.0621
	(c)					−4.37**	0.0000			−1.49	0.0687	−1.42	0.0784
	(d)	42.71*	0.0207	147.94**	0.0000	66.44**	0.0000	83.30**	0.0000	46.4**	0.0082	52.37**	0.0016
	(e)	42.34*	0.0226	150.07**	0.0000	55.19**	0.0007	106.21**	0.0000	60.9**	0.0001	78.48**	0.0000
DY	(a)	−3.12**	0.0009	−9.80**	0.0000	−9.45**	0.0000	−8.20**	0.0000	−5.45**	0.0000	−8.55**	0.0000
	(b)									1.37	0.9149	−1.11	0.1329
	(c)					−3.44**	0.0003			−0.72	0.2360	−1.14	0.1275
	(d)	46.71**	0.0076	127.82**	0.0000	63.87**	0.0000	72.21**	0.0000	35.61	0.0990	48.67**	0.0045
	(e)	54.35**	0.0009	134.68**	0.0000	58.10**	0.0003	91.04**	0.0000	71.87**	0.0000	93.24**	0.0000

NOTES Column headings are as follows: (1) statistic, (2) p-value. Row headings are as follows: (a) Levin, Lin & Chu t (LLC), (b) Breitung t-stat, (c) IPS w-stat, (d) ADF – Fisher Chi-square, (e) PP – Fisher Chi-square. * Significant at 1% level. ** Significant at 5% level.

TABLE 5   Lag Length Selection Criteria for Co-Integration Test for Market Price per Share with Dividend Variables

Lag	LogL	LR	FPE	AIC	SC	HQ
Market Price per Share (MPS) *and Dividend per Share* (DPS)						
0	−542.50	–	$4.3e^6$	20.94	21.02	20.97
1	−443.20	187.10	$1.1e^5$	17.28	17.50*	17.36
2	−436.00	12.92	$9.7e^4$	17.15	17.53	17.30
3	−432.20	6.61	$9.8e^4$	17.16	17.69	17.36
4	−424.80	12.22	$8.6e^4$	17.03	17.71	17.29
5	−419.90	7.80	$8.3e^4$	16.99	17.82	17.31
6	−413.30	9.86*	$7.6e^4$*	16.90*	17.87	17.27*
Market Price per Share (MPS) *and Dividend Payout* (DPO)						
0	−612.10	–	$6.2e^7$	23.62	23.70	23.65
1	−535.20	144.90	$3.8e^6$	20.82	21.04	20.90
2	−525.00	18.42	$3.0e^6$	20.58	20.95*	20.72
3	−524.40	1.19	$3.4e^6$	20.71	21.23	20.91
4	−511.10	21.99*	$2.4e^6$*	20.348*	21.02	20.61*
5	−508.50	4.04	$2.5e^6$	20.40	21.23	20.72
6	−507.40	1.71	$2.8e^6$	20.51	21.49	20.89
Market Price per Share (MPS) *and Dividend Yield* (DY)						
0	−463.70	–	$2.1e^5$	17.91	17.99	17.94
1	−391.20	136.70	$1.5e^4$	15.28	15.51*	15.36
2	−383.50	13.94	$1.3e^4$	15.13	15.51	15.28
3	−378.10	9.31	$1.2e^4$	15.08	15.61	15.28
4	−368.40	15.98*	$9.8e^3$	14.86	15.54	15.12*
5	−362.90	8.66	$9.3e^3$	14.80	15.63	15.12
6	−358.50	6.63	$9.3e^3$*	14.79*	15.76	15.16

are found to be insignificant at level based on model with time trend (drift process) while 2 out of 5 test statistics are insignificant at first difference. Based on most of the cases, the variable, DY has unit root at level and has no unit root at first difference i.e. the DY is non-stationary at level, but stationary at first difference, which suggests that the DY data series is I(1).

The results of the analysis determining the lags for co-integration model between MPS and dividend variables are shown in table 5. The Log L, LR, FPE, AIC and HQ criteria suggests use of six lags; while SC criterion suggests use of one lag for co-integrating DPS with MPS; the criterion LR, FPE, AIC and HG suggest six lags while SC criterion suggests one for better fit the model co-integrating MPS with DPS. Based on the lag length suggested by majority of criterion, six lag is chosen for co-integration test between MPS and DPS. The chosen

TABLE 6 Co-integration Test Results for Market Price per Share and Dividend Variables

Test	No Deterministic Trend				Linear Deterministic Trend							
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Market Price per Share (MPS) and Dividend per Share (DPS)												
(a)	0.4808	26.56**	12.32	0.0001	0.4830	26.71**	15.49	0.0007	0.4892	27.19**	18.4	0.0023
(b)	0.0253	1.00	4.13	0.3679	0.0250	0.99	3.84	0.3205	0.0251	0.99	3.84	0.3191
(b)	0.4808	25.56**	11.22	0.0001	0.4830	25.73**	14.26	0.0005	0.4892	26.20**	17.15	0.0019
(c)	0.0253	1.00	4.13	0.3679	0.0250	0.99	3.84	0.3205	0.0251	0.99	3.84	0.3191
Market Price per Share (MPS) and Dividend Payout (DPO)												
(a)	0.0352	3.23	12.32	0.8185	0.0279	1.84	15.49	0.9968	0.0328	2.17	18.4	0.9995
(b)	0.0137	0.90	4.13	0.3978	0.0000	0.00	3.84	0.9783	0.0000	0.00	3.84	0.9751
(c)	0.0352	2.33	11.22	0.8834	0.0279	1.84	14.26	0.9939	0.0328	2.17	17.15	0.9989
(d)	0.0137	0.90	4.13	0.3978	0.0000	0.00	3.84	0.9783	0.0000	0.00	3.84	0.9751
Market Price per Share (MPS) and Dividend Yield (DY)												
(a)	0.5252	29.07**	12.32	0.0000	0.5273	29.36**	15.49	0.0002	0.5279	29.28**	18.4	0.001
(b)	0.0006	0.02	4.13	0.8997	0.0037	0.14	3.84	0.7056	0.0001	0.00	3.84	0.9555
(c)	0.5252	29.05**	11.22	0.0000	0.5273	29.22**	14.26	0.0001	0.5279	29.27**	17.15	0.0005
(d)	0.0006	0.02	4.13	0.8997	0.0037	0.14	3.84	0.7056	0.0001	0.00	3.84	0.9555

NOTES Column headings are as follows: (1) eigenvalue, (2) statistic, (3) critical value, (4) *p*-value. Row headings are as follows: (a) trace (none), (b) trace (at most 1), (c) maximum (none), (d) eigenvalue (at most 1). ** Significant at 1% level.

lag length for co-integration test is four between MPS and DPO and it is six between MPS and DY (the lag suggested by FPE and AIC is superior over LR test) hence, the chosen lag length for co-integration test between MPS and DPS; MPS and DPO; and MPS and DY is six, four and six respectively.

The results of the co-integration analysis are shown in table 6. Both trace and maximum eigen value test statistics are significant for CE with intercept but without time trend as well as CE with intercept and time trend hypothesized as 'none,' which proves that the DPS and the MPS are co-integrated when the selected variables in the models are allowed for linear deterministic trend, hence there exists a long-run co-integration between DPS and SW with time trend.

The test results show that the data series are co-integrated as both the trace test and the maximum eigen-value test reject the null hypothesis of no co-integration, and suggest that there are two significant co-integrating vectors in the model, which implies that there are two common stochastic trends, showing market integration. The long-run relationship between DPS and MPS is proved by trace rank test statistics and maximum eigen value test without deterministic trend, with intercept without time trend as well as with intercept and time trend.

The results of trace test and maximum eigen value test without deterministic trend for DPS and MPS show the critical value as 12.32

and 11.22, statistical value as 26.56 and 25.56 respectively; that of for with intercept and without time trend the critical value as 15.49 and 14.26, statistical value as 26.71 and 25.73 respectively; and that of for with intercept and time trend the critical value as 18.40 and 17.15, statistical value as 27.19 and 26.20 respectively, which are highly significant at 1% level.

The statistical values of the trace test and maximum eigen value test > critical values for three situations i.e. without deterministic trend, with intercept without time trend as well as with intercept and time trend hence, the null hypothesis H_1^o: 'there is no co-integration between dividend per share (DPS) and shareholders' wealth (SW)' is rejected at 1% level. Therefore, it proves that there exists a stationary, long-run relationship between DPS and MPS.

The results of trace test and maximum eigen value test without deterministic trend for DPO and MPS show critical value as 12.32 and 11.22; statistical value as 3.23 and 2.33 respectively; that of for with intercept and without time trend the critical value as 15.49 and 14.26, statistical value as 1.84 each respectively; and that of for with intercept and time trend the critical value as 18.40 and 17.15, statistical value as 2.17 each respectively, which are not significant as the data series is not co-integrated for both the trace test and the maximum eigen value test hence, the null hypothesis H_2^o: 'there is no co-integration between dividend payout (DPO) and shareholders' wealth (SW)' is accepted, implying that there is insignificant co-integrating vectors in the model. The absence of long-run relationship between DPO and MPS is proved by trace test and maximum eigen value test without deterministic trend, with intercept without time trend as well as with intercept and time trend. The statistical values of the trace test and maximum eigen value test < critical value for the three situations.

The results of trace test and maximum eigen value test without deterministic trend for long-run relationship between DY and MPS show the critical value as 12.32 and 11.22, statistical value as 29.07 and 29.05 respectively; that of for with intercept and without time trend the critical value as 15.49 and 14.26, statistical value as 29.36 and 29.22 respectively; and that of for with intercept and time trend the critical value as 18.40 and 17.15, statistical value as 29.28 and 29.27 respectively, which are highly significant.

The statistical values of the tests are > critical values for three situations i.e. without deterministic trend, with intercept without time trend as well as with intercept and time trend respectively. Hence, the null hypothesis H_3^o: 'there is no co-integration between dividend

yield (DY) and shareholders' wealth (SW)' is rejected at 1% level. Therefore, the co-integration results prove that there exists a stationary, long-run relationship between DY and MPS.

Impact of Dividend Policy on Shareholders' Wealth

Table 7 is reported with the results of regression for eliciting the impact of DP on SW in the presence of general financial status of the firms. There are two regressions; first one with dividend variables (DPS, DPO and DY) besides the financial factors (P, LEV, OF, LQ, EPS, WF, AQ) and the second one is with financial factors (P, LEV, OF, LQ, EPS, WF, AQ) only. The significance of the explanatory power of DP on SW, when all the financial factors are constant, is ascertained based on F value obtained from comparing R^2 values of the two models.

Both full and subset models of regressions are fitted significantly (see table 7). The individual coefficients in both the models show that the SW tends to increase with significant decline in LEV, increase in OF as well as increase in EPS. Regarding the DP, it is apparent that the SW seems to increase at a significant level when there has been a significant increase in DPS ($\beta = 0.273$, $t = 10.56$, $p < 0.01$).

While the full model, with both dividend and financial factors as predictors, explains to the extent of 78.40% of the variation, the subset model, with only financial factors as predictors, explains to the extent of 43.44% of the variation only in SW. The additional variance in the dependent variable explained by the dividend variables is 36.38% ($R_L^2 - R_S^2$). Hence, the additional variance (in presence of dividend variables) is highly significant at 1% level ($F = 64.20$, $p < 0.01$). Therefore, it is found that the DPS has influence (impact) in creating additional wealth to the shareholders. Hence, H_0^4: 'there is no significant impact of dividend policy (DP) on shareholders' wealth (SW)' is rejected at 1% level.

Difference in the Impact of DP on SW in Pre- and Post-Financial Meltdown Periods

To test whether there is any significant difference in the impact of DP on SW between pre and post-financial meltdown periods, Chow test has been used and the results are shown in table 8. The result (vide table 8) reveals that the F values for DPO (4.96) and DY (4.57) are significant at 1% level. Hence, H_0^6: 'there is no significant difference in the impact of dividend payout (DPO) on shareholders' wealth (SW) between pre and post-financial meltdown periods' and H_0^7: 'there is no significant difference in the impact of dividend yield (DY) on

TABLE 7 Impact of Dividend policy (After Partialling out the Effect of Financial Performance) on Shareholders' Wealth

Predictors	Full model		Subset model	
	β	t	β	t
Intercept	5.667**	22.39	5.282**	14.79
Profitability (P)	−0.163	−0.83	−0.194	−0.63
Leverage (LEV)	−0.723**	−5.07	−0.933**	−4.16
Owners Fund (OF)	1.106**	2.99	1.629**	2.86
Liquidity (LQ)	0.071	0.47	0.428	1.79
Earnings per Share (EPS)	0.315*	2.57	1.047**	6.61
Working Fund (WF)	0.029	0.38	−0.018	−0.16
Asset Quality (AQ)	0.087	0.87	−0.059	−0.45
Dividend policy (DPS)	0.273**	10.56		
R^2	0.784		0.434	
Adjusted R^2	0.766		0.402	
F value	43.190**		13.390**	
Degrees of freedom	10.119		7.122	
Significance of the Change in R^2	F value 64.200**		DF 3.119	

NOTES ** Significant at 1% level. * Significant at 5% level. Significance of the change in R^2: $F = 64.20$**,

TABLE 8 Results of Chow Test for the Difference in the Impact of DP on SW between Pre and Post-financial Meltdown Periods

Item	F value	DF	p value
MPS = f(DPS, DPS_1)	1.04	98	0.3989
MPS = f(DPO, DPO_1)	4.96**	98	0.0004
MPS = f(DY, DY_1)	4.57**	98	0.0009

NOTES **Significant at 1% level.

shareholders' wealth (SW) between pre and post-financial meltdown periods' are rejected at 1% level.

However, the F value for DPS (1.04), which is insignificant, is far higher than 5% level, which proves that there is no significant difference in the impact of DP (DPS) on SW (MPS) between pre and post-financial meltdown periods i.e. the impact of DP (DPS) on SW (MPS) is unaffected by the financial meltdown event. Hence, H_5^0: 'there is no significant difference in the impact of dividend per share (DPS) on shareholders' wealth (SW) between pre and post-financial meltdown periods' is accepted.

Hence, it is found that the impact of DP on SW is significantly affected by the financial meltdown in respect of dividend variables viz., DPO and DY and not DPS.

Concluding Remarks and Limitations

The study attempts to answer the question: Is there any significant difference in the impact of DP on SW due to financial meltdown. To test the relationship between DP and SW, and to estimate the impact of DP on SW before and after financial meltdown periods, 13 firms from Basic Material Sector are considered with one pre condition that the firms should have consistent track record in paying dividend over the period. The response variable viz., market price per share (MPS) is considered as proxy for SW and the dividend variables viz., DPS, DPO, and DY are considered as proxies of predictor variables (DP). The study used Johansen co-integration, factor analysis, regression and Chow test to study the impact of DP on SW.

The overall result of the study reveals that the trace and maximum eigen value statistics for the CES without and with deterministic trend for MPS with DPS, DPO as well as DY hypothesized as 'at most 1' are not significant at level, which leads to accept null hypothesis that there is at most one co-integration equation for MPS with each one of the dividend variables, meaning that the MPS and dividend variables are co-integrated. Therefore, there is a long-run relationship between DP and SW of the selected firms.

The financial factors viz., profitability (P), leverage (LEV), owners' fund (OF), liquidity (LQ), working fund (WF), asset quality (AQ) and dividend variables viz., earnings per share (EPS), market price per share (MPS), and dividend per share (DPS), which are used to estimate the impact of DP on SW show that the DP has influence (impact) in creating additional wealth to the shareholders; there is a significant difference in the impact of DPO and DY (DP) on MPS (SW), hence it can be concluded that the impact of DP on SW of firms of Basic Material Sector in India is significantly affected by the financial meltdown event.

The results of the study corroborates with the findings of the previous research studies viz., Asquith and Mullins (1983), Farrelly, Baker, and Edelman (1985), Nagar (2007), Ashamu, Abiolo, and Bbadmus (2008), Aravanan and Mannarakkal (2011), Azhagaiah and Sabaripriya (2008), Olandipupo and Okafor (2011), Arindam and Samanta (2012), Atiyet (2012), Gul et al. (2012), Onwumere, Ibe, and Feank (2012), Warrad et al. (2012), Zafar, Chaubey and Khalid (2012), Altroudi and Milhem (2013), and Bawa and Kaur (2013), Chidinma et al. (2013), Dewet and Mpinda (2013), Haque et al. (2013), Mokaya, Nyangara, and James (2013), Oladele (2013), Salman (2013), Kumaresan (2014) and Toby (2014).

The study is based on secondary data of 13 firms of Basic Material Sector in India collected from Centre for Monitoring Indian Economy Private Limited (Prowess CMIE). Besides, one of the main limitations is that the study has used data of few firms with short time series data. Further, the quality of the study depends upon the accuracy, reliability, and quality of data source.

The analysis has produced some meaningful inferences and results, and one avenue for future research is to extend the investigation to other sectors and across sectors in India. The present study has used market price per share (MPS) as proxy for measuring the shareholders' wealth (SW), hence future studies may be conducted using the response variable viz., economic value added (EVA) or market value added (MVA).

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Transparency of the Non-Financial Reports in the Republic of Slovenia

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Corporate governance of public companies in the Republic of Slovenia (RS) has been developing for the last 25 years. Short historical development of this field requires permanent monitoring. Practical implementation and performance of corporate governance (CG) principles in the business practices of public companies in Slovenia should be followed and non-financial information should be analysed. We are interested in how CG principles are reflected and implemented in the acts and reports of public companies in the RS, especially in terms of socially responsible and sustainable development of strategic goals. Legal acts and reports of public companies in the first and standard quotation of the Ljubljana Stock Exchange were scrutinized to analyse the transparency and quality of non-financial reporting, and consequently, the quality of corporate governance in Slovenia.

Key words: corporate governance, corporate social responsibility, sustainable development, annual reports, corporate governance policy and statement

Introduction

The Republic of Slovenia (RS) traces its corporate governance beginnings to the 1990s when the country initiated ownership transformation of companies ('Zakon o lastninskem preoblikovanju podjetij' 1992–1998). Companies with social capital as an equity source were transformed into companies with the equity capital in private ownership on the basis of a law. Corporate governance of companies in the RS has been implemented for 20 years (Djokic 2011a).

During that time, the RS became a member of the European Union (EU). The state complied with EU regulations by implementing regulations and directives of the EU as well as its recommendations and other acts of soft law. Slovenia harmonized the fields of company law, accountancy, financial reporting and revision with EU requirements. Furthermore, the RS implemented OECD principles of corporate governance in the preparation of its corporate governance codes, which have been developing since 2005. The principle of transparency was applied and harmonized with EU regulations (Djokic 2012). The

transparency of Slovenian public companies has been improving and expanding gradually using imperative rules and soft law (Djokic 2013).

This article analyses the reporting of non-financial information and improvements that have been made in the field of non-financial reports in the RS after 2010. The pieces of research that have been conducted recently touch on disclosures of company social responsibility (CSR) and long-term sustainability (LTS) development. The article is connected to two particular deeds that are legally regulated in the RS and which evaluate non-financial information in the framework of corporate governance in public companies, i.e. corporate governance statements (CGS) and corporate governance policies (CGP). The qualitative results of recent research presented in the article illustrate the progress that has been made in the country in the field of transparency. However, disclosures and explanations concerning CGS and LTS should become more substantial and supplemented with more contextual information. The EU is also calling for better transparency of CGP in the field of CSR and LTS. By reporting non-financial information more thoroughly, public companies would improve their CSR and LTS corporate identity and become more transparent for their stakeholders.

Non-Financial Reporting in the Function of SCR and LTS Company Identity

If we understand vertical communication as the communication through a top-down process as executives and other managers communicate organizational goals and support to their subordinates (Bartels et al. 2006), we may realize that vertical communication is necessary for identifying the inner organization with their company (organisational identity).

A company starts to exist as a legal entity on the basis of the decision of its founders. The founders determine the company as a socially responsible company (CSR) with long-term sustainability goals when they proclaim so in the articles of association or a statute. (An individual foundation act depends on the selected form of a company). When a company is registered, the company as a legal entity lives its life and operates according to selected activities, form and principles of corporate governance. The operating company as an organizational identity is a living legal entity with its own operation and activity. The ways the activity is performed depend on different factors. Organisational identity (OI) is certainly one of them, but not the only one. OI describes the inner identification of the person-

nel (employees) and managers (top, executive – middle) with company goals. If company management is environmentally and socially conscious and responsible, they will spread such a leadership spirit within the company and involve employees in improving the organisation's environmental performance.

CREATION OF COMPANY IDENTITY

Not only company founders, employees and company management should also be aware of the company's CSR identity. If the company operates as a joint stock company, than such a company has many shareholders. Through reporting company goals (sustainability, means of the social responsibility, etc.) to the shareholder, the company expresses its factual attitude regarding CSR and LTS as well as the ways and standards of factual realisation of such long-term company goals.

Besides the shareholders, communication of CSR and LTS goals of the company to other company participants, such as stakeholders as well as interested groups, the local community, etc., is of vital importance when discussing the creation of company identity (CI).

Presuming that a new company has been founded with a CSR and/or LTS orientation, the final creation of CI should have different phases. After the shareholders accept the CI, the CI should be publicly announced to shareholders through the statute, company reports and corporate governance policy, and communicated to other company stakeholders and the public using the communication strategy accordingly.

The recognition of CI as a CSR and/or LTS company is therefore created on the basis of the outside relation of the company – 'within the society.' The reflection of 'the society' regarding socially responsible and sustainable company operation and its factual performance of the activity consequently influences the shareholders' decisions. The development of CSR and LTS of a company as its general CI is therefore a long-term and interactive process which involves management bodies of the company (shareholders, management, supervision bodies), stakeholders (suppliers, customers, consumers), employees, communities and other interested participants, and public (consumers, NGOs, etc.). This interactive relation is built by using the company communication policy (CCP) as a part of the company CGP.

Company identity as an outside identity is created through communication with interested groups outside the company. By sharing company goals with those groups, the company declares its approach

regarding the standards that are important to the society. Interested participants involved in company operation (suppliers, customers, consumers) and company results (employees, community, state) create an attitude towards the company by being aware of the company's csr and/or lts orientation. To this end, the ccp is an important part and phase in the creation of a ci with csr and lts goals.

CSR IN SLOVENIA

In Slovenia, authors perceive scr and lts as the responsibility of all business entities (owners and managers in particular) to develop and implement actions aiming to realise the needs and interests: organisation's environment (natural, social and corporate) and the organisation of internal processes (Potočan and Mulej 2007, 130).

csr is explained as a cell. The attitude of an organisation or its management towards employees, owners and clients represents the nucleus of the cell. The immediate surrounding area of the nucleus constitutes the attitude towards the local environment, both natural and social, while the wider circle denotes the organisation's global visibility (Zadnik and Šmuc (2007, 3).

According to Bertoncelj et al. (2011, 108–12), these definitions indicate that the concept of corporate social responsibility strives towards sustainable functioning of an organisation, which also contributes to the prosperity of the society as a whole, taking into account the interests of all stakeholders and its own interests, including profits, and strictly respecting both ethical and moral principles.

CSR IDENTITY AND REPORTING IN THE EU

The above definitions and observations in Slovenia sound like being in line with the European notion of csr and lts development of companies. One of the latest EU activities in the field of csr is related to public companies' disclosure. More precisely, the Directive on disclosure of non-financial and diversity information by certain large companies and groups (adopted on April 2014 by the European Parliament), calls on public companies to disclose information on policies, risks and outcomes as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity in their board of directors (European Parliament and the Council 2014).

Consultations on the basis of this EU scr strategy 2011–4 showed general agreement that legal regimes differ significantly across the EU Member States. It assessed the current regime applicable to a particular country's respective jurisdiction as poor or very poor. For

many, the current EU legislative framework lacks transparency. Several respondents think this translates into a lack of balance and cohesion in reporting by companies, making it difficult for shareholders and investors to make a reasonable assessment of the extent to which companies take account of CSR in their activities. With respect to improving the regime on non-financial disclosure, improvements have been suggested, such as: that the EU should draw on frameworks already developed at the international level rather than elaborate new standards and principles. Sharing of best practices, better guidance and the need of incentives for companies to report on non-financial issues were also underlined (European Commission 2011a; 2011b).

Additionally, the EU also requires environmental, social and governance information (ESG) to be reported and publicly disclosed to investors. While company reporting on ESG issues – both in terms of breadth and quality – has improved significantly over the past decade, this reporting is seen as falling short of the quality needed for investors to integrate this information into their investment research and decision-making processes. The major criticisms made of ESG-related data provided by companies are that calculation methodologies are applied inconsistently and that companies generally provide little information on the scope of reporting or even the meaning of the indicators being reported. Moreover, despite the growing interest in integrated reporting, most companies do not provide a robust account of the financial relevance of ESG issues to their business and are rarely clear about which, if any, ESG issues are important value drivers for their business (United Nations 2013, 4).

Companies should evaluate the 2014 CSR Directive's (European Parliament and the Council 2014) potential applicability and change their practices as necessary to come into compliance before the Directive enters into force in 2017. Large companies as defined in the CSR Directive will be required to submit ESG disclosure either within the annual corporate report or as a separate filing. Where a separate filing is made, it should either be published with the management report or be made publicly available on the company's website (within six months of the balance sheet date) and referred to within the management report. The non-financial statement can be filed by the group/parent company rather than individually by all affiliate companies. Covered enterprises must be prepared to provide information relating to, at a minimum:

- environmental matters (including, but not limited to, current and

foreseeable impacts on environment, health, and safety issues, the use of renewable and/or non-renewable energy, greenhouse gas emissions, water use, and air pollution);
- social and employee-related matters (including, but not limited to, gender equality, implementing fundamental conventions of the International Labour Organization, trade union rights, health and safety at work, and engagement with local communities.

The CGP together with the communication policy should provide additional information to shareholders, stakeholders, investors and interested public to be able to recognize a company as a CSR company. These reports provide non-financial information and together with the company statute and/or articles of association and other internal company acts form the company identity as a CSR company. They should describe the ways of public disclosure of ESG information as well as information concerning CSR and LTS goals of public companies. We were interested in establishing whether Slovenian public companies recognised and shared the above understanding in previous years of their operation.

Legal Basis for Non-Financial Reporting in the RS

CGS AND CGP AS NON-FINANCIAL INFORMATION

Companies Act about CGS

The Slovenian Companies Act 2009 ('Zakon o gospodarskih družbah' 2009) requires public companies to make a detailed account of their governance practices in the CGS. The CGS is drawn up pursuant to Article 70 of the Companies Act in the framework of the companies' business reports. This article stipulates that a mandatory separate part of such a disclosure is the company's declaration of compliance with the Code.

According to paragraph 5, Article 70, the CGS shall be included as a special section of the business report and shall include at least the following:

1. Reference to: (a) the corporate governance code applicable to the company by indicating information on the code's accessibility to the public; (b) the corporate governance code which the company decided to use on its own free will by indicating information on the code's accessibility to the public; and (c) all appropriate governance data that exceed the requirements of this Act by indicating the point of public access to their governance practice.

2. The information on the scope of deviations from corporate governance codes is provided under the first indent of the preceding point. In this case, it should be explained which parts of the governance code are not considered and why. If companies employ no governance code provisions, they should state the grounds for their decision.

A cgs intends to inform stakeholders about the implementation of the corporate governance policy in practice. Considering its size, area of activity, markets it operates in, and special characteristics of its shareholders (i.e. dispersed or concentrated ownership structure, exclusively domestic/foreign investors, etc.), it is advisable that a public limited company includes more information in the cg statement than prescribed in Article 70 of the Companies Act on the establishment of minimal standards. In addition, the cg statement should set out all the changes that have had a significant influence, either positive or negative, on the corporate culture in the company during the period in question (i.e. in the past financial year and the year of drawing up the business report) (Ljubljanska borza vrednostnih papirjev 2009, 13).

Corporate Governance Code about cgp

The Slovenian Corporate Governance Code 2009 (Ljubljana Stock Exchange, Managers' Association of Slovenia, and Slovenian Directors' Association 2009) was signed after the Companies Act was amended in 2009 ('Zakon o gospodarskih družbah' 2009). The scgc generally consists of several non binding recommendations for public companies. According to the scgc 2009, the cg policy is adopted for a specific future period and updated as frequently as needed for it to always reflect the company's latest governance policy. It contains the date of its latest update and is available on the company's website.

Principles 2, 8 and 20 of the csgc 2009 were selected for the research that was conducted by Stevanović in 2013; it shows company orientation about transparency of corporate governance in practice. These principles touch on the information that should be revealed to the public via the cgp. The content of analysed principles 2, 8 and 20 of the scgc 2009 is as follows:

- Principle 2: The management board works together with the supervisory board in drawing up and adopting a cg policy, thereby laying down the major guidelines of corporate governance as compliant with the company's long-term objectives. The cg pol-

icy is communicated to the stakeholders by being published on the corporate website.

- Principle 8: The supervisory board monitors the company throughout the financial year, takes an active part in drawing up the cg policy and in establishing the corporate governance system, carefully evaluates the work of the management board, and performs other tasks pursuant to the law, company regulations and the Code.
- Principle 20: The cg policy defines the company's corporate communication strategy, which dictates high-quality standards with respect to the drawing up and preparation of accounting, financial and non-financial information.

The term and content of the cgp in the rs were explained in the scgc 2009, which also describes its understanding, as follows. According to the scgc 2009, the cgp consists of: (1) a description of all prime governance guidelines, taking into account the company's set objectives, values and social responsibility; (2) an indication as to which cg code the company abides by; (3) an outline of the company's groups of stakeholders, its communication strategy and cooperation with individual groups of stakeholders (creditors, controlled undertakings, suppliers, customers, employees, the media, analysts, state bodies, the local and wider community); (4) the procedure of informing controlled undertakings and shareholders of the group's strategy and corporate governance standards; (5) the policy of transactions between the company and related companies, including their members of management and supervisory boards; (6) the commitment that the supervisory board will set up a system of detecting conflicts of interest and independence in members of the supervisory/management board, and measures to be applied in case of circumstances that have a material effect on their status in relation to the company; (7) the supervisory board's commitment to assess its efficiency; an intent to set up supervisory board committees, if needed, and an outline of their tasks; (8) a clear system of division of responsibilities and powers among members of managerial and supervisory bodies; (9) rules governing the relationship between the company (including related companies) and members of its management/supervisory board, who are not subject to statutory provisions on conflicts of interests; (10) a definition of the company's communication strategy, including high quality standards for drawing up, and the disclosure of, accounting, and financial and non-financial information; (11) the protection of the interests of the company's employ-

ees, which are achieved by defining the manner, content and standards of their work as well as by ensuring an adequate level of ethical conduct in the company, including discrimination prevention.

Some Final Remarks on CGS and CGP as Non-Financial Information

Non-financial reporting represents the result of companies' thoughts about its importance, and about how it can be shared with stakeholders. Additionally, while financial information is predominantly retrospective and based on a company's past performance, non-financial reports can provide investors and other stakeholders with indications about the future potential of a company. In other words, non-financial information, such as that about the quality of risk management, corporate governance, strategic direction, quality of management, and social and environmental performance, will help stakeholders better understand a company's overall performance, business strategy, and growth perspective (Perrini 2006).

In this respect, the transparency of non-financial information in the field of corporate governance in the RS offered to the public via the CGS and the CGP could be explained by the following observations:

- The Companies Act uses and understands the term of the CGS in the framework of comparative understanding of this institute worldwide (Djokic 2009). A CG statement is an explanation of the behaviour and relations concerning corporate governance of the public corporation for the past. It is a part of the reporting system and is provided in the framework of annual reports and business reports of corporations. The CGS covers the past corporate governance observance of transparency and shows corporate governance of public companies for the past.

- Contrary to the above observations, CG policies cover future orientation. A CG policy is a document which represents the strategic outlook of corporate governance of a particular company for the future. It regulates the commitments of management and supervisory bodies regarding future activities of companies in this field of corporate governance. It is an orientation for the shareholders, stakeholders, investors, interested public and others about the ways and techniques the company is going to use in terms of transparency, governance in general, and communication with the public. The deed should show to stakeholders an orientation regarding the company's corporate governance

identity. In order to attain company CSR and LTS goals, companies should declare their behaviour in this field as well as show how their stated goals are pursued and executed in practice.

- From the corporate information communicated to shareholders, stakeholders, investors and interested public, these groups should be able to find out how companies' major orientations and policies are executed in practice. They should recognise from this information whether they deal with a CSR and LTS company, in what sense, and how the company demonstrates such a strategic orientation. If principle 2 of the SCGC 2009 provides that the management board together with the supervisory board should draw up and adopt a CGP and present the major guidelines of corporate governance as compliant with the company's long-term objectives, then such corporate information should be communicated to these groups and published on the corporate website. It is not enough that a company solely publishes such corporate information. This kind of information should be contextual and bring to shareholders, stakeholders, investors and interested public enough information to establish how the principles of CSR and LTS are executed in practice. The same is valid for Principle 20 of the SCGS 2009. The company should tell which CGP is being implemented and in what sense when preparing non-financial information.

Transparency of CGS, CGP and CSR as Non-Financial Information in Slovenia

A 2012 research by the Ljubljana Stock Exchange (LJSE) provides a more recent overlook of the corporate transparent identity of a particular public company in the RS. That research analyses the compliance of statements on corporate governance with the Code's provisions (Ljubljanska borza vrednostnih papirjev 2012).

CGS QUALITY EVALUATION

This particular LJSE Analysis of the Corporate Governance Statements 2012 includes the disclosure of explanations from the SCGC 2009 of the corporations included in the prime listing of the Ljubljana Stock Exchange for 2010 and 2011.

The LJSE Analysis shows that in the first listing, public corporations showed the biggest deviations from the following SCGC 2009 principles:

- definition of goals in the company's statute;

- using information technology to inform and implement sessions of the supervisory board;
- the principle regarding payment to the members of the supervisory board;
- appointing an audit and personnel commission;
- disclosing benefits given to the members of the management and supervisory board.

The LJSE Analysis showed that in certain cases, companies still fail to disclose all deviations, consider them irrelevant or interpret them in different ways. This attitude should change as soon as possible because it destroys the very intent of the 'comply or explain' principle in Slovenia. This principle is effective when a high level of transparency is achieved through authentic and complete disclosures, including specific explanations of deviations, alternative practices and reasons for it (Ljubljanska borza vrednostnih papirjev 2012, 3).

The LJSE Analysis also stated that the general level of corporate governance in Slovenian companies is relatively good. Overall harmonisation of CG statements with good practices of corporate governance has improved recently. The total number of deviations is now lower, while the proportion of good explanations for deviations is significantly higher. It is important to note that a deviation in itself is not a negative element as far as quality corporate governance is concerned. It can also be an alternative path a company took to implement a certain Code recommendation or achieve its own goal (Ljubljanska borza vrednostnih papirjev 2012, 3)

CGP QUALITY EVALUATION

A research by Stevanović (2013) reviews business reports of the prime and standard quotation of the Ljubljana Stock Exchange in 2010, 2011 and 2012 for different legal entities. The research sample totals 23 companies. The samples are divided into two parts. The first part represents the prime quotation of the most profitable companies with the highest traded shares: Gorenje, d.d., Velenje, Intereuropa, d.d, Koper, Krka, d.d., Novo mesto, Luka Koper, d.d., Koper, NKBM, d.d., Maribor, Petrol, d.d., Ljubljana, PS Mercator, d.d., Ljubljana, Telekom Slovenije, d.d., Ljubljana, Zavarovalnica Triglav, d.d. The second group of companies represents the standard quotation of the companies with a higher level of transparency: Abanka Vipa, d.d., Aerodrom Ljubljana, d.d., Delo prodaja, d.d., Iskra Avtoelektrika, d.d., Istrabenz, holdinška družba, d.d., Kompas Mejni turistični servis, d.d., Mlinotest živilska industrija, d.d., Nika, d.d., Pivo-

varna Laško, d.d., Pozavarovalnica Sava, d.d., Probanka, d.d., Sava, d.d., Terme Čatež d.d., Unior, d.d. (Stevanović 2013, 35).

The final results of the BR Analysis 2013 showed that: the companies implement their corporate governance in line with Principle 2. Analysis results indicate that 29% of the companies in question did not fully implement Principle 2. In their statements for reports for the years 2010, 2011 and 2012, those companies put forward the reasons for not complying with the principle. The majority of the companies usually state that failing to abide by Principle 2 is due to the fact that they are implementing their corporate governance policy, but do not have it written down in a separate document. Moreover, it became evident that certain companies do not clearly state their reasons for not implementing the principles of the Code. Several annual reports stated that a company did not have a corporate governance policy. This is an invalid reason as it fails to properly explain non-compliance.

However, it is true that the Code is intended for companies and for directing their operation and harmonising both the form and clarity of business reports for greater transparency. Although the guidelines of the Code are not binding, a concrete explanation for non-compliance must be provided. In our view, if companies fail to cite strong reasons for non-compliance with the Code's principles, it means they are not applying the principles according to the law (Stevanović 2013, 69).

As for Principle 8, it seems that companies are increasingly aware of the Code's principles as well as the significance of including CG statements in their annual reports. In 2010, 29% of the companies did not fully abide by Principle 8. However, they outlined the following reasons: we do not have a CG statement; this is irrelevant for the company, etc. Nevertheless, analysis of subsequent business reports shows that the companies started applying Principle 8 more consistently. The proportion of companies somehow abiding by the Code rose as well (37%) and they also stated good reasons for non-compliance. Companies most commonly state that they do not disclose declarations to the public. They do, however, deposit them at the company's headquarters. Furthermore, some companies also argue that they find such declarations irrelevant because they operate in line with other principles. Such statements are particularly common for companies from the financial sector (banks) as they have to abide by the Banking Code as well (Stevanović 2013, 71).

The research reveals that until 2010, Principle 20 has not been consistently applied. 62% of the analysed companies managed to

harmonise their communication strategy with the principle. The remaining companies either only just started introducing it into their operation or failed to reveal the information according to the principle due to personal data protection. Annual reports for 2011 and 2012 show that the proportion of companies providing information rose. 66% of the companies harmonised the transparency of operation with the principle and provided information both in the annual report and on their websites. The remaining companies argued that they failed to comply because they were developing a communication strategy using programmes to be integrated into their operation. Certain companies refuse to comply completely because they do not publish non-financial information in order to protect personal and corporate information (Stevanović 2013, 72).

CSR QUALITY RESEARCH

Corporate social responsibility (CSR) has been measured recently in Slovenia using the SEECGAN Index of Corporate Governance (SEEC-GAN Index), which was created and presented in 2014 as a result of joint efforts of the members of the South East Europe Corporate Governance Academic Network. The SEECGAN Index is designed and adapted with regard to the situation and to the specificities of the business environment in the selected countries of South Eastern Europe (Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Slovenia and Macedonia) (Tipurić, Dvorski, and Delić 2014).

The corporate governance index is constructed at a country level using accounting and market data of samples of nonfinancial firms listed in relevant domestic stock markets. Hence, it captures corporate governance quality specific to a universe of firms which are likely to be comparatively more exposed to market discipline. For this reason, the finding of no improvement in governance for these firms would likely signal the lack of improvements for the corporate sector as a whole. On the other hand, the finding of improvements for these firms could signal either that improvement have occurred in the corporate sector as a whole, or that improvements are likely to be found specially among firms subject to market discipline (Nicolò, Laeven, and Ueda 2006).

The SEECGAN Research – Slovenia was conducted in the RS on the basis of the SEECGAN Index. Unlike other measures of corporate governance commonly used in different studies, this index captures all major aspects of corporate governance: board structure and functioning, conflict of interest, shareholders' rights, corporate social responsibility, and disclosure and transparency.

Research Methodology

In order to measure the level of good governance practice implementation and to verify whether Slovenian companies perform better in that respect, a composite indicator was applied, i.e. SEECGAN Index, which covers seven segments, as follows: (a) Structure and Governance of Boards; (b) Transparency and Disclosure of Information; (c) Shareholders' Rights; (d) Corporate Social Responsibility; (e) Audit and Internal Control; (f) Corporate Risk Management; (g) Compensation/Remuneration.

These seven segments are represented by a set of 98 questions that must be answered as affirmative (yes) or negative (no), depending on the governance practices in analysed firms. Affirmative answers imply good corporate governance practices and vice versa. A ponder is assigned to each answer, wherein the minimum value of the weight equals 1, and the maximum value of the weight equals 3. The maximum score for each segment is 10 (best possible practice), and the minimum is 1 (the worst possible practice). The overall SEECGAN Index score is the average value of all seven segments, with 1 being the lowest value and 10 being the maximum index value.

Sampling and Data Collection

In the SEECGAN Research – Slovenia, 22 companies were included in the sample. The sample consist of two groups of companies. The first group represents the prime quotation of the most profitable companies with the highest traded shares: Gorenje, d.d., Velenje, Intereuropa, d.d, Koper, Krka, d.d., Novo mesto, Luka Koper, d.d., Koper, NKBM, d.d., Maribor, Petrol, d.d., Ljubljana, PS Mercator, d.d., Ljubljana, Telekom Slovenije, d.d., Ljubljana, Zavarovalnica Triglav, d.d. The second group of companies represents the standard quotation of companies: Abanka Vipa, d.d., Aerodrom Ljubljana, d.d., Delo prodaja, d.d., Letrika, d.d., Istrabenz, holdinška družba, d.d., Kompas Mejni turistični servis, d.d., Mlinotest živilska industrija, d.d., Nika, d.d., Pivovarna Laško, d.d., Pozavarovalnica Sava, d.d., Sava, d.d., Terme Čatež d.d., Unior, d.d.

Results and Discussion

In this section we present the aggregated results of the SEECGAN Index for all 22 companies included in the sample and based on the data published in 2013 (table 1).

The quality of corporate governance is evaluated as first-class if the value of the SEECGAN index is higher than 7.5, good if the value is between 5.00 and 7.5, unsatisfactory if the value is between 2.5 and

TABLE 1 SEECGAN Index for Slovenia

Item	(1)	(2)	(3)	(4)	(5)	(6)
Structure and governance of SB*	8.65	1.62	5.66	5.95	2.19	4.80
Structure and governance of MB*	8.15	0.74	4.49	4.44	2.12	4.50
Transp. and disc. of information	10.00	3.53	6.62	6.18	1.88	3.54
Shareholders' rights	7.10	0.97	4.79	5.00	1.60	2.55
Corporate social responsibility	10.00	0.00	3.66	3.81	2.55	6.51
Audit and internal control	10.00	3.33	6.36	6.04	2.49	6.20
Corporate risk management	10.00	3.13	7.61	8.75	2.26	5.12
Compensation/remuneration	9.06	0.63	4.74	4.84	2.27	5.15

NOTES Column headings are as follows: (1) maximum, (2) minimum, (3) mean, (4) median, (5) standard deviation, (6) variance. *The two-tier system is a corporate structure system that consists of two separate boards that work together in order to govern a business, the 'Management Board,' and the 'Supervisory Board' and each of these serves a particular purpose.

5.00, and poor if the value is lower as 2.5. Data in table 1 shows that the average value of the SEECGAN Index of corporate governance quality of the listed companies in the Republic of Slovenia is good (5.49). The average deviation from the mean is 1.71. A half of the listed companies have reached an average value of the SEECGAN Index greater than 5.25.

The companies included in the sample achieved the highest average value of the quality of corporate governance (the SEECGAN Index) in the segment of risk management where they are on average evaluated as first class (7.61). Median values shows that the SEECGAN Index value in the segment of risk management was higher than 8.75 in 50% of the companies, which is very praiseworthy for Slovenian companies. In the risk management segment, we studied the development of risk management of each company. All companies developed a system of risk management; they perform identification and classification of risks, measure and manage financial risks (i.e. currency, interest rate, price, and credit and liquidity risks). Most of the studied companies have a special department/division of risk management whose primary responsibility is to measure and manage operative and strategic risks.

The lowest value was observed in the field of social responsibility; on average, companies are evaluated as unsatisfactory (3.66). The segment of corporate social responsibility (CSR) revealed the largest deviation from the mean, namely 2.55. In this segment, we studied the compliance with the guidelines of corporate social responsibility of each company. Only one company has a board mem-

ber/department whose primary responsibility is csr and who holds special meetings to engage with stakeholder groups to solicit their opinions in a formal way. Two companies prepared a csr report according to the un Global Compact, Global Reporting Initiative, B-Corporation or other internationally recognized reporting standards. Public calls or similar transparent procedures for financing projects in the local communities and company donations are used in five companies. Good corporate governance is observed in the segments of the structure of the supervisory board (5.66), the segment of transparency and disclosure (6.62), and in the segment of audit and internal control (6.36).

In the future, Slovenian public companies will have to pay attention to the quality of corporate governance and especially to the segment of shareholder rights, corporate social responsibility, structure of the board and remuneration of the members of the board and the supervisory board, because the practice in these areas is unsatisfactory (Djokić et al. 2015).

Final Remarks and Conclusions

Slovenian tradition and culture of corporate governance could not be compared to the tradition of other eu member states, such as Great Britain, Germany or France because the first Companies Act in Slovenia was adopted in 1993 and the principles of corporate governance have only been used for the past 20 years. It is therefore highly important to follow practical execution of corporate governance principles to be able to create a new corporate identity.

The legal framework concerning the transparency of corporate governance is gradually improving in the rs, considering among others: the principle of disclosure and transparency of corporate information was emphasized by the legislation ('Zakon o gospodarskih družbah' 2009); the corporate governance statement (cGs) was enacted (Djokic 2009); the corporate governance policy (cGP) was recommended (Ljubljana Stock Exchange, Managers' Association of Slovenia, and Slovenian Directors' Association 2009); standards and principles aiming for better and more effective corporate governance and supervision in practice are being modernized (Djokic 2011b).

The principle of transparency, which is highly recommended and accepted in the developed economies and especially for public companies, still needs to be widely recognized in the rs as a method of communication of the company with its shareholders as well as with other stakeholders, such as suppliers, the local community, etc. The

transparency principle should be substantially applied also when concerning the non-financial reporting.

The development of transparency in the field of non-financial reports in Slovenia has already been scrutinized from a different point of view in the past. Different analyses pointed out the deficiencies and provided advice about the necessary improvements (Djokic 2012; Stevanović 2013). The CSR Directive is going to serve as a guide for related activities to be applied in the future.

Disclosure of social and environmental information, including climate-related information, can facilitate engagement with stakeholders and the identification of material sustainability risks. It is also an important element of accountability and can contribute to building public trust in enterprises. To meet the needs of enterprises and other stakeholders, information should be material and cost-effective to collect. Some Member States have introduced non-financial disclosure requirements that go beyond existing EU legislation. There is a possibility that different national requirements could create additional costs for enterprises operating in more than one Member State. A growing number of companies disclose social and environmental information (European Commission 2011a; 2011b). The RS should follow the European and other progressive movements in reporting CSR and TLS company strategic orientation. The CSR Directive is expected to be followed by specific guidelines at the EU level, which should be observed carefully in Slovenia as a tool for improvements that would bring the reporting system of the public companies in Slovenia closer to other European states.

Scientific analyses regarding practical execution of reporting of non-financial information, CSR and TLS in the framework of practical execution of the CGP and CGP in general are very much appreciated. An effective CCP as part of a CGP creates better inside and outside transparency and the identification of different groups with the company's general corporate governance identity in practice. The analyses of non-profit reporting are helpful in building better communication between companies and their shareholders, stakeholders and interested public. They create higher awareness of the corporate transparent identity and prepare public companies in the RS for socially responsible and sustainable development and reporting in the future.

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Abstracts in Slovene

Ustvarjalni razred na Poljskem in njegov vpliv na inovacije v regijah na Poljskem
Aneta Karasek in Valerij Dermol

Cilj te študije je raziskovanje in razpravljanje o pomenu ustvarjalnega razreda kot pomembnega dejavnika, ki vpliva na inovacije v geografskih regijah in promocija ideje ustvarjalnega razreda in njegovega vpliva na nivoju regionalnih inovacij. Empirično gradivo je bilo zbrano in analizirano na podlagi podatkov, ki jih je Centralni statistični urad zbiral v letih 2009–2013. Podatki se nanašajo na številne dinamično delujoče poslovne subjekte, ki so razvrščeni med pripadnike ustvarjalnega razreda. Rezultati raziskave razkrivajo, da geografske regije z večjim deležem poslovnih subjektov, ki sodijo v ustvarjalni razred, izkazujejo opazno višji nivo inovacij v primerjavi z regijami, v katerih se nahaja nižji delež takšnih subjektov.

Ključne besede: ustvarjalni razred, inovacije, človeški kapital, regionalni razvoj, upravljanje
Management 10 (4): 299–314

Dejavniki, ki vplivajo na prodajno izbiro za oskrbo z izdelki za hitro potrošnjo
Albana Berisha Qehaja in Justina Shiroka Pula

Glavni namen dela je dopolniti razpravo o dejavnikih, ki vplivajo na prodajno izbiro pri oskrbi z izdelki za hitro potrošnjo. Anketirali sva člane 90 gospodinjstev v Republiki Kosovo. Za raziskavo sva se odločili zaradi opažanja »konkurenčnega boja«, ki se razvija med največjimi prodajnimi verigami izdelkov za hitro potrošnjo na eni strani in ustvarjeno »situacijo« v kateri so se znašle klasične trgovine zaradi širjenja le-teh. Ta študija želi tudi izpostaviti dejavnike, na katere so potrošniki pozorni, z namenom izboljšanja uspešnosti poslovanja klasičnih trgovin. Predpostavili sva, da je odpiranje hipermarketov na Kosovu negativno vplivalo na promet v tradicionalnih trgovinah. Naslednja predpostavka je bila, da so z vidika kupcev najbolj vplivni dejavniki pri izbiri trgovin, v katerih kupujejo izdelke za hitro potrošnjo bogata ponudba, kvalitetne storitve in ustrezno vedenje zaposlenih. Na koncu pa sva predvidevali še, da so dejavniki, ki vplivajo na izbiro hipermarketa/trgovine za nakupovanje povezani z dejavniki, ki povzročajo nezadovoljstvo pri kupcih, kar vodi k zamenjavi hipermarketa/trgovine. Rezultati te empirične študije so skladni s postavljeno hipotezo.

Ključne besede: tradicionalna prodajalna, hipermarket, prodajna veriga fmcg (fast-moving consumer goods – izdelki za hitro potrošnjo), situacijski dejavniki, vedenje strank, nakupovalna odločitev, Kosovo
Management 10 (4): 315–333

Model HRM v turizmu, na podlagi Dialektične teorije sistemov
Simona Šarotar Žižek, Sonja Treven in Matjaž Mulej

Model upravljanja človeških virov (Human Resources Management – HRM) ponazarja vključevanje trendov upravljanja človeških virov in trendov v turizmu v dialektičen sistem s pomočjo Dialektične teorije sistemov (Dialectical Systems Theory – DST). Strategija upravljanja človeških virov, vključena v strategijo turistične organizacije (Tourism Organization – TO) se izvaja s pomočjo funkcionalnih strategij, ki svojim uporabnikom pomagajo doseči zadostno in ustrezno celovito (Requisitely Holistic – RH) strategijo upravljanja človeških virov, ki naj bi nadomestila doslej prevladujoče enostranske. Strategija turistične organizacije zajema: zaposlene (1) načrtovanje, (2) pridobivanje in izbor, (3) razvoj in usposabljanje, (4) upravljanje raznolikosti, (5) skupinsko delo in ustvarjalnost, (6) motivacijo in nagrajevanje, (7) zmanjševanje stresa in zdravje, (8) odnose, (9) osebno celovitost, (10) dobro počutje, (11) delo in ocenjevanje rezultatov; itd. Vsakdo šteje, medsebojna sinergija je odločilnega pomena. Posodobljen model upravljanja človeških virov, namenjen turističnim organizacijam upošteva RH zaposlenih in organizacije, poleg tega pa vključuje vsa nova znanja o upravljanju človeških virov. Upravljanje človeških virov je eno glavnih orodij vodilnih delavcev v podjetju. Upravljanje človeških virov v turističnih organizacijah, kjer so zaposleni ključnega pomena, mora biti ustrezno prilagojeno.

Ključne besede: turizem, upravljanje človeških virov, dobro počutje, Dialektična teorija sistemov, družbena odgovornost, organizacijska kibernetika

Management 10 (4): 335–353

Vpliv poslabšanja finančne situacije na odnos med dividendno politiko in bogastvom delničarjev
Sandanam Gejalakshmi in Ramachandran Azhagaiah

Dividendna politika (DP) velja za eno najpomembnejših odločitev korporativnih podjetij: koliko zaslužka se lahko izplača v obliki dividend. Dividendna politika zelo vpliva na bogastvo delničarjev. Zato je cilj tega dela analizirati vpliv dividendne politike (DP) na bogastvo delničarjev (SW) v sektorju osnovnih materialov v Indiji. Od 29 podjetij, ki kotirajo na Borzi v Bombayu (Bombay Stock Exchange – BSE) je bilo za potrebe analize izbranih 13 takšnih, ki so zaporedoma izplačevala dividende zadnjih deset let. Poleg opisne statistike so bili uporabljeni še sledeči testi: Augmented Dickey Fuller Test (ADF), Levin, Lin and Chu (LLC) *t*-test, Philip Perron (PP) Fisher test, Im-Pesaran-Shin W (IPS-w) in Breitung test – in sicer za testiranje, ali so podatki mirujoči; za izpolnitev predpogoja za kointegracijo pa je bil uporabljen Johansenov kointegracijski test. Regresija in Chow test sta bila prav tako uporabljena. Rezultati kointegracijskega testa dokazujejo, da obstaja sta-

bilno, dolgotrajno razmerje med dividendo na delnico (dividend per share – DPS) kot tudi dividendna donosnost (dividend yield – DY) z bogastvom delničarjev (SW). Rezultat regresije dokazuje, da ima dividendna politika pomemben vpliv na bogastvo delničarjev, rezultati Chow testa pa potrjujejo, da na učinek dividendne politike na bogastvo delničarjev v sektorju osnovnih materialov močno vplivajo dogodki, ki so posledica poslabšanja finančne situacije.

Ključne besede: dividendna politika, uspešnost podjetja, poslabšanje finančne situacije, bogastvo delničarjev

Management 10 (4): 355–377

Transparentnost nefinančnih poročil v Republiki Sloveniji
Danila Djokić

V Republiki Sloveniji se korporacijsko upravljanje izvaja zadnjih 20 let. Kratek zgodovinski razvoj tega področja zahteva stalen nadzor praktičnega izvajanja načel korporacijskega upravljanja v praksi poslovanja javnih družb. Načela korporacijskega upravljanja ustvarjajo in gradijo korporacijsko identiteto javnih družb. Zanima nas, kako se zapisana načela dejansko odražajo in izkazujejo v aktih in poročilih javnih družb v Republiki Sloveniji, zlasti v povezavi z vprašanji družbene odgovornorsti in trajnostnega razvoja. Z analizo pravnih aktov in poročil javnih delniških družb prve in standardne kotacije Ljubljanske borze vrednostnih papirjev prinašamo vpogled v transparentnost in kakovost nefinančnega poročanja ter posledično korporacijskega upravljanja v Republiki Sloveniji.

Ključne besede: korporacijsko upravljanje, družbena odgovornost družb, nefinančna poročila, letna poročila, politika korporacijskega upravljanja, izjava o korporacijskem upravljanju

Management 10 (4): 379–397