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Conference**

Conference proceedings



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Walter Cadena Afanador

Universidad Libre, Bogota, Colombia

International Contracting as an Expression of the New Lex Mercatoria. The Ambit of Application of the 1980 Vienna Convention and its Grade of Assimilation in Latin America**Abstract:**

One of the central topics of International Private Law, and especially, of International Commercial Law and International Economic Law is the international sale of goods. The United Nations Convention on Contracts for the International Sale of Goods (CISG) has rise as one of the main normative references regarding international buying and selling, because of its widespread acceptance and usage both by the States and international legal actors (commercial operators, corporative enterprises, arbitration courts, corporate lawyer firms, private institutions of international law harmonization, the academy, among others). Without doubt, the CISG has become the most accepted normative instrument among the extensive judicial tradition emitted by the United Nations regarding the harmonization of private law, starting with the work of United Nations Commission on International Trade Law (UNCITRAL) since its creation through the Resolution 2205 of 17 December 1966. This article analyzes the international sale of goods regime of merchandise since the application of the Vienna Convention of 1980. For this purpose, a normative and international jurisprudence interpretation is done, evaluating its nature and juridical reach. Likewise, the grade of normative and judicial assimilation of the CIGS in Latin America is evaluated, with special attention to the Colombian environment, whose legal system has made in the last years significant efforts to harmonize its regulations to face the many free trade agreements signed, the projected commercial alliances and the normative adaptations regarding international arbitration. The communication will show some of the results of a research project funded by the Universidad Libre, which during three years has worked this subject, generating diverse products like journal articles, international speeches and a book that is close to be published.

JEL CLASSIFICATION: K**KEYWORDS:** UNCITRAL, CISG, Sale of goods, Latin America, Colombia, New Lex Mercatoria

Feyza Aglargoz, Zeynep Ozata

Anadolu University, Eskisehir, Turkey

Uses and Gratifications Theory as a Way of Understanding College Students' Use of Social Media**Abstract:**

In recent years, social media usage has been rapidly increasing in Turkey and the reasons and motivations of consumers' using social media have become frequently discussed topics. Reports about the social media usage in Turkey indicate that Facebook with more than 32 million users is the most popular social networking site (SNC) and Twitter with daily average 8 million tweets follows Facebook (TTNET, 2013). According to Socialbakers reports (2010), Turkey is in the fourth position of the top ten countries on Facebook and İstanbul is the third city in the world among the top ten Facebook cities (Socialbakers, 2012). The largest age group of Facebook in Turkey is currently 18-24 (34%), followed by the users in the age of 25-34(30%). Even though the social media usage becomes an inevitable habit among the youths as it can be easily seen from the statistics, there is still not a systematic research about this topic. Therefore, in this research we attempt to identify why university students use the social media and which needs they try to fulfill by using social media. For this reason, uses and gratifications theory has been applied to explain the research question. This research has been carried out in Anadolu University which is in one of the most important student cities of Turkey, Eskişehir. The data has been collected from the 450 college students of Anadolu University by face to face questionnaires. There are nearly equal number of students from every faculty of Anadolu University and this students comes from different cities all around Turkey. The findings indicate that the college students mostly use Facebook and Twitter among the online social networking sites. By using SCNs, they mostly communicate with their friends who they have face to face contact with (93%), followed by class mates (78%), family members (59%), online friends that they only know each other from SCNs (23%), and strangers (13%) respectively. Furthermore, the research revealed students have 11 different reasons for use of social media. Students use social media primarily for socialization, entertainment, presenting their status, access and getting some material gains. The findings of this study shed light on why college students use and participate in SNSs. This study expands the use of uses-and-gratification theory to the social media by affirming the appropriateness of it in the social media. Practically, the findings of the study suggest that marketers using SNSs should apply strategies by taking the primary reasons of SNSs into consideration in order to attract young people. They use SNSs mostly for socialization, entertainment and status presentation, so marketers should develop strategies that address these reasons mostly. Future research may be related with older users of SNSs and their reasons and motivations of use. Moreover, effectiveness of marketing strategies targeted young people related with the reasons of use SNSs might be searched.

Olusola Esther Akanmu

Obafemi Awolowo University, Nigeria

Cultural Inhibitions to Women Economic Empowerment and Advancement in Southwestern Nigeria**Abstract:**

Across countries, women are becoming more important than in the determination of household welfare. Despite this, their socio-economic status has been lowered than that of their male counterparts due to many factors; prominent among them is the patriarchal arrangement of the society. The failure of societies to acknowledge women's contributions has not only diminished women's status but also denied them necessary resources. Past research works on poverty have always revealed that women are among the worse-hit in Nigeria. While research attention has always been on many of the cultural inhibitions, control of sex life of women by their husbands which inhibits women in pursuit of work has not been focused by researchers. Therefore, this study aims to identify existing cultural inhibitions which impede women's ability for economic buoyancy and how they shape economic advancement of women. It will also investigate the general opinion of people on a woman's ability to succeed independently of a man and seeks to examine threats, if any, posed by economic success of married women to the leadership position of their husbands. Modernization theory will be used to explain the research problem. The exploratory study will take place in Osun and Oyo State, Southwestern Nigeria. Four hundred respondents will be drawn from both formal and informal job sectors; and the sample will be obtained through accidental sampling technique. Semi-structured questionnaire will be used to elicit information from both males and other females who accepted to participate. Analysis of data will be purely descriptive. Conclusion(s) and recommendation(s) of the paper will be derived from research findings which will gear towards the design of intervention development policy and advocacy for elimination of the cultural inhibitions to women's economic empowerment and advancement.

Hooshmand Alizadeh, Kioumars Irandoost, Leila Khosravanian

University of Kurdistan, Sanandaj, Iran

Investigating Social Capital in Three Spatial Layers of Sanandaj City: Informal Settlements, Old/Central and Planned Neighborhoods**Abstract:**

Interdiction: Social Capital Is a Relatively New Concept that Has Been Identified as The Key Explanatory Factor in Economically Prosperous Territorial Communities. It Is a Collection of Actual or Potential Resources That Arises as a Result of the Institutional Ties in the Context of Social Networks which Can Improve Citizens' Life. Since These Social Relations Have a Spatial Dimension, So Too Does Social Capital. Depends on the Kind of the Ties and Interaction, Different Types of Social Capital may be existed. This In Turn May Include Different Spatial Dimensions of Social Capital. In This Regard, as Social Capital Can Have a Great Role Through Being Integrated into the concept of Neighborhood, the Context which Contained a Common Interests and Face to Face Relationships of Its Inhabitants, This Study Tries to Investigate the Level of Social Capital in Three Spatial Layers at the Community Level in Order to Recognize the Presence or Absence of Social Capital and Identify the Reasons Behind them. Method: The Research Strategy is Primarily Quantitative in Which Three Neighborhoods Has Been Chosen as Three Different Spatial Layers (Informal Settlements, Old/Central and Planned Neighborhoods) in the City of Sanandaj. Their Social Capital Have Been Investigated Through Field Survey Using a Designed Questionnaire in Summer 1391. 150 Questionnaires Were Randomly Distributed Among Residents of Each Neighborhood. The Method of Administration of the Survey Involved Face-to-Face Interviews with Residents. Data Were Analyzed Using bivariate Technique to Establish Association Between the Variable (Comparative Analysis of the Three Neighborhoods). This Involved Testing Factors Associated with Social Capital, Identifying the Key Relationships and Where There Are Differences Between the Neighborhoods. Finding: The Results of This Study Indicate That the Maximum Level of Social Capital Is in Abbas Abad (the Informal Settlement), the Average Level in Ghatarchian (Downtown) and the Minimum Level in Mobarak Abad (the Planned Part) Neighborhoods. However, This Classification Mostly Covers the content of Bonding Social Capital and the Next Two Dimensions of Social Capital (Bridging and Linking) are relatively the Same across the Neighborhoods. In Other Words the Highest Level of Social Capital in the Field Study Is Associated with the Bonding Dimension of Social Capital and the Least Level of Social Capital Is Related to Bridging and Linking Dimensions of Social Capital. Conclusion: The Study Reveals That the Concept of "Neighborhood" Is Fluid Regarding the Survey Findings, Based on Residents' Perceptions of their Neighborhood Boundary. Another Finding Is in Relation to the Level of Social Capital. While the Level of Social Capital Is a Good Indicator of the 'Quality of the Neighborhood', the Social Capital Cannot Be Seen as the Factor which 'Causes' Neighborhoods to Be 'Better' Places to Live. The Findings of this Study Suggest that Positive Community Social Capital in Neighborhoods Will Tend to Occur with, Rather than Cause, the Positive Impact Associated with It.

Dana Al Najjar

Applied Science University, Amman, Jordan

The Effect of Institutional Ownership on Firm Financial Performance: A Study of Jordanian Listed Firms

Abstract:

The Effect of Institutional Ownership on Firm Financial Performance: A Study of Jordanian Listed Firms. Abstract The spate of corporate scandals in the last five years points to a failure in corporate control. Proposed solutions for such scandals focus on the quality of monitoring management decisions. Furthermore, as the world has moved into the twenty-first century, institutional ownership in public firms has emerged as an important mechanism in both monitoring and controlling the functioning of their business operations. This paper investigates the effect of institutional ownership on firm financial performance for Jordanian firms. Prior studies that examined the effect in different countries (mainly OECD countries) have produced mixed results. Hence, it became a focus of academic research from US, UK and Japan as early as Berle and Mean (1932), who hypothesize that an inverse correlation should be observed between the diffuseness of shareholdings and firm performance. One of the pioneering studies in this regard is for Jensen and Merklung (1976); they concluded that spreading equity ownership among different groups have variable effects on the firm performance. Therefore, it is important to explore the effect of institutional ownership on firm financial performance. Thus, this study employs Ordinary Least square regression (OLS) to study the effect of institutional ownership on firm financial performance by adopting accounting measurements (financial ratios) on Jordanian industrial and services firms. The main findings suggest that there is a statistical significant relationship between institutional ownership and firm financial performance when using OLS regressions. Keywords: Institutional ownership; Firm Performance; Accounting Measurements; Ordinary Least square regression; ownership structure; Jordanian Listed firms; Emerging Markets.

Jânio de Aragão, Adailson Bartolomeu, Lissandro Botelho, Alexander Lobo, Sylvio Mário Puga Ferreira, Luiz Augusto Soares¹

Eletrobrás, CEAP, Federal Institute of Amazonas, Federal University of Pará

BIOCLIMATIC ANALYSIS: STATE SCHOOL IN THE CITY OF MACAPÁ-AMAPÁ, BRAZIL

Abstract:

The growth of cities shows the importance of seeking solutions that minimize the environmental impacts due to the fact that civil construction is among the activities that cause most environmental degradation. Bioclimatic architecture, that relates man to climate, optimizes the energy relations with the surrounding natural environment through architectural designs and particular strategies. The architectural design is the most adequate stage for implementing sustainability guidelines in the building. In the context of school building in the State of Amapá, the standard design developed by SEINF-AP asserts itself as a school building defined according to the construction rationalization for the generation of economy in public administration; however it has been found that due priority has not been given to the building environmental performance. The implantation of the building on the site and its physical configuration in the school environment should adapt itself to the climatic characteristics of the region and the terrain where it may be built. The lack of flexibility in these projects entails unfavorable conditions – especially thermal comfort in the building – which interfere in productivity, motivation and concentration of the users.

Keywords: Bioclimatic architecture; standard school building, thermal comfort.

1 Introduction

The present Project considers the principles of bioclimatic architecture, the environmental factors, the human comfort and the architectural solutions in the constructed school environment.

¹ Architect at Eletrobrás / Brazil; e-mail: janio.aragao@eln.gov.br; Professor at CEAP/Amapá/Brazil; e-mail: adailsonb@yahoo.com.br; Professor at Federal Institute of Amazonas [Brazil], PhD Student at Erasmus University Rotterdam [The Netherlands], and CNPq Fellow; e-mail: lissandro.botelho@gmail.com; Masters Student at Federal University of Pará; e-mail: alex16061r@yahoo.com.br; Director at Social Sciences School / Federal University of Amazonas; sylviopuga@hotmail.com; Professor at Federal University of Amazonas, and PhD Student at Federal University of Minas Gerais; e-mail: las10@uol.com.br

Macapá, the Amapá state capitol, according to the 2012 Census Bureau data has a population of 415,554, and is located in the extreme north of Brazil, on the banks of the Amazon River. The humid equatorial climate presents high temperatures, low wind velocity, high relative humidity rates and abundant precipitation with totals oscillating from 30 to 400 mm a month. In consequence, there is an increase in the annual average temperature, the record of which indicates approximately 27.1 °C. Therefore, one can see the importance of implementing strategies to obtain thermal comfort in the buildings because of these climatic characteristics.

In the Valeverde neighborhood we have the Professora Jacinta Carvalho State School, inaugurated on August 1st, 2012, with a 1200 student capacity, following the standard prototype of two stories with 16 classrooms, a multipurpose sports court, cafeteria, computer lab, auditorium and administrative block, according to the standard project established by the Amapá State Secretary of Infrastructure – SEINF. The building standardization has great advantages such as the speed of the public tender process, since the architectural, structural and complementary projects are defined, a specific tender is not necessary, allowing only the adjustments of implementing the building in the terrain. However, if the localization and solar orientation of the buildings is not taken into account, obeying the regional climatic characteristics, the quality of the school building may be affected and compromising the whole project. The result will be a project that may not meet the users' comfort requirements, that is, provide a favorable and stimulating educational environment. According to studies by Bartolomeu (2007), the fact that often the professionals who think constructed space do not take the behavior of the sun and the climatic conditions into consideration in the buildings and urbanization of equatorial cities causes the inhabitants to live with great thermal discomfort, be it in the buildings or in the open spaces (streets, squares and promenades). The inhabitants, meanwhile, try to solve this problem developing strategies to adapt to the local climate. However, the main focus of this project was based on the thermal comfort in school buildings, specifically with predetermined standard design, that is, whose architectural project is stipulated by modules based on the classrooms. Based on standardization, the spaces in a school building are organized in a determined plot taking into consideration only the current local legislation. In this context, the adaptation of the architectural project to the climate of a given region and the choice of materials befitting that climate are determinant factors to guarantee high quality architecture, entailing rationalized projects, reducing the energy consumption and offering satisfying thermal conditions to the user (BERALDO, 2007)

2 Goal

The goal of this project was to carry out a bioclimatic analysis of the school architecture currently used in the State of Amapá, where we intend to answer the following question: “does the implantation of standard school buildings adopted in the public school network in the state of Amapá allow a homogenous performance of the thermal comfort aspects for the users?”

3 Method

The Methodological procedures used in this project are based on the characterization of the E.E. Teacher Jacinta Carvalho, chosen as a case study, with data provided by the Amapá State Secretary of Infrastructure (SEINF), whose installations mention the project standard archetype and of the following analyses: the bioclimatic characteristics of the region under study with the use of the *Climaticus* program 4.1; of the ventilation in constructed environments with the use of the *Fluxovento* program; of the solar Incidence and shading of the diverse facades of the building in different periods of the year with the use of the *Heliodon2* program. Through the result of these procedures we sought the definition of conclusive recommendations for the climate of the locality, as a form of contribution to education, research and practical applications, aiming to adjust to the normative requirement for thermal performance in the buildings.

4 CLIMATIC CHARACTERISTICS OF THE LOCATION

Brazil has its climate mapped and divided into bioclimatic zones. These zones relate to the climatic characteristics of the various areas of the territory, which do not obey political mapping or division into States or economic regions. Based on these studies and its respective map, one can find the climate of each city, and correlate it through data that indicate the recommended strategies and bioclimatic construction guidelines for each site where a building will be designed and constructed. Studies of researchers related to the climates of diverse parts of the country mapped the Brazilian territory, dividing it into bioclimatic zones. As figure below, Amapá is in the Z8, its main recommendation being crossed ventilation, shade for openings and artificial refrigeration. According to Givoni diagram 27.1% of the year Macapá presents characteristics of the Ventilation Zone. This situation occurs mainly in the middle of the night, from May through September. 72,9% of the year the city of Macapá is found in the Zone that requires artificial conditioning.

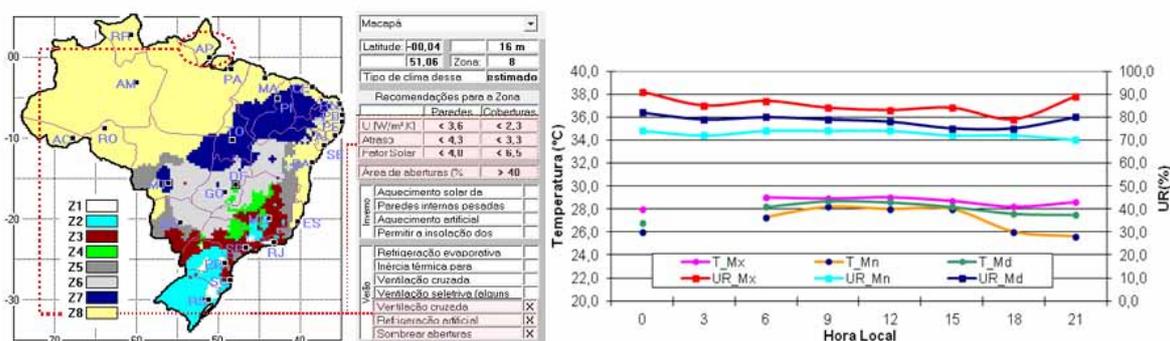


FIGURE 01 and 02: On the left the map of climatic zoning in Brazil and recommended strategies, on the right, a graph with data on the temperature and relative humidity for Macapá (Adapted of ZBBR 1,1)

Macapá is found at the latitude 00° 02 ' 20 N and longitude 51° 03 '59" W. Its land area is 1,065, 00 km². In this region, the global solar irradiation presents an annual average of

584,4 Wh/m² day. Located in a tropical zone, the climate of the city it is classified as equatorial super-humid (hot and humid), a direct influence of the Amazonian forest due to its geographic localization (on the equator), with constant rains, small thermal amplitude and without defined climatic seasons, one observes throughout the period, that the average temperature, average maximum and minimum average of air were of the order of 26,8°C, 27,9°C and 25,7°C, respectively. According to data of the Ministry of Agriculture Meteorology Service (1931/1960 norms), the greatest annual frequencies of the winds for the city of Macapá are northeast (29%), north (10%) and east (9%). The frequency from other directions is insignificant. The average wind speed is between 2,6 and 2,9m/s and there is a lull 45% of the 12 months, as shown in figure 03.

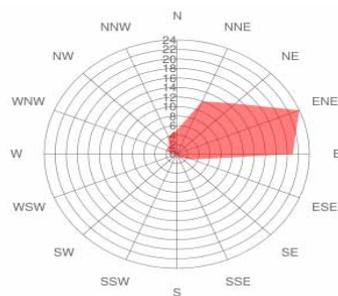


Figure 03: Statistical diagram of the winds in Macapá (site Windfinder)

5 STANDARD SCHOOL BUILDING

Standardized school construction system appeared in Brazil in the 70's (Kowaltowski, 2005). The idea was to project a unified standard so that it could be repeated on different terrains of different cities, modifying only the form of implantation. For the case study, the school building archetype of the Government of the State of the Amapá was analyzed. This standard was conceived in 2008 by the technical team at the State Secretary of Infrastructure - SEINF. Since then the new schools of the State of the Amapá have rigorously followed the archetype for public education buildings. The project presents a typology with classrooms directed in opposing directions, divided in four parts with hallways directed outwards. In this standard the blocks can be two or three floors with 8, 12 or 16 rooms. All of them have a library, auditorium, sports court, cafeteria, etc.

This archetype of school construction has an estimated cost of R\$ 4.000.000, 00 (four million Real). Starting in 2008 the Amapá Government initiated the construction of four schools archetypes, being: Nanci Nina Costa (Macapá); Elesbão (Santana) State school and the Augusto of the Angels State School, currently being inaugurated, in Macapá.



Image 01 and 02: E.E. Augustus of the Angels on the left and E.E. Profª Jacinta on the right (Aragão, 2012).



Image 03 and 04: E.E. Profª Nanci Nina, on the left and E.E. Bairro Elesbão, on the right (Aragão, 2012).

The construction of a new school unit involves several stages, from the donation of the land by the city, through the process of implanting the standard project on the terrain, the approval of this project by the competent agencies, and the bidding process, and up to the actual construction.

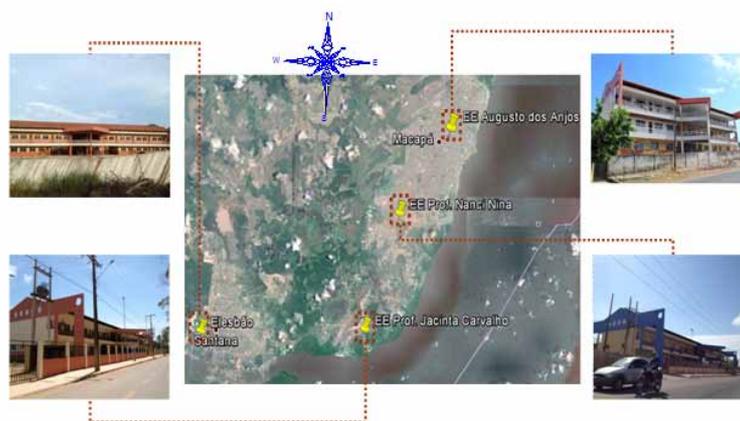


Figure 04: Map of Standard School locations

6 Prof JACINTA CARVALHO STATE SCHOOL

The Prof Jacinta Carvalho State school is situated in the Valeverde neighborhood in the city of Macapá, in the urban zone at 0°02' S and 51°06'W, near the fazendinha district where the main watering-place of the city is located. The land made available for the school encompasses an area of 7900m², and is surrounded by native vegetation and a preservation area on the west, being accessible via the Marinha Street.



Figure 05: Aerial image of the school

The executive project follows the Amapá State Government archetype proposal for school construction and is divided as follows: two floors with: 16 classrooms; computer lab; Auditorium; Library; Administrative area; Conference room; teachers' room; Educational nucleus; sports court; Cafeteria and Bathrooms. The project foresaw three blocks, the main block being rectangular, twelve meters wide by 80 meters long, the multi-sports court 24 meters wide by 45 meters long and the cafeteria 26 meters wide by 10 meters long. The present study detained itself to the main block.



Figure 06: Implantation of the Jacinta Carvalho School

The building faces the east-northeast quadrant at 14 degrees to the west of due north. The facades will be called, for simplicity, east and west facade existing angle is minor.



Image 05 and 06: view of the Standard School from the Rua da Marinha (Aragão, 2012).

The main building is twelve meters wide by 80 meters long divided in two floors with ceilings 4m high each. The 16 classrooms measure 6m wide by 8m long each, 8 rooms facing east and 8 facing west. There is a great hall dividing the two blocks of classrooms, where the stairs are placed. The classroom window frames are made of aluminum and glass 6mm thick, with sills at 1,40m, and 2,40m wide and 1,50m high.

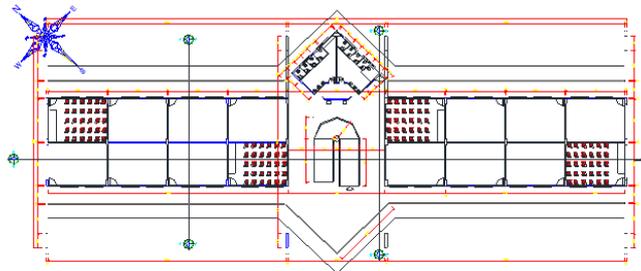


Figure 07: Upper floor blueprint

7 ANALYSIS WITH BIOCLIMATIC TOOLS

7.1. Study of facade insulation

The main façade faces west, which is unfavorable, since, as can be seen in figure 08, the sun shines directly on the largest facade throughout the year heating the walls and consequently raising the temperature in internal environments. This directly influences the performance of the building. The north and south façades, the smallest of the building, are in a more favorable position, due to lesser incidence of solar radiation. This condition is fairly constant during the entire year and varies little in the course of the day.

For the analysis of the intensity of the insolation on the façades *Heliodon2* and *Climaticus 4,1* software was used, as we can see in a simplified form: North Facade = in the afternoon there is a solar incidence of 680 W/m²; South façade = in the morning there is a solar incidence of 650 W/m²; East facade = in the morning there is a solar incidence of 680 W/m²; West facade = in the afternoon there is a solar incidence of 680 W/m².

Still through *Climaticus 4,1* data, it can be observed that the east, north and west facades receive solar incidence be it in the morning or the afternoon, and at all hours of this

period and during the whole year. On the other hand for the south façade this condition changes, being more favorable for this facade, since one can see, for example, that in the month of June the sun only reaches this facade between 7 and 8 am.

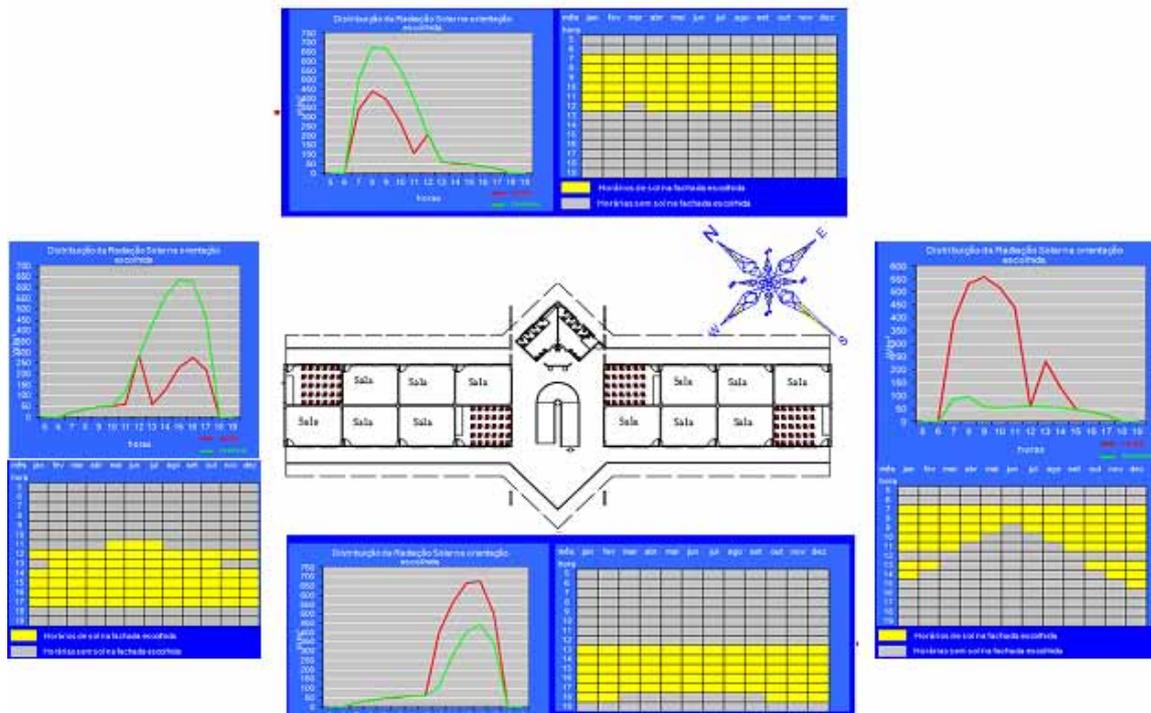


Figure 08: Diagram of insolation on the facades (Adapted from CLIMATICUS 4,1).

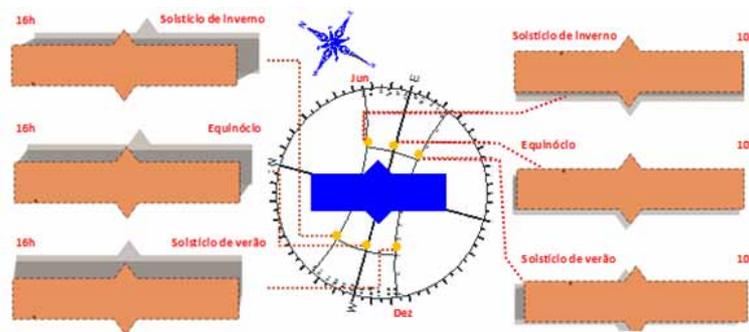


Figure 09: Analysis of the shading of the construction throughout the year (Adapted from Heliodon2)

The east facade at 10am suffers the greatest incidence of solar radiation and according to the analysis of the projected solar chart on the construction we see that the facade is not protected at this period. The sun impacts the facade without obstacle until 10am during every month of the year. From March to September the insolation occurs until 11am. The west facade at 4pm suffers the greatest incidence of solar radiation and according to the analysis of the projected solar chart for the building we see that this is the least favorable facade. There is no protection starting at 2pm throughout the year. The sun reaches this facade that even has large glass windows 6mm thick that do not prevent the entrance of solar radiation.



Image 07: Solar incidence on the west facade from 3pm to 4pm and penetration into the room (Aragão, 2012).

The conditions shown above demonstrate the solar incidence on the wall of the classroom, as well as the penetration of the sun into the classroom 3pm, 3:30pm and 4pm. The sun invades the room starting at 3:30pm causing the temperature to rise. Even with the 2.5m hallway and the 1.2m eaves there is no barrier for the sun, allowing the same to shine on the wall of the classrooms facing west from 2pm until it sets. The lack of flexibility in the project archetype ensures that this situation is presents in the other schools as well.



Image 08 and 09: Solar incidence on the main facade of the E.E. Profª. Nanci Nina (Aragão, 2012)

7.2. Study of ventilation

In relation to the ventilation, even if the construction directly faces the predominant ventilation, it does not possess crossed openings and consequently, according to simulations made using *fluxovento software*, the wind does not penetrate the classrooms and there is little ventilation in the hallway of the building. Analyzing only the room one perceives that the lack of openings opposite the existing windows, even with incidence of ventilation in the place, hinders penetration of the ventilation into the classrooms.

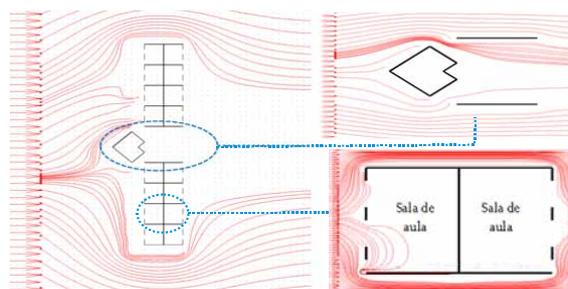


Figure 10: Wind flow in the building and classrooms (Adapted from *Fluxovento*)

7.3. Survey of the environmental restrictions

Measurement of the climatic parameters during peak hours of solar incidence in the classrooms facing west and east in the table below:

Classroom 9 - East						
Parameter	Unit	10am				
		Point 1	Point 2	Point 3	Point 4	Point 5
Temperature	°C	30	29.8	29.9	29.9	29.9
Relative humidity	%	67	67	67	67	67
Noise	dB	33.4	33.4	33.4	33.4	33.4
Lighting	Lux	1060	666	227	218	490
Wind flow	m/s	0	0	0	0	0

Table 1: Climatic parameters found in room 9

The values verified in the analysis of room 9, show the absence of wind flow in the classrooms due to the existing openings being all in the same wall, not allowing cross ventilation. The classrooms have good luminosity, presenting values above those recommended by NBR 5413 (in classrooms the luminosity must be over 200 Lux). The noise did not present variations even though the school is located on a public street, thus being susceptible to the noise from the same. The temperature registered below 30° C even at the peak of solar radiation (10am), at this time the east facades already do not suffer much solar incidence.

Classroom 13 – West						
Parameter	Unit	4pm				
		Point 1	Point 2	Point 3	Point 4	Point 5
Temperature	°C	34.7	34.7	34.9	34.9	34.8
Relative humidity	%	56	56	56	56	56
Noise	dB	32.6	32.6	32.6	32.6	32.6
Luminosity	Lux	712	435	1780	2478	846
Wind flow	m/s	0	0	0	0	0

Table 2: Climatic parameters found in room 13

The values verified in the analysis of room 13, also show the absence of wind flow in the classrooms, good luminosity and the noise levels without variations, however the temperature showed itself very high, since at the peak of solar radiation (4pm), the west facades suffer high solar incidence. With the intention of going deeper in the analysis we checked the incidence of wind flow and temperature in the hallway that leads to the classrooms, which possess openings that allow cross ventilation and is shaded constantly, even in the hours of peak solar radiation. We found that the temperature of the hallway outside the classrooms held steady at 29.8°C during the whole afternoon and were able to perceive a wind flow of 1.2m/s.

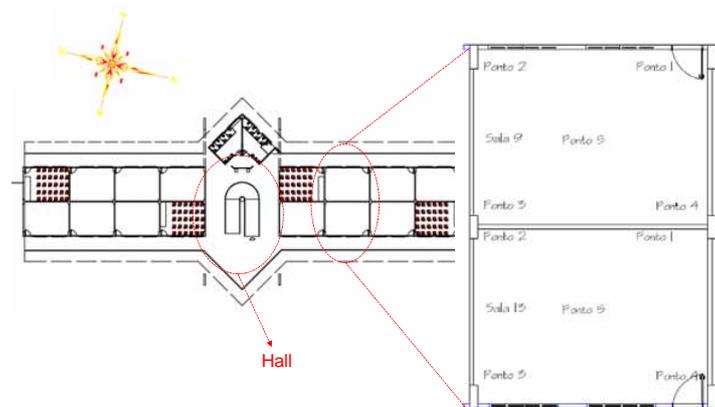


Figure 11: Map of the localization of the points where the parameters were collected

Comparing the conditions of the Hallway with those in room 13, that receives direct insolation starting at 3:30pm, we saw a stability of temperature in the Hallway while in room 13 the temperature went up considerably, passing from 30.8°C to 34.8°C, as seen in graph 01.



Graph 01: Evolution of the temperature on the West facade from 3pm to 4pm (Aragão, 2012).

8 Final considerations and recommendations

Knowledge of the climate and bioclimatic strategies shows itself as an important step to understanding the real necessity imposed by the environment and that it must be taken into consideration in the buildings. Through the climate analysis using the Givoni Diagram, it is observed that the city of Macapá, whose climatic characteristic, according to Koppen, are equatorial super humid (Af) this being the only type of incident climate in the State of the Amapá; only 0.3% of the year the city is in the zone of comfort and 72.9% requiring artificial conditioning, hence the great necessity to adapt the building to the climate. We can conclude, without rigorous analysis, that the solar orientation of the standard school building developed by the Amapá State government does not correspond to the ideal of ambient comfort recommended by the Brazilian Climatic Zoning. Even not being ideal, there was no concern in adapting the building to the consequent impact of the chosen orientation.

The temperature of the classrooms exposed to solar radiation, in the period of the afternoon in comparison with the covered and shaded hallway, where ventilation circulates at 1.2m/s on average, had considerable thermal gain. This demonstrates that ventilation and protection from the solar rays are primordial for the architectural project. The architectural recommendations for the Climatic Zone Z8, where Macapá is found, determine that the means buildings should use to minimize the effect of the climate are: cross ventilation, shade over openings, protection of the facades and artificial conditioning. It is highlighted that ample eaves, with the intention of horizontal protection of the facade, and opening in the cover to allow ventilation for cooling were two good examples of strategies adopted in the standard project.

To assuage the lack of thermal comfort in the school the solution adopted by the State Secretary of Education was the refrigeration of all the rooms, with installation of 48.000 BTUs central air conditioner in each room, what causes an increase in the consumption of electric energy, a solution that goes against sustainability actions. As did several other archetypes, the standard school building did not take characteristics of climate and location into consideration, thus being open to providing unfavorable aspects for the thermal

performance of the construction, when implanted contrary to what would have been adequate for the local climate.

The standard school building adopted in the State of the Amapá, in the case study, does not cater to the aspects of livability and wellbeing in the school building, if it does not rigorous study standards of implantation and performance for the climate of the state of Amapá (Af). The bioclimatic architecture must be inserted in the context of the standardized constructions of the Amapá State Secretary of Infrastructure.

In implanting all the standard school buildings, the main streets where the lots are inserted have as their main feature the facades facing west; however this facade is least favorable for the Macapá's climate. Therefore, since the lots allowed a more favorable orientation, apparently more importance was given to decorative architecture, in detriment to the performance of the building. Another aspect under analysis, of the cited classrooms, is the fact of the organization of the *layout* for teaching, the localization of the whiteboard, situated perpendicular to the direct solar incidence, interferes with the teacher's work.

To assuage the impact caused by the deficiency in the project we recommend the following improvements in the building: - Extend the existing horizontal protection for the facades east and west; - Create vertical protection such as brises-soleil, sun screens, marquees, decorative bricks with air passages, blinds for the east and west facades; - Create microclimate area for protection and to soften the temperature.

The main users of this environment are most affected, therefore they can suffer from attention deficit, decreased productivity and results in activities carried out. Being thus, the main objective, education, is jeopardized by the implanted physical structure.

To make available areas with better quality, economy and performance of the constructed space, taking into consideration the natural resources, is the main challenge of architecture. Through study and analysis of the problems of the existing standard project, we can see in practice the importance of the theoretical knowledge acquired academically and its consequences for the users. Therefore, the main goal of this analysis was reached and will serve as a basis for application in future projects.

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Script of video

t (s)	Image	Sound
0	TÍTULO	Música suave ao fundo: 01 - Turn (Travis)
2"	INTRODUÇÃO	
16"	OBJETIVOS	
31"	METODOLOGIA	
52"	CARACTERIZAÇÃO CLIMÁTICA DO LUGAR	
1'13"	EDIFICAÇÃO ESCOLAR PADRÃO	
1'34"	ESCOLA ESTADUAL PROFESSORA JACINTA CARVALHO	Música suave ao fundo: 01 - Turn (Travis)
2'05"	ANÁLISE COM FERRAMENTAS BIOCLIMÁTICAS	
2'31"	CONSIDERAÇÕES FINAIS E RECOMENDAÇÕES	
2'52"	REFERÊNCIAS BIBLIOGRÁFICAS	

Brodrick Awerije, Sanzidur Rahman

University of Plymouth, United Kingdom

The Profitability and Efficiency of Processed Cassava at the Farm-Level in Delta State, Nigeria**Abstract:**

Cassava is among the major staple crops cultivated and used for promoting food security and generating incomes most Tropical countries, including Nigeria. Apart providing food, it could also be processed into various forms as raw materials for both for food, livestock, and breweries industries among others may also serve the purposes to increasing farmers income and source of employment. The study measures profitability and technical, cost and allocative efficiency (TE, CE, and AE) of processed cassava product called 'gari' at the farm level in Delta State, Nigeria. Gari is a fermented, roasted, dried granules derivative of cassava root tuber (CRT) and is the most common processed product from CRT. The study is based on data collected from 278 cassava processor-farmers using a multistage random sampling procedure covering 3 regions of the state. Profitability analysis involves gross margin and benefit-cost ratio (BCR) by farm size and regions. Non-parametric Data Envelopment Analysis (DEA) was used to measure TE, CE and AE of gari processing. Next, a tobit regression analysis was applied to identify determinants of efficiency. Results reveal that gari produces a net return of N61,365 and gross margin of N65,747 per ton and BCR of 1.22. The level of mean TE is 55%, AE is 17% and CE is 11%, respectively implying that gari processing is highly inefficient and there is substantial scope to improve efficiency levels by resource reallocation. The large scale gari processors are more efficient than the small and medium scale processors, implying scope economies. Determinant analysis of the predictors of efficiency reveals that the experienced farmers are relatively inefficient but not significant. Also, farm size has a positive influence on technical allocative, and cost efficiency. Improved crop variety has a negative influence on cost efficiency. Extension contact improves allocative efficiency. Study concluded that gari processing is profitable and the efficiency is low and there is still room for improvement for increases in profitability and efficiency level and lastly, there is great potential for cassava root tubers for both local and international markets as a source of industrial raw materials. Policy implication includes support for small farms to adopt improved technologies and investment in extension services for improvement on cassava productivity, and as a sustainable crop for agricultural growth and economy development.

Behnaz Azhdari, Mohammad Bireh

Islamic Azad University, Tehran, Iran

The role of the political elites in political culture: A case study: Khatami's government

Abstract:

Political culture means all mental as well as inter –mental aspects of meaning structure related to politics which has cognitive (definition and illustration) and norm (to justify or to disapprove) dimension. Accordingly change in political culture means a change in view to word politics and also change in what makes view of people and masses toward politics, a group of values and believes.

Because political culture builds the type the of the reaction of society to politics, thus any change and role – making in this culture is of crucial importance to the governments.

One of the important influential factor on political culture of the people is political elites of the society. Political elites by enhancing people's political awareness, creating culture of Political trust and strengthening national agreement are influential in the positioning of people toward political foundations, organizations and also political functions.

Accordingly, the main objective of present study is to find the answer for this question: what is the role of the political elites in political culture of individuals. For answering the above mentioned question the hypothesis of the study was tested by applying a descriptive- analytic method and the hypothesis is that political elites invigorated participatory political culture in khatam's government.

In winter's view, Political elites in khatam's time by publishing new political concepts, providing.

Models of political system and by criticizing social – political conditions were permanent conditions creating change in attitude and in people's view toward government, power and society; their role in this respect was very effective.

Key words: participatory political culture, political elites, point of view of people toward power and government, political trust, political conscious.

Statement of the issue

Historical experiences show that progress, development or fall and overthrow of each country is connected to the role of the political elites; their thinking in performing social political programs and in proving people's demands to be true is extremely decisive (Azghandi, 1997: 16).

In other word, due to variety and speed of changes efforts for increasing the capacity of political system of developing societies needs the interference of one of the political sub- systems, i.e. political elites; As far as their power to influence on political culture is considered they are not comparable to any other sub –systems.

In developed countries there is a logical coalition between elites inside the government and elites who are out of the government. This coalition is influential in forming the political culture of the society. But in Iran there is a tremendous gap between these two groups of elites. It seems that the structure of existing structures in Iran and also not providing suitable context for interaction of elites inside the governments (official elites) and those out of the government (intellectuals) resulted in two different type of influence from them on the political culture.

Point of view and political culture of elites and governing groups in Iran has always been of great importance because they are influential on re –production of power structures. Due to various historical, cultural, social and psychological reasons Iran’s political culture has always been an individualistic and escaping from form groups concept; in other word it has non-competitive and non – participatory theme.

Thus in such a culture, the structure of political power was considered as a vertical one –directional, top – down relationship between governors and people. Although this kind of structure of political relationship can be considered as a reflection of how power is conceived in family and popular life of the public and it cannot be changed without deep social cultural changes, but specifically this structure is influenced by thoughts and views of the elites (khaniki, 2007:2). Accordingly it can be stated that views and political behaviors of elites is effective in empowering or weakening of the political culture. Therefore the present study tries to shed light on the role of political elites in forming political culture of individuals in Iran during khatami’s time.

In doing so, this study tries to answer this question that how political elites are influential in directing the political culture of individuals.

1- the role of political elites in attitude and views of individuals to the government and to the power

One of the way to know the political culture is conceptual study of proposed solutions by elites. Classical elites believe that always a limited minority control and govern different countries. In other word, political elites are able to create political processes and based on that can produce and control social historical structures. Those who attain such capabilities must also have coherence, self consciousness and power (Mosalanezhad, 2007 : 121).

“Gi.Rushe” believes that political elites are of two types: governing elites (inter-governmental) and non-governing elites (intellectuals) (Batamor, 1998: 56).

Considering that elite is defined based on two criteria of authority and influence, (penetration) thus these two features also can be used to classify different types of elites.

Based on the above categorization, elites are divided into classical religious technocrat, ownership, charismatic, ideological and symbolic elites. Also by applying the mentioned classification, different ways by which elites can be influential on individuals historical acts and political culture can be identified. These ways include decision –making and model – making (Rushe: 1989 :121).

Based on this first a definition and a classification of political culture will be presented, then the role of the political elites in directing political culture indicators will be dealt with.

Political culture as a part of social culture is a collection of feeling, values, emotions, behaviors and ethics which formulate political causes and social behavior of each member of society in political life (Sardarabadi, 2002:15).

Almond and Verba based on view and orientation toward politics, classifies the political culture to participatory, subordinate and reactive

Moreover, these two authors consider three dimensions for orientation toward political culture: A- cognitive orientation: this dimension refers to be conscious about political system, its roles, necessity of roles, inputs and outputs.

Cognitive dimension points to the in which political structure is understood and also refers to the rules of politics. B- Emotional orientation; this dimension of political culture denotes to independence feeling, interference, reject and the like in the context of political issues.

C- Evaluative orientation, this means judgment about political issues. These three dimensions of political culture which was proposed by Almond and Sydney considers three types of political citizen which can be observed in the following table. (Sariolghalam, 2007: 29).

	Committed citizen	Indifferent individual	Isolated individual
Cognitive dimension	Positive	Positive	Positive
Emotional dimension	Positive	Indifferent	Negative
Evaluative dimension	Positive	Indifferent	Negative

Also, these three dimensions of political culture denotes to three levels of political realities: level of political system, level of political process and level of making policies. At the level of political system mental orientation of citizens about values and organizations around which political system is organized and people's conception of political system can all be studied. At the level of political process, mental orientation of people for interfering in processes related to addressing demands and needs, obeying rules, political participation, supporting parties and political groups are all examined. At the level of policy making it would be examined that which policies are expected from government by citizens, which aims are considered appropriate by them and which routes are approved to get to those goals, and also what is citizen's idea about applied policies.

1-1 Role of the political elites in decision – making and modeling in formulating trust political culture

Trust culture means a system of rules, norms and values which regulates trust, receiving trust; and re-trust or bilateral trust are also related to it. It is compiled under some rules and regulations, which related to permanent business and different types of trust.

Fukuyama believes that “culture is not a eternal inflexible force , but it is something which continuously due to the history movement related politics have been shaped.

Based on this, one of the forms of appearance of trust culture is it appearance from bottom of the society which is the result of natural actions of ordinary people. In a way that culture because of some specific actions, vial developing shared coded acts in norm models is attained.

In this situation elites can cause new orientations in political culture by using their own authority and also by creating new models for people.

Generally, trust culture facilitates political participation. It overcomes signes of “collective negligence” which holds back natural spontaneous collative acts.

Moreover laxity, acceptance of outsiders recognizing cultural, political differences are all promoted and encouraged logically, because if provides the opportunity to perceive all mentioned feature without any threat. By this method, trust controls all hostile feelings between groups, xenophobia and clashed between civilizations. Trust culture makes person’s connections to society (family, country, etc.) more stronger, it also influences on feeling related to identity. It creates a strong collective homogeneity which results in cooperation, bilateral help or even rediness to have sacrifice for the sake of others. When trust culture is actualized the cost of doing affairs is reduced greatly and the opportunity for cooperation, is increased.

On the other hand lack of trust culture will erodes the social resources.

Iran’s political culture during contemporary history due to different causes always have faced some sort of pessimism as well as lack of trust, and consequently it resulted in escaping competition or escaping participation.

Studies indicated that same political distrust in Iran was the result of accumulation of historical experiences of these people which has gain the form of political life.

This structural historical distrust in the first place was the result of dictatorial political structure of this country; Also continuation of dictatorship power structure in Iran also empowers dictatorship culture which has a non-participative nature.

The second reason is the slow process of forming government – nation in Iran. Some other factors like transition time and transfer from one order to another can also added to these structural, historical factors. These all can cause disconnection, abnormality and also reduced general trust as well as political trust. In such situation on the one hand traditional links which brought social order are becoming loose and inefficient, and on the other hand new laws which guarantee contractions and social relations have not yet been created. Thus distrust to each other and also to the government will be prevalent all over the society.

In such abnormal culture which reflects messy social cultural structure of society there will be more interest to individual interests and social areas will fade way.

In this way participation and competition will get the lowest level; government is in the center of public field will be manifested and it's organizations has not enough power then weakening of the traditional connections will have unfavorable results such as seclusion and detachment from social life, being passive, fatalism and also escaping from politics.

It seems that the function of elites in the area of decision and model making has an important role in attitude and views of people about political environment and government (Tayeb, 2004: 113, 114).

Elites have role in decision making inside as well as outside of the government and because of this they cause making of a new political culture for individuals. One of the important cases of that is elites' decision making about political trust.

Extending the capacity of political system will result in innateness which organizes new symbols and values in the form of norms as well as new roles. There the role of political elites in defining and expressing values and new plans will become prominent, (Azghandi, 1997 :21). In another word political nature to great extent is influenced by political elites' power in expressing aims and defining values and norms for making suitable models along with creating trust within people toward government.

Doubtlessly in political renewing moves and social changes, new values and new tendencies are created when due to any reason social situation is changed aligned relationship between environment and value structure will be changed. This change results in change in some individual's values and thought or they may adapt their values to the environment. Gradually groups or individuals with new thoughts who wish also to have a better social system compared to current system, gain a base in society by the tool of their thoughts. This based will have respect and honor between people, and a person who is after change by proposing new ideas, will also gain popular acceptance for his ideas by using people's support (Azghamdi, 1988: 180).

After the success of Khatami's government a new opportunity was created for re-activation of groups and new elites. Corrective dialogue like any other in its initiative stage gathered a wide spectrum of open-minded individuals and non-governmental elites. The shared feature of all these elites was dissatisfaction with dialogue of Rafsanjani's government which could not provide society with participative trust political culture (mosalanezhad, 1386: 36). Accordingly, elites tried to provide necessary conditions for invigorating political trust and people's participation in political affairs by publishing and re-creating new political concepts such as tolerance, "political participation "different reading of religion", "freedom of media"

1-1-1 The role of elites in political self- confidence of individuals for political participation

suitable situation of political culture will be realized in a society in which other than considering political system and its segments, evaluation one's own role also become significant. In other words, trust in government and Political system and at the same time trust in possibility of having social role (trust in political environment) can simultaneously create participative political culture. This trust can also be perceived as political self-confidence which contains potentials and flexibility of environment

and also individual's capabilities. This concept which is one of the important factors of political culture has prominent relation to individual's trust to political system (khaniki, 2002: 280, 281).

This concept can be clarified by using idealistic model of "Baundora" which is related to political self-confidence and trust in political environment. According to this model a kind of continuum of the amount of self-confidence and trust in the environment can be envisaged. Their cross point of them can be used for envisaged. Their cross point of them can be used for analysis of the situation of political culture in Iran.

Trust in flexibility of the environment Trust in own's capability	High	Low
High	Political act with assurance	Objector
Low	Political depression	Political indifference (for ordinary & elites)

The above table shows that when there is more trust in political environment and in a person's own capability then political actions are done with more assurance and also there is less objection to the dominant political system.

But when people feel unsafe in political environment then their trust in political system will be the less and consequently they have fewer political self-confidence in order to be influential in political life.

Political elites due to expanded open political environment in khataimi's time increased and developed political, social awareness and it naturally resulted in increase in civil political demands of people from government. Accordingly it was clear that by enhancing political awareness in people, demands will be raised. Elites by using civil organizations such as parties and digital media (eg. The Internet), had effective role in political – social life especially formation of political participatory culture.

In other words, due to sue of the Internet for giving awareness an publishing new models by the elites, political culture of individuals transformed from subordinator to participatory form.

Although this participatory culture only was realized in informal political behaviors in Iran.

In this period elites propagated political awareness, made models, and developing concepts such as democracy, tolerance, multitudness and acceptance of different perception of religion and politics;

Accordingly they become pioneers in changing ideas and values in people and in this way brought a change in political culture if people, a change from subordinatory to participatory.

It was after that time which people demanded such requests and rights from the government.

In was after that time which people demanded such requests and rights from the government. In such situation government tried by developing civil organizations as well as non- governmental organizations increase political participation of individuals and also increase their trust to the political system.

None the less conflict is observable in decision making within elites and other governmental elites during khatami's time. This was a big factor in developing distrust in people.

Although elites especially academic elites had prominent role in expanding participatory political culture, but because people had no trust to the government thus their participatory deeds only was realized informally and as a reaction to power. People only gained political self –confidence because of their demands. An evident example of this is civil disobeying in riot In “kooye daneshgah” in Tehran university.

If we accept that individuals enter the political activity fold only after logical considerations and calculations of benefits and losses, then it can be concluded that lack of political trust result in informal political activities among people. Based on this it was evident that the most important result of optimistic culture and lack of trust is feeling about increase of costs of formal political participation and finally this feeling result in non-civil political acts.

Finally, non –governmental elites (intellectuals) in open political environment of khatami's time by application of new political concepts such as tolerance, “political participation”, “different readings from religion”, “freedom of press”, etc. Created an appropriate context for transition of society form subordinator political culture to participatory political culture.

Conclusion

Intellectuals' function in decision and model making, in changing a fixed situation and changing people's attitude to political environment and government's role id of great importance. These elites influence on the formation of new political culture for individuals and also they influence on political trust. Accordingly intellectuals' perception and political behavior is important in strengthening or weakening the political culture of people. Thus the aim of the present study is to explain role of the intellectuals in the formation of the political culture of the individuals in Iran during Khatami's time. In this study it was tried to?????

To examine the above hypothesis, t was it observed that after Khatami's success new social setting was created for the activity of groups and elites. Due to open environment, intellectuals influenced on the development of political social awareness and consequently people's political social demands were increased. Clearly by increased political awareness and within people new demands from the government were produced. Intellectuals in this time by some social civil organizations such as parties or digital media (e.g. the Internet) had effective influence on political- social life of people especially in forming participatory political culture. In other words, due to the use of the internet by intellectuals in

order to develop their models and bringing awareness, people's political culture were transformed from passive to participatory political culture; Although, this participatory culture only was manifested in informal social behaviors.

In this era elites by propagating political awareness and by making models and preaching concepts such as democracy, tolerance and acceptance of different readings of religion tried to change attitude and values of people and consequently they changed the passive political culture to participatory and after this people had more demands from the government. In this context government tried by developing civil nongovernmental organizations increase political participation of people and also increases their trust to the political system.

Meanwhile there were some conflicts in decision-making between intellectuals and governmental elites during Khatami's time and this was an important factor in increasing distrust. In other words although intellectuals especially university elites had important role in propagating participatory political culture but people's political participation due to their distrust to the government was only carried out in informal forms and was manifested as reaction to power. People only gained political self-confidence due to their demands. Finally based on the above discussion it can be concluded that the hypothesis of the study is confirmed.

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Kritika Bahadur

University of Worcester, United Kingdom

Men's Work-Life Balance: Factors Affecting Work-Life Balance**Abstract:**

The aim of this paper is to identify the factors affecting work-life balance for male employees in UK. The present study has employed two main methods of data collection – literature review and primary research. First, gaps in literature were identified and a research question was framed then, an exploratory e-survey was administered to male employees across UK. While prior research on work-life balance focuses on women and their multiple roles, very little has been discussed about men's changing roles as fathers, husbands and workers and their need to achieve a work-life balance. This paper therefore, pays attention to men's work-life issues by identifying the factors that affect their work-life balance. In general, literature has revealed that the factors affecting work-life balance can be broadly classified into individual, organizational and socio-cultural factors. Using this classification of factors, preliminary findings indicate that work sector, work level, work hours, flexible work arrangements and societal perceptions are the key factors which affect work-life balance for men. In addition, while personal factors and partner/family support were found to be helpful in achieving work-life balance, economic factors were seen as a hindrance. The implication of this paper is its importance in making an original contribution to the scarce literature on Men's Work-life Balance by identifying the factors affecting balance. Since this is a working paper, these preliminary findings will be used in future research to explore the relationships between the key factors and how they impact (positive/negative) work-life balance for men.

Gisele S. Barbosa, Patricia Drach; Oscar Corbella

Federal University of Rio de Janeiro, Brazil (Barbosa, Corbella)
Glasgow Caledonian University (Drach), United Kingdom

Sustainable Development and Urban Sustainability: a review of concepts**Abstract:**

Much is discussed about what comes to sustainable development and sustainability, and thus, different societal actors "read" the concept as it is more convenient. The distinct ideological perceptions of environmental issues translate into different discourses, and consequently, in various forms of activity in cities often based on a political appropriation of "environmental" discourse. We attempted to address some current issues mainly lived in Western society and the various consequences brought by the environmental crisis felt in decades. From there, we will present a discussion on the topic of Sustainable Development and some of its implications, such as the origins of the term development, the different arguments and positions, and the meaning of the junction of these two words (Sustainable + Development). In addition, we sought to present the incursions of these terms on interventions in urban areas, thus analyzing the urban sustainability.

The objective of the research aims to develop a theoretical study with different positions on the terms mentioned above. Although fairly debated and accepted by common sense, the concept of sustainability does not have precision and ends up acquiring various senses, sometimes contradictory. Each social sector presents its position on the "environmental crisis", some catastrophic other weighted, some guiding solutions inside the current economic and social system and others suggesting drastic changes. In this context, and especially in the last three decades, the ideas of sustainable development (SD) and urban sustainability began to be discussed more intensively seeking possible solutions to urban and environmental problems.

Keywords: Sustainable Development, Sustainability, Discussion

1. Introduction

From the twentieth century, the concern about environmental issues has assumed significant importance, especially after World War II, when the development of new technologies and the intensification of the exploitation of natural resources became the shortage of raw materials evident. The resource depletion modifies and interferes with the development of cities and quality of life. (UN Report, 2007).

There is a debate about what is sustainable development and sustainability, and thus, different societal actors "read" the concept of form as most convenient to them. The distinct ideological perceptions of

environmental issues translate into different discourses, and consequently, in various forms of activity in cities backed up by an appropriation of the political “environmental” speech.

2. The term: Sustainable Development

The term Sustainable Development (SD) is widely used in the current political and environmental discourses. The vagueness of the term allows it to be appropriated by different social groups with different positions regarding development. Part of the imprecision is inherent in the concept itself, which depending on the approach and by whom is the approach may take different connotations.

2.1. The Origins of the Term Development

The contradictions of the concept of "sustainable development" are given mainly by contradictory definitions of the term "development" and also by the inaccuracy that comes to the term "sustainability".

One part of the world population, mainly those who live in the north and west of the planet, started, from the 1950s on, a discussion questioning the model of modern society, whose civilization pattern is guided by technological procedures that in some cases cause harmful effects to the environment. The concern about the environment has resulted in the environmental movement, mentioned before, driven, from the 1960s on, by American groups who saw the need to maintain the pristine nature (W. Sachs, 1996).

The result of the previous discussions was recorded in 1972, when governments positioned themselves officially and jointly in relation to the environment. The UN General Assembly discussed, in that date, the environment as a global issue in the First Conference of Stockholm. The general principles for the preservation of the environment were established and it was discussed, for the first time, the term Eco-development, as the forerunner of the term sustainable development. The term was introduced by Maurice Strong, the UN general secretary, and widely disseminated by Ignacy Sachs (1993).

About the same time, it is published the report of the Club of Rome, which also became known as Meadows Report. Both the conference and the report showed an expectation of reversing the environmental framework and a concern for the future, but none of them demonstrated a perspective of changing the production model existing in the societies. Both appreciated the preservation and improvement of the environment and established an ecological discourse that qualifies and prints judgments but committed beforehand with the rules of industrial capitalism.

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At this time, the tensions among economic growth, urban expansion, technological advancement and preservation of nature became more evident. As a result, the World Commission on Environment and Development (WCED, 1991), also known as the Brundtland Commission, chaired by Norwegian Gro

Brundtland Halen, in the preparatory process for the United Nations Conference - also known as "Rio 92" – it was developed the report that became known as "Our Common Future" or the Brundtland Report. This report contains information gathered by the committee during three years of research and analysis with emphasis on social issues, particularly with regard to land use, their occupation, water supply, shelter and social services, education and health, as well as management of urban growth. This report presented one of the most widespread definitions of the concept: "sustainable development is one that meets the needs of the present without compromising the ability of future generations to meet their own needs". However, there are many issues that encompass the discourse of sustainable development and, therefore, a unique concept will always be incomplete

An important milestone for the discussion in Brazil was the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992 (Eco-92). On that occasion, it was published Agenda 21, which is a document resulting from the conference, "establishing a covenant by the changing pattern of global development for the next century". Thereafter, the interest in making sustainable communities increased and the involvement of all human activities in this process became sharper, especially in urban planning and new architectures. The concept of sustainable development signed at the Agenda 21 had also been incorporated in other agendas of world development and human rights, but as it is evidenced by this article, the concept is still under construction.

The academic debate about the concept of development is quite rich, especially about the differences between economic growth and development. However, "despite the differences between the concepts of development, they are not mutually exclusive. In fact, at some points, they are complementary" (Scatolin *apud* Oliveira and Souza-Lima, 2006). It is common some authors ascribed to the expression "development" only the increased incomes as a condition to be considered as developed, without worrying about the distribution of that income. However, in the most recent debates, development is being addressed in a more comprehensive, recognizing, and economic growth, improved quality of life. This second criterion introduces to the development parameters the possibility of improving the economic and social indicators such as poverty alleviation, unemployment, inequality, better food, health, housing and education.

The development concept is one of the most debated and controversial in the social sciences. The debate intensified, especially after the World War II, when many countries tried to reduce problems such as poverty, unemployment, and racial discrimination policies and economic and social inequalities and establish themselves in the global context. The concern with both economic progress and with the improvement of quality of life has been advocated since 1945 in the United Nations Charter, one of the most important documents in the post war era about development issues. In the same year of the conference where the letter was disclosed (San Francisco Conference) the United Nations (UN) was officially established, initially composed of fifty-one countries. This organization was intended to strengthen the allied countries and contribute to higher levels of quality of life, using international institutions to promote economic and social progress.

Discussions about development intensified after the creation of the UN. Other programs and agencies were created to assist countries to address economic and social problems of international order, keeping mainly economic and military superiority of the constituent countries of the United Nations. The International Bank for Reconstruction and Development (IBRD), the International Monetary Fund

(IMF), the General Agreement on Tariffs and Trade, the World Health Organization (WHO), among others, were created.

The development debate at that time became even more the focus of economic growth. Economists see the possibility of creating models of economic development that may lead countries wealth accumulation. For the economist Furtado in 1961, "development is basically increased flow of real income, i.e., increase in the amount of goods and services per unit of time available to certain collectivity" (Furtado *apud* Oliveira and Souza-Lima, 2006).

Two streams marked economic thinking on the subject of development. The first sees growth as development synonymous, while the second believes that growth is essential for development, but not enough. This second stream is formed by Marxist scientists or ECLAC (follow the teachings of ECLAC - Economic Commission for Latin America and the Caribbean), who see growth as a quantitative variation of the product, while development is characterized by changes in quality of life of individuals, institutions and production structures (Oliveira and Souza-Lima, 2006).

Wolfgang Sachs (1996) believes that the era of development had its starting point in 1945, when President Harry Truman, in his inaugural speech, defined the poor countries as "underdeveloped areas". He presented a vision where all countries were moving in the same path in search of development, which defined the degree of civilization of each nation taking into account its level of production.

With this vision of development, several countries have sought to empower themselves to increase their production rates, but the result was often catastrophic, especially in Asia and Latin America. Besides the considerable increase of the economic distance between the industrialized and the developing countries, the economic gap also increased between the population of each country, thus increasing the social and economic disparity between rich and poor.

To Naomi Klein (2008) the free market has brought disastrous consequences for many societies. During decades of market opening, from a shock or crisis, many countries have suffered and suffer until the present day with the bad consequences of the free market. The apparent freedom and democracy give rise to manipulated societies. Often "good intentions" of government can bring unemployment and social and economic disparity to the local population and enrichment for the nation "well intentioned".

The liberal promise of mid-twentieth century preached steady economic growth and lasting that could become universal and reach everyone in the world, but in recent decades it appears that growth is limited and the race for economic development is bringing serious consequences to the world.

For some people the idea of a new sustainable city never ceases to be a capitalist idea. In many cases, such as in "private cities", environmental issues are taken into consideration, but what really matters is the profit of entrepreneurs. Few who can afford the status of living in a "green" city benefit, but a whole population remains miserable.

Ignacy Sachs (1993) points to a developing socially, environmentally sustainable and economically sustainable inclusion. To be socially inclusive is important to be supportive and ethical. On the other hand, for things to happen they need to be economically viable. "The economic issue is not a goal in itself, only the devices which advances the path of inclusive and sustainable development" (I. Sachs

apud Nascimento and Vianna, 2007). The parameters to distinguish what can be environmentally sustainable are also very tenuous and one of the main questions is the preservation of natural resources.

The different visions of development also result in different governmental and non-governmental actions. However, it is the common consensus that the governments of various countries are targeting actions in favour of economic growth since, although not sufficient condition for development, it is still the most widely used means to reduce poverty and improve the quality of life, however not necessarily the most appropriate way to end the misery.

2.2. The contradictory discourse of sustainability

The term sustainability does not have an exact and unanimously definition accepted by different sectors of society. Both the origin of the term and its definition are unknown. Although fairly debated and accepted by common sense, the concept of sustainability, because of its lack of precision, ends up acquiring various senses, sometimes contradictory.

The vagueness of the term makes possible its common use in different discourses and actions. I. Sachs (1997) points to the manipulation of the concept according to the different political and economic interests of each society. For the author the term sustainability brings together friends and enemies and revolves around a big variety of settings and interests.

One of the first definitions of the concept of sustainability was written by Lester Brown in WWI (Worldwatch Institute) in the early 1980s. Lester wrote that "a sustainable society is one that can meet their needs without compromising the chances of survival of future generations" (Brown, 1980 In: Andrade e Romero, 2004). Already in 1987 this concept was used in the Brundtland Report to define sustainable development.

According to Acselrad Henri (1999), the sustainability expression had its first focus in the biological sciences where every living being would consist of a "capital / stock" which would allow establishing a biomass flow without compromising the maintenance of this "capital". The same logic of maintaining natural resources even with constant use of these was held in the discourse of sustainability. Many governments, companies and industries began to "greening" their projects and products in order to continue economic growth, but passing an image of durability and environmental awareness. However, some NGOs and the academia began to see sustainability as a mechanism to limit growth and form a new organizing principle focused on the human being.

To Bossel (1998) the sustainability of a system can only be observed from the perspective of future threats and opportunities. He points out that in the past the sustainability of society was hardly questioned because the anthropic activity was reduced charge and did not cause very sensitive damage, allowing a rapid adaptation of nature. The sustainability of a system becomes threatened from the moment in which the nature is not able to withstand and respond appropriately to receiving excessive load. Increasing the rate of change decreases the system's ability to respond and it can end up no longer feasible (Bellen, 2005). The more the system remains stable it is bigger its resiliency capacity¹.

¹Resilience is a concept arising from the physics and refers to the ability of certain materials to accumulate charge when required but does not rupture or deform permanently. This concept is also used in ecology to refer to the ability of a system to return to equilibrium after suffering a sudden action, namely its ability to recover.

On this view the concept of sustainability means to keep in existence, to prolong, but Bossel (1998) believes that human society cannot be maintained in a single "state". It is highly adaptive and changeable and interacts with another complex system which is the environment. Sustainability cannot be ruled only on the environment, because a society can be environmentally sustainable, based mainly on new technologies, but with social injustice, socially unsustainable and with economic differences between sectors of society. To Bossel (1998) sustainability must address the dimensions: material, environmental, ecological, social, cultural, legal, economic, psychological and political.

For Clovis Cavalcanti (2003) sustainability "means the possibility of obtaining continuously conditions equal to or greater life for a group of people and their successors in given ecosystem." For the author, the current discussions about the meaning of the term "sustainable development" show that is accepting the idea of putting a limit to the material progress and consumption, once seen as limitless, criticizing the idea of constant growth without concern of the future (Cavalcanti, 2003).

Ignacy Sachs (1997) understands sustainability as a dynamic concept that encompasses a process of change and the concept is subdivided into five dimensions: social, economic, ecological, geographical and cultural. Although there is no consensus on these dimensions it can be considered that they are quite broad and allow for a complex study on the sustainability concept. However, the partition in these five dimensions is quite subtle and their definitions are inaccurate.

This division by I. Sachs is opposed by the sight of Schumacher (WCED, 1991), which ranks only environmental, economic and personal sustainability. But these two views differ mainly in the definition of the expression environment, as Schumacher refers to the rational use of the resources, while Sachs refers to the recovering capacity of ecosystems in the face of human aggression.

In this article the term sustainability is understood as a goal to be achieved and also as a process to reach the goal. This form of goal and process differ according to socioeconomic and environmental context of each city. As a process, sustainability interferes in the structures of society ranging from a global perspective until to daily issues. Thus, the different political positions on broader environmental issues as well as individual attitudes can influence the process towards sustainability. Other factors also influence the possibility to reach the goal of sustainability; they are the form of social organization that currently, mainly in southern hemisphere countries, exacerbate social differences and the increase of them beyond the consumption pattern and economic structure existent.

Sustainability can only be achieved when acting deeply in each of those structures and in their variables and constraints, including the cycle of life of each element consumed or produced (Lemos, 2010). Thus, urban sustainability may vary when only few aspects of the overall system are sustainable and the ideal goal would be a process with a "closed" metabolic cycle. In this cycle process, virtually everything is reused and recycled and the removal of new features from the environment is greatly reduced, and consequently, the waste generation is also low. "Closed" urban cycles that supply current human needs without compromising future needs, considering the different local and global scales and economic feasibility and limits of natural resources, would be an ideal sustainable urban system. However, the question turns to what the needs of each society and what are the limits of the environment and these definitions vary according to the conditions related to culture, society, etc. of each individual group.

In addition, intrinsic to the concept of urban sustainability is the understanding that the form, the infrastructure, the way of life and economy are integrated into the local context, considering its specific ecological, social, cultural and economic variables. Thus, the project is carried out for a particular region, population and time, and can conform to principles and general goals, but with specific solutions.

Often the concept of sustainability is trivialized and treated simply as a convenient artifice for an ideology and a political issue. Furthermore, the lack of specific criteria and incisive laws within the urban environmental management in the literature indicate gaps and flaws in experiments already performed seeking sustainability for the place.

Sustainability is to find the means of production, distribution and consumption of existing resources in a more cohesive, economically efficient and ecologically viable way. Also, notice that the decrease in production and consumption of some might facilitate social adjustment between the countries from North and South and reduce social inequities within societies.

3. The spread of the ideal of sustainable development

In recent decades the term "sustainable development" became to be used by most institutions and political speeches. As the term development and sustainability word have different definitions and are used in different ways by social actors with different political and economic interests, the junction of the two words also forms a contradictory term and full of meanings.

The joint development and sustainability was formalized in the aforementioned Brundtland Report in 1987, the document "Our Common Future" (Our Common Future, 1988, In: WCED, 1991). The report considers that widespread poverty is no longer inevitable and that the development of a city should focus on the basic needs of all and offer opportunities to improve quality of life for the population. One of the key concepts discussed in the report was the "equity" as a condition for which there is effective participation of society in decision-making through democratic processes for urban development.

The text of the Brundtland Report also pointed out, in relation to urban issues, the need to decentralize the application of financial and human resources, and the need for political power favouring the cities in their local scale. With regard to natural resources, it evaluated the ability of the biosphere to absorb the effects caused by human activities, and stated that poverty can already be considered as an environmental problem and as a key topic for the pursuit of sustainability.

Although the term "sustainable development" have been considered only from the Brundtland Report in 1987, several other global agreements were made in favour of the environment, including prior to the year 1987 (Table 1).

Table 1: Global Agreements about the environment.

GLOBAL AGREEMENTS ABOUT THE ENVIRONMENT	
1972	Stockholm Conference on the Human Environment
1979	Geneva Conference on air pollution. (UN)
1980	Global Strategy on Conservation (IUCN)
1983	Helsinki Protocol on air quality
1983	World Commission on Environment and Sustainability (UN)
1987	Montreal Protocol on the ozone layer (UN)
1987	Our Common Future (UN)
1992	United Nations Conference on Environment and Development - Rio92 (UN)
1996	Habitat Conference (UN)
1997	Kyoto Conference on global warming (UN)
2000	Haia Conference on Climate Change
2002	World Summit on Sustainable Development in Johannesburg
2012	UN Conference Rio + 20

Source: Edwards, complemented in 1999 by the author of the article, 2012.

The concept of sustainable development was signed in Agenda 21, a document developed at the United Nations Conference on Environment and Development - Rio 1992 (Rio, 1992), and incorporated into other agendas of world development and human rights. Although well accepted by society the concept is still under construction and involves several controversial discourses, as mentioned before.

Despite being a questionable concept for not defining what the needs of this or what will be the future, the Brundtland report called the world's attention to the need of finding new forms of economic development, without the reduction of natural resources and without damage to the environment. Furthermore, it defined the three basic principles to be met: economic development, environmental protection and social equity. Still, the report was widely criticized for presenting as the main cause of the situation of unsustainability of the planet the uncontrolled population growth and the poverty in underdeveloped countries, putting only as a secondary factor the pollution caused in recent years by developed countries.

For the World Commission on Environment and Development (WCED, 1991) the goals that derive from the concept of sustainable development are related to the process of growth of the city and aim to conserve the rational use of natural resources incorporated into productive activities. Among these goals are: renewable growth; change in quality of growth; meeting the essential needs for jobs, water,

energy, food and sanitation; conservation and protection of the natural resources; reorienting technology; managing risk and reorientation of international economic relations (WCED, 1991) .

For Edwards (2009) SD is guided by three perspectives: social, technological and environmental. For a project to be considered sustainable, according to the paradigms of sustainable development, it should be thought of "the shadow" of these three parameters.

The environmental issues are increasingly being incorporated in the sciences and societies. Discussions about the environment and the relationship between nature and humans are even more evident and relevant.

The most widespread SD concept, which is that of the Brundtland Report, leaves questions as: what are the needs of the present; what will be the future and sustain what to whom. The answers vary according to the way that society responds. However, in recent decades, the difficulty of defining what is to be sustainable development, it is not seen as a problem for all sectors. In 1997 UNESCO document states that sustainable development can be a controversial concept, but allows the articulation between different economies and political relations between North and South and offers the possibility of joining the debate on equity and social justice to ecology (Magalhães, 2008).

The concept of sustainable development seeks to establish an effective possibility of an ecological and democratic social order, without necessarily implying into overdrive of the capitalism. However, a democratic ecological and social order does not match to a market order which seeks the profit and an uncontrolled accumulation.

To Mota and Silva (2009) two difficulties in the concrete sense of the consistency of this conception of SD stand out. The first is the contradiction to propose a model of endogenous development precisely in a historical framework marked by globalization of financial capital and globalization, then, "the formulation able to solve the problem of desired subordination to the interests and actions of the market economy to management of natural resources related to the quality of people's lives" (Mota and Silva, 2009).

This entire dilemma is due to the conventional notion of development where economic growth and the level of production are the factors that differentiate a developed country from a developing country (or in development). It discusses, from the 1970s, one "alternative development model" that seeks to reconcile environmental sustainability and social justice. The concept of sustainable development had as background this intention of an "alternative model", but even so the needs of each social sector become evident in its political discourse (W. Sachs, 1996). Some sectors tend to protect the "environment" and other to raise the developmental flag.

Thus, the discourse of sustainable development is in danger of being only a new term and empty of meaning. The Economic Commission for Latin America and the Caribbean - ECLAC stresses that sustainable development can be ideological and political support capable of producing a consensus classes:

"Sustainable development stands out in the whole of the proposals and initiatives implemented in the environmental area, as a fundamental mediator ideological/political and support necessary to build a consensus classes. The triad, economic, social and environmental, acts as guide to many different

practices, offering them justification and support, being these actions local, national or even international. This way is that companies and institutions have been redefining programs and projects called environmental responsibility, including requiring specialized activities, which includes the social workers "(ECLAC, 2004, p.7).

The discussion on sustainable development can aggregate different sectors of society, but it should not receive different meanings according to each social actor. The discussion is valid for the development and definition of the term, but the acceptance of various meanings and approaches can make the term frivolous and empty.

For Edwards (2009) the exchange of information and discussion that occurred in these international events is an essential part of the notion of sustainable development, but sustainability goes beyond the concept of SD and presents as a systemic process that can contribute to more visible results in urban projects considering not only new technologies but also social equity.

W. Sachs (1996) highlights three different visions of sustainable development. The first he calls the "perspective of competition" that presents the idea that the development can be lasting and the environmental concerns emerge as driving force of economic growth. In this view there is a demand for the preservation of the development and not to the environment. For Arturo Escobar (1994) this view is called liberal and is the most widespread in recent years, including the Brundtland Report. Liberal discourse presents the idea that social reality can be adjusted from new technological knowledge. It is believed that new technological standards and new ways to manage social issues could "save" the nature and prevent environmental collapse. This environmental commodification can be seen when large companies cause environmental disasters and pay fines to compensate for the damage or when countries are negotiated between the carbon emission credits.

The environment is increasingly being used as marketing for economic growth and the consequent consumption. It is proposed to the entrepreneurs, as growth strategy, achieving "ecological efficiency" and companies use the slogan "eco" to sell more and more. Thus, the "emphasis was switched from the environmental protection to the preservation of the productivity of natural resources for economic use" (W. Sachs, 1996).

In this vision of "competition", the industrialized countries would maintain their hegemony and competitively and the society would be seen as a company. The goal of businesses and industries would be the "eco-efficiency" and environmental technology could lead to this purpose. This perspective also refers to a techno centric vision and the authors which are linked to this point of view believe that "sustainability refers to the maintenance of the total capital available on the planet and that it can be achieved by replacing natural capital by capital generated by the human capacity" (Bellen, 2005). The vast majority of businesses and industries argue that all environmental problems can be solved with new technologies.

The World Bank, for example, is a proponent of this economic view about the environment and argues that "sustainable development is development that lasts". About this sentence W. Sachs complains that is not the environmental conservation which wants government agendas, but the maintenance of human utilitarianism, taking environmental goods as commodities that can be traded and sold. W. Sachs asks:

"Until which point the nature's services are indispensable for future development? Or which services of nature are expendable or replaceable, for example, for new materials for energy or genetic? Thus nature becomes a variable. In this perspective; nature is reinterpreted as capital". (W. Sachs, 1996, p.105).

The nature is constituted in an available capital that expects a value and can be replaced or used to guarantee economic growth. Thus, there was a change in the relationship with the most natural and "consumption of nature" that has no boundaries. According to W. Sachs (1996) "environmentalists wanted to reform the capital to save nature; economists now want to reform the nature to preserve capital".

The second vision of sustainable development highlighted by W. Sachs is the "astronaut's perspective", widespread, mainly by environmentalists. This was so named to make a reference to the vision of the earth as the object in question. It is an outsider vision. From the moment that astronauts brought images and photographs of the globe, some environmentalists highlighted the finiteness of the earth's resources. This view has developed a discourse that puts the planet as a scientific and political object and the societies and human aspirations become irrelevant in front of the issues facing the planet. With this trend, sustainability is increasingly designed as a global challenge of managing that will identify the balance between the extracted and manmade and regenerative capacity of nature.

One of the biggest disseminators of this vision is the "Global Plan Marchal" (Gore, 1992), where the ecology is the milestone of a global policy, which should have a commitment to tackle the crisis of nature without forgetting the crisis of justice (Sachs, 1996). There are many scientists and environmentalists who advocate this view, seeking at the same time to reconcile human activities with the maintenance of the biosphere.

Scientists as Richard Rogers (2001) and Girardet (2001) stand out as advocates of this view. In their books, they conceive a perspective of the need for maintenance of land resources in favour of the possibility of maintaining the protected biosphere. The main criticism of the astronaut's perspective is its extremely quantitative proposal, from a more objective view of sustainability (Magalhães, 2008). Many sceptics of this view believe that there is a lack of awareness of social problems and of different cultures and ways of organizing human societies. A very objective and quantitative approach does not reach the social problems which is one of the main issues raised by sustainability.

In this perspective the natural resources are in first place and not humanity. Thus, the issue is back again to the differences between the South and North. Because facing the environmental problem through numbers starts a discussion among industrialized countries that have benefited enormously and still continue to enjoy the material goods and the countries in development which want to have the right to use such property as much as the others. It becomes a problem which could be seen as mathematical. It became a matter of quantity of resources that one or other may draw from the environment. This account falls mainly on the industrialized countries due to many years of uncontrolled extraction of resources and the pollution caused by their waste. Moreover, with their economic power, industrialized countries can maintain their high production, and still have the ability to "buy the right to pollute" from poorer countries, as envisaged in the Kyoto Protocol. However, the growing economic impact of decades of developing countries, especially Asians, also worries environmentalists because the pollution to achieve this growth is affecting the entire globe.

The last vision of development mentioned by Wolfgang Sachs (1996) is the "domestic perspective", where sustainable development is not a factor for economic excellence, or the stability of the biosphere, but the overall livelihoods.

"The practical and theoretical efforts aim at alternatives for economic development ... Internationally, it is expected that conservationists societies from North give space for societies South flourish while lifestyles to the urban middle classes ... this perspective, looms the question that needs are met by sustainable development and to whom."(W. SACHS, 1996, p.19).

In the point of view of the "domestic perspective" to protect the environment and society is necessary to delimit the extractive development. Wishing to decentralized societies and not focus on accumulation. However, the vision "domestic" is a big challenge, especially for the richer countries, by proposing a decrease in production. However, the negative consequences of economic growth without limitations are bigger if compared with the positive ones and this is a great incentive for the change of attitude of the industrialized countries. The main concern of "domestic perspective" is to search for a society that is able to remain at an intermediate level of production and consumption.

In this perspective the traditional development is viewed with suspicion, and the excesses of capitalism appear as harmful. "In this view, global good neighbours require, above all, the reform of the own home in a cosmopolitan spirit" (W. Sachs, 1996). The "domestic perspective" proposes a reduction of 'eco-footprint', especially in northern countries. It is expected an organized reduction and a reduction of the global effects of capitalist actions.

"In the "domestic perspective", is required that the North reduces the environmental burden it places on other countries and that he pays the debt accumulated by excessive use of the biosphere for decades and centuries. Thus, the main arena for the environmental setting is neither the South nor the world, but the very North "(W. SACHS, 1996, p. 21).

In this perspective Sachs encompasses a focus of great importance which is the idea of self-limitation: "... the quest for a society which would be able to remain in an intermediate level of performance. In other words, a society that is able to not want something that could produce". W. Sachs seems to lean towards this perspective and compares with others: the "domestic" perspective tends to focus more on values and institutional standards, in short, in the symbolic universe of the society, while the "prospects of competition" and "the Astronaut" highlight energetic and material processes, i. e., the world of material quantities". It is a comparison between sustainability objective and subjective. The objective sustainability is concerned more with the quantitative problems of resource use, waste disposal, toxic fumes and material production. Scholars tend to believe objectivity of environmental issues in technological efficiency as a solution to many problems between human activities and the environment. On the other hand, the sustainability subjective cares more about the social and political problems that are difficult to quantify and adjust its sight for a qualitative approach focusing on changes in economic practices and policies.

W. Sachs believes that development should use fewer natures and include more human. Furthermore, he points out that the decline in production would not necessarily lead to decreased well-being. Alternative models of development without much accumulation and waste could lead to fairer and more environmental society. To W. Sachs social problem is not poverty but wealth. The gap between

rich and poor is that provides an environment of social and environmental injustice. Likewise, "the environmental problem is not inside the nature, but in the excessive development (economic)" (Sachs, 1996).

In studies by Acselrad (2001) three matrices described by him are close to this third approach advocated by Wolfgang Sachs: ethics, self-sufficiency and equity. The first is the "ethics" which proposes a rational containment of the desires. This view puts the ethical issue as "evidenced interactions of the material basis of the development with the conditions of continuity of life on the planet". Acselrad (2001) does an analysis between the values of good and evil showing the interactions of "development with the conditions of continuity of life on the planet."

Long time before Acselrad highlighted ethics as a matrix for the development, Spinoza (Deleuze, 1984) highlighted the concept of ethics as a guide for training and human experience. Building an ethical behaviour may be a way to think about sustainability. Ethical behaviour is that which is considered good and good can be set to deal with the conflicting priorities of individuals related to the whole. Thinking about sustainability requires thinking on the welfare of a whole and not of an individual. For Spinoza "there is no perfect and imperfect, good and evil. Such concepts are just comparisons that man makes between the produced object and other in nature (when in fact it's all part of nature)" (Rose, 2010).

The second matrix described by Acselrad (2001) is the self-reliance, "unrelated to national economies and traditional societies of the world market flows, as appropriate strategy for community capacity for self-regulation of the conditions of reproduction of the material basis of development". It's about the importance of local issues and promoting local products, preaching the denial of global market opposite to the local market.

Finally he highlights the "fairness" as a condition for which there is effective participation of society in decision-making, through democratic processes, to urban development. Brundtland Report also highlights the need for equity between societies and human being. Thus, there is a need to decentralize the application of financial and human resources, and the need for political power favouring the cities in their local scale.

Sustainable development is a benchmark for all human activities. This concept must be intrinsically linked to urban design. Urban studies have a basic role in this scenario, because cities are the most affected areas in the context of the current mismatch between human activities and the environment.

One possible way to sustainable development can be a change in the economic structure of the means of production; due to the relationship between society and nature have always been a relation of domination. In both capitalist and socialist mode of production the natural resources are and were present in the same way, i.e., the "man" dealing with the nature in a mercantilist way.

It is believed that changes are needed paradigm changing modes of production, economic structures, political and social actions, thus creating a new relationship between human activities and nature.

Although the theme is rather complex, the conceptual review of sustainable development should be thoroughly discussed and reflected, always seeking a path to social, environmental and economic equity among countries and their citizens.

4. Final Considerations

This study aimed to present a discussion on the origin and variations of definition of sustainable development (SD). Also the relevance of the discussion on sustainability and SD within the cities was treated, because it is inside the cities that the vast majority of human relationships occur. There are many contradictions and challenges to deal with when prioritizing urban actions which aimed at the SD.

Because of the complexity of this issue the presentation of the positioning on sustainability and sustainable development is important. Despite the many urban uncertainties, performances guided by SD are presented as a viable option for improving the quality of life in cities and their citizens.

It is accepted that the precise definition of which comes to be urban sustainability or sustainable city is still very uncertain. However, the sustainable city is also an ideal to be sought. The idea of sustainability also depends on the social group that is idealizing. Social, economic and environmental parameters may even be similar, but the ideal sustainable urban is changed according to each culture. Thus, although there is no consensus on the exact definition of the term sustainability it is a broad acceptance that what is said sustainable seeks a balance between human needs and the environment. Maintaining resources for future generations and social justice issues are also accepted consensus on the ideal of urban sustainability.

For many concepts are given different dimensions according to each social actor, for example, the term "freedom", that does not mean the same thing for Brazilians and Cubans, for example. Also the expression sustainability acquires differentiated connotations, but some parameters are consistent with all the speeches. By comparison, as discussed "freedom", regardless of culture or social class, most of the people could associate the word to terms like: free, accessible, free will, among others. Also when discussing sustainability it is easily associated with some terms like: nature, balance, support and maintenance of life.

From there, it is argued in this article that sustainability is a guiding principle able to contribute to development centred on the human being and the environment. The search for a balance between economic growth and social justice may indicate pathways for urban sustainability. Furthermore, the interaction between local and global issues and the concern for future generations contribute to the ideal of sustainability. It is believed in the possibility of social and human development with environmental supporting capacity, generating producing cities with activities that can be accessed by all as a form of appreciation of space incorporating the natural and social elements.

One of the challenges of sustainability is the awareness that this change is a process to be followed and not something definite to be achieved. The search for a conceptualization of what is to be sustainable brings a series of propositions and strategies seeking to operate in both local and global levels.

Thinking about new possibilities and reflecting on the real needs of the human being can be a way to define sustainability and development. From the rational and ethical principles is possible to convince governments and citizens to think, reflect, act and invest on a new opportunity to drive their actions.

Sustainable development is a social learning process of long term, which is characterized, therefore, not as a fixed state of harmony, but rather as a process of change. The concept is broad and can always be

appropriated by different actors. However, the various discussions about the term "sustainable development" turn open to the question of what can be developed without destroying the environment. The SD can be described as a consequence of social, economic and environmental preservation.

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Sasson Bar-Yosef, Itzhak Venezia

Center for Academic Studies, Hebrew University of Jerusalem, Israel (Venezia)
Bocconi University, Israel (Bar-Yosef)

An Experimental Study of Overconfidence in Accounting Numbers Predictions

Abstract:

This paper analyzes experimentally investors' overconfidence when making predictions of financial and accounting numbers and explores which factors drive this bias. In particular we analyze the extent to which familiarity with the variable predicted, the complexity of the forecasting task, and the amount of information available for the investors affect their overconfidence. We also compare the extent to which professional analysts differ from other investors in that respect. For this we conducted three experiments. Two experiments with advanced accounting students as subjects, where the experiments differed in the firm the subjects analyzed and the third with professional financial analysts. In each experiment we provided the subjects with past accounting reports and other financial data of a firm. Based on these data the subjects were asked to forecast Net Income, EPS, and Share Price.

In all the experiments we found that the subjects exhibited a considerable degree of overconfidence. The professional analysts were slightly more overconfident than the students. Subjects showed more overconfidence in predicting share prices than when forecasting other lesser familiar variables. However we could not detect correlation between the amount of information and overconfidence, neither between success and overconfidence, nor between the complexity of the task and overconfidence.

Keywords: Accounting, Prediction of Accounting Numbers, Experimental Economics, Overconfidence, Behavioral Finance, Analysts

JEL Classification: G02, G17, M40

I. Introduction

The theory that decision makers in general and investors in particular are overconfident is central in behavioral finance and accounting. This is an important bias since it may lead to costly erroneous decisions. This bias however also has important benefits since overconfidence provides impetus for bold and innovative ideas and endeavors.

There are several ways to define or measure overconfidence. Definitions such as those of Alpert and Raiffa, 1982 concentrated on the calibration (or precision) of probabilities. According to this school of thought, people are considered overconfident if the precision of their estimate is too high, or put differently if they attach too low a probability to the event that they may be wrong. This type of bias

which has been observed for many types of people and in many professions is said to exist if the decision makers provide for unknown parameters confidence intervals which are "too narrow".ⁱ

Overconfidence shows up in other ways as well. Researchers find that people overestimate their ability to do well on tasks (Frank, 1935), they are unrealistically optimistic about future events, they expect good things to happen to them more often than to their peers (Weinstein, 1980, Kunda 1987), and they are even unrealistically optimistic about pure chance events (Marks, 1951, Irwin, 1953, Langer and Roth 1975). Most individuals see themselves as better than the average person and most individuals see themselves better than others see them (Taylor and Brown, 1988). They rate their abilities and their prospects higher than those of their peers.ⁱⁱ New business owners thought their business had a 70 percent or better chance succeeding but only 39 percent thought that any business like theirs would be this likely to succeed (Cooper, Woo, and Dunkelberg, 1988).

In recent years and in the context of financial decision, Odean, 1998, and Barber and Odean, 1999, measured overconfidence by "excessive" trading. They showed for a large sample of individual traders that overconfident investors trade more than is rational and that doing so lowers their expected utilities. They argued that the returns on the individuals' portfolio did not justify the high transaction costs. Moreover they suggested that returns on stocks the individuals purchased were lower than those they sold to make those purchases.

This paper extends the literature in the following respects. First, it tests experimentally the overconfidence of investors from the "pure" precision definition of overconfidence of Alpert and Raiffa, 1982. This has an advantage over measures of overconfidence based on "excessive" trading since the latter measures, whereas indicative of overconfidence could be symptoms of other biases. Moreover, the definition of "excessive" trading is somewhat nebulous.ⁱⁱⁱ Second, we explore which factors drive overconfidence, and in particular we analyze the extent to which familiarity with the variable predicted, the complexity of the forecasting task, and the amount of information available for the investors affect their overconfidence.^{iv} Third, our paper provides a comparison between the overconfidence of analysts and that of the less experienced subjects. Whereas it has been demonstrated before that professionals tend to exhibit higher degrees of overconfidence than amateurs, the advantage of this paper is that it investigates this question directly in the context of predicting accounting and financial numbers setting, and it uses the calibration definition of overconfidence. Last, we explore whether overconfidence is "justified" in the sense that the more overconfident investors are also the more successful.

The remainder of the paper is constructed as follows: in Section II we present our method of analysis. The subjects are described in Section III, and in Section IV we describe the procedure used to conduct the experiments. In Section V we present and discuss the results, and Section VI concludes.

II. Method

Subjects were required to play the roles of investors who had to provide prediction of key accounting numbers of a firm (see Appendix A for the exact description of their task).^v To help them in their forecasts we supplied the subjects with all the relevant public data that would normally be available to investors. The variables they were asked to forecast were: Net Income (NI), Earnings Per-Share (EPS),

and Share Price (yearly average). We tried to lead the subjects to believe that their assignment was a run-of-the-mill forecasting task, so they will not pay special attention to overconfidence issues. We employed actual firms and financial reports so as to mimic real life as much as possible. In order to disguise the identity of the firm and prevent the subjects from finding the actual figures they had to predict, we scaled down all volume and numbers, accounting and others, by a suitable factor, retaining ratios intact.

To test for overconfidence, the subjects were asked to give 95% confidence intervals for the variables forecasted. We then calculated the number of intervals that covered the true values. Since 95% confidence intervals are supposed to cover the true values in 95% of the cases, then, if the provided intervals cover the true values in less than 95% of the cases this may be a sign of overconfidence (see Alpert and Raiffa, 1982). To examine to what extent the subjects understood the meaning of a confidence interval (which was explained in class) they were asked to answer the question: "what is the chance the EPS will exceed the upper bound of the 95% confidence interval you suggested for this variable?" We then compared their responses to the correct answer which is 2.5%. We also contrasted the average width of the subjects spreads (difference between upper and lower bounds of the confidence intervals) with the theoretical "objective" spread. Assuming that the variables predicted are Normally distributed with a standard deviation of σ , then in order to get a confidence interval of 95%, the "objective" spread should be approximately 4σ (2σ above average and 2σ below average); a lower spread is then consistent with overconfidence.

Three experiments were conducted. In Experiments I and III the subjects differed in their background and occupation but they made predictions for the same firm ("Guess"). In Experiment II the subjects are similar to those of Experiment I, but they made predictions for a different firm ("Sony"), for which the internal structure and operations were more complex than those of "Guess".^{vi}

Comparisons between Experiment I and II were used to analyze the effects of the complexity of the firm for which the predictions were made, and its financial reports (and thus the complexity of the forecasting task) on overconfidence.^{vii} Contrasting the results of experiments I and III provide some evidence on the effect of experience on overconfidence.

Whether or not familiarity affects overconfidence can be inferred from differences in overconfidence exhibited in the predictions of different variables. Whereas Share Price is a very familiar term, EPS and NI are less familiar, even for accounting students and analysts. We therefore compared the overconfidence shown in the predictions of share prices to that exhibited in predicting the other two variables.

In order to test for the effect of the amount of information (detail) on overconfidence we divided the subjects (in all the experiments) into two subgroups and supplied each subgroup with the same data but with slightly different detail. One subgroup, MDI (More Detailed Information) received the more detailed accounting information, presented according to SFAS 131, and the other LDI (Less Detailed Information) received the less detailed accounting information presented according to SFAS 14. We then compared the extent to which they exhibited overconfidence.

One may also wonder whether overconfidence can be attributed to (or correlated with) success. We therefore examined the correlations between the accuracy of predictions of the subjects and their overconfidence.

III. Subjects

Experiment I

Fifty-six fourth year accounting students at the Hebrew University of Jerusalem, aged 24 years or older, participated in the study. The subjects were grouped into teams of two, providing us with 28 teams.^{viii} During their fourth year all accounting students at the university (and hence all subjects) prepare for the CPA exams, having graduated and having taken all of the required accounting and finance classes including Financial Statement Analysis course. The subjects were therefore one semester away from becoming CPAs with a background and formal education quite close to that of real financial analysts. This locates them at the middle to upper level of the spectrum of capital market sophistication.

Experiment II

Sixty two third year accounting students at the Hebrew University of Jerusalem participated in the study. This experiment was conducted in a different year than the previous experiment and the subjects predicted variables for a different firm (Sony). As in Experiment I the subjects were required to work in teams of 2, thus giving us 31 teams.

Experiment III

Ten analysts, 27 years or older, employed by four different accounting firms or brokerage houses participated in the experiment. They were all experienced analysts, mostly CPA's with MBA degree, majoring in Finance, with work experience of at least three years.^{ix}

IV. Procedure

In all experiments the data were provided in the form of a questionnaire which detailed the task the subjects had to perform and the incentives to perform well (see Appendix A). We also provided them with accounting and market data that should assist them in their forecasts. We supplied the subjects with previous income statements, balance sheets, and relevant excerpts from the 10K disclosures. We also provided them with share price history, beta, and some industry highlights.

In Experiment I, an independent instructor who is neither the class instructor nor a coauthor of this paper randomly distributed the questionnaires in class and explained the nature of the task at hand. It was promised that the top 1st, 2nd, and 3rd teams within each group, in terms of closeness of their results to the true results, will receive cash prizes of \$300, \$200, and \$100, respectively, and that their superior performance will be announced. In addition to the monetary gain, the competitive nature of the students led us to believe that the subjects will make hard efforts to do well. Because of the considerable effort and time required to fulfill the task the subjects were permitted to take the data home and were allowed a week to hand in their results. They were told that collusion is forbidden, and violators will be harshly

disciplined.^x Experiment II was handled likewise except that we changed the nature of the rewards, providing the top 3 teams extra points towards their course grade. These rewards generated similar interest in the experiment as those given in Experiment I.^{xi}

For Experiment III, where analysts were used for subjects, the following slight differences were made: First, the questionnaires were sent to the supervisors of the analysts in their work place who in turn explained the task to the subjects. Second, the subjects in this experiment worked individually rather than in teams as this is their typical work setting. They were promised prizes of \$500 for the top three performers in each group, and they were also told that their forecasts accuracy ranking will be disclosed. These two incentives were deemed sufficient to motivate the analysts to do their best.^{xii}

To provide some validation checks and ascertain that the subjects understood the task, we asked them to report the values of the estimated variables for the last two years for which they had data. Since this information appeared in the footnotes and in the auxiliary reports that we provided the subjects, they should have answered these questions correctly if the material was studied carefully. Their answers were generally correct or very close to the actual ones so that we could conclude that the subjects indeed thoroughly read and comprehended the material and understood what their required task was.^{xiii}

V. Results and Discussion

In this section we present the results of the experiments. The presentation is made according to the hypotheses tested: First we test in Subsection V.1 whether the subjects exhibited overconfidence. We then tested for the effects of familiarity on overconfidence in subsection V.2, The effect of task complexity of the task on overconfidence in Subsection V.3, The effect of detail on overconfidence in Subsection V.4, and the correlation between success and overconfidence in Subsection V.5.

V.1. Existence of Overconfidence

Experiment I

The predictions and the confidence intervals provided by the subjects for Net Income, EPS, and Share Price are presented in Tables 1. In the last column of this table we record the subjects' answer to the question: "what is the chance the Net Income will exceed the upper bound of the 5% confidence interval you suggested for this variable? " a question intended to verify the extent to which subjects understood the meaning of a confidence interval. As can be observed from this column, only few subjects gave the exact right answer (which is 2.5%). However, it seems from Table 1 that the subjects understood that that there should only be a small chance that the confidence interval will not cover the actual number.

One notes from Table 1 tables that only about 7% (6 out of 84) of the confidence intervals (marked in bold) cover the true values. Since 95% confidence intervals are supposed to cover the true values 95% of the time, the much smaller percentage of the provided intervals that do so is indicative of the subjects' overconfidence.^{xiv} The average of the spreads the subjects chose for Net Income, EPS, and Share Price, and were: 12,821, 0.18, and 1.83, respectively. The values of 4σ (i.e., the "objective"

spreads) of these variables were however substantially higher^{xv}: 20,428 ($p < 0.13$), 0.64 ($p < 0.00$), and 13.12 ($p < 0.00$), then their parallel observed spreads, pointing to overconfidence.

Experiment II

The results of this experiment are presented in Table 2 in the same format as in the former experiment. One observes that also in this experiment the subjects showed great amount of overconfidence. Only about 20% of the confidence intervals provided covered the true values of the predicted variables, indicating overconfidence. Also comparisons of the spreads provided with the "objective" spreads led to the same conclusion. The average spreads chosen by the subjects for Net Income EPS, and Share Price: 1687, 1.92, and 19.20, respectively, are significantly lower than the parallel "objective" spreads of 3700 ($p < 0.05$), 8.90 ($p < 0.00$), and 110.2 ($p < 0.00$). This reinforces our conclusion that the subjects exhibited overconfidence.

Experiment III

In Table 3 we present the results of this experiment. The analysts participating in the current experiment exhibited overconfidence and in about the same degree as that found for the younger less experienced participants of Experiment I.^{xvi} One observes from Table 3 that only two confidence interval out of 30 (7.14%) covered the actual variable, quite close to the analogous percentage in the first experiment. In this experiment as well as in the former ones the average spreads this group gave for Net Income, EPS, and Share Price: 8529, 0.24, and 3.06, respectively were narrower than the "objective" spreads supporting the evidence for overconfidence.^{xvii}

V.2. Effect of Familiarity on Overconfidence

To compare between the overconfidence shown for different variables we had to scale the spreads to a common denominator. For this we calculated for each spread provided by the subjects a variable called the "relative spread" defined by the ratio of the spread to the "objective" spread. Since our hypothesis is that share prices are more familiar than the other two variables, and since we did not find a significant difference between the overconfidence of the subjects in Experiments I and II, we aggregated the results of these experiments. We then compared the relative spreads of share prices to the relative spreads of EPS and net Income ("other variables"). The average "relative spread" obtained for Share Price, about 14% (1.83/13.12), is significantly lower ($p < 0.1$) than the average of XXX found for the "other variables". The greater familiarity of Share Price possibly led to the higher overconfidence in its prediction.^{xviii}

As in the former experiment the highest overconfidence has been exhibited in predicting share prices (average relative spread of 17% as compared with 22% for EPS and 46% for Net Income), corroborating the theory that familiarity increases overconfidence.

As in the case of the students, the average spread provided for the stocks price was relatively the lowest (23% of the "objective" spread, as compared with 38% for EPS and 42% for Net Income), suggesting that also for the analysts, the greatest overconfidence is exhibited for the more familiar variable.

V.3. Effect of task complexity on overconfidence

The higher percentage of coverage of the spreads by the subjects in this experiment (20%) as compared with Experiment I (7%) may signify lower overconfidence. As the subjects in this experiment were similar in nature to those of Experiment I, but the firm they had to analyze was much more complicated, the lower overconfidence exhibited in this experiment may be attributed to the higher complexity of the task.

V.4. Effect of detail on overconfidence

The average spreads the MDI group chose for Net Income, EPS, and Share Price were 5256, 0.18, and 2, respectively, compared with 18494, 0.17, and 4.40, chosen by the LDI group. The higher detail the MDI group has received might have increased their overconfidence.^{xix}

The average spreads the MDI group provided for Net Income, EPS, and Share Price were 526, 1.40, and 11.13, are considerably lower than the respective spreads of 2925, 2.48, and 27.82, respectively provided by the LDI group. As in the former experiment, the higher detailed data and information the MDI group has received might have contributed to their higher overconfidence.

The average spreads the MDI group gave for Net Income, EPS, and Share Price were: 4660, 0.12, and 1.15, respectively compared with 12397, 0.36, and 4.98, provided by the LDI group. As in the former experiments the higher detail the MDI group has received might have increased their overconfidence.

V.4. Correlation between success and overconfidence

We also calculated the correlation between success and overconfidence. To measure success we calculated for each subject, i , his/her $RMSE_i$ (Root Mean Squared Error, a measure of the average forecasting error the subject made in forecasting the three variables; see Appendix 2 for the exact definition), and his/her total relative spread, S_i , (sum of the relative spreads he/she provided for these variables). We then regressed S_i on $RMSE_i$. If success is correlated with overconfidence the slope of this regression should be negative.

VI. Conclusions

In this paper we have tested experimentally the extent to which investors tend to show overconfidence in their predictions of financial and accounting numbers. We also examined how familiarity, the complexity of the forecasting task, and the amount of detail provided for the task affect overconfidence. We have demonstrated that both analysts and advanced accounting students display a great amount of overconfidence in their estimates, and that this bias is about the same for analysts and student subjects. We have also shown that the complexity of the prediction task reduced the subjects' overconfidence, but familiarity with the variable predicted and the more detailed information given to them to assist in their forecasts increased the subjects' overconfidence.

Notes

ⁱ See Lichtenstein, Fischhoff, and Phillips, 1982, for a review of the calibration literature. Such overconfidence has been observed in many professional fields. Physicians and nurses, Christensen-Szalanski and Bushyhead, 1981, Baumann, Deber, and Thompson 1991, investment bankers, Staël von Holstein, 1972, engineers, Kidd, 1970, entrepreneurs, Cooper, Woo, and Dunkelberg, 1988, lawyers, Wagenaar and Keren, 1986, negotiators, Neale and Bazerman, 1990, and managers, Russo and Schoemaker, 1992, have all been observed to exhibit overconfidence in their judgments.

ⁱⁱ For example, when a sample of U.S. students assessed their own driving safety, 82 percent judged themselves to be in the top 30 percent of the group (Svenson, 1981).

ⁱⁱⁱ Odean, 1998, and Barber and Odean, 2000, argue that if speculative traders are informed, but overestimate the precision of their information, the securities they buy will, on average, outperform those they sell, but possibly not by enough to cover trading costs. Whereas this type of behavior is consistent with overconfidence it may also indicate ignorance or hubris.

^{iv} See Huberman, 2001 for a discussion of the effect of familiarity on investors' behavior.

^v This was a part of a large experiment on the effect on predictions of the introduction of rule SFAS 131 for segment disclosures, which usually requires more detailed information than the rule it replaced, SFAS 14 (see Bar-Yosef and Venezia, 2002, 2003).

^{vi} "Sony" has more divisions, more types of products, its operations span more countries, its financial reports are much complex, and raising much more complicated issues than "Guess".

^{vii} In addition using two studies with different firms analyzed and with different subjects increased the validity of the overconfidence tests.

^{viii} The subjects were grouped into teams in order to ease the burden of the quite complicated and time consuming task.

^{ix} It should be noted that the nature of the experiment is demanding in terms of both effort and time. Therefore, firms employing analysts were not always cooperative, as the required input needed to be committed by each analyst to perform the required tasks were not trivial. This explains the small number of subjects we managed to obtain.

^x The type of the reward was such that teams had little incentive to cooperate, and in retrospect, as shown in Bar-Yosef and Venezia, 2003, the results point to little or no collusion.

^{xi} Since the task was closely related to the students' studies, the School of Accounting at The Hebrew University of Jerusalem approved of this type of reward.

^{xii} Indeed, the supervisors of these analysts informed us, when the filled questionnaires were turned-in, that each analyst worked for several hours on performing the required tasks.

^{xiii} For example, out of 28 groups, 19 provided the correct answers for EPS, 4 groups were within .1 of the correct answer, 3 were within .2 and only one group that eventually provided the worst estimates gave a significantly incorrect answer.

^{xiv} In all tables the results of the MDI and LDI groups are aggregated.

^{xv} After adjusting for the scaling factor, 1.3, for share price and net income.

^{xvi} We do not compare this experiment to Experiment II because of the higher intricacy of the task in the latter experiment

^{xvii} No t-tests are presented because of the small number of observations in this experiment.

^{xviii} Also for Experiment III we observed lower relative spreads for share prices compared with the "other variables". However due to the different nature of the subjects in this experiment, and the small number of observations we preferred not to include this experiment in the aggregate.

^{xix} See Bar-Yosef and Venezia, 2004.

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Table 1

	Net Income			EPS			Share Price			Answer to: Exceeding interval?
	Prediction	Lower Bound	Upper Bound	Prediction	Lower Bound	Upper Bound	Prediction	Lower Bound	Upper Bound	
1	25540	22500	27500	0.60	0.52	0.64	5.50	2.00	7.00	NA
2	18201	12128	24292	0.55	0.38	0.74	9.63	1.68	17.58	2.5%
3	11150	7700	16700	0.32	0.35	0.55	5.73	3.50	7.41	30.0%
4	17500	15000	20000	0.42	0.38	0.50	4.50	3.50	7.00	5.0%
5	10500	15000	20000	0.40	0.35	0.45	0.32	0.35	0.45	30.0%
6	10500	15000	20000	0.40	0.35	0.45	0.30	0.30	0.40	25.0%
7	12169	7666	16672	0.32	0.09	0.55	6.23	4.56	7.91	2.5%
8	13921	11990	17384	0.32	0.27	0.41	9.19	3.63	9.71	2.0%
9	13500	13000	14000	0.31	0.28	0.35	6.03	5.87	6.18	5.0%
10	23000	-66627	123400	0.46				0.00	19.56	"low"
11	13520	11200	15783	0.29	0.25	0.36	3.40	6.23	2.54	0.0%
12	22364	19300	25428	0.50	0.42	0.58	6.00	6.8	5.2	2.5%
13	15000	11000	17000	0.38	0.20	0.65	4.30	8	2	2.5%
14	11173	8850	13496	0.26	0.21	0.31	3.53	6.21	2.75	"Low"
15	14400	12300	16500	0.35	0.29	0.41	5.95	6.2	5.7	17.0%
16	20000	18000	21000	0.60	0.40	0.65	5.60	5.9	5.3	10.0%
17	17941	20400	26320	0.54	0.42	0.57	3.20	6.9	4.9	NA
18	31000	29500	32500	0.94	0.89	0.98	8.50	8.00	9.00	"Probable"
19	15066	11880	26752	-0.13	-0.15	0.15	0.32	0.87	0.48	5.0%
20	29646	19000	20900	0.60	0.40	0.65	5.60	6	5.4	9.0%
21	12175	10050	14300	0.28	0.23	0.33	4.25	4.4	4.1	15.0%
22	13496	11209	15783	0.31	0.25	0.37	3.45	6.33	2.52	"Minimal"
23	8540	-11143	18223	0.22	0.00	0.43		-2.58	2.32	2.5%
25	11473	11187	11759	0.34	0.34	0.35	6.03	5.88	6.18	2.5%

Table 2

	Net Income			EPS			Share Price			Answer to: Exceeding interval?
	Prediction	Lower Bound	Upper Bound	Prediction	Lower Bound	Upper Bound	Prediction	Lower Bound	Upper Bound	
524	1400	1250	1550	3	2.5	3.5	72	68	76	2.5%
512	1106	1046	1073	2.34	2.34	2.4	63	63	65	NA
525	824	787	843	2.15	2.05	2.2	62	61	69	5.0%
511	750	350	1150	2.11	1	3.22	65	57	73	2.5%
510	818	797	839	2.15	2.08	2.18	63	60	67	2.5%
525	814	787	843	2.11	2.04	2.19	61	56	66	2.5%
509	1000	750	901	2.2	2	2.4	64	62	67	2.5%
527	700	-1500	4500	1.81	-3.86	11.58	78	43	96	3.0%
507	1519	1441	1449	0.59	0.57	0.6	77	75	79	2.5%
515	1368	1368	1603	0.54	0.52	0.66	71	67	75	2.5%
508	1077	1050	1114	2.8	2.73	2.9	65	63	68	0.0%
522	568	438	699	1.42	1.04	1.8	64	55	75	2.5%
518	1700	1520	1680	0.63	0.6	0.66	79	75	83	up to 7%
503	1478	1441	1515	7.15	6.97	7.33	60	58	61	2.5%
1200	1550	1490	1610	3.36	3.4	4.5	79	76	82	2.5%
501	319	257	318	0.84	0.68	1.01	43	35	52	2.5%
413	1855	1450	2080	4.78	3.71	5.4	79	71	82	4.0%
417	1411	800	1600	3.52	2	4	69	53	85	10.0%
412	2093	1283	2212	3.2	2.71	3.72	82	75	85	2.5%
401	1508	1327	1491	3.03	2.89	3.7	67	60	70	30.0%
403	2159	-15189	15344	5.5	-4.38	15.38	81	-38	157	2.5%
841	1477	1440	1514	3.51	3.42	3.6	60	58	81	2.5%
427	2267	1194	3461	5.9	2.82	8.98	78	65	92	2.5%
409	2737	2669	2806	4.53	4.42	4.64	77	75	79	2.5%

424	2188	1546	2831	6.5	1.14	4.5	77	67	87	30.0%
405	1970	1815	2044	4.78	4.44	5.11	77	71	82	2.5%
415	1406	-1416	4229	0.55	0.5	0.6	78	62	94	5.0%
407	1700	1500	1900	0.61	0.54	0.69	86	78	94	2.5%
418	1550	1350	1750	0.56	0.49	0.63	77	70	85	2.5%
422	373	200	546	0.96	0.52	1.41	57	54	61	2.5%
421	611	596	627	0.14	0.14	0.14	63	61	64	low
Actual Values	1708			4.2			87.45			
Summary statistics										
Average	1364	446	2133	2.69	1.68	3.60	70.16	59.93	79.13	4.1%
Std. Dev.	600	3016	2647	1.92	2.17	3.38	9.50	20.51	18.22	5.7%
Median	1411	1194	1550	2.20	2.00	2.90	71.21	62.09	78.74	2.5%
Maximum	2737	2669	15344	7.15	6.97	15.38	86.00	78.00	157.47	30.0%
Minimum	319	-15189	318	0.14	-4.38	0.14	43.34	-37.55	51.79	0.0%
Avg. Spread	1687			1.92			19.20			
	Net Income	EPS	Share Price	Overall						
Number of intervals covering true values	9	6	5	20						
				93						
Number of intervals Provided	31	31	31							
Percent intervals covering true values	29.0%	19.4%	16.1%	21.5%						

Table 3

	Net Income			EPS			Share Price			Answer to: Exceeding interval?
	Prediction	Lower Bound	Upper Bound	Prediction	Lower Bound	Upper Bound	Prediction	Lower Bound	Upper Bound	
1	29000	26000	32000	0.69	0.64	0.715	8.00	7.40	8.50	5.00%
2	18600	18135	19065	0.43	0.42	0.44	5.60	5.46	5.74	2.50%
3	9870	9000	9870	0.29	0.27	0.3	2.76	2.39	3.14	25.00%
4	20500	16500	24000	0.62	0.50	0.727	6.00	5	7	2.50%
5	20500	17000	25000	0.62	0.52	0.76	6.10	5.2	6.8	3.50%
6	26000	24700	27300	0.78	0.74	0.82	6.00	5.70	6.30	20%
7	21000	10000	30000	0.48	0.30	0.90	7.56	3.00	18.00	2.50%
8	5290	5000	10000	0.16	0.15	0.30	6.55	3.00	7.00	7.50%
9	21258	17358	26743	0.60	0.42	0.68	5.48	4.30	6.10	2.50%
10	25000	10000	35000	0.75	0.30	1.00	4.50	3.00	6.50	na
Actual Values	39900			0.93			9.00			
Summary statistics										
Average	19702	15369	23898	0.54	0.43	0.66	5.86	4.45	7.51	7.9%
Std. Dev.	7189	6842	8566	0.20	0.18	0.24	1.48	1.59	3.93	8.5%
Median	20750	16750	25872	0.61	0.42	0.72	6.00	4.65	6.65	3.5%
Maximum	29000	26000	35000	0.78	0.74	1.00	8.00	7.40	18.00	25.0%
Minimum	5290	5000	9870	0.16	0.15	0.30	2.76	2.39	3.14	2.5%
Avg. Spread	8529			0.24			3.06			
	Net Income	EPS	Share Price	Overall						

Number of intervals covering true values	0	1	1	2
Number of intervals provided	10	10	10	30
Percent intervals covering true values	0.0%	10.0%	10.0%	6.7%

Appendix A

Questionnaire

The date is April 1, 1999.^{xix} Assume you are an analyst in the big investment bank “Investronics” and you were assigned to analyze the firm “NRG”, specifically, your supervisor asked you to provide forecasts of the financial performance of NRG for 1999. These forecasts usually go to the trading department of Investronics, where they use the forecasts either for trade or for recommendations to clients.

To help you in the task you will receive the following documents:

1. Select qualitative data from the annual reports of NRG for 1997, 1998.
2. Select quantitative reports from Negus's annual reports from 1997, 1998
3. Relevant Industry and macroeconomic data.

You are supposed to use the auxiliary documents to perform the forecasts.

It is extremely important to provide accurate forecasts. Your forecasts will be compared to the actual variables, when these will become known. Your accuracy will then be compared to that of other teams who have been assigned a similar task. Each team that will fill the questionnaire will receive a nominal amount of cash for its work. In addition the six teams whose forecasts will be closest to the actual variables will receive a \$100 prize.

The forecasts should be handed in to the simulation coordinator within a week from today.

The following describe your task in detail:

- a. Based on the supplements you were given, please answer the following:
 1. What was the gross profit per share in 1997 and 1998? (In \$)
 2. What was the Return on Equity (ROE) in 1997, and 1998? (in %)
 3. What was the Return on Assets (ROA) in 1997, and 1998? (In %)
 4. Which segment has been most profitable in 1997? In 1998? Explain
- b. Provide the following forecasts (please use the enclosed Tables):
 1. Total after tax earnings for 1999 (in \$1000)
 2. Per share earnings for 1999 (in \$)
 3. Average Stock Price in 1999 (in \$)
 4. Ratio of Sales/Assets (in %, 1999 average)
 5. Profits/Sales (in %, 1999 average)
 6. A confidence interval for the total net earnings of the firm (that is a range of profits such that there are 95% chances that actual profits will fall in this range)
 7. A confidence interval for firm’s EPS.
 8. A confidence interval for firm’s average stock price.
- c. Explain shortly how you got your forecasts;
 1. Which statistical methods did you use?
 2. Which economic models did you use?
 3. Which variables did you use in your calculations (please list all)
 4. Which variables were the most important? (select 4)
 5. What is the chance that the actual profit will exceed the upper bound supplied for b-6 above?

Appendix B

The definition of RMSE

Accuracy in prediction of each subject was measured by RMSE (Root Mean Squared Error) defined by $RMSE_t = [(1/N)\sum_i \varepsilon_{it}^2]^{(1/2)}$, where N denotes the number of prediction and e_{it}^2 measures the relative error of forecast X_{it} made by subject i , $i=1,\dots,N$, in predicting variable P_t , $t=1,2,3$. That is: $\varepsilon_{it} = (X_{it} - P_t) / P_t$. The RMSE's of NI, EPS, and Share Prices were 62%, 61%, and 59%, respectively.

Cagatay Benhur

Selcuk University, Konya, Turkey

1950 General Elections and Evolution in Turkey

Abstract:

After the World War One, first step of a new regime has been taken in Turkey with The Grand National Assembly of Turkey which was opened in Ankara on 23 April 1920, and this situation was clinched with proclamation of the republic in 29 October 1923. Republican People's Party which had been constituted shortly before the proclamation of the republic has remained in power as a single party in Turkey until 1946 despite the trials of multi-party life. New parties also occurred in Turkey and ran against Republican People's Party in 1946 general elections in changing world conditions after the Second World War. In spite of emergent new parties, Republican People's Party, even if it had won 1946 general elections, would have shared parliamentary seats with other parties. As a result of progressive strengthening of the opposition and that Republican People's Party was frayed by long duration of power, Democrat Party won general elections on 14 May 1950. After many years, change of the ruling party caused many changes in political sense in Turkey. In this study mainly 1950 general elections and following important changes will be tried to be cited chronologically.

Kamal Prasad Bhattarai

National Open College, Pokhara University, Kathmandu, Nepal

Knowledge on Road Traffic Accidents and Practice on Traffic Safety Rules among Higher Secondary Level Students of Kathmandu District, Nepal

Abstract:

This study was focused on evaluating the knowledge on road traffic accidents (RTAs) and practice on traffic safety rules among higher secondary level students. This, a cross-sectional descriptive study was conducted in 6 colleges of Kathmandu valley. The aim of the study is to assess the knowledge on RTA and practice on traffic safety rules among higher secondary level students of private schools in Kathmandu valley. Knowledge on RTA and practice on traffic safety rules was assessed by self-administered questionnaire. Data was collected among 390 students. Among them 385 had heard about road traffic accidents. Only 18.7% received trainings related to road safety. Regarding the cause of RTA, 73.5% mentioned fault of driver 41.81% mentioned carelessness by traffic police and 35.1% mentioned fault of pedestrian. The multiple responses to the effect of RTA includes (62.3%) physical injury and disability, (60.8%) death, (36.6%) loss of property and (30.4%) damage to infrastructure. Out of 385 who had heard about RTA, 359 stated that RTA can be prevented using different measures such as (82.7%) following traffic rules, (50.4%) construction of proper roads and (33.4%) and provision of footpaths for pedestrian. 63.8% of them knew the correct order of traffic light. The knowledge of the students regarding different traffic signs was satisfied with 55.4% having a better level of knowledge about traffic signs. 42.8% of the students had faced RTA with 88.6% of them occurring on the road. 49.1% of accidents occurred as a result of hitting by vehicle, 26.3% while crossing the road and 22.8% by falling suddenly. Only 60.2% of them visited hospital after the accident and 33.7% of them reported the accident to traffic police. 9.1% of students were drunk and 18.3% were talking on the phone while they had an accident. 91% of the students had the practice of crossing the road at a zebra crossing. 90.3% followed traffic signals while crossing road and 86.7% practiced crossing the road over bridge. In certain condition as the road being busy and getting late for college, 54.1% would wait for the traffic light to turn red 38.2% they would cross the road along with other people and 6.2% would just cross the road haphazardly. If the students happened to witness any accidents, 49.7% would take the victim to hospital, 40.5% would call the traffic police, 6.4% would get nervous and stay quiet while the remaining 3.3% would run after the vehicle that caused the accident. Findings show that despite of good knowledge practice, the rate of accidents among college students is high. Hence, there is need to increase the trainings, create awareness programs, conduct workshops and make the practical exposure of the students that can help in reducing risk and prevent RTA.

Keywords: Road traffic accident, traffic safety, secondary level students, Kathmandu, Nepal

Sylwester Bialowas

Department of Market Research and Services, Poznan University of Economics,
sylwester.bialowas@ue.poznan.pl

The motives of the households' saving

Abstract

This study attempts to find out the correlation between goals and motives of saving. The hierarchy of saving motives and the relations between the levels will be established. On the basis of structural equation modeling the study proposes grouping the motives into two main dimensions, which are consistent with the way the consumer thinks about saving. The first dimension is security, the second one – transaction and speculation. The study also aims to find out the relationship between saving and level of saving motives and the extent of influence of saving motives on household saving. The analysis uses the data from the primary research (households sample N=701).

JEL classification: D12, D91, E21

Keywords: households' savings, saving behavior, motives of saving

Sylwester Bialowas, Aleksandra Kaniewska-Seba

Poznan University of Economics, Poland (Bialowas)
Adam Mickiewicz University in Poznan, Poland (Kaniewska-Seba)

Application of Fractional Experiment in Evaluation of Direct Marketing Effectiveness

Published in International Journal of Business and Management, II(1), 2014: <http://www.iises.net/?p=9176>

Abstract:

When testing tools and marketing messages, the research methods not based on declarations, but on the buyers behavior measurement are increasingly popular. One can observe the growing importance of obtaining data from observations (eg mystery shopping) and physiological measurements (eg neuromarketing). Experiments, according to the research conducted among Polish marketing managers and employees of advertising agencies, are much less used in this field. One of the obstacles may be a methodological gap in knowledge about the application (in particular about schemes with many variables) in testing and improving marketing communication tools and messages. In the paper we discuss the use of fractional experiment in optimizing direct marketing efforts. We present an example of experiment usage to evaluate versions of promotional e-mailing of Postgraduate Studies in Sales Management at the Poznan University of Economics.

Keywords: Fractional Experiment, Effectiveness of the Direct Marketing

JEL Classification: D12, M31

Glenn Calaguas

Pampanga Agricultural College, Pampanga, Philippines

Satisfied and Happy: Establishing Link between Job Satisfaction and Subjective Well-Being among Filipino Teachers

Abstract:

Job satisfaction refers to people's reactions and feelings towards aspects of their jobs. On the other hand, subjective well-being refers to people's evaluations of their lives which include cognitive judgments, such as life satisfaction; and affective evaluations like moods and emotions. The present study describes the relationship between job satisfaction and subjective well-being specifically among Filipino basic education teachers. Two hundred fifty-one Filipino basic education teachers from 52 government schools in the provinces of Pampanga and Tarlac in the Philippines whose years of service ranged from one to 36 were asked to respond to the Generic Job Satisfaction Scale and the Satisfaction with Life Scale. The study employed a descriptive-correlational design. After collecting the questionnaires from the participants and analyzing the data using SPSS 15.0 software, it was noted that the participants had high job satisfaction and high subjective well-being. Also, it was revealed that job satisfaction is significantly related to subjective well-being ($r=0.43$, $p<0.01$). The researcher looked into the possible implications of these findings to the population at hand.

Igo Cals

University of Latvia, Riga

Management Decisions of Latvian Rural Entrepreneurs: View from Modern Economics Theory

Abstract:

The theory of classical economics treats entrepreneurs as subjects who make rational economic decisions. Empirical surveys prove the fact that daily economic decisions made by a separate economic entity can be explained by concepts of behavioural economics rather than classical economics. The economic behaviour of entrepreneurs happens to be based on bounded rationality instead of financial justification. The objective of an economic activity presented as economically efficient can turn out to be socially important to a specific entrepreneur and not to national economy as a whole. In the EU countries, agriculture is a subsidised industry of national economy. In this light, status consumption and purchase of positional goods should create a special interest among economists. The objective of this article is to present true reasons of economic decisions made by rural entrepreneurs and to analyse the value hierarchy of Latvian rural entrepreneurs through carrying out a field work and with the help of set of instruments developed by modern economics theory.

Keywords: Behavioural Economics, Bounded Rationality, Conspicuous Consumption, Positional Goods, Rural Entrepreneurs.

Introduction:

Rural economic activity has got several peculiarities which set it different from other types of economic activity:

- Territorial seclusion;
- Living and economic activity being attached to a certain social field, professional activity and lifestyle being united;
- A substantial visualization of production means and an output i.e., a possibility for others (such as neighbours, competitors and the other ones interested) to watch production processes;
- Entrepreneurship's legal support by the state and supranational institutions in the form of subsidies;
- A possibility to start and develop a sustainable entrepreneurship with a relatively low human capital's potential;
- Restricted availability of the land - the main production means.

In view of the aforementioned circumstances, daily decision making practices in the rural entrepreneurial environment are specific and can be explained with a discourse of behavioural economics theory rather than rationality paradigms of the neo-classical economics theory. When making economic decisions in the rural environment, rationality is explicitly bounded and, to a great extent, determined by the social hierarchy instead of financial means. Agents of rural farms often justify their economic decisions not only with an economic utility but also with a certainty of the social status presentation. Being aware of the subsidies that are granted in different forms by the national and the European Union institutions for the purchase of production means necessary in agricultural manufacturing, agents employ them for the acquisition of goods whose social importance prevail over financial advantage in order to raise their status in the surrounding social field.

The land as the main production means of rural entrepreneurs has always got a limited availability. Historically, it has often become an ownership of a particular rural entrepreneur as an inheritance or a historical succession instead of an employment of entrepreneurial resources. Consequently, the material prosperity of rural entrepreneurs (in reference to the big share of subsidies of the total income structure) is, to a great extent, determined by external circumstances instead of a set of competences. Rural entrepreneurs acknowledge the land resource as positional goods and psychologically construct an attitude towards other products and production means as positional goods.

In this aspect, positional goods can be any material values and services whose usage objective (along with an efficient consumption) is to demonstrate the owner's social status with the aim to raise one's hierarchical status in the social environment (Veblen, 1899).

The particular decision making process by economic agents can be explained with the belief system of behavioural economics which interprets real economic decision making practices on a microeconomics level.

Theoretical background:

By making economic decisions rural manufacturers acknowledge empirically the topicality of the theory of bounded rationality developed by Herbert A. Simon (1957, 1997). Through the course of decision making process, the knowledge, experience and social status' demonstration of entrepreneurial agents play a more important role than financial calculations of economic profitability. The acquisition of positional goods to gain recognition among neighbours, potential competitors and other important agents of the respective social field, has more significance than the neo-classical economic efficiency (Kahneman, Tversky, 1979).

Conspicuous consumption, i.e., the purchase and exploitation of luxury goods and services in order to present a social significance and economic power, is a widespread argument in making economic decisions (Trigg, 2001). Given that Latvian rural manufacturers have got a personal prosperity level above the average in the country, the demonstration of one's social status is a significant element that constructs economic decision making.

Results of the Empirical Study:

The social construction of the economic decision making process has been verified by the study that was carried out in the rural Latvia between 2009 and 2013. 44 large-scale farms were surveyed with the use of an open interview and participant observation methods. The object of the study were the following enterprises:

- Members of the farm produce market and not the players of subsistence farming;
- The ones who cultivate minimum 300 hectares of land and can be regarded as large-scale farmers and, consequently, are significant agents of their territorial and social field;
- The ones who receive the European Union's supranational and the Latvian national subsidies.

The results of the empirical study confirmed the acknowledgement of rural entrepreneurs that the source of economic decision making was not only an economic utility but also a social significance. Through the process of self-reflection, the majority of surveyed farmers discovered the construction process of the decision making where the acquisition of the products having a luxury goods' status in the eyes of neighbours and competitors, played an important role.

Given that the majority of the interviewed farm representatives make a significant income from different subsidies, it results in a situation where state and supranational financial resources are spent to meet both economic survival needs of rural entrepreneurs and symbolic purchases towards their social status.

Conclusion:

The reigning economic efficiency standard is the assumption that the decisions involving economic activity are thought out according to the doctrine on maximum income gain with applying minimum resources. However, real life practices prove such assumption being unable to explain the essence of decisions related to daily economic management. The rationality comprehension of economic management subjects does not always match the given belief system. Social factors and strategies demonstrating social significance of entrepreneurs is an essential source of making economic decisions. Solely modern socio-economic theories such as bounded rationality concept, conspicuous consumption and the concept of positional goods can explain real economic decision making practices.

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Sandra Collins, Nancy Arthur, Candace Brown

Athabasca University (Collins, Brown), University of Calgary (Arthur), Canada

Counsellor and Practicum Supervisor Critical Incidents in the Development of Multicultural and Social Justice Competency

Published in *IJOSS* 2(3), 2013: <http://www.iises.net/?p=8317>

Abstract:

Cultural influences on the identities of clients and counsellors and how those identities intersect have significant effect on the counselling process. The experiences and worldviews of clients from diverse cultural backgrounds influence presenting concerns, case conceptualization, and intervention strategies. Clients with non-dominant identities (ethnicity, gender, sexual orientation, ability, socioeconomic status, age, or religion) more often encounter experiences of social injustice, including discrimination and cultural oppression that significantly impact psychosocial wellbeing. With increased globalization and cultural diversity in many countries, there is a call for increased attention to these challenges. Counsellors are expected to engage in social justice action, with or on behalf of clients, to effect change in organizations, communities, or broader social systems. To prepare counsellors for these challenges, graduate counsellor education programs must incorporate competency development in both multicultural counselling and social justice. However, research is lacking on the effectiveness of current curriculum and the application of learning to practice contexts. The existing literature suggests that counsellors are not fully prepared to meet these complex challenges, particularly in the area of social justice. The purpose of this study was to examine how well selected counsellor education programs in Canada are preparing counsellors for both multicultural counselling and social justice. Most research has focused on curriculum content; less attention has been paid to how that content is taught and the efficacy of those learning processes in facilitating competency. The critical incident technique was used to solicit examples of effective and less effective learning processes from both practicum supervisors and counsellors in the field. Twenty-five practicum supervisors from two graduate programs and 48 counsellors from national and provincial counselling organizations participated in the study through an online survey, a portion of those provided the detailed critical incidents discussed in this paper. The qualitative data was analyzed to isolate, cluster, and relate emergent concepts. A critical psychology lens facilitated contextualization of the data in context of full transcripts and the power structures within education, the profession, and society to examine both overt and covert meanings. Several themes emerged from the detailed analysis of these critical incidents. The strongest theme was the lack of graduate multicultural education and, even more absent, a focus on social justice. This gap in learning was itself a critical incident, particularly as participants encountered the demands of culturally diverse work environments. For many, their competency evolved post-education through self-study and direct contact with diverse populations and, in some cases, through observations of cultural oppression in their work contexts. Those who had graduate multicultural counselling coursework highlighted critical readings, experiential learning activities, exposure to cultural diversity (sometimes through instructors and peers), open discussions, and opportunities to engage in direct service or applied practice. A statement by one participant reflects the conclusion that combining theory and practice optimizes learning: "I think that we need to engage fully in experiences which help us understand others at a deeper level, and this does not occur through reading some book on cultural differences." Recommendations for teaching and educational practices will be highlighted.

Keywords: Multicultural Counselling, Social Justice, Counselling Competencies, Counsellor Education

Myzafer Elezi, Engjellushe Zenelaj

"Ismail Qemali" Vlora University, Albania

Drug Production and Trafficking In Albania

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Abstract:

Drug trafficking is one of the most profitable illegal activities of organized crime along with human trafficking, contraband, economic crime, money laundering and constitutes one of the main financial sources of financing terrorist acts internationally. Data for the first application against drug-dependence treatment show a steady increase its even an exponential shape. Among those who use drugs on a regular basis, it appears that heroin users are in the highest proportion. Albania with its geographical position in the so-called "Balkan route" somehow favors transit and trafficking of narcotics mainly heroin. Albania is not only a transit route of illegal drugs, but it is where cultivated drugs (mostly Cannabis Indica), produced (marijuana and hashish oil), marketed locally and abused. Analyzing the situation and assess the risk efforts to combat drugs should focus mainly against the cultivation, production and trafficking of drugs by transited through Albania, and their trafficking within the country. It should be noted that it is important to note that increasing the efficiency of agencies engaged in the fight against drugs has resulted in increased quantities seized and made criminal groups seeking new ways and methods of illegal traffic. Due to the serious nature of the problems associated with drug trafficking and abuses with them, it is necessary to assess that how far competent mechanisms and institutions respond to this phenomenon.

Keywords: Drug Cultivation Areas, Transit of Illegal Drugs, Trafficking, Delivery of Controlled, Simulated Purchase, Geographical Distribution of Drugs

JEL Classification: K14

Hind El Makrini

Université d'Auvergne, Clermont Ferrand, France

Managerial Determinants of Export Performance: The Case of Moroccan SMEs**Abstract:**

The aim of the paper is to provide a comprehensive picture of the managerial determinants of export success of Moroccan small and medium-sized enterprises (SMEs), responding to recent calls for research in the international business literature by using subjective (perceptual) measures of export success. Based on the literature review and mainly embedded in the measure-based review of the firm, we classify managerial determinants into attitudinal and skill-based characteristics. The proposed conceptual model is tested within a sample of 100 Moroccan exporting SMEs using multiple regression analysis. The findings reveal that the level of influence of managerial determinants depends on export success measures and suggest that the implementation of the most influencing determinants which are management export commitment and management customer orientation, is an efficient strategy in providing and sustaining strategic competitive advantage for Moroccan SMEs, within an ever changing business environment. The authors draw several concluding remarks highlighting the contributions, implications and limitations of the study before discussing some future research directions.

Hubert Ertl

Oxford University, United Kingdom

Economic Implications of Fee Increases in Higher Education: Findings from an Exploratory Study in the English Context**Abstract:**

This paper reports on a study into the reasoning of university applicants in the context of rising fees for full-time Home/EU undergraduates at English universities. At a political level, the expected economic gain of individuals (the “graduate premium”) is regularly cited as a justification for higher private contributions to the cost of higher education. However, the choices that potential students make about whether to apply to university and if so where and what to study, are not influenced directly by the, necessarily generalised, and highly contested estimates of the financial benefits for recent graduates over their careers. The study this paper reports on examined how influential this rationale is in prospective students’ decision making. Based on the data gathered for the study this paper argues that there are high levels of uncertainty amongst potential applicants to higher education regarding expected earnings after graduation and the amount of debt studying for a degree would generate. Nevertheless, prospective students demonstrate a high level of discrimination with which they approach decisions regarding higher education. While many of the participants in the study do not have clear expectations about the financial costs and benefits of a higher education degree and seem to ‘postpone’ concerns about debt to a later point in time, they indicate that higher fees have increased the pressure to make the right decisions concerning what and where to study. However, the data indicates that attitudes towards the notion of a graduate premium have a strong influence on the propensity to apply to higher education. The differences in the expected cost of studying at different institutions do not seem to be a predominant factor in participants’ choices about where to apply – this is partly because the difference in costs of studying at different institutions are seen as small and students do not expect to have precise information until they start at university or college. Undoubtedly, the rise in fees has made transition decisions more difficult for potential applicants, with questions regarding transitions from higher education into the labour market becoming even more important. Considering the findings of the study, it can be expected that prospective students will be very selective – influencing behaviours adopted during the clearing process – and that drop-out rates in the early stages of degrees will be potentially lower, as students recognise they have made a significant commitment by starting at university and will have greater motivation to complete their courses.

Yovav Eshet, Keren Grinautski, Yehuda Peled

Zefat Academic College, Safet, Israel

What Have You Got to Say for Yourself? Personality Traits and Academic Dishonesty in Online Courses

Abstract:

Academic dishonesty is a disturbing issue in higher education that has been worsening over the years, especially with the appearance of the internet and the e-learning education. This new technology exposes students to the opportunity of using online bank exams and term papers and increases their tendency to cheat. This study investigates student academic dishonesty in the context of traditional and distance-learning courses in higher education. Data from 1,365 students enrolled in academic institutes in the U.S.A and Israel were surveyed to assess their personality and their willingness to commit various acts of academic misconduct. The findings indicate that in both countries dishonest behaviors are greater in face-to-face courses than in online courses. In addition, both American and Israeli students identified with the personality trait of Agreeableness showed a negative correlation with academic dishonesty. Furthermore, Israeli students identified with the personality traits of Conscientiousness and Emotional Stability demonstrated a negative correlation with academic dishonesty. In contrast, the personality trait of Extraversion among American students was found in a positive correlation with academic misconduct. Implications for further research are discussed.

Sandra Fabijanić Gagro

Department of International Law, Faculty of law University of Rijeka, Croatia

The Responsibility to Protect (R2P) Doctrine

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Abstract

Looking for the effective measures to prevent systematic violations of human rights and core crimes of international law, the International Commission on Intervention and State Sovereignty in December 2001 released the report “*Responsibility to protect*”. It embraces three specific responsibilities: a) to prevent - to address both the root causes and direct causes of internal conflict and other crises putting populations at risk; b) to react – to respond to situations of compelling human need with appropriate measures, which may include coercive measures like sanctions and international prosecution, and in extreme cases military intervention; c) to rebuild – to provide, particularly after a military intervention, full assistance with recovery, reconstruction and reconciliation, addressing the causes of the harm the intervention was designed to halt or avert. Taking into consideration the core foundations of international community, its origin of state sovereignty, the principle of non-intervention, and the prohibition of (even) threat and/or using force in mutual relationship, on one side, but also the general idea of obligation to protect human rights, on the other – question arises: is there a base of justification for one (or more) state(s) to use force against other state for the humanitarian purpose, at all?

Keywords: responsibility to protect, humanitarian intervention, genocide, war crimes, crimes against humanity, ethnic cleansing

Zvi M. Ganor

W.Galilee Academic College School of Management, Acre, Israel

Customer Experience Role in Marketing Strategy

Abstract:

In the last 15 years 'customer experience' has raised the attention of researchers in the fields of 'marketing strategy', 'consumer behavior' and 'retail management'. The issues of 'experience', the 'game' and the 'search for pleasure and excitement' are not new. Greek classical approaches such as Epicurus and Aristotle portrayed the human being as a hedonistic creature. Later on 17th and 18th century philosophers such as Schopenhauer, as well as 19th c. schools of the Utilitarianism like Mill and Bentham still argued that pleasure and enjoyment were essential for human existence. The Dutch historian Johan Huizinga (1938) uses the term: 'Homo Ludens' (The playing man) to suggest that the play is primary and necessary (though not sufficient) condition for the generation of culture. New approaches to customer experience appear in the last 20 yrs like Pine & Gilmore's research (1999). They argue that businesses must orchestrate memorable events for their customers, and that memory itself of the experience becomes the product. This contributes to a competitive added-value. Voss (2003) demonstrates that "Customer experiences' creates an emotional response and emotional attachment to the Company Brand or product brand that is almost impossible to build otherwise." The online businesses encounter many difficulties to produce emotional or sensorial experience among surfers (Chen & Chang 2003). The WEB-2 and 3, help in improving that but with only partial success. This research was led among a sample of 1250 young users of the age 18 to 24 years in Israel during 2012-13. The purpose of this study was to examine the relationship between the 'online shopping experience with all its variables and the purchase intention of Internet users. The study examines the impact of an external factor : the 'product type' purchased and an internal factor: the 'user's character' in terms of the 'consumer value orientation'. These relationships enable us to provide recommendations in various aspects of online marketing strategy. These recommendations help the online channel increase 'purchase intent' by improving the 'online shopping experience' adapted to the channel users.: The difficulty of realizing competitive advantages of online retail marketing channel against alternative marketing channels triggers the need to find solutions to improve the competitiveness of the online channel. To achieve these goals, this study yielded the following practical recommendations: 1. marketing strategy with regard to the online channel is required as part of its major goals to create an effective online buying customer 2. Creation of online shopping experience within marketing efforts is required to give at least an adequate response to every one of the 5 factor of the experience: security, enjoyment, value, convenience, and evaluation. 3. In the process the shopping experience, the 'security' factor should be emphasized and adequately addressed to meets the needs of customers as part of their buying experience, however, one should limit the extent of investment in this factor beyond due, to prevent decreasing marginal return in other factors (excessive emphasis on security, for example may detract purchasing experience and reduce enjoyment). 4. A particular effort in creating the experience

required must be made by investing in the 'enjoyment' factor during the online purchasing process. 5. Combining the five factors of customer experience in the marketing strategy of the online business can significantly improve: * The attractiveness of the Website * The extension of customer staying time in the website * Increased purchase intent * The customer loyalty and strengthening the emotional and rational attachment to the website brand

Jozef Garczarczyk, Marek Mocek, Sylwester Bialowas

Poznan University of Economics, Poland

Economic Situation and the Polish Households' Behavior on the Financial Market**Abstract:**

The extent to which households take advantage of financial services depends on many factors – both macroeconomic (the dynamics of the GDP growth, the level of inflation, the unemployment rate, wages, interest rates, the economic situation, the law, etc.) and microeconomic (education, the size of the household and its stage of development, current expenses, the size and structure of financial resources, the place of living, the consumption model, priorities in life, etc.). The aim of this article is to identify the impact of fluctuations in the business situation of the financial sector on the activity of Polish households in the financial market. The analysis includes the following factors influencing the market behaviours of households: financial institution selection factors, communication method between the clients and the financial institution, the rating of the quality of financial services offered. The analysis was conducted in Poland in a long period of time encompassing the years of 1995-2011, i.e. different economic situations. The source base for the empirical analysis was data coming from the quarterly research into the business situation of the financial sector and the annual national monitoring of households concerning the use of financial services. The organiser of both of the aforementioned research studies was the Marketing Research Department at the University of Economics in Poznan (presently, the Services and Market Research Department).

Keywords: Economic/Business Situation, Household, Financial Services, Market Behaviours, Factors Influencing Behaviour

JEL Classification: E32, D12, D14, G32

1. Introduction

Consumer behaviour is a complex process, understood as all activities regarding the acquisition and use of goods and services in order to satisfy needs previously hierarchized by the consumer (Engel, Blacwell, Miniard 1993, p. 4). Kieźel, on the other hand, defines consumer behaviour as a coherent whole of steps, actions, operations related to making choices in the process of satisfying consumer needs under specified social, cultural and economic conditions (Kieźel 2010, p. 58). Consumer behaviour is thus formed on the one hand by the felt needs, and on the other hand by the manner of searching, selecting and using goods and services satisfying those needs.

An important area of consumer activity on the market is their financial behaviour. Behaviour of this type may be defined as a group of actions and operations related to making choices in the process of

satisfying financial needs (Smyczek 2007, p. 67). These are, therefore, actions including managing the budget, saving, borrowing, investing, insuring, paying taxes, speculating or managing wealth (Antonides, van Raaij 2003, p. 439). There are four levels of financial behaviour - managing budget and cash, developing and maintaining a financial reserve, financing purchases, and investing and multiplying wealth (Lindqvist 1981, p. 39). Participating on the abovementioned levels of financial behaviour depends primarily on the material status and the size of consumer's income.

Bywalec has a slightly different understanding of financial behaviour, namely that it is "the whole of people's (household's, enterprises', etc.) attitudes and actions directly relating to the acquisition and allocation of funds. Financial behaviour is a component of economic behaviour, with particular regard to their market and consumer dimension" (Bywalec 2012, p.29). Fatuła, in turn, defines financial behaviour as "all measures taken to satisfy current financial needs: storing, securing, controlling and accessing funds, and fulfilling future goals by taking loans, saving, investing, insuring, and taking advantage of various services offered by relevant financial institutions" (Fatuła 2010, p. 34).

Already the above definitions show that consumer behaviour and consumer activity on the market are determined by many different factors, which leads to great variation. The behaviour of households on the financial service market has been considerably influenced by macroeconomic factors, namely changing dynamics of GDP growth, inflation or unemployment rate (Garczarczyk, Mocek, Olejnik, Skikiewicz 2006, p. 113-121). In the years 1995-2012 Poland's Gross Domestic Product increased more than four times - from PLN 308 bn to PLN 1595 bn. In this period of time, the unemployment rate fluctuated significantly (from 8.8% to 20.6%), with its value being 14.9% in 1995, and in 2012 reaching a similar level of 13.4%. Also, the inflation rate in the analysed period of time was subject to considerable fluctuations (from 0.8% to 27.8%), with its value being clearly higher in 1995 (27.8%) than in 2012 (3.7%). The behaviour of Polish households on the financial service market has also been affected by factors of microeconomic character, including level of education, age, number of household members, size of income, place of residence, household development phases, etc. (Bywalec 2012, p. 31-58).

In previous studies different authors undertook the subject of the influence of both macroeconomic and microeconomic factors on household behaviour on different markets, including financial markets. However, these studies did not analyse the influence of the changes in the economic situation on the activity of households on financial markets, and on the factors shaping this activity. The present paper constitutes an attempt to fill this gap.

The aim of the paper is, therefore, to identify the influence of the economic situation fluctuations in the banking and insurance sector in the years 1995-2011 on the factors shaping the activity of Polish households on the financial service market. The scope of the analyses will address the following issues:

1. attitude towards saving;
2. factors determining the choice of an insurer or a bank;
3. assessment of the reliability of financial companies, the width of offer and the promotion of services;
4. assessment of the insurance services' quality.

The source base for empirical analyses were the results of the quarterly economic situation survey in the insurance and banking sector, and the results of annual Polish-wide monitoring of households on the use of financial services. The organizer of this survey was the Department of Marketing Research of Poznan University of Economics (now the Department of Market Research and Services).

2. The economic situation in the banking and insurance sector in the years 1995-2011

The insurance services sector is, not only in Poland, one of the fastest growing sectors of the economy. In 2011 Polish financial institutions had a total of assets representing the equivalent of approximately 118.5% of GDP. The share of other institutions than banks in these assets amounted to 33.5% of GDP, while in Germany it was 70%, and in Great Britain approximately 220% of GDP.

The financial sector in Poland grew very dynamically, which is reflected in an almost five-fold increase in assets of all financial institutions in the years 1995-2011. By far the biggest dynamics of asset growth was recorded by open pension funds and investment fund companies, whereas insurance companies recorded relatively lower dynamics (a 27-fold increase). By far the lowest dynamics of asset growth was recorded by banks; however, also in this case, the growth was bigger than this of the whole economy. The above indicators prove the growing importance of the financial sector in Poland.

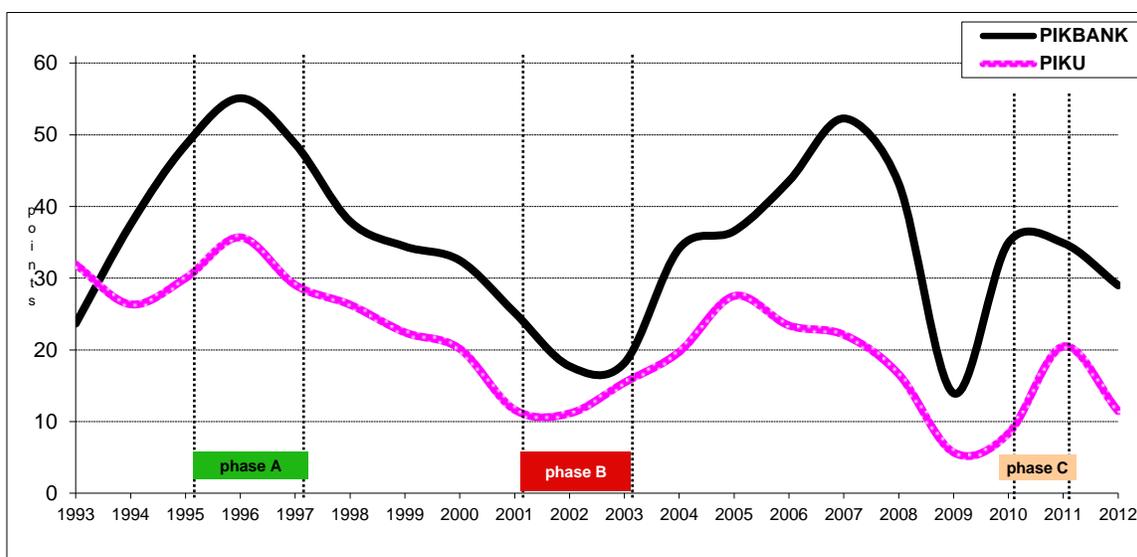
In the financial sector in Poland the dominant role is played by banks (share in total assets - 71.7%). The consolidation of the sector resulted in the decrease in the number of banks operating in Poland, especially small cooperative banks. The number of commercial banks in the years 1995-2011 fell from 81 to 66, and the number of cooperative banks fell from 1,510 to 574. During the same period, the assets of the financial sector grew from the level of PLN 149 bn to PLN 1,294 bn, which based on the share in Polish GDP amounted to respectively 49% and 85%. Both in terms of the number and the value of assets, banks with the predominance of foreign capital are dominant in Poland; in 2011 the Polish ownership capital amounted to only 35% of the assets value. In that time, the following capitals had the largest share in the Polish banking market (in order): Italian (12.5%), German (10.4%), Dutch (8.8%), American (6.1%), and Spanish (5.7%).

As compared to the banking sector, the insurance sector plays a much smaller role, as the share of this sector's assets in total assets amounted to merely 8.1% in 2011. Despite its secondary role, a dynamic growth of insurance sector in the years 1995-2011 can be noticed. In this period, the number of companies operating in insurance activity grew from 39 to 61 (including 28 of life insurance companies (sector I), and 33 from non-life insurance companies (sector II). At the same time, there was an over tenfold increase in the insurance premium (from PLN 5.58 bn to PLN 57.13 bn), with the growth dynamics being considerably bigger in sector I (over 17-fold) than in sector II (nearly 7-fold). As a result, there was a change in structure of the premium generated from sector I and II (in 1995 respectively 33% and 67%, and in 2011 - 56% and 44%). Consequently, in the last 16 years there was a significant increase in the share of the generated premium in GDP (from 1.65 to 3.8%). However, it should be noted that despite the increase, the share of the premium in GDP in Poland is significantly lower than in most developed countries. Similarly, the average premium per capita is relatively low in Poland. In the year 2011, the premium per capita in life insurance was PLN 826 (USD 243), while in

non-life insurance - PLN 656 (USD 193), in 2007 it was respectively PLN 669 and PLN 478 (USD 268 and USD 191).

In the years 1995-2011 there were considerable fluctuations in economic activity in Poland. Also the economic situation on the domestic financial market was changeable (Figure 1.). A synthetic assessment of the situation on the insurance services market is shown by the PIKU index (Poznański Indeks Koniunktury Ubezpieczeniowej, Eng. Poznan Insurance Business Index) and the PIKBANK index (Poznański Indeks Koniunktury Bankowej, Eng. Poznan Banking Business Index). They are calculated as weighted arithmetic means of the diagnostic and prognostic simple indicators (Garczarczyk, Mocek, Olejnik, Skikiewicz 2006, p. 76). It is worth noticing that the two discussed financial sectors reacted to the change in the economic situation quite differently. While in good economic situation the results are similar (the A phase), in times of crisis there are some differences. During the crisis of the beginning of the century, banks defended themselves from the crisis for a longer period of time, thus the signals of the downturn appeared in banks much later. The situation looked a little different during the crisis of 2009. Banks were affected by the crisis much faster and stronger (no wonder, as after all they were the perpetrators of the crisis), however, they also dealt with the crisis faster. It is worth noticing that the signals of deterioration were much stronger among banks with foreign capital; in Polish banks the indications were much less pessimistic. These observations lead to the conclusion that the banking sector is in Poland less vulnerable to crises.

Figure 1. The PIKU Index and the PIKBANK Index



Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

As a result of changeable economic situation, we can distinguish five substages in the financial sector in Poland in the years 1995-2012:

- first stage, to the end of 1996, with increasing pace of growth,

- second stage, from the beginning of 1997 to the second quarter of 2002, with generally decreasing pace of growth,
- third stage, from the end of 2002 to the end of 2005, again with strong dynamics of growth,
- fourth stage, from the end of 2005 to the middle of 2009, with a prevailing downward trend,
- fifth stage, from the middle of 2009 to the end of 2011, with increasing pace of growth.

In order to analyse the influence of the economic situation in the financial sector on the factors determining the activity of households on the insurance services market, three periods were chosen for further analyses, namely:

- the years 1995-1997, with very good economic situation in the financial sector, and with the upper turning point of the economic situation cycle (the A phase),
- the years 2001-2003, with bad economic situation in the financial sector, and with the lower turning point of the economic situation cycle (the B phase),
- the years 2010-2011, the initial period of recovering from the economic downturn (the C phase).

3. Attitude towards saving

Attitude towards saving is an element in most of the models describing the attitude of households towards money (see Bywalec 2013, p. 24-32). With the plurality of theoretical approaches, there are also different measuring tools; however, the simplest way (from those declarative) is to ask about the attitude towards saving, with answers ranging from “saving is pointless” to “you always have to save”. The attitude towards saving is affected by many personal, environmental and situational determinants, yet it can also be expected that it will be sensitive to the general economic situation on the financial market.

However, the influence of the economic situation on saving behaviour is not unambiguous. According to G. Katona’s research, expecting positive changes in the economy reduces the probability of saving. Good economic situation generates new needs, whose satisfying results in reducing the saving rate. On the other hand, pessimistic attitude is related to a smaller need to have new goods, and an increased saving rate (G. Katona, 1975).

Nevertheless, it should be noted that the latest studies have showed quite different results, indicating the reverse relationship. Households hoping for good economic situation (the economic optimism was studied) save more eagerly than pessimistic households. (J. Rha, C.P. Montalto, S.D. Hanna, 2006) (Y.Yuh and S.D. Hanna, 2010) (S. Białowas, 2013).

The research revealed that in the phase of good economic situation (the A phase), the majority of Polish households claimed that saving makes sense, but without sacrifice (55%). Every third household is convinced that one should always save, every eleventh think that saving is pointless.

On the other hand, in the phase of recovering from economic downturn (the C phase), the conviction of the necessity to save is stronger, yet the differences are relatively small. Sixty per cent of households think that saving is important, but without sacrifice. Thirty-seven per cent of households are convinced

that one should always save, and only every thirtieth think that saving is pointless. Strengthened conviction of the necessity to save may be explained by fresh experiences of the crisis phase, and the decision to create a security buffer for the future.

4. Criteria of selecting different financial institutions in different phases of the economic situation

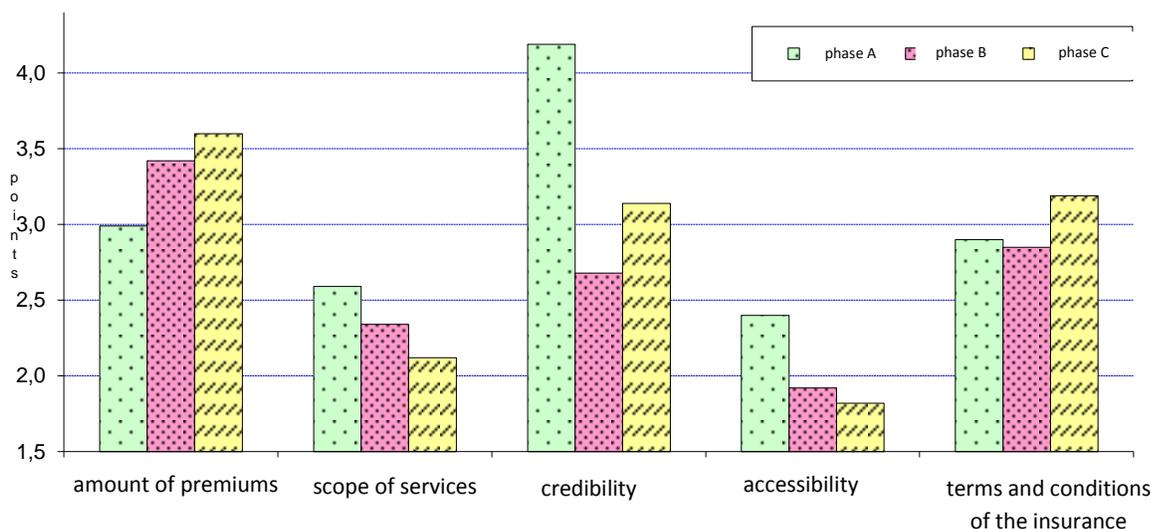
One of the key stages of the decision-making process regarding the use of a banking or an insurance service is choosing a company (a bank/an insurer) providing a needed service. Such decisions made by households are affected by many different economic, social, cultural, and psychophysical factors. Also the significance of their impact on the final decision is varied. Among many factors, there are those having a universal character, which are directly related to products offered to households (prices, bills, commissions and interest rates, terms and conditions of the agreement, width of the offer), reputation of the service provider, and the accessibility to the company's offices (in time and space).

The hierarchy of importance of the five factors when it comes to the households' decision-making is not the same in different economic conditions.¹ And thus, during periods of prosperity (the A phase) the households claimed that the dominant factor when choosing an insurer was trust towards the insuring company resulting from its reputation (an average of 4.19 points out of 5). Much less important factors when choosing an insurer were: the amount of premiums for the offered insurance products (an average of 2.99 points) and the terms and conditions of the offered insurance products (2.90 points); and relatively the smallest attention was paid to the availability of the offices. The key importance of the trust towards the company is demonstrated by the fact that during periods of prosperity, more than a half of households (53.3%) placed this factor as number one in the hierarchy of importance, while the other two were of primary importance only to, respectively, every fifth-sixth and every eighth-ninth household.

When it comes to choosing a bank in this phase, the clients paid attention especially to the credibility/guarantee of the State Treasury (an average of 1.36 out of 3 points). Slightly less significant were: the speed and efficiency of service (0.84) and the accessibility of the bank (0.61). Qualifications and knowledge of staff (0.48), the scope of services (0.47), conditions for being granted a loan (0.46), and the amount of fees and commissions (0.44) were of relatively little significance, whereas the whereabouts of a bank did not influence the choice almost at all (0.05). The frequency of choice also reflects the significance of factors used to choose a bank. Credibility proved the most important for half of the households, every third household pointed the speed of service as the most important criterion.

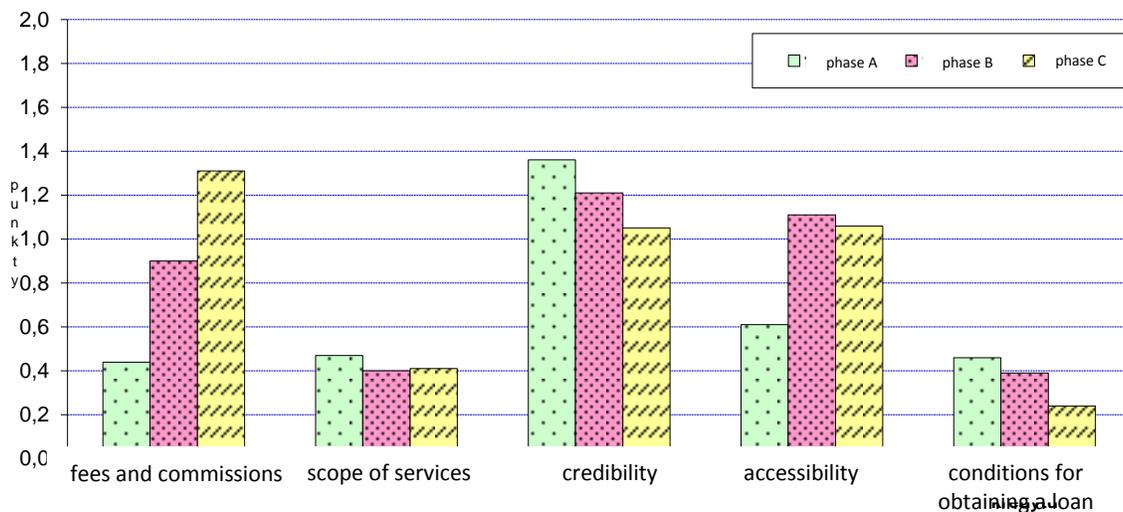
¹As for insurance, the hierarchy of importance was studied on a scale from 1 to 5 (points assigned to each criterion, where 1 is not important, and 5 - very important). In turn, when it comes to banks, the hierarchy was studied by forcing to create the hierarchy of three most important criteria. Therefore, in the case of banks, the scale is stretched between 0 (no one pointed the criterion as one of the three most important ones) and 3 - everybody pointed the criterion as the most important one.

Figure 2. Criteria of choosing an insurance company by households depending on the phase of the economic situation



Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

Figure 3. Criteria of choosing a bank by households depending on the phase of the economic situation



Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

In times of economic downturn (the B phase), on the other hand, households considered mainly factors of economic nature when choosing an insurer. Indisputably the most important factor for households was the amount of insurance premiums (an average of 3.42 points), and clearly the second most important criterion were the conditions of the offered insurance products, which determined the scope

of insurance coverage and the consequent obligations of the insurer (2.85 points). Trust towards the insurance provider was only the third most important criterion in the hierarchy (2.68 points). Clear decrease of this factor's significance in times of economic downturn has been indicated by much lower than during times of prosperity percentage of households considering trust to two main factors determining their choice (respectively 44.2% and 75.8%).

During economic downturn the role of the bank's credibility fell slightly (1.21 point); however it was still the most important criterion. On the other hand, the role of bank's accessibility increased (1.11). The speed and efficiency of service ranked third (0.98), which is a similar result to this of good economic situation. Similarly to the insurance sector, the rise of significance of the economic factor - fees and commissions - can be observed (0.90 point). Less important criteria of choice were: the scope of services (0.40), conditions for being granted a loan (0.39) and the qualifications of the staff (0.27).

A similar hierarchy of the abovementioned features could be observed when it comes to households making decisions in times of recovery in the insurance sector after a previous relatively bad economic condition (the C phase). However, it should be noted that already at the beginning of the upward trend in the sector, households were guided to a much greater extent than during the bad economic situation by the terms and conditions of the provided insurance services (an average of 3.19 points), and credibility (3.14 points), and at the same time they paid even less attention to the full scope of the provided services (2.12 points), and to the size of the branch network, their location and opening time (1.82).

In the case of choosing a bank during the recovery phase, the economic factors gained even more importance. The amount of fees and commissions became the most important criterion (1.31 point), pointed by 58% households. The following three criteria also changed their previous hierarchy; the accessibility of the bank was ranked second (1.06), credibility - third (1.05), and the speed and efficiency of service - fourth (0.98). The conditions for obtaining a loan proved a relatively less important criterion in this phase (0.24).

5. The assessment of banks and insurers' activity and the financial economic situation

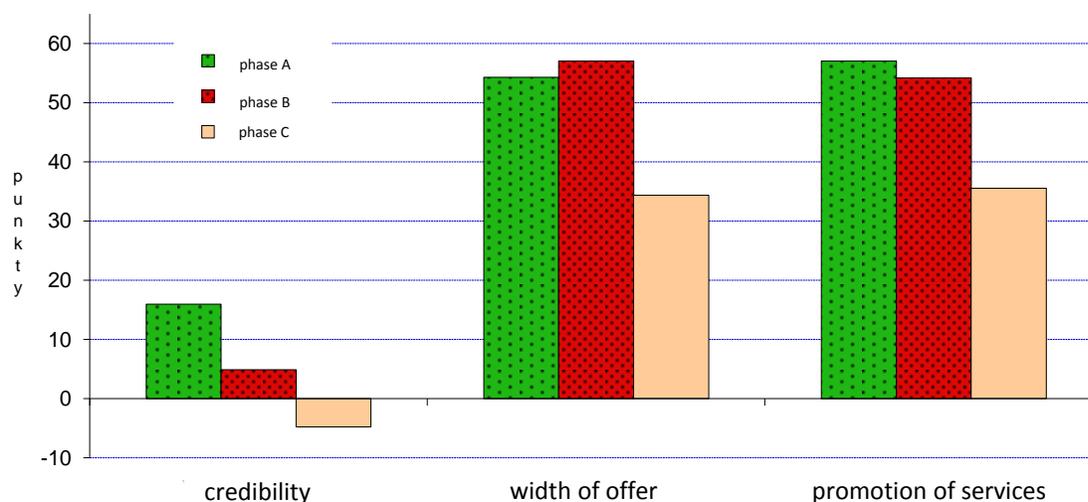
Because of the importance of financial services, households observe and evaluate the activity of banks and insurers all the time. The subject of observations and evaluations made by households are different, more or less aggregated features of financial services providers. One of the most important features of a definitely multidimensional character from the point of view of households is credibility, which translates into giving them less or more trust. A second very important and continuously evaluated feature of a similarly complex character is the quality of the provided services. And one of the significant features belonging to the group of more uniform and detailed elements of financial institutions activity is the width of their offer. Its importance for households results from the fact that this the feature mostly deciding about the possibility to satisfy varied and, not seldom, not very common needs of a financial character. Also promotional and advertising activities of the services belong to another feature characterising a relatively uniform element. These activities are of importance to many households because of the informative function they perform, which is especially significant in the situation of low financial awareness.

Generally speaking, changes in the levels of credibility of the insurance companies operating on the Polish insurance market in different conditions of the economic situation of the insurance sector are not the same. The analysis of opinions on the direction of the trends observed by the households, which were expressed using a three-step scale (deterioration, no changes, improvement) shows that in the prosperity phase (the A phase) the credibility of the insurers and trust toward them increased fairly significantly (balance of +16 points). Improvement in this area was indicated by over a fourth household, whereas deterioration was noted only by every tenth. In the case of banks, the level of trust increased significantly more in this phase - the balance is +43 points, the increase in credibility of banking institutions was pointed by every second household.

In the economic downturn phase (the B phase) the situation was relatively worse. Although also in this period an improvement in this particular feature of the insurance companies was noted, the scale of the recorded improvement was only a slight one (balance of +5). In turn, in the recovery phase (the C phase), there was also a slight but absolute deterioration of the insurance companies' credibility (negative balance of -5). In was in this period that the households pointed rather to deterioration than to improvement of this important for the insurance companies' clients feature. One could think that the above downward trend constituted to a great extent an aftermath of the earlier period of economic downturn and a relatively short time from this unfavourable for the households state of the economy.

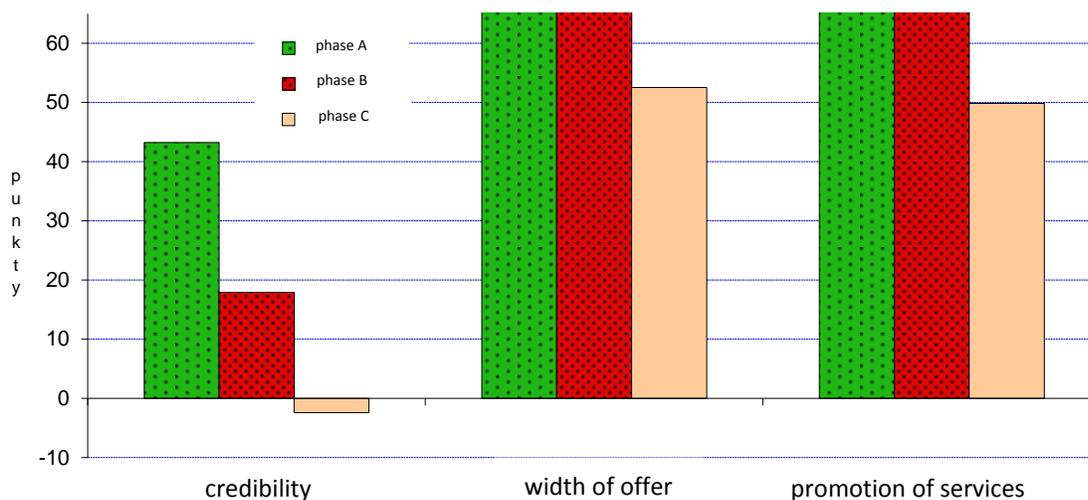
In the case of banks, during the economic downturn the credibility would still improve, but the scale of the improvement was, similarly to the insurance sector, considerably weaker (a balance of +17). On the other hand, in the recovery phase (the C phase), the situation was bad, and both the increase and decrease in credibility was indicated by a similar percentage of households (the negative balance of -2).

Figure 4. Clients' assessment of changes in the insurance services market depending on the phase of the economic situation



Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

Figure 5. Clients' assessment of changes in the banking services market depending on the phase of the economic situation



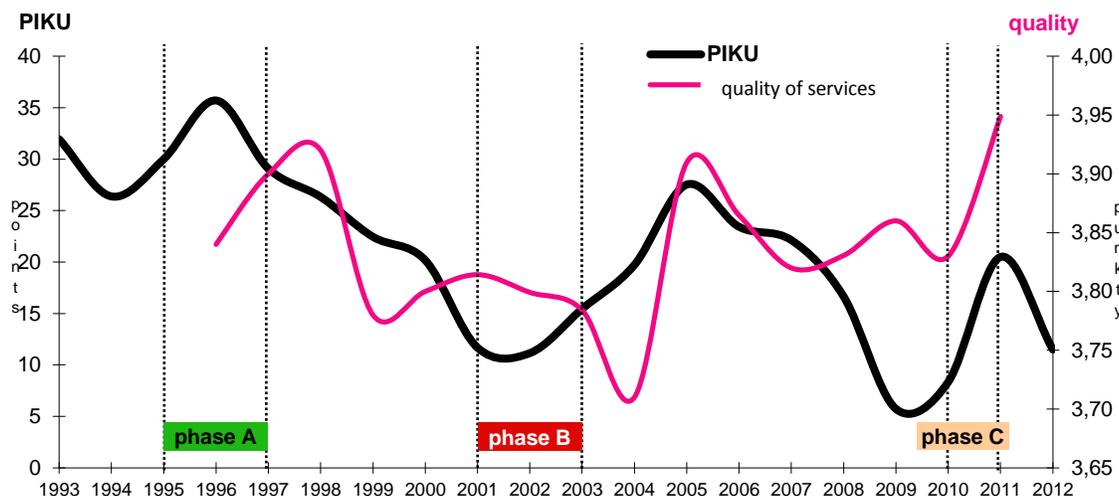
Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

The existence of dependencies between the changes in banks and insurers' credibility as perceived by households and the economic situation in the insurance sector is also indicated by the value of the correlation coefficient between the two variables. This coefficient was 0.634 for the insurance sector, and) 0.594 for the banking sector.

It proves the existence of a statistically significant (at the level of $\alpha=0.05$) correlation between the assessment of credibility of the financial institutions and the economic situation. This is a positive correlation, which means that, generally speaking, along with the improvement of the economic situation, there is an increase in the credibility and trust of the households towards the institutions, while in the case of deterioration of the situation in the sector, the level of credibility (as perceived by the households) of the companies operating on the financial market also decreases.

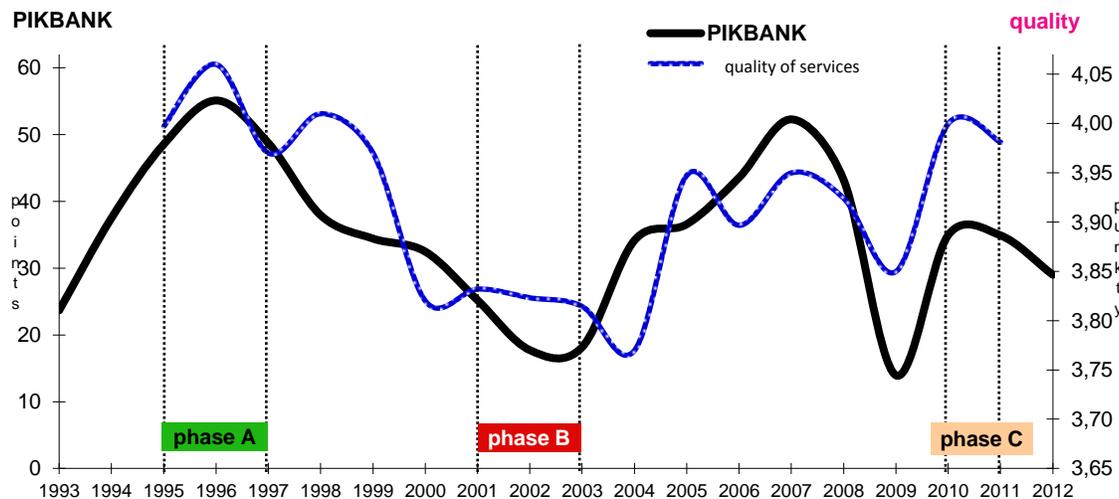
There is, however, no significant correlation between the economic situation in the banking and insurance sector, and the assessment of the changes recorded by the households regarding the width of the offer and the promotion and advertising of the insurance services. Both in the good and bad economy phase, there was a significant improvement of the situation in both sectors, and the differences between the assessments of the level of improvement are minimal.

Figure 6. Clients' assessment of the quality of insurance services and the economic situation in the insurance sector in Poland



Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

Figure 7. Clients' assessment of the quality of banking services and the economic situation in the insurance sector in Poland



Source: data of the Department of Marketing Research of Poznan University of Economics (now the Department of Market and Services Research)

The assessment of the quality of services provided by the financial institutions is related to the changes in the economic situation to a relatively smaller extent. One could think that it results from the multidimensional character of the category of service quality, and in the case of insurance also from

relatively rare procedures regarding the course and the consequences of settling all claims. Despite that, by analysing the level of assessment performed by the households on the quality of financial services measured in a 5-step scale ranging from 1 (the lowest rank) to 5 (the highest rank) in different phases of the economic situation (A, B, C), the existence of clear regularities which require emphasis can be identified.

It turns out that, generally speaking, according to households, in times of good economic situation (the A phase), the quality of provided banking and insurance services was higher than in times of the economic downturn (the B phase). And so, in times of prosperity the average quality assessment was at the level of 3.84-3.90 points for the insurance sector, and 3.97-4.06 for the banking sector, in times of the economic downturn the assessment was respectively 3.80-3.81 points, and 3.82-3.83 points. The regularity saying that better economic situation is accompanied by a higher quality of financial services is also confirmed in the case of the recovery phase (the average assessment is over 3.83 for insurance and 3.99 for banks).

Another regularity worth underlining is the fact that both in times of prosperity (A) and in the recovery phase (C), the quality of services was assessed relatively higher in the final year of the phase than at the beginning, whereas in the economic downturn phase (B) the direction of the assessment change was reversed (it was higher at the beginning of the phase, and lower at the end). At the same time, it should be noted that the observed trends different during the good and bad economic situation phases regarding the assessment of the quality of insurance services did not expire with the phases ending but later - after a year and after two years, respectively. It means that significant changes in the level of the quality of services provided by financial institutions accompanying the changes in the economic situation in the sector seem to be perceived by households with a certain delay.

6. Conclusions

In the light of the conducted analysis it can be stated that the impact of the economic situation changes in the insurance sector on the behaviour of households on this market is not unambiguous. It is clear with regard to some factors, but at the same time it is difficult to confirm this relation to others.

The impact is visible in the case of the choice of an insurance company - during times of prosperity clients mainly use the criterion of trust towards the insurer, while during economic downturn the main criterion are economic factors (the price of the service, terms and conditions of the insurance). A similar relation can be observed in the case of banks - with the economic situation deteriorating, the role of credibility, and the role of fees and commissions increases. What is interesting, the significance of the economic aspects increases even more in the economic downturn recovery phase, with the most important criterion being fees and commissions.

The influence of the state of the economy in the insurance sector on the attitude towards saving, and on the clients' assessment of the changes in the insurance service market regarding the width of offer and the promotion of services was not observed. Such influence is, however, visible in the case of the assessment of changes in credibility of the insurance companies (better economic situation - a more optimistic assessment).

The relation between the economic situation and the assessment of the level of services provided by banks and insurance companies is, however, significant. The better the economic situation is, the better the assessment; whereas the deterioration of the economic situation results in worse ratings of the services quality.

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Rui Coimbra Gonçalves

University of Coimbra, Portugal

Sources and Influence Exerted by Francisco Suárez on the Political and Economic Ethics

Abstract:

As a part of the natural law the norms concerning the gentile people become positive and voluntary for the thinkers from the Iberian Second Scholasticism of the XVIth and XVIIth centuries, in order to treat in a juridical officially recognised way the new necessity of cope with the states with which Europe had not yet systematically established any kind of relation. This theory was of decisive importance for Hugo Grotius. And Francisco Suárez was an outstanding pattern for Grotius in matter of law and political thought.

Another item of unquestionable interest is the economical morality preached in those days. In fact among the aspects consecrated by the School of Salamanca headed by Francisco de Vitoria on this last subject, we can distinguish the illegitimacy of the commercial activities displayed by their agents in order to obtain gains, while getting money through the speculative proceedings of loan with lucrative goals.

Keywords: Second Scholasticism, Suárez, Grotius, Kant, Ethics, Political and Economic Thought

JEL Classification: B11

With a special interest can be classified the discussion developed on the theories of the gentile law (*ius gentium*, or the so-called right of nations) by the scholars from the Iberian countries during the XVIth and XVIIth centuries, mainly those maintained about its relation with the people of the overseas then recently known during the Discoveries.

As a part of the natural law the norms concerning the gentile people become for these thinkers positive and voluntary in order to treat in a juridical officially recognised way the new necessity of cope with the states with which Europe had not yet systematically established any kind of relationship. This theory was of decisive importance to the Dutch philosopher Hugo Grotius when this last reported the law situation in the Eastern Indies.¹

Obviously the question of colonial rule and the evangelization on new territories assumed controversial shapes. Inasmuch as the Jesuit priest and teacher Francisco Suárez admitted, namely in a posthumously

¹ Cf. VALDEZ TÚMA, S. (2009?), ““Humildísimo y fidelíssimo escravo”: a figura do escravo na crítica à sociedade corporativa”, p. 27 (no longer available at the Internet).

published treatise from 1621, *De fide, spe et charitate (On faith, hope and charity)*, that Church would have legitimacy to employ force through the secular arm delegated in a prince of Christianity if any native nation refused to be evangelized, for Luis de Molina the struggle was clearly for the defence by which the conquered peoples should convert in practical actions their claim to maintain a condition of independence and resistance against any foreign power. This last recognised openly in his work of 1606, *De iustitia et iure (On justice and law)* the rights from the aborigine of no submission to the Christian missions at the newly founded seaborne empires.²

Despite of several conceptualist ideas like those inherited from the medieval scholastics and the vigorous influence suffered from Saint Thomas Aquinas in other levels (such as ethics, psychology, theodicy and the own metaphysics), the anthropocentric preoccupation raised by Suárez while considering the indigenous humans as real beings was closer to the insular wise men of the Late Middle Ages, the Scottish monk Duns Scott and the British scholar William of Ockham, both Franciscans. But we insist that for his time and to the foreseen centuries of rationalism in northern Europe, Suárez was the first showing the way, for instance, to Descartes, Leibniz and Spinoza in terms of metaphysics.

Besides this, if only we remember that one of the main ideals comprised in the work by Immanuel Kant *Zum ewigen Frieden. Ein philosophischer Entwurf (On perpetual peace: a philosophical sketch)*, would be found in the logical basis of the actual United Nations for our time of a desired equilibrium and geo-strategically controlled world, and that Kant was in his turn probably accommodated, while formulating his thought in 1795 on international peace, to the political ideas of Suárez such as some of those explained above (in spite of being directly inspired by the Scottish Enlightenment on behalf of this case), so we were able to understand what was within reach for the Iberian theologian. And that would be no less a conclusion possible to take in general on some of the other masters of the Spanish Scholasticism quoted along the present text.

Actually while trying to establish the world peace an entire kind of project was drawn there in order to guarantee that not any peace treatise could foresee war clauses so that it results in a true armistice. To reach such a conception not any state as big it could be is allowed to conquer another state by inheritance, change, selling or donation, as well as each state is not patrimony in its quality of territory where are based its foundations. It is on the contrary a society of man over which only he is able to rule and to arrange.³ And on behalf of this level of discussion based on the intrinsic principle of the social dimension in politics Kant coincides again with Suárez (as we can see below).

Kant joins also Jean-Jacques Rousseau through the idea of the social commitment in the basis of the state constitution⁴ beyond refusing any struggle for territorial acquisition by monarchic matrimonial

² Apud BARRIENTOS GARCÍA, J. (1984), "Cauces de influencia en Europa", in AAVV, *Francisco de Vitoria y la Escuela de Salamanca. La Ética en la conquista de América*, Madrid, Consejo Superior de Investigaciones Científicas (Corpus Hispanorum de Pace, vol. XXV), pp. 469-475.

³ KANT, I. (2008), *Zum Ewigen Frieden, ein Philosophischer Entwurf, etc.* [sic] = *A paz perpétua e outros opúsculos*, trad. de A. MOURÃO, Lisboa, Edições 70 (Textos filosóficos), pp. 130-31.

⁴ *Ibid.*, p. 131. Cf. ROUSSEAU, J.-J. (1918), *Du contrat social ou principes du droit politique*, edited by L. A. KASTNER, W. P. KER, J. G. ROBERTSON, Manchester–London–New York–Chicago–Bombay–Calcutta–Madras, The University Press, Longmans, Green (Modern Language Texts, French Series: Modern section), p. 86: the only valid way would be the

alliances and permanent armies (that should disappear gradually), as a mean to increase geopolitical influence by an empire over its satellite states: only the defence war would be fair in this case. Otherwise the offensive fights displayed with the deliberated employment of its citizens are always unacceptable.

Also Suárez created a revolutionary concept concerning the diplomatic relations between the peoples no less relevant to the internal regulation of nations and states called today “dynamic peace”,⁵ an actual alternative to the Machiavellian concept of the reason of state. It was no by chance that Suárez has been rightfully recognized as a pioneer of global range in terms of political thought and international law. Concurring to display a new world order led by the Spanish Christian imperialism of then he foresaw new views for the relations among the peoples from the recent discoveries and conquests, both of hostility and peaceful entente. And the scenery in his opinion tending to generate conditions of direction also between the leading European states constituted the main framework he preconized to reach the universal harmony in a world that he predicted evangelized as a global Christendom by means of moderation and equity.

In the other hand the precepts recommended by Kant on his view of the perpetual peace concerns at last the economic range: no debts should be issued in matter of foreign politics. And while linking such a systematic practice with the facilities to undertake further war enterprises, he attributes to the systems based on credit and the creditor states the pretext to oppress the treasury belonging to the countries with liabilities. Due to the outstanding rhythm by which its amount increases, the credit overwhelms the sum of the further states as a whole and its destiny has only a warlike purpose.⁶

If we understood rightly the Kantian thought on the matter, the solution for this in order to wear it out would be a dramatic fall of taxes, what however is just done having recourse to long periods of paying tribute at the expense of the commerce recovery and the profits obtained by this last as from industry and wealth. So the debt and all attempts to recover debts run in short always to war... This serious obstacle to the peace among the states shall culminate in the bankruptcy against which each nation would fairly get the legitimacy to fight together as allies and an article should be provided by the law to avoid such an oppressive deal exerted over countries with no trace of blame.⁷

Beyond Kant, Suárez created also new conditions to cope with the positive sciences according to its concept as formulated by David Hume in what concerns anthropological thought.

But it was on the domain of the law that we can do a survey of the legacy through which he left a sensitive mat over his contemporaries. Among them was the Flemish political thinker Hugo Grotius, that while accepting the right to individuality and sense of responsibility by the colonised people from

contract of association between the citizens and the state. Otherwise we are dealing with a public contract as a violation of that done with the state.

⁵ Cf. SUÁREZ, F., S. J. (1956), *Guerra, Intervención, Paz Internacional*, estudio, trad. y notas por L. PEREÑA VICENTE, Madrid, Espasa Calpe (Austral, n.º 1273), e. g. p. 38.

⁶ Cf. KANT, I., *op. cit.*, pp. 131-32.

⁷ Cf. *ibid.*, pp. 132-33.

the overseas, followed a similar categorisation of law divided into righteous, moral quality and pure law sense. He proceeds so like Suárez while combining two concepts in a same definition, those of power (*potestas*) and rule (*lex*). In his work of 1625 *De jure belli ac pacis* (*On the law of war and peace*), this concept results confined by Grotius to the simple notion of all things not classified as unfair. So it is unfair whatever could be blamed by the society of the beings endowed with reason.

Perhaps it was due to this last disposition that the ethics has been henceforth intended as a pattern to the thought displayed on the questions of law in politics. In fact once meant as related to individuals, the law could be seen as a quality connected to one person in order to do or possess something rightfully. And according to a contemporary opinion more issued on the subject in a broad sense, law would be synonymous of rule understood as a guide of behaviour under which direction was comprised and obliged each honest citizen while practising moral actions.⁸

However Grotius shows to be even more modern than Suárez as well as than the Calvinist Theologian Johannes Althusius in the measure he don't recognizes the role exerted by the communities and the families involved in the reception of politic rule directly from God. In fact for Suárez, the power comes from God in an abstract way, even if residing its concrete origin in the community. The man would only get power as a community member of an *universitas* or human social community, not doing so individually, while for Grotius the power comes from the individuals by transmission and legitimation almost as from the universal vote of the democracies of our days in spite of recognising through his concept of the natural appetite for sociability (*appetitus societatis*) the fulfilment of each man by oneself. At most the political power would be delegated by God through the individuals but actually, as he wrote in the just mentioned treatise, due to the fact that first the men brought together in civil society not by a divine precept but led in a spontaneous way by the experience undertaken in his turn by the families while isolated, the civil power took actually its roots in such a scene of weakness.⁹

Another item of no questionable interest is the economical morality preached in those days from the middle XVIth to the early XVIIth centuries.

Once again the idea of personal impoverishment served as pattern of economic reflection on the questions connected with the so-called principle of "proportionality" pointed out by Aristotle in his *Nichomachean Ethics*. According to him the grades of poverty could measure so much the relationships between the individuals so that even beginning to condition those private bonds in terms of affections and friendship.

From Aristotle could it steer towards for the Thomistic system of thought, mainly those topics comprised in the *Summa Theologica* by the own Thomas Aquinas. Through this last work it reached the Iberian Second Scholasticism at Salamanca, whose school was headed by the Dominican friar Francisco de Vitoria. As it happened to the Jesuit Father António Vieira, this last probably knew this wisdom heritage from his literary discussions developed with Francisco Suárez in his written in Latin

⁸ Cf. SAHD, L. (2009), "Hugo Grotius: direito natural e dignidade", *Cadernos de Ética e Filosofia*, n.º 15, p. 1851, col. 2.

⁹ Cf. SANTOS CAMPOS, A. (2008), "O indivíduo em Spinoza: absorção de personalidade", *Polymatheia—Revista de Filosofia*, Fortaleza, vol. IV, n.º 5, pp. 16-19.

final work *Clavis prophetarum (The keys of the prophets)*, beyond Luis de Molina, another Spanish-born scholar established in Portugal.

Among the aspects consecrated by that school on the subject of economic ethics we can distinguish the illegitimacy of the commercial activities displayed by their agents in order to obtain gains, getting money through the speculative proceedings of loan with lucrative goals. In fact it arose always a question of licit or illicit behaviour as the mercantile sector was in a general way for the scholastic doctors identified with the easy and dubious profits. The revenues got by the lender speculation between money and money or goods and money would have in mind only a sense of no public utility instead of being directed to the common good. In this way, the use of money with no views beyond the gain would be ethically blameful while its use with useful purposes could be considered as profitable and even desirable. In short it was not a subject of blame in itself, just the usage given to that would be really taken for a sort of a bad temptation capable to put in discussion.

So the profitable revenue with its origins in interests and in any kind of avarice, as the granted through the loans, would be always illegitimate in so far as we can try to sell values without cover, transacting something that simply does not exist.

We can now easily evaluate about the justice comprised in such a point of view in our days of post-American Subprime crisis of 2007 and the adjustable-rate mortgage practices, built over speculative indices and decided on a periodically adjusted basis... It was the own Aquinas that preached a morality on economics in his *Summa Theologica*,¹⁰ whose theoretical background was closely followed by another Italian master one century later: Dante Alighieri in his treatise *On the monarchy*.¹¹

In spite of being us warned about the recognition by Aquinas of the loan as factor of progress associated to the glory of human work, was the reformer Martin Luther who sheltered such an idea enthusiastically: getting money and the personal enrichment would be, according to this last, not only beyond any border of morality but could be also recognised as proof of God's aid among the people, while for Saint Thomas this kind of irregular activity conducting to that condition was intrinsically identified with the Jews.

From that theoretical basis it proceeded for the Calvinist mentality and by this way we can find such ideas and practices largely widespread among the Anglo-Saxon peoples and the countries that choose its cultural patterns at the western legacy, including through the mercantilist and capitalist conceptions on the subject of economy. At the contrary, even within the western civilizations, we can find such a mythical ideology at the southern European peoples while preachers of the honour in poverty. And probably if they do not proceed to do so is in part because of not following anymore the advices clearly provided by Aquinas and Vitoria, that preached the obligation to refund all interest got by the avarice means in order to erase any trace of iniquity carried over there.

¹⁰ Cf. THOMAS AQUINAS, S., *Summa theologiae* II, II, q. 78 a. 1-2 c.

¹¹ Echoes of a similar idea: that no one can delegate what is his own not only the pecuniary values but also the personal authority of each individual, unable to pass on the hand of any kind of representative or attorney could still be found in Dante (cf. DANTE ALIGHIERI, *De monarchia* III 7).

Such all an ideological view was carried forward until our times, and we could find it again at the inner XIXth century of the utopian socialism, mainly through the violent pamphlet *Qu'est-ce que la propriété?* (*What is property?*, firstly published in 1840) by the French anarchist Pierre-Joseph Proudhon. As well as the scholastic doctors sustained many times, Proudhon and the other proto-communists defended ideas such as that the not legitimately taken property would be a theft and that the right holder can not be a worker producing goods in factories of common utility starting from raw materials. «Does a owner produces?», asks Proudhon with emphasis. So also a thief could say «I produce» (!).¹²

Today the approach we are able to do seems to be quite different. In fact the reasons to explain the fall of the scholastic tradition concerning economic doctrines are based on theories such as those developed by Gailbraith, according to which the medieval inherited thought was «superseded by the inevitable growth of the emergent capitalist economy».¹³

Its goals were not anymore those sustained since the Late Middle Ages as by the Church along centuries, whose purposes had no connection with the social new phenomena of the transition from domestic economic structures to others with national range, putting all its emphasis, according now to Bell, «on the satisfaction of human wants».¹⁴

An emerging sense of freedom based on human individuality took progressively the place formerly occupied by the religious ideology zealous of its ethical teachings and its economic powerful monopoly, at least exerting their influence through the political rule over the emerging nations along the Late Middle Ages, that is to say the heart of Scholastics. The imperfection intrinsically comprised within the same ideal of «correspondence between theological teachings and secular practices»¹⁵ carried, according to Spiegel, the Church to put its emphasis on the maximization of charity whereas rejecting the new kind of seeking for welfare and common good as the personification of the sin that she tried to minimize.

Finally the many roles that the economic teachings transmitted by the Iberian Scholasticism carried out were both eradicated as a valid social structure and a scientific method of analysis by outstanding thinkers from the modern times, such as Pribram and Laudan, owing to the too much identical conceptual framework with the medieval corporative bonds established between the individuals and their jobs. This last organic conception could be intended to be a phenomenon that really started with the reformative laws implemented by the emperor Diocletian during the late Roman Empire for reasons of fiscal control over the population.

¹² PROUDHON, [P.-J.] (1975), *Qu'est-ce que la propriété? Ou recherches sur le principe du droit et du gouvernement = O que é a propriedade?*, 2.^a ed., trad. de M. CAEIRO, Lisboa, Editorial Estampa (Clássicos de bolso, n.^{os} 13-15), pp. 182-183.

¹³ DRAKOPOULOS, S.–GOTSIS, G. (2009), “A Meta-theoretical Assessment of the Decline of Scholastic Economics”, Munich, *Personal RePEc Archive*, no. 12876, p. 4.

¹⁴ *Ibid.*

¹⁵ *Ibid.*, p. s.

In short, nothing in the scholastic theories could assist an emerging, mercantilist and, at least, capitalist economy, since the first would always try to prevent the uncertainty involved at the activities based on the factor of risk. After all the risk natural of a time as that in which we live now.

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Barbara Grzybowska, Malgorzata Juchniewicz

University of Warmia and Mazury in Olsztyn, Poland

**Research and Development Activities and Competitiveness
of the European Union Member States****Abstract:**

Knowledge and using it become one of vital determinants of innovation and competitiveness of enterprises, regions and countries. It is also a determinant and a key element of the present economic growth and development. Searching for new areas of knowledge as well as the possibility to use the already existing are the essence of R&D activities, the separation of which, as a separate sector of activities that makes decisions under the effect of economic incentives was conducted, among others, under the effect of endogenization of technological progress – a phenomenon being the basis for the endogenous growth theory. The purpose of the paper is to assess R&D potential of the European Union member states (in the years 2005-2011) and identify it with the level of their competitiveness.

Keywords: R&D Activities, Competitiveness, Innovation, The European Union

Introduction

The essence of R&D activities is searching for new areas of knowledge as well as the possibility to use the already existing. According to international terminology, it concerns performing creative works taken for the purpose of expanding knowledge resource and using it to create new applications (Frascati Manual 2002, p. 30). It includes three kinds of activities: basic research, focused on discovering new regularities, principles, laws of science, etc., applied research, leading to acquiring new knowledge oriented on specified practical goals, and experimental development, consisting in the use of the existing knowledge to develop new projects (e.g. processes, systems, products) or improve the already existing.

Knowledge and skills of its application in practical, innovative solutions are the basis for scientific and technical achievements which then create the opportunity to obtain strategic advantage at a technical, economic or social level. The dominant effect of these achievements on the economic processes – especially on the ability to compete and achieve permanent growth, is confirmed, among others, by the fact that in highly developed countries, in the long run, more than 50% of economic growth is a direct consequence of the assimilation of knowledge and innovation (Linsu 1999, p. ix). Because of this, they also become an important source of competitive advantage. Strict linkages between innovation and competitiveness are indicated, among others, by Porter (1990); they are also confirmed by the results of cyclic research on international competitiveness of enterprises and countries (Schwab 2012). Many countries, including European innovation leaders, opt for intensification of R&D activities. They

mainly apply to development of infrastructure, increase in R&D expenditure and stimulating private investments. They focus their attention also on linkages of the sphere of science and business, especially on improvement in the transfer of knowledge and research results between research institutions and industry (*Policy Responses ... 2009*, pp. 28 and the following; Harayama 2001, p. 18). These activities are stimulated also by actions of the European Commission, among others, one of the areas of actions included in plan for entrepreneurship growth to 2020 is *Releasing new business opportunities in the digital era*. The Commission proposals in this area relate to propagating knowledge about benefits from the application of ICT (Information and Communication Technology), fostering creation of knowledge bases, launching partner initiatives ensuring access to knowledge, technologies and services, intensifying actions aimed at creation and acquisition of scientific and creative skills - *Plan działania ... 2013*, p. 32). The issues related to knowledge (its creation and application) are thus important, both in the theory of economy and in practical activities of enterprises, regions, countries.

Knowledge and competitiveness and economic growth

The specific character and intensity of impact of the factors determining the economic growth change depending on the stage of development of particular economies and societies. Directions of changes observed in recent years indicate a transition from the industrial economy to the knowledge-based economy. One of the features typical of this process is that investments in the so-called hard resources and capital accumulation are no longer sufficient to achieve permanent growth¹. They do not explain sufficiently its variability, especially at a macroeconomic level. In consequence, their meaning of competitive advantage factors has decreased. Due to the processes of globalization and technological revolution, competitive advantage is determined to a larger degree by knowledge, information or human capital, which are reflected in broadly understood innovations². It is assumed that growth is possible only when this advantage is achieved as a result of skills to generate, develop and diffuse

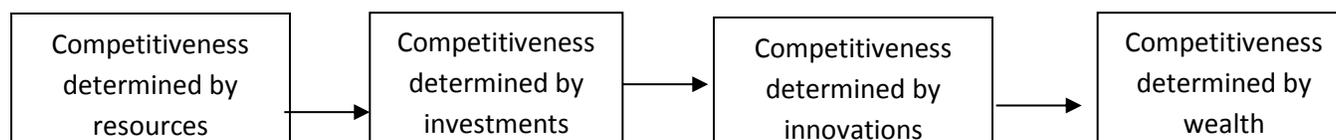
¹among others, the assumption of the neoclassical Solow-Swan model was that the long-term growth is determined by the accumulation of capital, increase in workforce and exogenic technical progress (i.e. is "a given", is not subject to changes, is not a result of any activities or phenomena – it is spontaneous, it does not depend on the economic policy, either). The economy aims at sustainable growth, which means that each variable of the model increases at a permanent pace. Changes over time in workforce and technology expenditures are exogenic (hence identification: models of exogenic economic growth). One of the most important, and, at the same time, the most controversial thesis of this concept is the assumption of presence of convergence – poorer countries reduce a backlog in technological underdevelopments using accomplishments of wealthier countries. Their relatively faster development in the long run leads to leveling development disproportions by approximating the per capita production level. However, in practice, this phenomenon does not occur typically (Barro, Sala-i-Martin 2004, p. 46). We should also add that an important defect of this model is that main factors of growth – technical progress (the so-called "the Solow's remainder") – remains unexplained (no identification of progress reasons). Fagerberg (1994, p. 1150) calls it a measure of ignorance of economic growth processes.

² it must be added that to these factors, particularly to innovations and their effect on economic processes, attention was paid before. At the beginning of the 20th century, Austrian economist, J. A. Schumpeter (1883-1950), considered as the precursor of the innovation theory, introduced the notion of innovation to the world economic literature and formed a thesis that the innovation of enterprises determines economic growth to a greater extent than capital, and an entrepreneur is anyone who introduces new combinations – their introduction is a condition of growth (Schumpeter 1960, p. 104). Drucker (1992, p. 39) defined it in a similar way – there is no greater resource in the economy than purchasing power. Purchasing power is created by the entrepreneur introducing innovations.

innovations which then are an impulse for technological, organizational and marketing changes (*Rozwój regionalny*.. 2009, p. 24). it is confirmed also by Drucker (1999, p. 40), who, referring to the sources of competitive advantage, emphasized the meaning of knowledge. He declared that although it was not and would be the only source, it was the most important source. He adds that traditional means of production (land, natural resources, work and capital) became secondary - they can be obtained by means of knowledge understood as usability, a measure to obtain social and economic results.

There is a common agreement as to the existence of an association between knowledge and competition, which, in consequence, contributes to achieving many advantages (not only economic). Until recently, competition was associated only with enterprises that were competing with other aiming to achieve better results. Those enterprises that were more effective in these activities were considered more competitive. Currently, competitiveness is an attribute of not only enterprises; also industries, sectors, territorial units (e.g. regions, countries) can be competitive. In spite of the fact that the essence of competitiveness has not changed - in accordance with the definition applied e.g. by OECD it is the ability of enterprises, sectors, regions, countries or transnational areas to generate relatively high revenues from production factors (work, capital and technology) and a relatively high level of employment in the conditions of permanent dominance of international competition (Hatzichronoglou 1996, p. 20). However, it does not mean that competitiveness has static character, and its essence and understanding do not evolve -to the contrary, this phenomenon is dynamic. At present, it is also perceived through the prism of knowledge. An example is the position of the International Institute for Management Development, according to which competitiveness (in the macro aspect) is an area of economic knowledge that analyzes facts and policies determining the ability of a country to build and maintain the environment conducive to generation of value added by enterprises and welfare by population (Garelli 2003, p. 702). The evolutionary context of competitiveness of the countries is also pointed out by Porter (Fig. 1). At particular stages, he stresses the meaning of factors being the basis for competitiveness (among others, innovations), and each next stage reflects the country achieving more advanced competitive development level (in relation to the previous). In the globalizing economy, transition, especially from the investment strategy to the innovative strategy, is implied mainly by the role of capital and technological progress (Fagerberg, Srholec and Knell 2007).

Figure 1: Competitive development stages



Source: Porter (1990, p. 546)

The indicated meaning of knowledge as one of the vital determinants of the contemporary competitiveness and innovation implies that, in consequence, it is also a determinant and a key element of the present economic growth and development (Holden, 2002, p. 63). It is one of pillars of the so-

called new growth theory (endogenic growth theory³). It assumes that growth which is not effect of increasing expenditures of traditional factors (capital and work) is a consequence of purposeful investments in the sphere of scientific and technical activities and human capital. The accumulation of scientific and technical knowledge or human capital is identified with the notion of technical progress (Tokarski 1996, p. 581). It endogenous - long-term growth is determined by knowledge aggregation in enterprises. Owing to the fact that it cannot be fully hidden (for instance, in the form of patenting certain solutions), it implies the spillover effects, which give positive external effects in the form of new production capabilities of other companies (Romer 1986, pp. 1002 and the following). In consequence, also the general level of knowledge increases in the whole economy.

The need for aiming at achieving permanent economic growth and obtaining competitive advantage resulting from knowledge and innovations is the main goal of the strategy "Europe 2020" (*Europe 2020. A Strategy ... 2010*). Its idea comes down to a thesis that growth based on these factors (i.e. knowledge and innovations) will enable the so-called intelligent growth. This growth is to be supported by the implementation of one of its main initiatives, the so-called Union of innovations, aimed at actions for improvement in conditions and availability to sources of financing for research and of innovations, which, in turn, will result in higher economic growth and increased international competitiveness of the whole EU, its member states and of particular regions. The main pillar of this initiative is the framework program "Horizon 2020", for the implementation of which the European Commission plans a budget in the amount of EUR 80 billion⁴. One of three priorities of the program, excellence in science, applies to supporting scientists in research carried out by them (thanks to the activity of the European Research Council, ERC), development of their skills and improvement of qualifications and reinforcement of the European research infrastructure, including e-infrastructure. The efficient use of funds for research and development is to enable systematization of the past regulations within this scope (replacing several previous programs supporting these areas, among others, the Seventh Framework Program), limited bureaucracy, simplified formalities in preparation of applications, shortened time between its submission and receipt of grant and elimination of unnecessary controls. These actions are also due to low results of the EU member states in international trade in technologically advanced products (as compared to the USA, Japan, and, in the last years, China). This is caused, to a large extent, by weak development of the R&D sector and, first of all, its low efficiency (Białowąs, pp. 17-18)⁵.

Research and development activities in models of innovations

Research and development activities are conducted for the purpose of achieving results which, in consequence, may lead to introduction of innovations- creation of completely new solutions or

³ ?developed in the late 1980s. The paper by Romer (1986) is considered as its beginning.

⁴ Horizon 2020. The Framework Programme for Research and Innovation. http://ec.europa.eu/research/horizon2020/index_en.cfm (15.06.2013)

⁵ Białowąs T. Rola nakładów na B+R w tworzeniu przewagi konkurencyjnej krajów Unii Europejskiej w międzynarodowym handlu towarami wysokich technologii. http://zif.wzr.pl/pim/2013_1_1_1.pdf (25.06.2013)

improvement in the already existing. Empirical research proves that expenditures on R&D and innovations accelerate the economic growth (Mansfield 1980, Cameron 1996, *The Sources ...* 2003). Its results, mainly, from growth in productivity of manufacturing factors, namely more effective use of available resources (Porter 1990, p. 71, Gorzelak 2005, p. 30), although, according to Khan and Luintel (2006, p. 22), it can also be affected by internal factors, typical of a given country. In consequence, the results achieved may not always be comparable (between countries). Technical progress endogenization (perceived as an effect of intended activities) stresses conscious and purposeful activities of various entities focused on the development of new solutions that are to contribute to achieving positive results (more favorable than the past). As a result, its reflection are innovations. In this process research and development activities are activated, conducted by enterprises themselves and the entities from their environment. R&D works are thus an important component of innovative activities (but not always necessary), hence the presence of this kind of activities in the models of innovations. These models are some projections of behaviors of entities towards the possibility to implement innovations. They are of evolutionary character and in subsequent generations we can notice changes in the essence and rank of factors (including R&D works) determining the formation and implementation of innovative solutions.

In the 1950s-1960s, the so-called linear models were valid. One of them was a model corresponding to the supply concept of creating innovations, by Schumpeter⁶, in accordance with which there is a creator of innovations that prepares new, innovative solutions (e.g. products) and searches for an organization interested in the use of these goods in practice, regardless of whether or not they satisfy market needs. The supply model is a linear model, which means that innovative activities proceed according to stages completed in sequences. It was designated also as technology push model because an impulse that triggers the innovative process includes new scientific and technical achievements arising in R&D center, located in the enterprise or outside it. Only later awareness of their potential application appears, the result of which may be new products or manufacturing processes (enterprises should be in a way induced to implement innovations). Research and development activities are thus seen as a necessary discovery work to precede innovations. The business success lies in dynamically operating R&D sphere. Therefore, this model puts emphasis on the causative role of scientific and technical progress, and supply of innovations was defined by the state of knowledge and the tendency of the researchers to conduct searching. The needs of customers were not the main object of interest, as the market was absorptive at that time. With the passage of time, it was more and more difficult for enterprises to sell products (the market was no longer so absorptive). The competing processes intensified and people began to notice the market needs (in the second half of the 1960s). The technology push model had to be modified- the needs of customers began to be decisive for market success of a product, and innovations were more and more often inspired by the demand of consumers.

⁶ supply concept owing to the fact that the creators of innovations (entrepreneur) implementing new solutions represent supply part of the economy. In the concept by Schumpeter, we may still note some demand elements – the author noticed the role of needs in initiating production processes, however, he assessed them only in the categories of goals, rather than motives of the actions of entrepreneurs (Schumpeter 1960, p. 16). He explains that satisfaction of needs is a purposes of each production, but he stated that innovations are created under pressure of the consumers' needs. He does not negate association of the supply sphere with the supply sphere. (Schumpeter 1960, p. 103).

It was reflected in the demand model of the innovative process, called the "market pull" model. The growing importance of the demand model was influenced by statistical test results, from which it resulted that 70% of the sources of technical progress were of demand character, and only 30% of their number expressed supply of scientific achievements (Schmookler 1966, pp. 87 and following). In addition, as much as 75% of successful innovations appeared as a reaction to the recognized market needs. The demand model is also a linear sequence of stages, but the main difference (as compared to the supply model) was to place market needs as the stage 1 of the works- emergence on the market of potential demand for goods which satisfy new needs, or for goods which better satisfy the already existing needs, inspired to begin innovative activities. It does not mean, however, that this model is exclusive of research and development activities. The market initiated an innovative process, but was also the source of ideas for R&D. R&D works were the next stage of the works aiming at the preparation of innovations and their implementation on the market.

The linear models of innovative processes assumed that the creation of innovations would proceed in sequences and in one direction. There were no feedbacks among particular stages. In practical operation of enterprises, it turned out, however, that, generally, it was not the case, and such understanding of processes was a too excessive simplification of reality (not only were innovations a derivative of changes on the market or scientific and technical knowledge). Most innovative processes did not proceed in accordance with linear models; they were time-consuming⁷, involved high risk and high works of research and development works. They did not include multi-directional relations and feedbacks between science, technology (production) and market. Their use in practice was one of the reasons for failures of innovative projects. Drucker rejected the linear model of innovations as too simplified and non-consistent with reality. Presenting seven sources of occasions for innovations, he ranked science on the last position, as the least credible and the most difficult to predict source of innovations (Drucker 1992, p. 44). In practice, it turned out that both stimuli of innovative activities (supply and demand stimuli) can be hardly disconnected, e.g. discoveries in science can contribute to the creation of new needs (phone, Internet). In specific situations, it may even turn out that they co-exist, therefore a clear distinction of demand and supply innovations is impossible. The research was aimed to determine which one is dominating. From the power of action of demand and supply it seems that all supply stimuli are of greater importance in the long run, and the demand stimuli are of greater importance in the short run (*Dlaczego warto wykorzystywać...* 2012, p. 9).

On the basis of these tendencies and remarks, starting from the 1980s, the linear models started being replaced with non-linear models. Their idea is a simultaneous connection of demand with supply factors and their coupling in a way that they finally bring benefit for the recipient of innovations. It was adopted in them that the processes of creation of new solutions featured many interactions and feedbacks between science, technology and needs generated by the market. The most popular models

⁷ it applies particularly to the supply model – demand innovation has a long time of maturing. It results initially from a long period between the occurrence of new knowledge and the possibility to apply it in practice. Then another long period expires, before new technology gets transformed into new goods, processes or services (Drucker 1992, p. 120). Meanwhile, time becomes valuable, mainly owing to shortening life cycle of products, which additionally forces enterprises to search for the methods to stand out on the market. An example may be answer to the question How much time it took the selected technologies to acquire 50 million users: phone (75 years), radio (38 years), TV (13 years), Internet (4 years), Facebook (3.5 years), iPod (3 years), game Draw Something (50 days), game Angry Birds Space (35 days) Source: <http://innovation.gkofiannan.com/radio-took-38-yrs-to-reach-50-million-users-o> (20.06.2013).

presenting this generation include the coupling model by Rothwell and Zegveld and the chain-link model by Kline and Rosenberg (*Oslo Manual ... 2005*, p. 23). From these models, perceived in the categories of a kind of evolution in relation to the linear concepts, R&D works were not eliminated, but their responsibility for the course of innovative process. The research is not the only or even the most frequent source of new technologies. It is a form of solving problems that cannot be solved, due to insufficient scientific or technical knowledge. If the implementation of a project is not possible on the basis of the possessed knowledge, then the role of research and development activities emerges. Not only do R&D works affect innovative processes, the reverse phenomenon is also present – innovative processes can determine R&D activities. In consequence, the creation of innovations may entail a simultaneous use of a variety of types of knowledge, often from different scientific areas and disciplines. Thus, already accumulated knowledge may be of a greater importance than just started, strictly targeted research. In addition, as opposed to linear models, in non-linear models it is assumed, among others, that e.g. applied research can lead to basic discoveries (Harayama 2001, p. 16).

In subsequent years, the concepts of model depictions of innovations in economic sciences were undergoing changes. Currently, they are perceived through the prism of systems, networks and dynamics of their changes connected with the need for creativity and generation and flow of knowledge. The system of innovations is defined as an interaction of many entities from business, administration and science, in order to create innovations. On the other hand, networks help explain the way numerous, multidisciplinary, multi-layered and varied interactions proceed in the innovative process (*Dlaczego warto wykorzystywać...* 2012, p. 8). The development of these concepts was caused by the development of electronic communication tools. Thanks to that, it is possible e.g. to build activities in real time between the market participants without direct (*face to face*) contacts, which allows establishing business contacts between the entities running operations in geographically remote locations. The R&D sphere is an integral component of this innovative process – as one of the system participants and the network member, it becomes an equal business partner, operating like a production or service enterprise in the market conditions, and thus including rights and constraints that may accompany commercial activities of each market entity (especially a profit-oriented). Linkages with other partners co-participating in the process of generation of innovations indicate that R&D activities do not specify directly the innovative process dynamics, but its "products" stimulate significantly these processes. In consequence, innovation depends on its ability to generate knowledge and use scientific achievements. This model of contemporary innovations is compatible with the open innovation concept. It emphasizes the meaning of the widely understood cooperation of enterprises with external entities, thanks to which it is possible to integrate internal and external knowledge and use many paths of introducing innovations to the market (Chesbrough 2003, p. xxiv). The enterprises that use it in their operations are, among others, Procter&Gamble, IBM, Henkel, Nestle. The open innovation is fostered by clustering. In these structures, the cooperation network idea is implemented, which, without excluding competing, contributes to achieving benefits by all the cluster members (among them there are also entities representing the R&D sphere).

Methodology of research

The purpose of the paper is to assess the R&D potential of 27 European Union member states (in the years 2005-2011) and its identification with the level of their competitiveness. It has been assumed that the potential is reflected in contribution indexes, i.e. expenditure on R&D works and employment in this sphere and effect index – the number of patent applications of EPO. A broad range of research issues concerning R&D activities affected the need for introduction of certain constraints. They resulted, first of all, from the availability of data presented in Eurostat bases⁸ concerning involvement of particular EU countries in R&D actions. These restrictions related to temporal and spatial scope of the analysis. Research and development activity of the countries was examined in the years 2005-2011. Owing to incompleteness of data, two countries were excluded from the analysis: Greece and Luxembourg.

To diagnose and assess the research and development potential, the hierarchical model of linear arrangement of objects was used: the Perkal's method of standardized sums. In this method, for each object (in this case for a country), on the basis of standardized partial values of measures referring to the adopted variables, a relative, summary index is constructed. Initially, nine partial indexes were adopted – their statistical verification was conducted to eliminate features repeating information (strongly correlated). Finally, to create Summary R&D index three indexes were adopted:

- total intramural R&D expenditure (GERD) - thousands of Purchasing Power Standard (PPS) per total R&D personnel and researchers (in full time equivalents),
- total R&D personnel and researchers (percentage of total employment - numerator in full time equivalents),
- total number of patent applications to the EPO by milliard EUR of total R&D expenditure (GERD).

These variables are stimulants. Their standardization was made as follows:

$$z_{ij} = \frac{x_{ij} - \bar{x}_j}{S_j} \quad (1)$$

where:

z_{ij} - standardized variable j in the country i ,

x_{ij} - value of the variable j in the country i ,

\bar{x}_j - arithmetic average for the j variable,

S_j - standard deviation for the j variable.

⁸ Empirical data used for the analysis were obtained from Eurostat resources, gathered in the subject area Science, technology and innovation.
http://epp.eurostat.ec.europa.eu/portal/page/portal/science_technology_innovation/data/database (10.06.2013)

On the basis of standardized variables, Summary R&D Index (SRDI) was calculated, which, as it has been mentioned, reflects research and development potential of the EU countries:

$$SRDI = \frac{1}{P} \sum_{j=1}^p z_{ij} \quad (2)$$

where:

SRDI - Summary R&D Index,

p - number of included variables,

j - number of subsequent variable in the country *i*.

The level of SRDI (in different countries, on average in the years 2005-2011) was the basis for assessing potential and conducting classification of the countries. On the basis of two parameters: the arithmetic average and the standard deviation of SRDI, they were divided into four typological groups:

- countries with high research and development potential: $\square, SRDI \geq \bar{x} + S$
- countries with average research and development potential: $\square, \bar{x} + S > SRDI \geq \bar{x}$
- countries with low research and development potential: $\square, \bar{x} > SRDI \geq \bar{x} - S$
- countries with very low research and development potential: $\square, SRDI < \bar{x} - S$

The procedure was the same when conducting the classification of countries from the point of view of competitiveness (on the basis of GDP – PPS per inhabitant), and two partial values of measures characterizing R&D activities:

- total intramural R&D expenditure (GERD) - thousands of Purchasing Power Standard (PPS) per total R&D personnel and researchers (in full time equivalents),
- total number of patent applications to the EPO by milliard EUR of total R&D expenditure (GERD).

In the research on competitiveness, due to multi-dimensional character of this phenomena, there are many problems, both conceptual (e.g. lack of one universal definition) and methodological (including, among others, the lack of uniform measurement method). As a result, it was assumed that the reflection of competitiveness of the EU countries was their ability to achieve economic growth expressed by GDP *per capita* according to the Purchasing Power Standard (PPS per inhabitant).

R&D potential and competitiveness of the EU countries

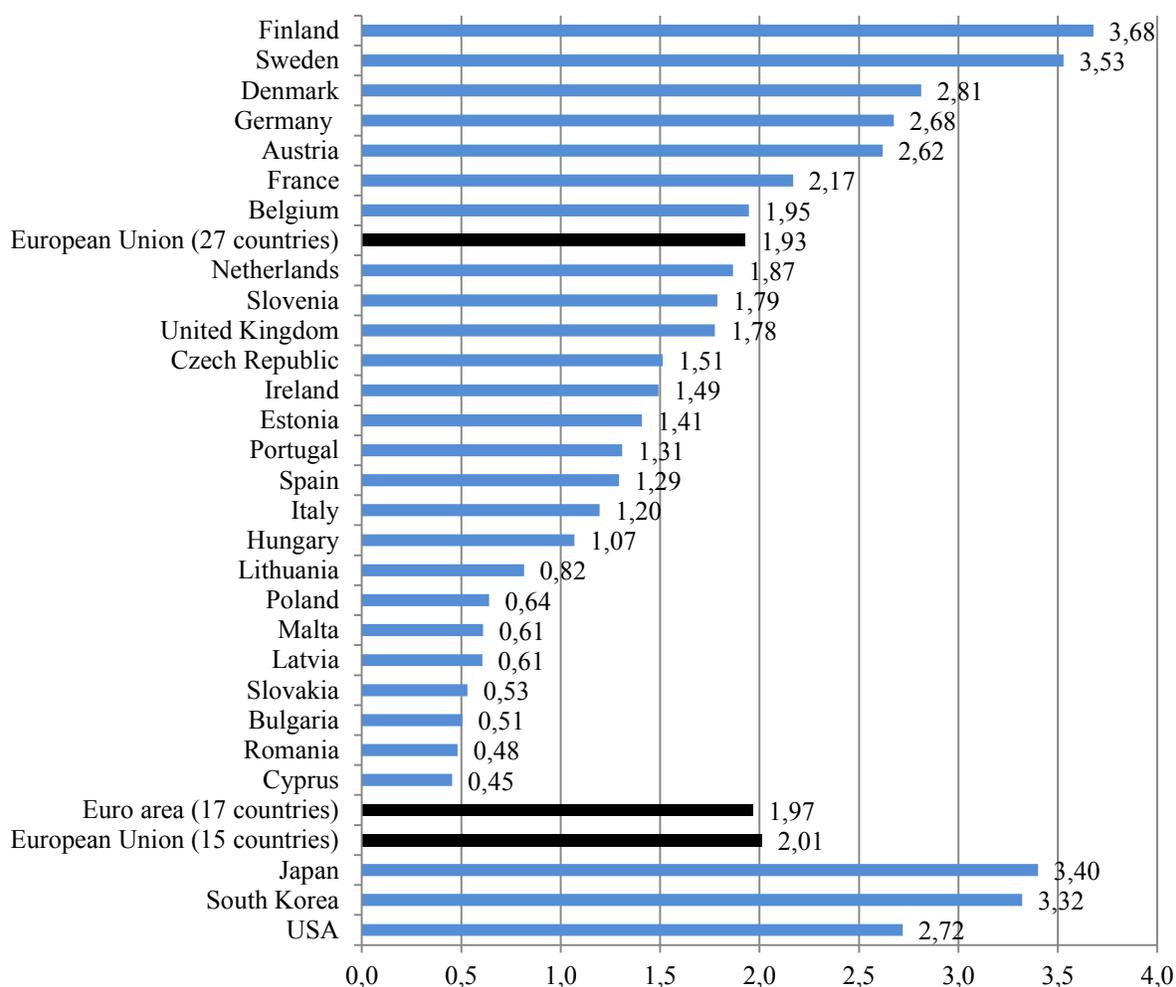
Research and development expenditure is investments in knowledge. They were and will also be in the future priority expenditure in the budget of the European Union, which, noticing growing competition both on the part of traditional economic powers and emerging economies, aim to achieve the position of the most innovative and competitive economy in the world. It means that its development must be based on innovative and research and development activities. As it results from the report of the

European Commission, investments in this sphere of activities among the largest EU companies have been increasing systematically (in 2010 they increased by 6%, and in 2011 they increased nearly by 9%). Therefore, in terms of expenditure dynamics, they are equal to American companies, and surpass the global average and Japanese companies (*The 2012 EU Industrial R&D ... 2012*, p. 37). These results can be improved in the new EU financial framework EU (2014-2020) in connection with the execution of a new framework program in the field of scientific research and innovations Horizon 2020.

To assess expenditure aspect of the R&D sector and the general level of its development, some standard indexes are used, among which the most frequently used is the share of R&D expenditure in GDP. It is a certain reflection of the level of investments of a given country in knowledge. In addition, in accordance with the concept by Fagerberg (1987, p. 87), it reflects also technological (innovative) potential of a given economy and affects positively the rate of economic growth. On average, in the years 2005-2011, this index in the EU countries was running at the level of nearly 2% (fig. 2). Larger involvement in R&D activities is visible in the US, Japan and South Korea. One of the reasons for advantage of those countries is a greater number of companies from the sector of advanced technologies, which allocate for this type of activities relatively more funds than e.g. entities from the so-called low technology sector. It is confirmed, among others, by rankings of companies investing in R&D works⁹ - in 2011, the greatest increase in expenditure on this type of works (as compared to 2010) was recorded among ICT companies¹⁰, among others, Huawei (48.5%), LG (47.8%), Apple (36.3% – *The 2012 EU Industrial R&D ... 2012*, p. 22). As opposed to the USA, growth in the general level of R&D expenditure in the EU results, on the other hand, mostly from works being carried out in the automotive sector, which has the greatest share in investments in research and development (25% – *The 2012 EU Industrial R&D ... 2012*, p. 9). In addition, it must be added that this factor (lower level of investment in research and development activities and innovations) along with the insufficient use of ICT, unwillingness of the society to introduce innovations, difficulties in the access to the market and less dynamic business environment, were considered basic reasons of a lower rate of economic growth in Europe, as compared to its largest foreign partners (*Europe 2020. A Strategy ... 2010*, p. 5).

⁹ it applies to investments in research and development in industry (1500 of the global largest investors in this area, which corresponds to almost 90% of total R&D expenditure in enterprises worldwide). The first 50 feature 15 EU, 18 US, and 12 Japanese companies (2011). The ranking leader is Toyota Motors, followed by Microsoft and Volkswagen (*The 2012 EU Industrial R&D ... 2012*, p. 26).

¹⁰ it must be added that it involves also significant economic achievements of this country, since, as it results e.g. from research by Jorgenson et al (2007, p. 247) in the US economy (in the years 1960-2005) increase in productivity in industry was affected to the greatest extent by ICT entities.

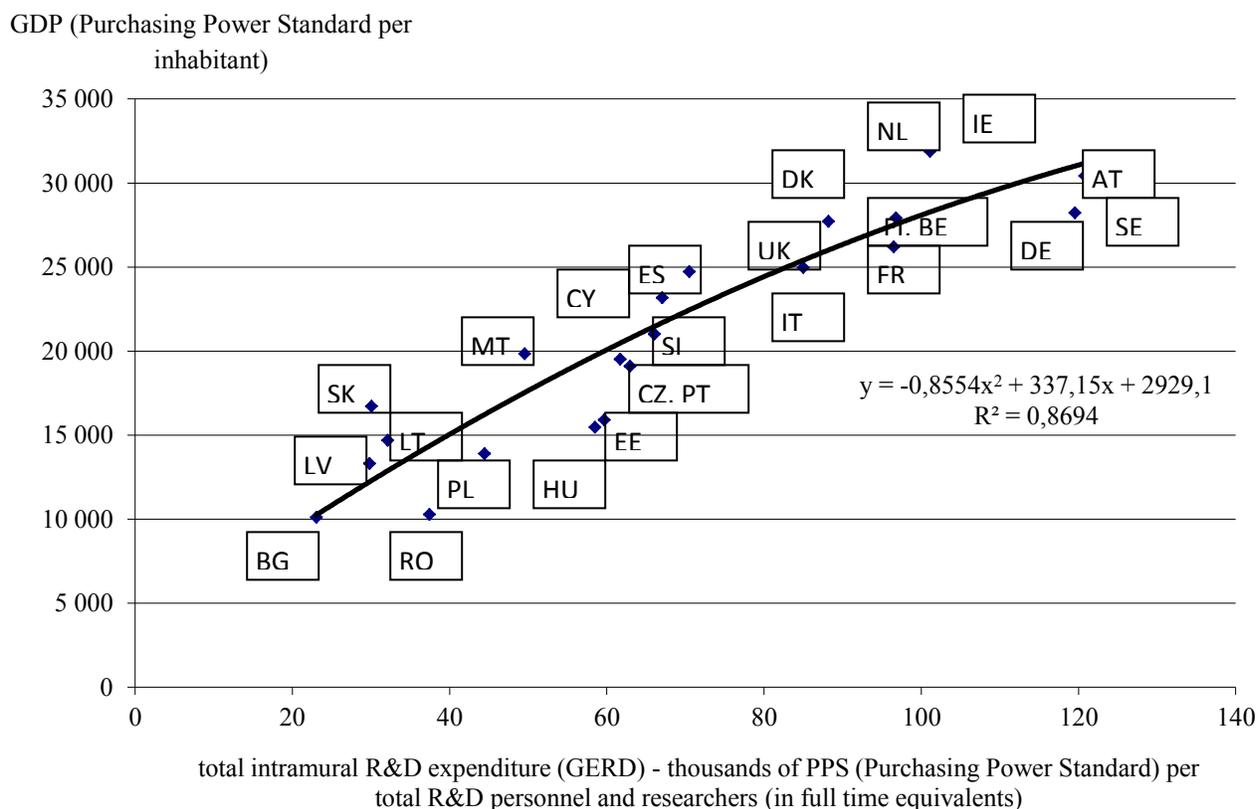
Figure 2: Total intramural R&D expenditure (GERD) average in 2005-2011(percentage of GDP)

Source: Own calculations based on Eurostat data

Among European countries, we can notice a large diversity in the index of share in R&D expenditure in GDP (fig. 2). Its lowest level was recorded in countries such as Cyprus, Romania, Bulgaria and Slovakia. The highest results are recorded, on the other hand, in Nordic countries (Finland, Sweden and Denmark) that, already for many years, have been occupying leading positions in European innovation rankings. The index of Finland is almost 2 times higher than of the EU average, and as much as 8 times higher than the result of Cyprus. Higher than the EU average level of research and development investments was reached by only 7 member states. According to the goal designated by the European Union, total public and private expenditure on scientific research in the countries of the European Community should, to 2020, achieve 3% of GDP. It is one of key goals adopted in the strategy *"Europe 2020. A Strategy ... 2010, p. 8)*. In the strategy attention was drawn to the fact that to accomplish this goal it is necessary to improve conditions of investing in R&D by the private sector, which would be reflected to greater extent in practical business operations and factors stimulating efficiency.

The activity of the EU towards increasing research and development expenditure justifies its association with competitiveness reflected in GDP per capita (fig. 3).

Figure 3. Total intramural R&D expenditure (GERD) and competitiveness of the country expressed as GDP



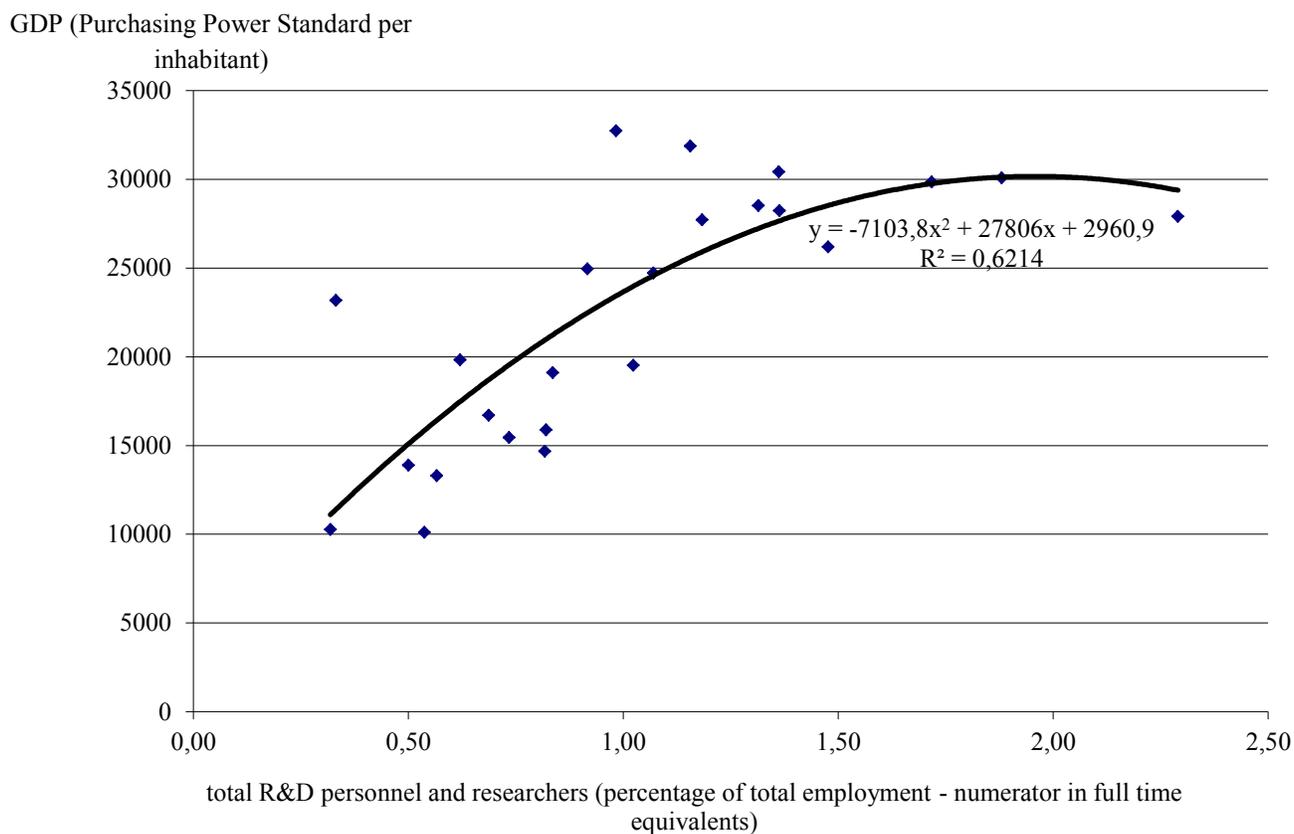
Source: Own calculations based on Eurostat data

Countries where the general economic development is relatively higher (greater level of GDP), which, in accordance with the adopted assumption, means higher competitiveness, record also higher expenditure on R&D works (in PPS per total R&D personnel and researchers). The unquestionable leaders are: Austria, Sweden and Germany. The co-existence of these phenomena indicates that they are interrelated and stimulate one another. This does not mean, however, cause - and - effect dependence – e.g. an increase in the level of R&D expenditure will not cause an automatic increase in GDP. Only the ability and possibility of their using, i.e. transformation into specific solutions possible to be adapted in practical operations, may contribute with time to achieving favorable economical and business results, and, as a consequence, if these results are higher than of the other enterprises, regions or countries, they will affect positively also higher competitiveness and the general state of the economy. In countries where relatively less funds were invested in research and development works, we can notice a lower level of competitiveness. As it is noted by Geodecki (2008, p. 33), in the countries that are characterized by a low pace of GDP growth, it results, to a large extent, from the lack of appropriate quality of human and institutional capital that would enable adapting verified

technologies in developed countries. On the other hand, it is required to consider the fact, as emphasized by Tamowicz and Szultek (2005, p. 15) who state the example of Poland, that the level of R&D expenditure is essentially adequate to the level of development of the country and determined by this development. The conducted calculations and analysis confirm this thesis also to a broader extent.

Apart from financial aspects of R&D works, an equally important thing is also human potential – employees involved in research and development activities, who transform this expenditure in useful knowledge and specific innovative solutions. Like in the case of expenditure in EU countries, we can notice the co-existence of relatively higher level of employment with the level of GDP (fig 4). The leading position is occupied by Finland (with employment of almost 2.3% of all the employed in this country), Denmark comes in second (1.9%). The lowest resources are recorded in Cyprus and Romania (only 0.3% each).

Figure 4: Total R&D personnel and researchers and competitiveness of the country expressed as GDP



Source: Own calculations based on Eurostat data

With growing internationalization of economic activities and scientific research, attention should be paid to a phenomenon stressed, among others, by Romania researchers (Zaman, Goschin 2010, p. 41), which seems to be present also in other countries. The authors explain that negative tendencies observed with regard to workforce employed in the R&D sector relate to the decrease in the number of

the employed and their aging, migration of scientists to other, better-paid activity, low employment of R&D personnel in research tasks in enterprises. They emphasize also weak international linkages in the scientific community (Zaman, Goschin 2010, p. 39).

Apart from R&D expenditure and employment, one of the measures used to identify the possibility of creating and using knowledge about practical applications are patent applications (Khan, Luintel 2006, p. 6). In the analyses typical of the research and development and innovative activities of the countries, patent statistics are used (Scherer 1980). Patents and even patent applications are a certain measurable effect of R&D expenditure. A patent guarantees the applicant limited in time (territory)¹¹right to a monopolistic use of a technical invention of their authorship. This type of activity is also a measure of innovative activities of the countries. However, it should be remembered that such assessment may have some defects. As it is noted by Weresa (2006, p. 25), patents are useful in the assessment of innovation of the economies, however, drawbacks of this assessment result, among others, from the fact that no innovations are unpatented, the patent statistics does not include imitation innovations, not all patented inventions lead to innovations (they cannot be commercialized), there is no possibility of comparing quality of patents (their number does not reflect their technological value). In addition, patent indexes underestimate innovative activities in branches of a smaller technological opportunity, overestimate innovative activities in knowledge-based enterprises that, before beginning cooperation with other companies, prefer to patent their solutions, overestimate innovative activities in companies that have already had a patent, due to their tendency to patent subsequent solutions, underestimate innovative activities in small companies for which the cost of the patent proceedings is too high. (Nowak 2012, p. 157). A low number of patents do not have to mean at the same time lack of innovative success, if these are e.g. patents with high market value (Łobejko 2013, p. 47). Bearing in mind these restrictions, we may, however, compare the ranks of various countries in terms of innovative activities being an important aspect of research and development activities, which aim at the creation of new, innovative solutions. The patent statistics indicates that a high level of expenditure on research and development implies a high level of inventiveness (tab. 1).

¹¹ patent may relate to application or protection only on the territory of a home country of the inventor. It is also possible to apply for inventions in the European Patent Office (EPO); US Patent and Trademark Office (USPTO) or in the Japanese Patent Office (JPO) or in the so-called triadic patent families –EPO, USPTO and JPO at the same time.

Table 1: R&D expenditure in the EU member states and the number of patent applications

		Level of total intramural R&D expenditure (GERD) - thousands of Purchasing Power Standard (PPS) per total R&D personnel and researchers (in full time equivalents)			
		high	medium	low	vey low
Level of total number of patent applications to the EPO by milliard EUR of total R&D expenditure (GERD)	high	– Germany	– Netherlands – Italy	–	–
	medium	– Sweden – Austria	– Belgium – Finland – France – Denmark	– Slovenia – Malta	– Latvia
	low	– Ireland	– United Kingdom	– Spain – Cyprus – Estonia – Hungary – Poland	– Slovakia – Bulgaria
	vey low	–	–	– Portugal – Czech Republic	– Romania – Lithuania

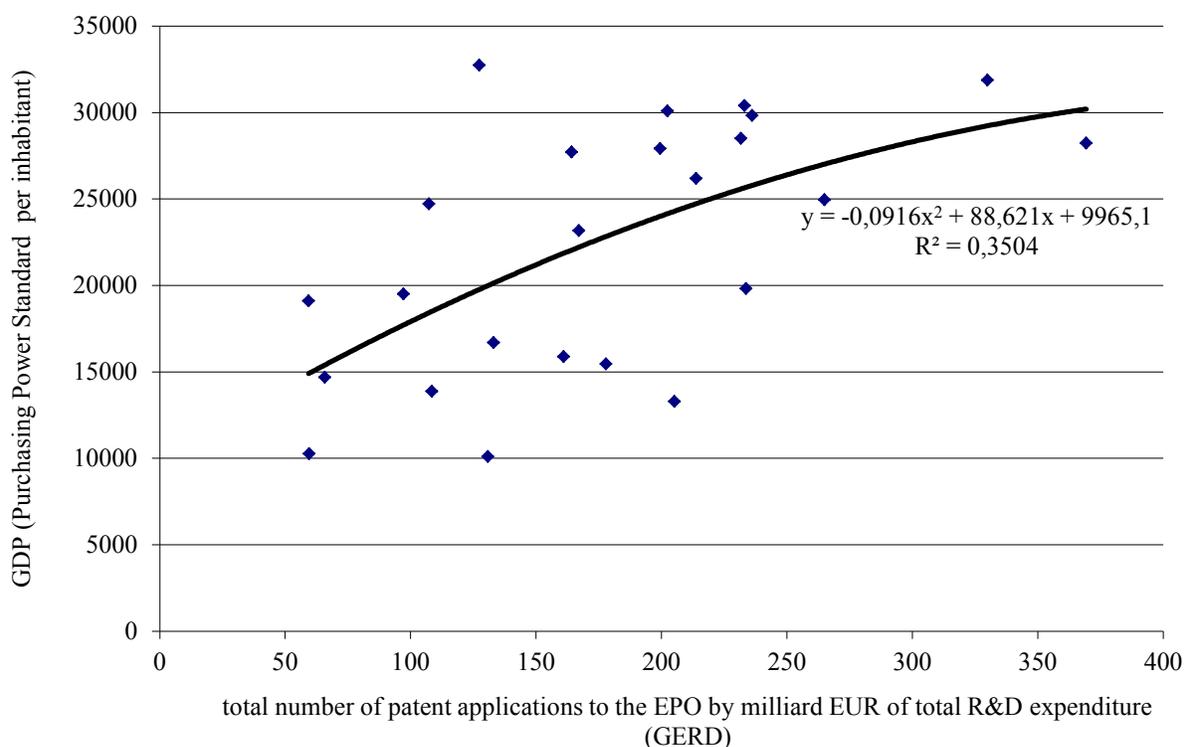
Source: Own calculations based on Eurostat data

We may thus assume that innovativeness is, to a significant extent, a derivative of funds allocated for R&D activities. Countries incurring high expenditure are able to achieve high patenting indexes (e.g. Germany, Sweden, Austria), while in the countries where these funds are lower we can notice a lower intensity of patent applications (Romania, Lithuania). In relation to 12 countries, minor disproportions were observed (difference in one grade – e.g. a high level of expenditure and average grade for the number of patent applications in Sweden and Austria), which can be considered minor differences. Only in two countries (Ireland and Latvia) slightly larger figures were recorded. We may, however, assume that observed in recent years internationalization of research and development activities and the inflow of foreign investments in R&D, in the form of investing funds by international corporations in countries with lower costs of conducting works of this type, cannot be ignored. This trend will probably persist in the future years. The globalization of R&D activities defined in this way, apart from works cost savings, gives also to the possibility to accessing and using local knowledge and new sources of innovations, also from developing countries, which have the potential of qualified engineers and

scientists (Eagar et al, 2011, p. 34). On the other hand, according to Weresa (2012, p. 17), investments of international corporations can limit competitiveness of the receiving country. It applies to a situation where the inflow of capital would cause restriction in its technological specialization, which would direct its development e.g. on branches with low share of value added. He adds also that if it is accompanied by the phenomenon of replacing national investments in R&D area with foreign capital, then this may lead to subordination of technological development of a country to the preferences of foreign investors.

A high level of R&D expenditure implies a high level of inventiveness. A large number of patent applications in a particular country do not imply, however, its high competitiveness (Fig. 5). Certainly, the presented problems concerning the use of this type of indexes to assess competitiveness or innovation of the economy should also be stressed. In addition, patent applications are not identical with innovations. Only the application of inventions in practice (namely their existence in the form of innovations) brings specific economic effects whose reflection may be macroeconomic indicators.

Figure 5: Patent applications of the EU member states and the level of their competitiveness (GDP)



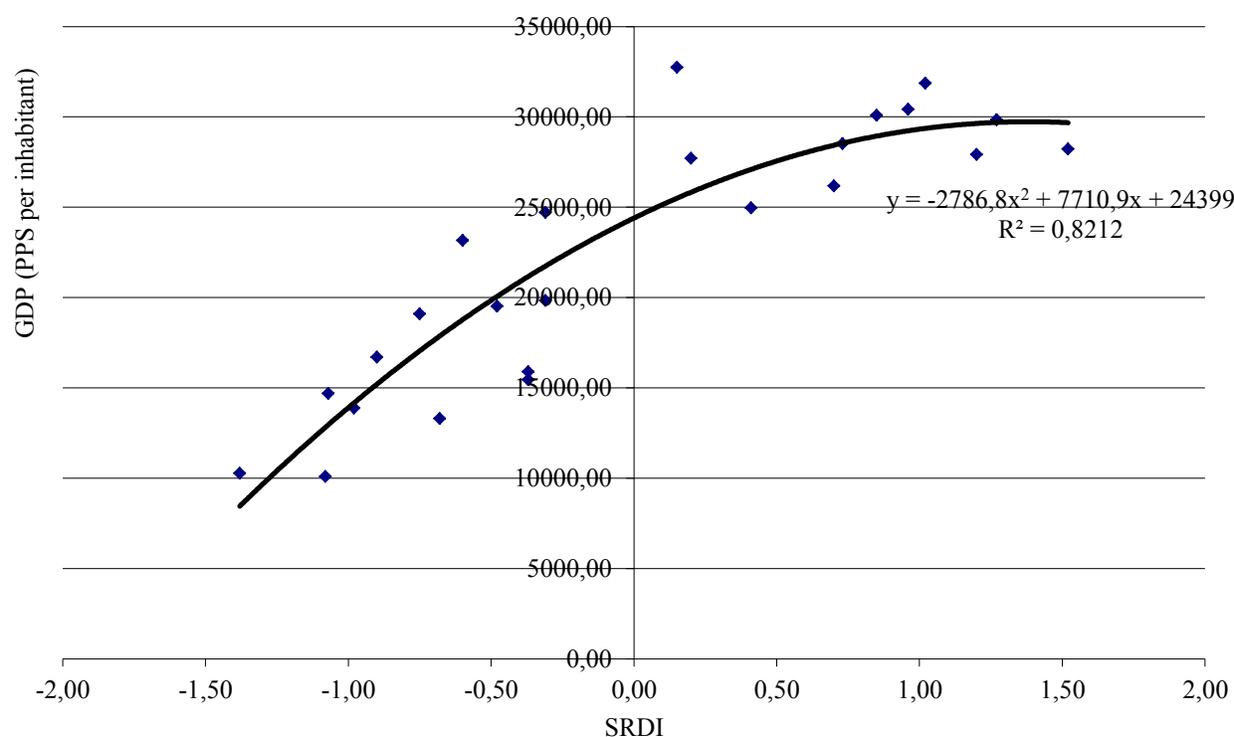
Source: Own calculations based on Eurostat data

It is important to remember that it does not mean lack of the justified character of analyzing these problems in connection with competitiveness or innovation of the countries. Patent applications, as potential innovations, characterize the possibilities of a given economy in the field of their introduction; a higher number of applications can thus (although does not have to) indicate more

effective transformation of knowledge into solutions which can be adapted in practice and become a determinant of the prospects of national growth. Acceleration in technological progress in the 21st century is connected with a dynamic growth in the number of patent applications. Its confirmation may be e.g. the situation of Asian countries. In the years 2003-2007, China increased the number of patent applications to WIPO (the World Intellectual Property Organization) over three times, and South Korea by 140% (*Raport...* 2008, p. 17). Significantly weaker results are recorded, on the other hand, by European countries and some of them recorded even regress (for instance - in Poland).

In conclusion, in the EU countries the research and development potential (measured by SRDI) is very diverse (Fig 6).

Figure 6: R&D potential of the EU member states (SRDI) and their competitiveness (GDP)



Source: Own calculations based on Eurostat data

The highest index is attributed to: Sweden, Denmark, Finland, Germany, Austria (tab. 2). At the same time, these countries belong to the group of European leaders of competitiveness and innovation. The lowest results are recorded, on the other hand, in: Slovakia, Poland, Lithuania, Bulgaria and Romania – countries with generally low level of competitiveness and innovation. The results indicate thus that there is a connection between research and development potential of a country and its competitiveness. As a result, the EU countries decide to intensify research and development activities – support development of scientific research and investments in the R&D sector. Such activities are also of priority character in the EU cohesion policy because, in consequence, they may contribute to permanent economic growth.

In spite of the fact that presently innovations are not always created in research and development departments, and thus innovation (linked to competitiveness) is not generated and determined only by this sector (it was the domain of linear models of innovations implemented in the previous years), its role has not been reduced. It is an important element of a system approach to the generation and development of innovations and progress, and thus competitiveness. Being one of the links of this system, it affects its effectiveness and effects.

Table 2: The level of synthetic measure of research and development potential and GDP per capita of the EU member states

		Summary R&D Index (SRDI)			
		high	medium	low	very low
Level (PPS per inhabitant)	of	<ul style="list-style-type: none"> – Sweden – Netherlands – Austria – Denmark 	<ul style="list-style-type: none"> – Ireland 	<ul style="list-style-type: none"> – 	<ul style="list-style-type: none"> –
	GDP	<ul style="list-style-type: none"> – Germany – Finland 	<ul style="list-style-type: none"> – Belgium – France – Italy – United Kingdom 	<ul style="list-style-type: none"> – Spain – Cyprus 	<ul style="list-style-type: none"> –
		<ul style="list-style-type: none"> – 	<ul style="list-style-type: none"> – Slovenia 	<ul style="list-style-type: none"> – Malta – Estonia – Hungary – Czech Republic – Portugal 	<ul style="list-style-type: none"> – Slovakia
		<ul style="list-style-type: none"> – 	<ul style="list-style-type: none"> – 	<ul style="list-style-type: none"> – Latvia 	<ul style="list-style-type: none"> – Poland – Lithuania – Bulgaria – Romania

Source: Own calculations based on Eurostat data

It is confirmed by, among others, international competitiveness research. It results from them that it requires an environment which supports investments in research and development, presence of high quality scientific and research institutions, which can generate the knowledge needed for construction of new technologies (Schwab 2012, p. 7). In addition, also intensive research and development cooperation with industry is necessary (Grzybowska 2012, p. 39). Additionally, in the context of association of GDP per capita of the countries and the degree of advancement in their technological potential attention should be paid to the research by Fagerberg (1987) who questioned the hypothesis according to which faster technological development of wealthier economies stimulates (on the basis of achieving external benefits) countries with low level of GDP *per capita* to achieve relatively high economic growth. In poorer countries, the growth rate may be even higher, which was defined by Fagerberg as the so-called catching-up effect (Fagerberg 1987, pp. 87-89). In the globalizing economy, it affects positively actions and pursuits of the EU of increased innovation and competitiveness of the EU economy.

Summary

Knowledge and using it become one of vital determinants of innovation and competitiveness of enterprises, regions and countries. Searching for its new areas as well as the possibility to use the already existing are the essence of research and development (R&D) activities, the separation of which, as a separate sector of activities that makes decisions under the effect of economic incentives, was conducted, among others, under the effect of endogenization of technological progress – a phenomenon being the basis for the endogenic growth theory. The intensity and scope of R&D works in particular countries are not the same. They depend, among others, on the held potential and its use. The potential may in turn be identified using many factors. The conducted research shows that in countries with relatively higher general development of the economy, higher R&D expenditure is recorded. The unquestionable leaders are: Austria, Sweden and Germany. The co-existence of these phenomena indicates that they are connected with one another and mutually stimulate one another, although it does not imply the cause - and - effect dependence. According to the assumptions, the research and development potential of the country is a derivative of the number of the employed in this sector. Employees transform expenditure in useful knowledge and specific innovative solutions. The leading position is occupied by Finland (with employment of almost 2.3% of all the employed in this country), Denmark comes in second (1.9%). The lowest level of resources is recorded in Cyprus and Romania (only 0.3% each). Like in the case of expenses, we can notice the co-existence of relative employment in R&D activities in those countries that are characterized by higher competitiveness. From the conducted research, it seems that a high level of R&D expenditure implies a high level of inventiveness. Countries incurring high expenditure (e.g. Germany) reaches high patenting indexes, while in the countries with lower level of these funds we can notice lower intensity of patent applications (e.g. Romania, Lithuania). A large number of patent applications in a particular country do not imply high competitiveness. They can result from some imperfections of the use of this feature (patent applications) for analyses of competitiveness of the economy. Notifications are not identical with innovations. Only the use of inventions in practice is innovation. Then it brings specific economic effects whose reflection may be macroeconomic indexes. Finally, in the EU member states summary

research and development potential index is very diverse. The highest index is attributed to Sweden, Denmark, Finland, Germany, Austria. At the same time, these countries belong to the group of European leaders of competitiveness and innovation. The lowest results are recorded, on the other hand, in: Slovakia, Poland, Lithuania, Bulgaria and Romania – countries with generally low level of competitiveness and innovation. The results indicate thus that there is a connection between the research and development potential of a country and its competitiveness. However, it should be remembered that economic competitiveness of countries, defined only through the prism of R&D sector, is a great simplification, although it has undoubtedly valuable qualities, e.g. information, diagnostic, comparative qualities, etc. These phenomena are connected with one another, stimulate one another, but are not the only determinants for one another. Therefore, the EU member states seek to support scientific research and implementation of investment projects in the R&D sector because, in consequence, it may contribute to achieving permanent economic growth in national (unit) aspect, on the principle of effect synergy, and also a broader one (macro or megaeconomic).

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Alberto Cubillos Guzman

Universidad Libre, Bogota, Colombia

The General Dispositions of the Convention on Contracts for the International Sale of Goods and the Actual Projection Context of Colombia Regarding International Commerce**Abstract:**

Colombia has assured in the last years to establish itself and an emerging economy, with a specific weight in the international intergovernmental organization forums, actively participating in the United Nations Security Council, the Union of South American Nations, and the Andean Community of Nations among others, and by adopting numerous free trade agreements with other states and regional integration organizations. It also has made the required steps to access other international organisms as the Organization for Economic Co-operation and Development (OECD), which is currently studying the adhesion request presented by Colombia, the Pacific Alliance and the Asia-Pacific Economic Cooperation (APEC). Likewise, a series of norms have been promulgated in commercial and mercantile affairs, which aim to complete said general objective, among these new norms the following three are highlighted: a) Law 1563 of 12 July 2012. New Statute of National and International Arbitration, which was redacted taking the United Nations Models Law on Arbitration as a fundamental reference. b) Law 1564 of 12 July 2012. General Code of Proceedings. c) Law 1480 of 2011. New Consumer Statute, which presents advanced regulations regarding consumer law. This article will describe the General Dispositions section of the United Nations Convention on Contracts for the International Sale of Goods (CISG), both in the interpretation of the normative texts and the international judicial rulings that have been creating a kind of international jurisprudence regarding the global regime of buying and selling of goods. In complementary fashion, the article evaluates the importance of said normative facing the growing process of internationalization of the Colombian economy, which seeks to exit the long period of internal armed conflict and position itself as an emerging economy in the regional and global setting. The communication goes in detail of certain aspects developed in the Universidad Libre (Bogotá, Colombia) as part of an institutional research project with more than three years of work.

JEL CLASSIFICATION: K

KEYWORDS: Colombia, CISG, International Trade Agreements, International Commerce, UNCITRAL, Sale of goods

Kyoumars Habibi

University of Kurdistan, Sanandaj, Iran

Analyzing the Social Justice in Spatial Structure of Sanandaj City by ANP

Abstract:

Nowadays fast growing population with social and economical challenges brought by cities has created a new form of urbanization. This has made it difficult to provide residents need properly in cities. The main problem of such form of urbanization is in relation to the challenges of equitable access to adequate quality services for all residents. The city of Sanandaj was selected as the case study of this research to assess particularly the social justice situation across the entire socio-spatial structure of the city. Therefore, the dispersion index of Williamson and Morris was used to conduct the field work. In this regard, the distribution of social, economical and physical indicators and residents accessibility has been surveyed across 21 districts of the city. Then, the correlation analysis was used to identify the relationship among the level of socio economic statues of the residents and the degree of accessibility to urban services. The results show that there is a significant variation among indicators by household socio economic statues. It means that the pattern of urban land use (services) was mainly in line with the socio economic statues of residents. Those neighborhoods with high level of urban services also contain wealthy economical groups. Eventually this conveys that the spatial structure of the city is not equitable to promote the level of social justice across the whole city.

Michael Hall

Kyushu University, Fukuoka, Japan

Utilization of Bamboo Biochar as a Soil Amendment to Test the Effects on Two Varieties of Sweet Potato: A Report on Phase Two in a Carbon Sequestration and Local Economic Revitalization Project

Abstract:

The purpose of this collaborative project based learning (PBL) research is to revitalize the local farming economy, improve the local environment, and raise students environmental knowledge through design, science, and contribution. The core group of this PBL consists of Master's students from the Department of Design Strategy at Kyushu University along with undergraduate and graduate students from the Faculty of Agriculture at the same university. This paper details the results from the second stage and outlines the goals for the third one. The first stage focused on benchmarking of biochar producers and retailers, results from surveying Fukuoka Prefecture consumer's purchasing attitudes and knowledge, developed packaging and logo proposals, and joined a local Satoyama volunteer group to provide support to the local community. In the second stage, collaboration with Kyushu University's Agro-environmental Sciences researchers was established to incorporate a more scientific approach to the social and design elements in this PBL. The surrounding hillsides in the project's area were densely planted with Sugi (*Cryptomeria japonica*) in the 1950s as a national government policy to reduce the dependence on imported timber; however, these Sugi forests have been neglected over the years because the lumber prices declined making them unprofitable to maintain. In the absence of forest protection, bamboo growth has brought direct and indirect environmental damages. This project aims to convert the overgrowth of bamboo from a natural menace into a positive impact on the local environment and economy through biochar production and utilization. The school semester begins in April in Japan, so the first task for the second phase was for the students to make bamboo biochar using a portable low cost kiln. This kiln maintains a low oxygen atmosphere and burns at approximately 500°C, which are conditions necessary to produce high quality biochar used as a soil amendment. Likewise, this process delivers a low cost and effective carbon sequestration method. This biochar was then tilled into the test plot at the Satoyama group's site at 3% and 5% by volume in May. Two varieties of sweet potato were planted in two 20-meter long rows, one with the biochar mix and the control row without it. During the summer, students removed the weeds several times, and the Satoyama members watered the plot when necessary. In October, the potatoes were harvested and the total weight of the biochar and control group was measured. Samples were sent to the Agriculture Department members to analyze the brix content. Results were mixed: the total weight of potatoes grown in the biochar-amended soil was 20.2 kilograms more than the potatoes from the control group. However, the brix content was not significantly different for the two sets. The positive aspect of greater harvest for the biochar group is encouraging, but testing at the same plot will continue for the next two

years to determine if there is any change in the brix levels, condition of the soil, and health of the plants.

Keywords: Bamboo biochar, carbon sequestration, project-based learning, local revitalization, higher-education

Zeenobiyah Hannif

University of Technology, Sydney, Australia

John Burgess, Julia Connell

Curtin University, Australia

Anthony McDonnell

University of South Australia

Calling It in: “Trust” as Call Centre Employees See It**Abstract:**

While organizational researchers have long shown interest in the notion of trust, the transition from heavy industry to a new technology based economy have led to increased interest in this area. Call centres (CCs) are widely recognised as playing a major role in the new economy and are seen to exemplify the organizations of the ‘information era’ (Green, 2005; Batt, Holman and Holtgrew, 2009). CCs have made a significant mark on Australia and the rest of the world with an estimated \$300 billion spent on them? globally every year (Gilson and Deepak, 2005). Since their initial emergence in the early 1990’s, the people management practices and principles of work organisation used in CCs have been subject to significant scrutiny (see URCOT, 2000; Wallace, Eagleson, Waldersee, 2000; Batt and Moynihan, 2002; Paul and Huws, 2002; Deery and Kinnie, 2005; Wall and Wood, 2005; Russell, 2008). While it is true that not all CCs are the same (Russell, 2008) much of the literature surrounding CCs infer they are low-trust environments. This is evidenced through the high levels of monitoring, surveillance and control that CSR’s are subject to, and the limited discretion that CSR’s experience in the labour process (Frenkel, Tam, Korzynski and Shire, 1998; Kinnie, Hutchinson and Purcell, 2000; Houlihan, 2002). The high turnover rates that have marred the image of these workplaces since they initially started proliferating across the globe (see URCOT, 2000; Paul and Huws, 2002; Callaghan, 2005) further suggest what might be assumed as weak employer-employee relations. In this paper, we examine the extent to which CSR’s have trust in their team leaders and managers, and the conditions under which higher trust relations are exhibited. We also examine how trust impacts on CSR’s attitudes towards their employers and their commitment to the workplace. Surveys and focus groups were conducted with CSRs in ten call centres. Despite initial evidence for the alternative established in the extant literature, this study suggests that ‘trust’ can exist in CCs despite the prevalence and extent of performance targets and monitoring. While it is true that the two CCs with ‘high-trust’ relations (CCP and CCW) placed less emphasis on performance targets and monitoring overall, CSRs still showed trust in team leaders and managers where monitoring did take place. These findings suggest the use of high commitment-low discretion strategies (Houlihan, 2002) within these contexts. Further, the findings from this study support earlier findings by Deery et al (2002) that the perception of team leader support may in fact lead CSRs to object less about the level and form of monitoring used. When examining the conditions that are conducive to high-trust relations, the findings indicate that ‘employee

voice' matters. While consultation occurred across all ten CCs, the findings accentuate the point that consultation should go beyond just communicating with employees. Rather, the extent to which employees are 'being heard' through active involvement in decision-making, and having their feedback valued plays a stronger role in the development of high trust relations.

Aida Matri Ben Jemaa

High Institute of Management of Tunis

How to Create Value on the Long Run

Abstract:

In an increased competitive environment, creating long lasting value in Business to Business (B to B) has become a very important issue for suppliers searching to develop valued relationships with their customers.

This research tempts to understand deeply relation ship value concept and suggest how to measure value creation on the long run.

The study of relationship value permits to propose some progress tracks to know how suppliers could assess any relationship value as well as conduct lines that they should follow to create value on the long run.

Keywords: Marketing

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1. Introduction

«Creating and sharing value can be considered as the reason for partnership relations between suppliers and customers» Anderson (1995)

The concept of value is a fundamental concept in relationship marketing (Ulaga and Eggert, 2002). Indeed, close relationships between suppliers and customers can be tied only if they are based on value creation and exchange between these two partners (Ulaga and Eggert, 2006).

This research aims to understand and study value creation in Business to Business (B to B) relationships (suppliers and customers relationships) designated by the concept of relationship value (Ulaga and Eggert, 2002). This article is therefore organized as follows: the first part presents various definitions of this concept; the second develops a literature review on the concept and the third part identifies the different dimensions identified by previous research. Finally a discussion and conclusion are presented in the last part.

2. Towards understanding relationship value concept

Value concept has been studied in different areas and different positions of the supply chain. This concept presents several designations such as the expected value, coveted value and perceived value (Lefaix-Durand et al, 2006).

Customer perceived value is defined "as a trade-off between the benefits (which is received) or acquired and the costs or sacrifices (what is given) in the relationship between exchange parties" (Parasuraman, 1997; Lefaix-Durand et al 2006; Walter and Ritter, 2003; Ulaga and Eggert, 2002, Ulaga and Eggert, 2006; Heinonen, 2004).

In B to B area, this trade-off is more complex because it takes into account many aspects particularly related to both benefits and sacrifices. Indeed, companies are, in one side, always searching for supplementary services related to purchasing as maintenance contract. In the other side, these same companies are also seeking to reduce sacrifices on reducing prices as well as internal costs (Ulaga and Eggert, 2003). The concept of value is so designated by the relationship value in B to B context (Ulaga and Eggert, 2003, Walter and Ritter, 2003, Liu and al, 2008).

Georges and Eggert (2002) suggest that in order to define the relationship value, three elements must be retained: the subjectivity of value concept, the comparison with competitors and finally, its multidimensional character. Apart from these three aspects, Ulaga and Eggert (2003) also discuss the conceptualization of this concept by the difference between the benefits and costs resulting products.

The subjectivity value concept

The perception of value is subjective. In fact, Georges and Eggert (2002) suggests evaluating suppliers companies by involving all the buyers concerned in the relationship and in order to be perceived as fair as possible.

The trade-off between benefits and costs

Many authors define value concept as "a compromise between profits generated and incurred costs" (Zeithaml, 1988; Ulaga and Eggert; 2003, Walter and Ritter 2003; Lefaix-Durand et al, 2006). The benefits as well as the costs should be shown in monetary terms as well as non monetary terms.

The comparison with the competition

Georges and Eggert (2002) suggest that value can only be assessed through a comparison with the competition. Ulaga and Eggert (2003) and Ulaga and Eggert (2006) appreciate the value of the relationship with a supplier comparing it to an alternative supplier.

The situation effect in value

Value is a situational concept as it depends on the context (Parasuruman, 1997). Indeed, value depends on the circumstance in which connections between relationship parties (customer and supplier) turn out (Kalnac, 2013, Ulaga, 2003).

The multidimensional nature of the value

Relationship value is a multidimensional concept, Many representations takes into account the benefits and sacrifices gained by the relationship by different facets, economic/non economic or monetary/non-monetary (difficult to measure).

The conceptualization of Walter and Ritter (2003) and Walter et al (2000) seem particularly interesting. Indeed, these authors suggest that the relationship value is determined by incrementing the direct functions (profit, volume and backup functions), easily measurable, to indirect functions (innovation, market, scout and access functions).

3. Literature review

Relationship value concept has taken the attention of a large number of researchers and practitioners (Jokung-Nguena and al, 2001; Walter and al, 2000, Walter and Ritter, 2003, Ulaga and Eggert, 2003, Ulaga and Eggert, 2006; Wilson 2003). A summary of our review of the literature is presented in the table N°1 below.

Table N°1: The literature review of relationship value concept

Author	Year	Context	Highlights	Type of research
Anderson	1995	Industrial relationships	In a B to B relationship, value is assessed by calculating the benefits and sacrifices in a supplier-customer interaction	Empirical
Ravald and Gronroos	1996	Industrial relationships	Reducing perceived costs by the customer can be the most recommended method to provide value	Conceptual
Wilson and Jantrania	1997	Industrial relationships	Presentation of the conceptual framework highlighting the relational value	Conceptual
Lapierre	2000	Industrial relationships	A scale development to measure the perceived value in B to B context	Empirical
Ulaga and Eggert	2001	Fresh industrial buyers	Definition of relationship value and development of a scale specific to industrial markets	Empirical
Walter and al	2000	B to B relationships	Establishment of a conceptual model highlighting the relationship between the following concepts: satisfaction, trust, relationship value and customer commitment. These concepts are considered as key concepts for business relationship management	Empirical
Werani	2001	B to B relationships	Development of a scale to measure the concept of relationship value in a B to B context	Empirical
Eggert and	2002	Industrial	Satisfaction and relationship value are two complementary concepts. Relationship value is	Empirical

Uлага		Buyers (Germany)	a cognitive variable and satisfaction is a emotional variable	
Georges and Eggert	2002	Key industrial clients	Understanding of creating value for supplier/key customers relationships	Empirical
Uлага and Eggert	2002	Industrial buyers	Each dimension of relationship value influences a relationship marketing concept exp. satisfaction and commitment	Empirical
Uлага	2003	Industrial buyers	Identification of different relationship value dimensions in a B to B context	Empirical
Walter and Ritter	2003	Industrial companies	Direct and indirect functions of a buyer/supplier relationship helps to increase the relationship perceived value by the supplier	Empirical
Lindgreen and Wynstra	2005	Companies relationships	Highlighting two research streams related relationship value concept: the value of products and services and the value of customer suppliers relationships	Conceptual
Hobley and Batt	2005	Industrial companies (Wine making industry)	Relationship value conceptualization: commitment, trust and satisfaction are the most important determinants of relationship value	Conceptual
Eggert and al	2006	Industrial buyers	Measurement of the relationship value throughout the life cycle of the relationship to highlight the dynamic nature of this concept	Empirical
Baxter	2006	Industrial manufacturers	Proposal of other alternatives to conceptualize relationship value concept in addition to Baxter and Matear (2004)	Empirical
Lefaix-Durand and al	2006	Inter-organizational relationships	Proposal of a conceptual framework that allows integrating and better understanding of the RIO as a tool for creating value	Conceptual
Moller and al	2006	Industrial Enterprises	Creating value analysis while considering both supplier and customer strategies	Conceptual
Uлага and Eggert	2006	Industrial buyers	The relationship value permit to differentiate from other providers through the benefit of the relationship dimension support services, interpersonal interaction	Empirical
Konhauser	2007	German buyers and sellers	Development of a model linking the value generated by the client and the one generated by the supplier	Empirical
Corsaro	2008	Customer-supplier relationship (ICT sector)	The nature of the relationship value is different depending on whether it is perceived by the customer or the supplier	Empirical

Corsaro and Snehota	2009	Customer-supplier relationship (ICT sector)	Relationship value is subjective and depends on the context of the study	Empirical
Sharma	2010	B to B relationship	Relationship value is determined by the direct and indirect functions of the relationship and has a positive effect on the relationship quality	Conceptual
Sok and al	2012	B to B relationship (service context)	Value depends on financial, sales, and customer oriented performance outcomes	Empirical
Klanac	2013	B to B relationship	The customer value should be based on three approaches: the benefit-sacrifice, the means-end and the experiential approaches	Empirical

According to the literature, it appears that the improvement of product quality and customer satisfaction is not enough to acquire a competitive advantage (Georges and Eggert, 2002). Thus, control of the process of value creation and value transfer is now at the center of B to B relationships (Anderson and Narus, 1999).

We try in the following focus on the importance of this concept, especially in the B to B as well as the different perspectives used by researchers to study and measure it.

Importance of relationship value concept throughout B to B relationship life cycle

Ravald and Gronroos (1996) and Gronroos (2003) consider that the relationship value is a comprehensive reading of B to B relationships taking into account tangible and intangible aspects inherent to the relationship. The value creation should also be done throughout the life cycle of the relationship and therefore on the long run. In this setting, Wynstra and Lindgreen (2005) present a picture gathering the past, the present and the future of value perception in B to B context. To understand this concept the authors have distinguished between product and relationship values.

Eggert et al (2006) focused more on the dynamic elements to create the relationship value. In their longitudinal study, they found that the importance of different relationship value dimension depends on the stage of relationship progress. Indeed, the central dimension (second-order dimension) plays only a minor role throughout all the life cycle of the relationship. On the contrary, sourcing process dimension, evidenced by services and personal interactions, plays an important role during the early stages of the relationship whereas “customer operations” materialized by dimensions of “know-how” as well as the "time to market" rather arises in later stages of the relationship (Eggert et al, 2006). These authors also state that it takes time for the client to have experience with the supplier and can therefore assess the potential value creation of the relationship (Konhauser, 2007).

Walter and Ritter (2003) studied the determinants of relationship value (direct and indirect) and were able to affirm according to their empirical result that the two dimensions of value are influenced differently by trust, adaptation and commitment and that relationship value can be better assessed if the relationship is studied on the long run.

The literature on the concept of relationship value is very dense and also highlights its importance throughout the life cycle of the relationship especially in the context B to B. Thus the importance to study this concept on the long run.

Dense but rather fragmented literature, since the above research has generally focused on the analysis of the concept from the point of view of the customer from the point of view of the supplier. Few studies have focused on two perspectives simultaneously (Corsaro, 2008). The following section highlights the different perspectives.

Different perspectives of the relationship value

Researcher's approaches differ concerning relationship value understanding. In fact, they are usually positioned either on the supplier side or on the customer side and rarely on both sides at once (Corsaro and Snehota, 2009). The table N°2 below highlights the different approaches.

Table N°2: Different perspectives of relationship value understanding

Perspective	Approach	Authors
Relationship value provided to the customer (buyer)	Highlighting the value created for the client company	Wilson and Jantrania, 1995 Ravald and Grönroos, 1996 Gronroos, 1997 Woodruff, 1997 Walter and al, 2000 Ulaga and Eggert, 2001 Ulaga, 2003 Ulaga and Eggert, 2005 Ulaga and Eggert, 2006 Ritter and Walter, 2006
Relationship value for the supplier (seller)	Highlighting the value created for the supplying company	Walter and Ritter, 2003 Baxter and Matear, 2004 Walter and al, 2001
Customer and supplier perspective: dual perspective	Return to stakeholders (customers, suppliers) assets they deem important	Hogan, 2001 Biggemann and Buttle, 2005 Mandjak and Simon, 2007 Konhauser, 2007 Corsaro, 2008
Customer perceived value	Focusing on aspects influencing customer perceived value	Anderson and al, 1993 Lapierre, 2000 Ulaga and Chacour, 2001 Flint and al, 2002
Network perspective (customer or supplier)	Emphasising is on the value of interconnected relationships	Gummesson, 2004 Moller and Torronen, 2003

Adapted from Corsaro and Snehota (2009)

The above mentioned perspectives are not exhaustive. However, they can be considered as the most frequently cited in the recent literature. Thus, we can follow a unidirectional approach in seeking to determine the relationship value as seen by the customer (Ulaga and Eggert, 2005; Ulaga and Eggert, 2006, Ritter and Walter, 2006). Relationship value can also be assessed by the supplier (Walter and Ritter, 2003). Therefore, the last will be asked about the sources of value creation for the client company (Walter and Ritter, 2003, Walter et al, 2001).

More recently than the unidirectional perspective, double perspectives (bi-directional) have been proposed to see aspects for creating value for the customer and supplier at the same time (Mandjak and Simon, 2007 and Corsaro, 2008). Other possibilities have also been developed, such as, perceived value by the customer (Flint and al, 2002) and the value network perspective which is part of a network characterized by interconnected relationships (Moller and Torronen, 2003; Corsaro and Snehota, 2009).

As for this research, we will focus on the customer perspective. We will follow the approach of Walter and al (2000) as well as Ritter and Walter (2006) stating that the study of relationship value as perceived by the customer can reconsider the activities of the supplier according to the expectations of the latter. We will try, therefore, to consider how value is created in the eyes of a client company while following the steps of the above authors.

4. Relationship value dimensions

Marketing literature has proposed several ways to decompose the relationship value dimensions in a B to B context. In his book, the institutional and managerial issues, Frioui (2002) identifies three components, the economic value (material and measurable), social value (the partnership with the environment) and institutional value (the pride of belonging a reliable institution). The same author even talks about the integration of a fourth component.

Anderson et al (1993) recognize two dimensions: a profit and sacrifice dimensions. The benefit dimension is divided into four components: economic, technical benefits, services benefits and social benefits. For cons, the sacrifice dimension refers only to the price paid to the supplier.

Ravald and Gronroos (1996) suggest that the study of the relationship between perceived benefits and sacrifices should not be limited to transactions between exchange partners. On the contrary, the value assessment should also consider the value created by the relationship surrounding the transactional exchange (Ulaga and Eggert, 2003). Indeed, these authors suggest that the supply of the product or service is at the heart of any B to B relationship (customer-provider). What led to the development of other benefits and sacrifices dimensions based mainly on the product, but also taking into account the relational aspects such as suggested by (Ravald and Gronroos, 1996). The benefit dimension is concretised, one side, by the central benefits related to product and service, on the other side, by the strategic benefits aiming profits over the long term and materialized by the expertise, competitive position and market and finally the personal benefits. Indeed, Ulaga and Eggert (2003) suggest that although relations are established between the organizations, it is the staff of these organizations that is in charge, which led them to suggest a third dimension of first order referring to personal interactions. On the contrary, the sacrifice dimension is divided into monetary and non-monetary sacrifices.

Monetary sacrifices refer mainly to the price paid for the product or the service while non-monetary sacrifices, which can not be translated into monetary terms, refer to the internal and coordination costs.

More recently, Ulaga and Eggert (2006) redistributed indicators related to relational benefits mentioned above classifying them into three dimensions: the core benefits, the benefits of the acquisition and finally the benefits to customers operations process (see table N°3 below). It is the same for the indicators related to relational sacrifices (monetary and non-monetary) which were apprehended in three dimensions also (instead of two): direct costs, acquisition costs and finally client operations costs of (see Table N°3 below).

Table N°3: Value creation indicators for B to B relationship

Relationship value dimensions		
Benefits		
First order dimensions	Second order dimensions	Indicators
Product quality	Core Offering	The quality must be in accordance with the technical specifications requested by the customer. Reliability, product profitability; purchases quality, product availability; mass customization.
Delivery performance		On time delivery Delivery flexibility Delivery accuracy
Service	Sourcing process	Quality, reliability and responsiveness of services to customers Information Management Outsourcing
Personals interactions		Willingness to resolve conflicts, satisfaction, decision making capacity The involvement of top management
Know how	Customer operations	Resources optimization, skills and knowledge development Innovation development Price competitiveness

		Facilitating the integration of new technologies
Time to Market		Design tasks Prototype development Product testing
Costs		
First order dimensions	Second order dimensions	Indicators
Direct costs	Core Offering	Price paid for the good or service Commitment to reduce prices on an ongoing basis
Acquisition costs	Sourcing process	Inventory costs Monitoring costs orders Inspection costs
Operating costs	Customer operations	Production costs Tooling costs Warranty costs

Adapted from Ulaga and Eggert (2005), Eggert and al (2006), Ulaga and Eggert (2006), Lefaix-Durand and al (2006)

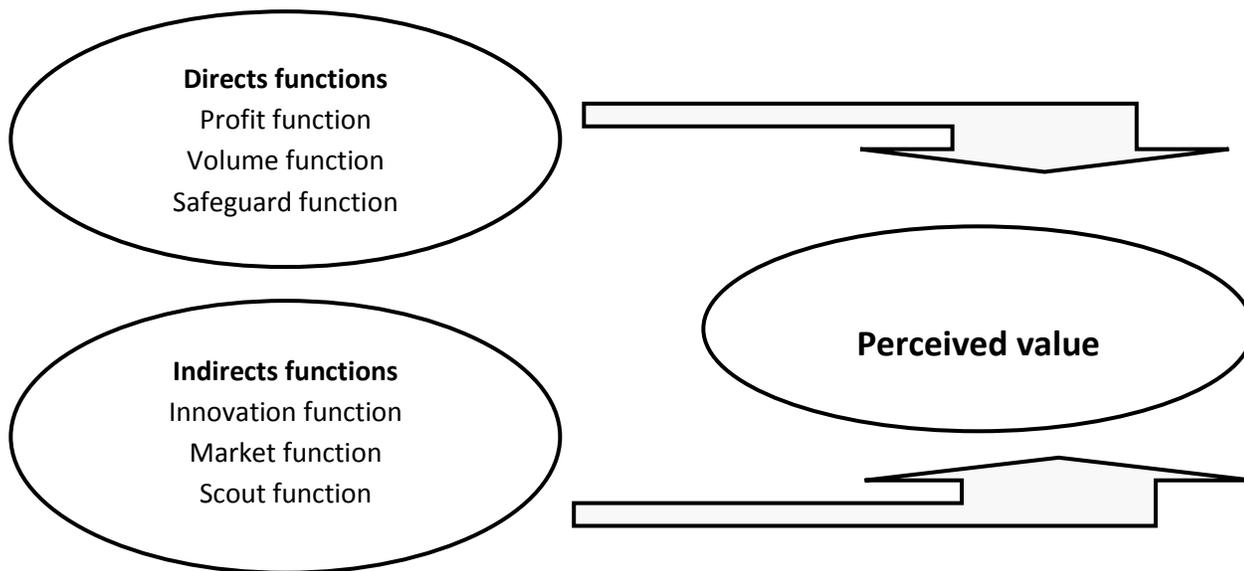
Furthermore, Walter and Ritter (2003) state that business relationships are related to the direct and indirect economic objectives realisation (Anderson and al, 1994; Walter and al, 2000). In other words, the establishment of B to B relationships (supplier-customer) assumes the anticipation of some benefits that can be either immediate (direct) or in the future (indirect or secondary). Walter and Ritter (2003) have shown that there is a difference between direct and indirect dimensions and have therefore highlighted the difference between these two dimensions named by function as follows:

- **The direct creation value functions**
 - **Profit function:** refers to the direct profit of a product or service.
 - **Volume function:** refers to the volume of business generated by the relationship.
 - **Safeguard function:** refers to the guarantee of business volume and revenue through contractual arrangements between the customer and supplier.

- **The indirect creation value functions**

- **Innovation function:** refers to cooperation for innovation of a product or process for a customer-supplier relationship.
- **Market function:** refers to the ability to gain new markets.
- **Scout function:** refers to information on markets development potential.
- **Access function:** refers to gain on accessing to relevant stakeholders or third parties.

Figure N°1: Value creation functions in a B to B context



Adapted from Walter and al (2000) & Walter and Ritter (2003)

Referring to Walter and al (2003), Moller and Torronen (2003) go further and suggest three functions instead of two (direct and indirect) named effectiveness, efficiency and networks functions. Indeed, these authors have described the direct function of creating value proposed by Walter and al (2003) by including efficiency and profit functions, volume and backup function. For cons, the indirect function suggested by Walter and al (2003) was divided into two sub-functions namely the efficiency and the networks. The efficiency function refers to the innovation function of Walter and Ritter (2003). Indeed, Torronen and Moller (2003) call it this way, because this function refers to the ability of the supplier to perform or produce solutions of higher value to the customer. Finally, the function of networks includes the functions of market recognition and access as proposed by Walter and al (2003). According to Torronen and Moller (2003), adaptations and innovations made by the supplier may, therefore, be extended to the entire network (other customers, companies ..). However, it is still important to note that all the above functions are highly correlated and it is very difficult to treat them separately. For example, the functions of access and recognition also promote the development of innovative solutions which is the innovation function (Torronen and Moller, 2003).

The above development has enabled us to better apprehend relationship value dimensions value in B to B. We thus propose to approach relationship value concept as a cognitive construct that refers to the evaluation of the performance as realized by customers evaluating a relationship with a supplier. To do this, we will adopt of Walter and Ritter (2003) as well as Liu and al (2008) approach, while distinguishing direct and indirect functions of relationship value concept. Because firstly, their scope is similar to ours (B to B relationships) and secondly, this allows to overcome the limits set by Ulaga and Eggert (2006) regarding the exclusion, in their research, of certain types of relationships, such as relations with monopoly suppliers.

Finally, it should be noted that the designation of relationship value dimensions as explained by Walter and Ritter (2003) differ according to the authors. Some speak about "hard" dimension to describe the direct value creation functions and "soft" dimension to describe the indirect value creation functions (Konhauser, 2007). Other denote the aforementioned functions by respectively "the direct relationship value" and "indirect relationship value" (Liu and al, 2008). Nevertheless, these authors are unanimous that relationship values include an easy and immediate measurable dimension (that we can evaluate immediately) and a difficult measurable dimension assessed on the long run (to be evaluated continuously). Thus, the importance to study value creation on the long run and not on a punctual transaction.

4. Discussion and conclusion

This research objective was to recognize how it is possible to create long lasting value in a B to B context. For this, we tried to highlight the different approaches apprehending relationship value concept in B to B context, while presenting its various definitions, a brief review literature, its variation throughout B to B relationship life cycle, the different perspectives tracked to study this concept and finally, its dimensions (short and long term oriented).

This research shows that there is no consensus in the literature on the definition and the dimensions of relationship value concept, however there is at least a consent stating that it refers to "a trade-off between the benefits received and sacrifices generated by an exchange relationship" (Ulaga and Eggert, 2002). The consensus is in line with the understanding of the relationship value as a multidimensional concept that combines several functions some easily measurable indicators and other intangible or difficult to measure (Walter and Ritter, 2003). This concept is also changing according to research discipline, it corresponds to the development and maintenance of a competitive advantage for strategists to dividends received by shareholders for financial and convergence of customer needs and supplier bidding for marketers (Lefaix-Durand and al, 2006).

Therefore assessing and determining relationship value is more complicated than using a simple scale measure with some items. Indeed, researchers have first to be involved on the context as the perceived value differs according to the last. In fact, the product and service (core offering) seem to have more importance in B to B context. In contrast, personal interactions (sourcing process) is more important in B to C context compared to B to B one. Second, researchers have to tag on a perspective: is it a supplier or a customer one? Or both at the same time, because the value assessment differs also

according to the interlocutor as it is a subjective appreciation. Third, researchers should also consider all relationship value dimensions stated before.

Accordingly, to create value on the long suppliers should consider direct and indirect functions (Walter and Ritter, 2003) without omitting any one of them because all these functions are correlated as suggested by Moller and Torronen (2003). The supplier should first, look after the product, the volume and the contractual arrangement with its customer (product, volume and safeguard functions) which permits a “quick” value creation it means value creation on the short run. Second, the supplier should necessarily work on the indirect value creation functions on looking after cooperation with its customers and innovation of new process or products (innovation function), developing market potential and working on new markets (market and scout functions), developing relations with relevant stakeholders or third parties (access function). The indirect value creation functions are more difficult to achieve and also more difficult to measure, however they guaranty a long lasting value creation and therefore permits to the relationship to be more long term oriented. This is a track of improvement as researchers and also managers are constantly searching to create value continuously not on punctual manner to foster long term relationships with customers.

For further researches, it is possible to make longitudinal and empirical studies to appreciate relationship value development on the long run especially indirect dimension which permits value creation on the long term. It is also possible to study the impact of any relationship key concept on relationship value exp satisfaction or also the impact of ICT (information and communication technology) on this concept as there is a lack of research on the effect of ICT on relationships values (Ritter and Walter, 2006).

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Panida Jongsuksomsakul

Naresuan University, Phitsanulok, Thailand

Happiness Factors of Indigenous People in Nongkweaw, Thamuang District, Kanchanaburi Thailand

Abstract:

Using the survey on happiness factors of indigenous people in Nongkwaw community, Tahmaung District in Kanchanaburi Province, is aim to study context and element of people's happiness among globalization. The results of this research indicate that globalization really has an impact on life style of the community, and cultural tourism is changing their way of life and income. At this place, mainstream media are served as a channel to connect indigenous people with outsiders and make them happy after spending time on their works. With homogeneity socio - cultural background of the people at Nongkwaw, the results show that happiness is subjective, depending on several specific conditions of the area. The factors that affect well-being (a compatible form of happiness) of people in this area are mind, economic and job security. Setting up drama stage about their daily life (as a show) not only signifies their identity but also increase their income. This is a clear example of how Nongkwaw happiness is related to cultural capital. Evidences from this research also make us believe that people of all stakeholders in Nongkwaw are happy and welcome the benefit they gain from their exposure to the public by media and outsiders.

Ihsan Erdem Kayral, Koksal Onur Inci

The Scientific and Technological Research Council of Turkey, Ankara (Kayral)
Republic of Turkey Energy Market Regulatory Authority, Turkey (Inci)

Testing the Day-of-the-Week Effect Anomaly at Borsa Istanbul and Some Important Stock Exchanges with Regression Models in Period of 1993-2012

Abstract:

In this study, we examine the presence of day-of-the-week anomaly on the daily returns at Borsa Istanbul (BIST) and eight major stock exchanges in developed countries with regression models for the period 1993-2012. Also, this time period is separated into subperiods of five to ten years in length and regression analysis is applied for these time periods as well. Thus, we compare Borsa Istanbul's position as a stock exchange with other major stock exchanges. We obtained similar results for stock exchanges in developed countries for all time periods. For these stock exchanges, our results support "Efficient Market Hypothesis" of Fama (1970) except for the first five-year subperiod. We also find that Borsa Istanbul is efficient for the last ten years as well as other markets.

James Kearns, Aodh O'Searcaigh

Letterkenny Institute of Technology, Letterkenny, Donegal, Ireland

Moving Towards E-Commerce: A Proposed Framework for Moving a Retail Companies' Offline Operations to an Online Context

Abstract:

The aim of this research is to investigate the process involved when companies with a previous off-line operation move their operations online but yet maintain their USP and core values throughout the process. The researcher has developed a model for companies to follow when making the transition to the adoption of e-commerce from the research findings. This is a proposed model which requires further testing. It focuses on companies who have previously made the transition, with inputs from on online shoppers. The research has been conducted in two stages, with the first being depth interviews with six companies that have moved towards e-commerce within the last five years. The second method of data collection selected was two focus groups with customers and online shoppers with eight participants per focus group. These customers were familiar with the stores probed in the depth interviews previously.

Keywords: E-Commerce, Retail, Offline to Online

INTRODUCTION

According to To and Ngai (2006), online retailing is one of the major technological innovations in this information age. Generally speaking, adoption of online retailing refers to companies who establish electronic transactions through the internet, providing direct-to-consumer channels which involve material, information and cash exchanges between the participants. Companies who move towards e-commerce often find the process challenging, bringing in their off line operations to an online context (Rao et al, 2003). Retailers are facing many challenges in the markets they serve. According to Retail excellence Ireland there was a drop of 6.89% in retail industry sales from September 2010 to July 2011 (Retail Times, 2011). Retailers are finding it difficult to compete against one another in an offline context due to issues such as government legislation and upward only rent legislation. The growth in online shopping cannot be ignored as it is becoming the most popular way for people to gather information, purchase items and research the company's product offering. The estimated number of customers served by the UK catalogue retail industry will stand at 50 per cent of the entire UK population by 2013 (IMRG, 2010).

With this in consideration many stores are establishing an online presence for themselves focused on building its sales reach whether or not their online presence consists of an e-commerce function. This allows companies serve a potential global market and in the current economic environment. It reduces their dependence on their traditional customer base. Companies face many challenges such as how they

will position themselves to a larger customer base, how will they translate their company USP and core values to an online context and what branding decisions will they adopt to maximise coverage in the selected online markets to be targeted. The researcher has identified four key areas of literature, selected to help the researcher gain a full understanding of the context of the subject area:

1. E-commerce development within businesses: Ellinger et al., (2003) believes that internet presence provides firms with opportunities to enhance business offerings in a cost effective and practical manner. It can help companies increase profitability, reach new markets, improve customer experience, distribute products faster and communicate more effectively with supply chain partners. An established brand of a well-known company, the URL or web address, is itself a competitive advantage, a tool to attract users to the firm's online presence (Apte & Gangala, 2007). According to Simeon (1999), the most essential feature of a website is the presentation of information about products, services, people, events or ideas. McCrea (2005) believes that companies should focus mainly on designing user friendly websites.

2. The movement towards e-commerce: The importance of moving towards e-commerce is emphasised by Rowley (2009), who's research of top UK retailers found that all have acted on the need to establish an online brand presence, but some have wider objectives, which are delivered through the transactional nature of their web site, and through other features. Daniel and Myers (2000) found that the overall reason for the adoption of e-commerce by SMEs was to enhance customer relationships either through improving customer services, developing the brand, seeking out new customers or to allow for communication with customers. The customer should be considered throughout this. Salmeron and Hertado (2006) has suggested that strategic objectives of fashion retailers in their development of e-commerce provision are: increase revenue, facilitation of purchases, and amplification of brand recognition.

3. Online Branding: According to Rowley (2004), online branding has become an important part of e-business, as the Internet has become a major method of communicating business presence and selling. According to Christodoulides and de Chernatony, (2002), " a brand is a cluster of rational and emotional values that enable stakeholders to recognise a promise about a unique and welcome experience". Harridge-March (2006) notes that well-known brands are more likely to succeed online as consumer's risk potential is reduced from "knowing" the brand and its reputation offline. The ability to go back to one site and deal with a brand they know and trust may also encourage loyalty in consumers. This online experience will result in value judgements about company credibility, reliability, accessibility, resources, and industrial expertise, which, in turn, may impact upon perceptions of place (Hatch and Schultz, 2003). A unique brand name has an important role to play as a keyword in the search process. Even more important is the link between domain name and brand.

4. Trust in online shopping: Lee and Turban (2001) state that lack of trust is frequently stated for reasons customers not shopping online. The e-service quality represents the trust cue that conveys the trustworthiness of the site and the system to customers (Corritore et al., 2003). Trust is important in an e-commerce context because it mitigates perceptions of uncertainty, decreases perceived risk and positively affects purchase intentions (Chang and Chen, 2008;

Pavlou and Gefen, 2004; Pavlou and Fygenson, 2006). The lack of social contact with store employees is still one of the main factors holding back consumers to purchase online (Lowry et al., 2010).

However, this does not mean that social presence cannot be achieved in online interactions. According to Mukherjee and Nath (2007), a customer who trusts an online retailer shall give positive recommendations to others. Hence, positive relationship is found to exist between trust, commitment and word of mouth. A trusting customer will always consider buying from the website. In the online business environment trust is viewed as an effective way of managing customer privacy concerns (Hossain & Hossian, 2007).

METHODOLOGY

The research has been conducted in two stages; depth interviews with six companies that have moved towards e-commerce within the last five years and two focus groups with customers/online shoppers with eight participants per focus group. These customers were familiar with the stores probed in the depth interviews previously. The purpose of the depth interviews (completed June 7th and July 4th 2012) was to gain a comprehensive insight into the process companies went through when moving their operations online, the challenges they faced, how they were overcome and uncover the learning process they encountered. The second was two focus groups with customers (completed 9th and 11th of July 2012) familiar with the stores previously interviewed from both an off and online context. The focus groups consisted of eight participants per group. All the companies selected are within the retail industry.

FINDINGS AND ANALYSIS

It was found from the research that objectives, service offering and customer experience are vital to creation of a credible website. Credibility and trust are the ultimate outcome of a successful website and it was found that through creation of a service offering and/or a customer experience a USP should exist (see Appendix One for model). This section has been broken down under key areas identified in the research from both analysing the common trends from the focus groups, depth interviews and reviewing previous literature around the area being researched.

Objectives: These were identified in this research as a key factor in a company's creation of a selling proposition. Objectives of an organisation affect both the customers and company. It was identified that the company vision, online objectives and off line objectives are key areas of consideration for companies from the research undertaken. When moving to an online context companies face many challenges that affect the company in many ways and changes may be required in the vision and/or objectives or the company to assist the change in the development in the supply chain of the organisation.

Company vision: It was found in the research that five companies of the six interviewed stated that moving towards e-commerce was somewhat a step into the unknown for them and there was an element of fear. All six companies stated that the company moved towards embracing e-commerce due to customer demands and the changing business environment. It was found throughout the depth interviews that all six companies interviewed felt that not having an online presence would place the company at a disadvantage in term of competition. During discussion throughout the focus groups it

was also identified that customers are frequently searching the web for information in order to guide them through their purchase decision and the conclusion can be drawn that not holding an online presence would place the company at a disadvantage

Online objectives: All six companies interviewed stated when moving towards e-commerce the main objective were to expand market reach. Three companies stated the move to online was supported by the potential increase in sales and two companies also stated customer experience was a driving factor in moving towards e-commerce. Three companies found it challenging to gain access to a URL that fitted with the company's overall branding. Online shoppers felt company's URL plays an integral role in the customer's process of identifying unfamiliar companies. Four companies illustrated that moving towards e-commerce has forced the company to review aspects of its pricing policy, in terms of both its off and online operations. Three companies stated that the move towards e-commerce resulted in the company altering its product offering and repositioning of it to maximise online sales potential. Two companies stated this was a different approach to offline store merchandising which was not brand focused. Four of the companies interviewed held no formal online objectives. All companies did know what they wanted the website to portray to the customer.

Off-Line objectives: All companies stated that moving towards e-commerce placed their respective companies with many issues to face including positioning strategies. Each company has different objectives for their online and offline operations. Four companies stated their online objectives were based on customer exposure to their product/service offering. Three companies stated through the interviews that their objectives differed on customer service; two stated their objectives also differed on product lines sold. It appears companies allow customisation in their approach to online in terms of their overall mission.

Service Offering: The service offering of the company is important to a company's move towards e-commerce. Through the depth interviews the most common trend to describe a typical online shopper as quality conscious, brand lead and price sensitive. It was also found that four of the six companies interviewed stated that their typical shopper from an offline context differed in customer requirements significantly from that of their online shopper. This would appear to present a challenge for companies into managing both its on and offline operations and their integration and management of its USP.

Website capabilities: In terms of customers it was identified throughout the focus groups that customers expect a website to match delivery expectations and excite the customer. It would appear if these aspects are addressed fully then that a website would gain the trust of the consumer. Five companies illustrated the capabilities of the website are important factors in the e-commerce strategy being deployed by them. It was brought to the researchers attention throughout the focus groups that the capabilities of a website are factors that affect the decision making process of potential customers.

Positioning strategy: It was found that both focus groups found a company can successfully move its brand attributes to an online context that does not affect the customers brand perception. Furthermore, companies who play particular attend to their product information, website design and design appeal would appear to perform better transferring their brand to an online context. All six companies stated it was extremely challenging bringing their off line brand to an online context with three companies stating they felt they themselves were not fully satisfied with their companies transfer in terms of branding. Companies positioned their on and off line operations differently to meet the needs and

requirements of their online customers. Customers somewhat expect the same from a company from both their online and offline operations in terms of product offering, pricing and selling propositions; it was found that companies do position themselves differently from an online context.

Product offering: Five companies interviewed stated that they found many of their online shoppers are brand and quality conscious, this would be in a comparison to their typical offline shopper who would be more store loyal and dependent on staff knowledge to guide them through the shopping process. This area presents companies with a challenge of selection of product lines to meet the various differences in customers' needs and wants from that of their offline customers. Despite the challenges faced by companies in moving towards e-commerce, four of the companies stated that the primary function of its online website was to support its off line operations. This would appear to illustrate that the brand is assisted through the offline operations to succeed online.

Customer Experience: Customers search online for information before making a purchase decision; furthermore it was found customers are using social media as a method of gaining / sharing information. SEO is seen as a key driver into how people search online; keywords are identified as vital for a website to generate traffic. It would appear the selection of key words is crucial to driving traffic to a website and the use of social media may assist the reach of a company's product offering. Each company considered this to be important from a customer's perspective; however it was identified that three of the companies do not allow for any personalisation from an e-commerce perspective other than the check-out process.

Website functionality: Companies identified the visual appearance and the e-commerce most important functions within a website with five of the six companies stating the importance of this for the companies' online presence. It would appear that despite fundamental importance in the functionality of a website there are areas highlighted from a customer's perspective as important that a significant percentage of companies do not prioritise such as the image management process on the website. There also appeared to be a difference in rationale behind companies prioritising of the e-commerce process and that of the customer.

Information provided: It was strongly communicated in both focus groups that information presented on websites are key to customers decision making process to determine if they will transact with the company online. Furthermore it was found that customers would be less likely to purchase of a website where distribution information was not in full detail. It was also illustrated throughout the focus groups that websites where product descriptions are not provided do negatively affect the likeliness of the customer purchasing from that company. It was found throughout the depth interviews that four companies interviewed are conscious of information provided on websites effect the likelihood of buyer behaviour.

Customer service: Both focus groups stated that they would be less likely to visit a store if an online request for information for instance was not answered. This is a significant issue for companies; two companies do acknowledge that despite their best efforts, customer queries from an online context are often left days unanswered. Reasons for this given by both companies were lack of resources within the company. It was also predicted that this area would be the next stage of advancement in the move towards e-commerce by businesses and in turn assist companies generating a competitive advantage.

Credibility: Both stakeholders probed within the parameters of this research made reference to trust as an underlying factor and the most difficult aspect for each to overcome. Customers stated in both focus groups that website credibility is essential for them to consider purchasing products or services from. All six companies stated that gaining customer trust and attaining credibility from an online context to new potential customers was the most significant factor they felt on customers not purchasing from their online store.

Transition to e-commerce: Interviews conducted with all six companies stating that they feel that moving towards e-commerce has enhanced their customer relationship processes and opening up the business to new potential markets. Lee and Turban (2001) state that lack of trust is frequently stated for reasons customers not shopping online. This would be considered a key finding in the research as both companies and customers both highlighted this point. It was found throughout the focus groups that customers tend to shop online with companies that have gained a reputation of service delivery. Online reviews play an important role in a customer's decision making process.

RECOMMENDATIONS

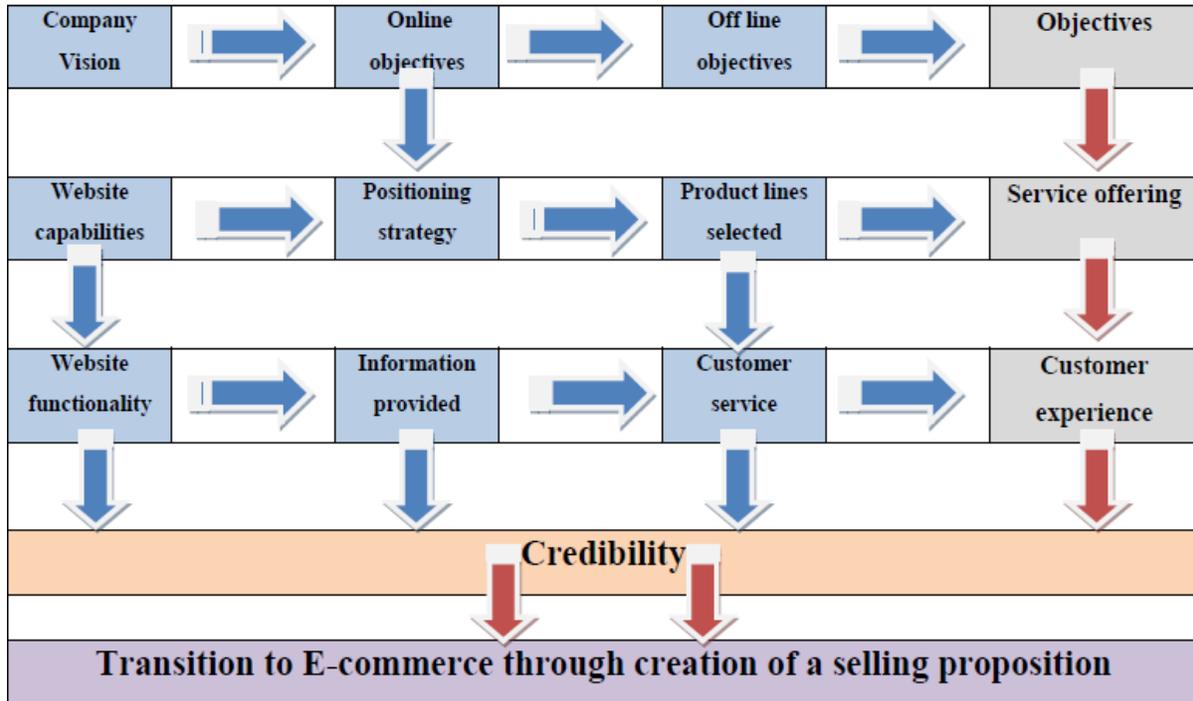
Transition to online selling possesses many challenges for organisations around the area of website design, capabilities and functionality from a customer's perspective. A website should be easy to use, appealing and be in line with the companies online business. The framework follows a four stage process. It is vital that each stage is given due consideration. Through following the framework a company should be able to move off line operations to an online context, hold a USP and be in a position to successfully gain credibility in the eyes of the customer. The four stages involved in this process are:

1. Objectives; 2. Service offering; 3. Customer experience; 4. Credibility

These stages all lead to creation of a selling proposition through deploying e-commerce to a company. Each of the first three stages requires key sub-stages that should be considered under each. In making a decision on the objectives a company should consider its overall company vision, its online objectives and its offline objectives. In developing a service offering for a company from an online context the company should consider the website capabilities, positioning strategy and product lines selected. The positioning strategy of a website should take consideration into the online objectives of the company. The third stage of the process looks at developing the customer experience within the website. The previous two stages all play important roles in the development of this. Providing adequate information is vital to meeting customer expectations. Through consideration to the above three stages then only can a website attain credibility in the eyes of the customer and in turn a creation of a selling proposition from the previous three stages. Credibility or trust is essential in generating online sales for a company and once achieved there should never be a position where a websites' credibility is questioned or tarnished in any way.

APPENDIX ONE

Moving towards e-commerce: A framework of e-commerce deployment for business



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Irit Keynan

College for Academic Studies, Or-Yehuda, Israel

Between Past and Future: Persistent Conflicts, Collective Memory, and Reconciliation

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Abstract:

In this paper, I use Jewish Israeli attitudes and emotions towards the Palestinian narrative of the 1948 war to study the connection between collective memory and readiness for reconciliation. In Palestinian collective memory, this war is viewed as the Nakba, a calamitous event. In the collective memory of Israeli Jews, however, the 1948 War of Independence represents a dream come true after 2,000 years of oppression and persecution. A public opinion survey was conducted to examine Jewish Israeli attitudes towards a possible official acknowledgment of the Palestinian collective memory of the Nakba. The survey reveals that disapproval of such acknowledgment is strongly connected to a lack of empathy for the other side's sufferings, as well as to fear for the existence of Israel, rooted in Jewish collective memory. The survey also shows that the strength of tolerance (intolerance) for the other side's narrative is highly correlated with the extent to which the respondents identify with the political ideology of the left (right). The same conclusions are reached by a follow-up study of the attitudes and actions of politicians from opposing ends of Israel's political spectrum (left and right). Since in Israel the more left wing citizens and politicians are, the greater their willingness to make concessions required for a peace agreement, the survey indicates that ability to accept and tolerate the other side's collective memory reflects readiness for reconciliation. My main conclusion is that the extent to which Israelis accept and express empathy to Palestinian collective memory and historical narratives reveals emotional readiness for reconciliation and the compromises it requires.

Keywords: Collective Trauma, Chosen Trauma, Collective Memory, Israel-Palestine Conflict, Nakba

Saeed Khezri

University of Kurdistan, Sanandaj, Iran

Evaluation of Historical and Social Geography of Mokiryan Kurdistan during the Last Four Centuries**Abstract:**

Historical geography is the study of the human, physical, fictional, theoretical, and real geographies of the past. Historical and social geography studies a wide variety of issues and topics. A common theme is the study of the geographies of the past and how a place or region changes through time. Many historical geographers study geographical patterns through time, including how people have interacted with their environment, and created the cultural landscape. Historical geography seeks to determine how cultural features of various societies across the planet emerged and evolved, by understanding their interaction with their local environment and surroundings. In order to explain historical and social geography of Mokiryan during the last four centuries geographical conditions and area of Mokiryan Kurdistan has been discussed based on approaches and references. According to the data and information, location and area of Mokiryan was investigated and its location on present maps has been identified. In studies of physical geography, relief and topography properties has been considered. In relation of social geography the characteristics of human geography in the studied area was investigated. Analysis of the results was carried out using expansion of Mokiryan territories under different conquerors results indicated significant changes on area and territories. These changes were in relation to the power and weakness of captors.

Rina Kirkova, Tanja Milosevska

Ss. Cyril and Methodius University, Skopje, Macedonia

The Success of Democratization in Post Arab Spring Societies

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Abstract:

During the third wave of democratization the expectations were directed to the Arab world. Nothing happened even in the time of Western values penetration in the Middle East after the attacks on Iraq and Afghanistan. When the hope was gone a serial of events hit the Arab world in the name of democratization. This process symbolically called Arab Spring that has started in Tunisia was understood as a will of people for the establishment of national sovereign state and final break with autocratic regimes. Those revolutions in this sense are similar and by that the further expectation should be similar. But there is a huge difference which will not take along the same effects at the end. That is a matter of resistant theory and the way of how those revolutions start and which of them use violent means. In our view the revolution in Tunisia has more chances to develop as democratic states instead of Egypt and Libya. The second part of this paper is going to discuss what kind of democracy those states have potential to achieve. Our argumentation is not in favor of liberal democracy. The expectation for democratization of the post Arab spring societies are certainly not excluded, but, with a huge effort of the democratic powers that exist in those societies, assistance provided by Western civilization and with the absence of civil society, expectations towards the democratization of Arab world do not go beyond the creation of hybrid democracies acceptable to Arab tradition and culture.

Keywords: Arab Spring, Revolution, Democratization, Theory of Resistance, Rebellion, Terrorism

Kyomi Koizumi

Sagami Women's University, Kanagawa, Japan

Potential of Overseas Expansion of Ryokan

Abstract:

In the present study, we have conducted investigative research of the factors that led “Kagaya”, which operates unique Japanese style accommodation facilities called “Ryokan (Japanese-Style Inns)”, to become the first of its kind in Japan to expand overseas since 1945 by setting up an indigenous Japanese-Style Inn in Peitou, Taiwan R.O.C. in 2010. The Hotel industry of Japan can be broadly divided into two types. First one is, hotels similar to the ones found in foreign countries, and the other one is “Japanese-Style Inns”, which is the form of lodging dating from ancient times in Japan. Differences between both of them are defined in the Travel Agency Act of Japan. Hotels are accommodation facilities where the number of rooms is 10 or more with mainly unified western style rooms, and it is mandatory that they have western style toilets. On the other hand, Japanese-Style Inns are accommodation facilities with unified Japanese style rooms, where basically one night stay with two meals including breakfast and dinner is the standard. Besides, in many cases, because they are recreation facilities, they are located in “Hot Spring Areas”. Hotel industry of Japan developed along with the rapid economic growth, but methods of operations differed from foreign countries. “Direct Operation Method” where all of ownership, management, and operation are handled in-house was adopted, and different industries such as airlines industry entered this business and developed hotel chains all over the world. However, after the collapse of bubble economy, operation of the hotels was sold to foreign hotel chains. After that, the hotel industry of Japan has shown little appetite for global expansion. Moreover, Japanese-Style Inns are gradually declining because of the competition from domestic hotels. Amidst such conditions, “Kagaya”, a Japanese-Style Inn decided to expand overseas, where it has recruited local people for offering Japanese style of services. In the present study, based on the interview survey conducted in the field, we found that the factors contributing to successful overseas expansion were using internal resources and external environment such as policies of the destination countries, and environment of the sightseeing industry in Japan.

Petr Kolar

University of Economics, Prague, Czech Republic

Container Transport Dimensions and their Inefficiencies in Central and East Europe – Conceptual Paper

Abstract:

The key objective of the forthcoming research is to assess factors that should mitigate bottlenecks within Central and East Europe (CEE) container transport platforms and the Czech Republic in particular. The motivation for adopting long-term solutions within the container shipping industry market to the logistics and transport bottlenecks has been postponed in both, global and in CEE regional market. However, the necessity of reducing the inefficiencies remains particularly salient. In general, key market players in the container shipping industry are the shipping lines originally focusing on maritime transport only. Multimodal transport operators (MTOs) carry out the transport and have the corresponding liability for door-to-door services. Since European countries have, based on history, geography and economic developments, different transport characteristics, any degree of the research results generalization for the region as a whole can be misleading. The research will cover primarily the container shipping dimensions and related inefficiencies in the fields of intermodal infrastructure, transport chains, intermodal nodes, policies and customer service quality in the shipping market. Since this is a conceptual paper only, there is no conclusion – the data are still being collected.

Keywords: Container, Intermodal Transport, Logistics, Shipping

JEL Classification: L91, M16

Introduction

The value of the project is to contribute to the development of knowledge and expertise in the field of transport research in the CEE by analyzing regional intermodal transport bottlenecks within emerging logistics platforms and consulting those with academics abroad, mostly overseas (e. g. Jean Paul Rodrigue, Hofstra University).

Methodology

The research will use qualitative case-based methodology. The comparative case study approach is selected as an appropriate method (Yin, 2009) focusing on the research field, its dimensions and it is motivated by goals of contributing to management and economics theories (Eisenhardt, 1986) and (Woodside et al., 2003).

Regional upper management representatives of the shipping lines were identified as the appropriate units of qualitative data collection. They were selected through the following criteria:

- The shipping line's market share (by twenty-foot-equivalent (TEU) volume) of container traffic having the Czech Republic as origin or destination of trade routes including the maritime leg, for the USA, selected managers of the companies providing shipping service on Transatlantic routes and/or rail service with existence of shipping line's subsidiary or agent office in the Czech Republic.
- A shipping line case can be replaced by the other company sample.
- The researched phenomenon of the cases is important at least nationally or regionally in terms of theory, practice or policy.

The questionnaire structure applied in this research project (Baird, 2002) has been distributed to the customer service managers of selected shipping lines since author is willing to support with the information collected that not all activities of the shipping line subsidiary departments are implemented within the scope of a philosophy based on efficient and responsible marketing (Plomaritou, 2006). The related customer orientation dimension survey is primarily targeted at identifying customer service delivery and related operational bottlenecks in intermodal transport systems focusing on the managers' evaluation and responses in the following fields:

- Long term objectives by the company.
- Customer classification criteria.
- Customer loyalty evaluation.
- Customer service factors evaluation by customers' feedback.
- Customer orientation responsibility by departments.
- Customer satisfaction data, its processing and storage.
- Ways of identification of the shipping line's employees with customers' needs.

In case of the Czech Republic, the interviewed companies (shipping lines) for the case study approach include Asian shipping line and European shipping line representing the opposite sides of marketing approach in multinational companies: the standardization versus localization concepts (Karlíček et al., 2013) with combined the market share of around 34 per cent of the TEU-based import and export market (Association of Forwarding and Logistics of the Czech Republic seminar, 5 April 2012). In case of USA, the top market players in maritime shipping are quite similar (respective market shares will obviously differ).

Data collection, besides customer orientation survey, in the USA (for the purposed of comparison) will be undertaken in cooperation with professor J.-P. Rodrigue of Hofstra University (Hempstead, New York). For the Czech Republic, data collection will be based on networking via my home university department with relevant companies in Czech Logistic Association and the Association of Forwarding and Logistics of the Czech Republic.

Fields of Interest - Dimensions

The research itself will be focused on bottlenecks and their mitigation in the context of the Czech Republic. It will be conducted over the following dimensions that were identified and will be researched in cooperation with Dr. Jean-Paul Rodrigue:

- Layers of logistics activity.
- Intermodal infrastructure.
- Road infrastructure and drayage operations.
- Rail corridors and operators.
- Transport and supply chains.
- Inland ports: bringing the massification inland.
- Relations between carriers and freight forwarders.
- Customer orientation.
- Intermodal transport policy.

Within the layers of logistics activity dimension (Wang et al., 2007); the commercial and logistics context of the Czech Republic and its integration within the European economy will be presented. The research will focus on the origins and destinations of containerized cargo movements, transport nodes and links, transport service operations and transport chain organization. In terms of logistics activity, the current dynamics are influenced by the European Union (EU) integration and enlargement processes and its geographical position between the mature production, distribution and consumption markets of Western European countries such as Germany and Austria on one side and emerging markets such as Russia, Ukraine, Romania or Bulgaria on the other.

With the focus on intermodal infrastructure, an overview of intermodal terminals and their linkages is provided, highlighting their importance. The key intermodal terminals in the Czech Republic and Slovakia are directly linked to the ports of Hamburg, Bremerhaven, Rotterdam and Koper. Within the dimension of intermodal infrastructure, the basic goal is to provide an overview of the intermodal network structure by modes and terminals, in addition to the main logistics zones servicing them (Notteboom, 2011). For instance, these were partially researched with the EU support within the project Flavia No. 2CE189P2 focusing on freight and logistics advancement in Central/South East Europe in the past (Mazáč et al., 2010).

In the area of road infrastructure and drayage operations, the network of roads and motorways will be characterized in detail together with capacity and quality issues within the European framework (Lowe, 2005) since most highways and main roads in the Czech Republic are part of the international E-road network with the key role of the D1 motorway connecting the major economics centres - the capital of Prague, city of Brno and Ostrava and those being directly linked to key trimodal and bimodal container terminals. Due to the insufficient highway capacity network, containerized road movements in the Czech Republic and the CEE in general are fragmented (Limbourg et al., 2009).

With the focus on rail corridors and operators dimension, the enduring European constraints of freight versus passenger transport will be reviewed. The privatization and deregulation approaches by the Czech Republic and other CEE countries will be discussed together with the emergence of external interests (German) seeking a better access to the CEE markets. The main rail operators in the Czech Republic are METRANS, CSKD Intrans, ERS and CD Cargo (Czech Railways subsidiary) providing rail services and linking the container seaports with bimodal and trimodal terminals.

Within transport and supply chains, the roles of shipping lines active in the region, their agents, non vessel operating common carriers (NVOCC) and the main challenge in their effective realization will be underlined (Leinbach et al., 2008). The top 5 carriers by their TEU volume share and agents in the country are Maersk Line, Hanjin, Hapag Lloyd, CMA CGM and Hapag- Lloyd. The top 5 freight forwarders (by the same statistics unit) consist of Kuhne Nagel, DHL, Schenker, CS Cargo and Czechoslovak Ocean Shipping (COS) (Association of Forwarding and Logistics of the Czech Republic seminar, 5 April 2012). The freight forwarders market is mostly dominated by German headquartered companies.

The review of inland ports and their function (Rodrigue et al., 2009) will focus on the ongoing massification of container flows through a concentration of cargo on limited set of ports of call. Two different port clusters relevant for imports and exports from the Czech Republic can be identified. On one hand, there are the most important European ports within the Northern Sea Range between Le Havre and Hamburg. On the other hand, several of the North Adriatic ports deserve some consideration. In case of the Czech Republic, only four ports have a significant market share in terms of exported and imported containerized cargo: Hamburg, Bremerhaven, Koper and Rotterdam (Hafen Hamburg Presentation, Association of Forwarding and Logistics of the Czech Republic seminar, 5 April 2012). By far, the most important sea port is Hamburg with the volume of full and empty containers on exports and imports 285, 450 TEU representing 54 % of containerized seaborne cargo with the destination or origin in the Czech Republic. Regarding the balance of container flows, the Czech Republic is characterized with more containerized cargo being imported than exported, leading to additional logistical challenges related to the repositioning of empty containers.

The research dimension concerning the relation between the carriers and the freight forwarders will discuss the trade power between these market players (Konings et al., 2008) and identify the beneficial cargo owners (shippers and consignees). The key final customers (shippers and consignees) of the carriers and freight forwarders present in the Czech market are automotive industry manufacturers, clothing companies, beer producers, companies producing machinery parts (engines, trams equipment exported overseas), air craft industry suppliers and retail companies.

The intermodal transport policy dimension will deal with the existence and implementation of public policy in transport stressing the strategies and tools the state government and its bodies have (Lowe, 2005) and (Hoel et al., 2010) to promote the intermodal and combined transport concepts in the Czech Republic. The Ministry of Transport of the Czech Republic is the key body of the state government. The Ministry has recently introduced a new project that aims to shift cargo from road to rail and inland waterways. The strategy is based on the financial support of public logistics centres (PLCs).

A customer or marketing orientation as the shipping industry dimension is based on the concept that places the shipper (customer) first with all steps taken affecting the customer relationship. In the

shipping market, the marketing models or concepts are not generally applied through the shipping lines' programs and strategies. It is highly difficult to find marketing orientation throughout the shipping companies, making marketing itself not always successful. However, the customer orientation itself in the markets has been widely applied in the discipline of marketing. The term 'customer oriented company' is used to deal with the company's knowledge of its customer needs and how responsive the company is to them in terms of value creation and delivery. On the other hand, marketing definitions, models and concepts are lacking in the shipping industry and the area of freight distribution (Plomaritou, 2006).

The complex task is to set the position of the international freight forwarders – the key intermediaries in international trade in goods; they are trade specialists providing a variety of functions to facilitate movement of cross-border shipments. Their main advantage is to decide if it is better to ship the goods directly with a carrier or if it is more economical to consolidate. In terms of contract of carriage, the freight forwarder is an agent; based on the freight forwarder agreement, the forwarder is the service provider. The company acts as an agent arranging for the shipment of goods belonging to his customer, the shipper and as principal contractor arranging the carriage in his own name sometimes (Novák et al., 2011). Regardless, acting as an principal agent, the freight forwarder tries to contract out as much responsibility as possible, sometimes resulting in quite confusing standard trading conditions. All things considered, the role of the freight forwarder is dual (Leung, 2007). Considering the shipping industry in terms of liner shipping (container shipping), the discipline of business-to-business marketing (B2B) is the science dealing with shippers' needs for the carriage of goods by sea, including satisfaction with "door-to-door" services. Determining the level of satisfaction requires an analysis of the market to understand and forecast correctly a shipper's transport needs, appropriate organization, planning and control of the shipping line's mean (Plomaritou, 2006). The nature of liner shipping services determines the importance of positions by the service provider (the shipping line) and the shipper (customer). They are higher compared to the marketing of physical goods and indivisible. Every interaction between the shipping line and the shippers affects the quality of the service and the benefits provided (Plomaritou, Plomaritou and Giziakis, 2011). In the shipping industry, the following basic types of interaction can be found:

- Interaction between the shipper and the service facilities, such as the formation of the bill of lading (basic transport document) by electronic means (EDI system),
- Interaction between the shipper and other shippers,
- Interaction between the shipping line such as a staff member and the shipper.

Marketing orientation is not achieved unless all members of the staff understand the functions of marketing and what it really means in terms of their own responsibilities. There are two options in which we can look at the importance and role of marketing. The task involved in the marketing process can be set or the goals of marketing can be searched for.

Customer orientation must place the shipper at the center of the shipping line's actions; in other words, the company must be close to the shipper, making him the fundamental point of the marketing concept. All staff needs to be aware of the options in which they can increase customer satisfaction, despite having just indirect contact with the customer (for instance, the employees of intermodal planning or

accounting department). Moreover, the service quality and customer claims must be analyzed and discussed at all management levels, making space for process improvements within the company. All activities of the shipping line must be implemented within a scope of philosophy of efficient and responsible marketing (Plomaritou, 2006). The combination of shipper requirements for frequent services at low rates and the aim of the shipping lines (carriers) to reduce costs by achieving economies of scale with the introduction of new higher capacity vessels led to a negative financial outcome for the maritime transport industry together with issues in terms of customer orientation. Moreover, an increase in the excess supply of deployed container vessels' capacity, strong market competition and rising fuel prices represent issues which the global shipping industry and its customers have to face in general, both globally and regionally.

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Juri Kore, Karmel Tall

University of Tartu, Estonia

How Do Disabled People Cope at Home?**Abstract:**

The issues concerning the substantive and economic effectiveness as well as the quality of services become increasingly more important in social welfare as the number and volume of both clients and services grows. Assessing how the persons in the target group cope with their lives and how satisfied they are with the services remains important alongside the implementation of complex quality assessment systems. This article is based on the study carried out in Tallinn to find out how well the disabled people who live at home are coping. The objective of the study was to identify the biggest problems of people with special needs and the obstacles they face in their daily living. The study also included assessing the resources of disabled people and their satisfaction with life, and an analysis of the use of domestic services as well as the need for new services. The theoretical starting point of the study was the 'production of welfare' model. The suitability of the model for use in Estonia has so far not been adequately analysed (within the scope of one study). The results indicate that there is a strong connection between a person's economic situation, health status and overall satisfaction with life. The analysis proved that the existing system of social benefits and services needs further development.

Marko Korhonen, Mikko Puhakka

University of Oulu, Finland

Til Booze Do Us Part: Alcohol Consumption and Marital Dissolution**Abstract:**

We explore whether in some Western countries aggregate alcohol consumption has had any effect on the divorce rates in Western countries. We argue that alcohol consumption is an important socio-economic factor behind the trend of divorce rates in these countries. We adopt an autoregressive distributed lag (ARDL) cointegration method to examine this relation. We include other relevant socio-economic factors in the analysis and take into account the structural changes in the divorce rate data caused by legal reforms in divorce legislation and other possible structural shifts in the data and/or in family structure. We differ from the previous literature in several ways. First, we do our investigation in a many country context, which allows us to make more convincing conclusions about the factors that affect the marriage dissolution. Second, the method we use, differs from other cointegration methods in that the long-run and short-run relationships are estimated simultaneously. We find strong evidence of long-run relationship between alcohol consumption and divorce rates. Interestingly, these relationships seem to be present even after divorce rates started to decline for some countries in the 1990's. We also conduct a short-run analysis in error-correction form where we are able to present dynamic econometric model of divorce rate changes for several Western countries. The results are robust indicating that alcohol consumption and divorce rate have a strong relationship even if we take socio-economic factors, law reforms and other structural breaks into account.

Brunela Kullolli, Ana Dhamo

“Aleksander Moisiu” University of Durrës, Albania

Law and Society: Comparative Analysis on the Suspension of Constitutional Guarantees in Albania and the Countries of Latin America**INTRODUCTION**

In this article, we would like to focus our attention on the suspension of constitutional guarantees by comparing different realities: Albania and the countries of Latin America.

The study of these different realities makes us declare that there is room for improvements in the framework of these constitutional guarantees.

We made some observations on the new Constitution of Albania, a country that we love deeply and to whom we are extremely related. We have to be satisfied for our continuous improvements in legislation, constitution as well as in our economy. Albania, a country that has emerged from the deep crisis of the 90s, ended in 1997.

Our hope and all our countrymen is to see our country make great strides towards Europe, with the so much-hoped integration into the European family.

Finally, we discussed the important reality of Latin America, focusing especially on Colombia and Venezuela.

Looking at their old constitutions very recent, we note their avant-garde position concerning the issue of constitutional guarantees. The Constitutions of most Latin countries contain articles prohibiting the suspension of constitutional guarantees in a state of war. The reality, however, is different in many cases.

ALBANIA: RIGHTS AND GUARANTEES

With regard to the rights and freedoms, Albania follows the pattern of many European Constitutions, thus presenting a series general type statements, before treating them specifically and they often are the completion of the Fundamental Principles.

The principals, per se, include the principle of equality, the affirmation of freedom of the basic principles, sometimes the citizenship, the situation of foreigners, minorities, and in the proportion between the domestic and international law which is treated in the first Chapter, Part II of the Albanian Constitution.

In fact, Article 17 on the limitations of rights and freedoms provided for in the Constitution may be established only by law for a public interest or for the protection of the rights of others. A limitation

shall be in proportion with the situation that has dictated it . These limitations shall not infringe the essence of rights and freedoms and in no case may exceed the limitations provided for in "European Convention on Human Rights". It's worth saying that many fundamental rights are preserved in cases where the Constitution itself establishes the possibility of limitations, such as during a state of war, emergency or natural disaster. Foreigners must have the same treatment as the Albanian citizens, unless otherwise provided.

The catalog of rights is generally broad, detailed and updated in line with international standards, which stipulate in a country not only the rights but also the "constitutionality." They are expressed in the Constitutions of the East in general, in the case of old theses, and in case of new rights, the so-called "third generation", relating to the environment, information, protection of personal data, information on the activities of state bodies, the time-limit fixed by law for the answers of the public authorities to citizens' demands, copyright, etc.

Part V of the Constitution is devoted to the Council of Ministers. According to art. 101 "The Council of Ministers, in cases of necessity and emergency, may issue, under its responsibility, normative acts having the force of law for taking temporary measures. These instruments shall be immediately referred to the Assembly, which is convened in session within 5 days. Such acts retrospectively lose their strength if they are not approved by the Assembly within 45 days

The validity of the transitional Constitution of 1991, with reference to Article 2 of the Charter of the Albanian Human Rights on freedom of expression, the obligation imposed by the Council of Europe to adapt to the standards of the European Convention of Human Rights (ECHR) led to the introduction of a provision that was a faithful reproduction of the corresponding article of the Convention, but with guarantees lower than the original design and is incompatible with Article. 41 of the Albanian Constitution, which sanctions the ban on the limitation of a list of fundamental rights during a state of emergency. This legislative problem was resolved by the Albanian Constitutional Court, called upon to decide the constitutionality of the law which declared a state of emergency in 1997, which admitted the prior censorship on the press. The Court declared the legitimacy according to the need to coordinate the two provisions of Articles 2 and 41, which came into force simultaneously¹.

The relationship between international organizations and the law should remain imprinted with the framework of consulting, technical support, without eliminating the discretion of the interior political organs².

THE PERSONAL RECOURSE TO ALBANIAN CONSTITUTIONAL COURT

Article 131 of the Albanian Constitution has introduced individual appeal against the violation of fundamental rights, imitating in this way the German Spanish European Model. International organization such as OSCE and the Venice Commission have participated in the drafting of the

¹ K. Imholz, "States of emergency as pretexts for gagging the press: ward play at Albania's Constitutional Court, in *East European Constitutional review*, 4/1997".

² S.Bartole, Final Remarks: The role of the Venice Commission, in *review of Central and East European Law*, 3/2000, 351 ss.

Constitution. We need to keep in mind the characteristics of Albanian³ constitutional process which made use of technical support of foreign institutions in the exercise of the autonomy of the legislative power, the expression of the actual sovereignty, thus preserving national political discretions in the final judgments.

The legitimacy in action belongs to every physical and legal person, but not in the form of an *actio popularis*, which was harmed by the public power for a fundamental right or for an assimilated right. Part VIII of the Albanian Constitution of 1998 introduced a centralized system of constitutional justice overloaded with powers⁴. We try to determine which are the basic rights the infringement of which is subject to appeal to the Court. The part of protectable rights is: "... violation of constitutional rights for a due legal process⁵".

The individual constitutional petition in Albania is not equivalent with same petitions in the other jurisdictions, and only partially fulfills the same function concerning rights which are protected in a "due process", as differently called in Italy "due legal process". It is a fact that the individual cannot appeal directly to the court for any procedural infringement, but only when we have to do with infringements of the constitutional rights for a due legal process.

CONSTITUTIONAL GUARANTEES OF LATIN AMERICA

The study of constitutional guarantees is of fundamental importance in Latin America countries. The constitutions of most countries, the solemn declarations of constitutional rights and the rights of their consecration as the first and last generation, have value only if formal constitutional guarantees are real. If all proclaimed rights from national and international charters, are not supported by constitutional guarantees, with the necessary procedural instruments for their defense and protection, they are nothing more than simple political desires. Have no basis in reality.

The system of constitutional justice in the majority of Latin America Latin countries (experiences of Argentina, Brazil, Costa Rica, Colombia Venezuela, Peru) provides the actions and judgments of *habeas corpus*, *amparo* and *habeas data*, for all the people to whom a right is infringed.

In the same way, it recognizes the right of citizens to appeal directly to the Constitutional Court to ask for the total or partial unconstitutionality of the laws or legal acts deemed contrary to the Constitution. We can say that the American Latin system of justice and constitutional guarantees was developed and enriched⁶ from the first years of life of the new independent states, starting with the creation of *habeas corpus*, *dell'amparo* and public action of unconstitutionality. Today this system is also a consecration of

³ Some materials used in process constituent Albanian are on the site :

<http://www.geocities.com/Eureka/Enterorises/5434/>, nonché in A. Loiodice, N. Shehu, *op.cit.*, 95 ss.

⁴ Plenty of extra features to the control of constitutionality of laws is not typical of Eastern European Constitutional Courts v. L. Pegoraro. "*La Justicia Constitucional. Una perspectiva comparada*", Madrid, Dykinson 2004, 150.

⁵ ART.131 point f of the Albanian Constitution.

⁶ D. Garcia Belaunde, "*De la jurisdicción constitucional al derecho procesal constitucional*", Ed. Grijley, Lima, 2003.

other important constitutional rights and guarantees. Among them we can mention the protection of data, information, and personal and family intimacy. Habeas corpus in America Latin draws its origins from the Spanish models. Currently this guarantee is consecrated in all the constitutions of the states of Latin America, as an institution for the protection of personal freedom.

With regard to judicial protection of constitutional rights it can be said that it is a common institution in the majority of Latin America states. The amparo in the American continent, unlike Europe⁷, has a constitutional procedural nature, because it turns out to be a real alternative to the ordinary process. For this reason it can be started without having to wait for the completion of any ongoing processes to achieve the protection of the fundamental right or violated or threatened⁸ constitutional rights.

The second is represented by the constitutional guarantee of the right to defense the ultimate generation, the habeas data⁹. The habeas data as a constitutional guarantee of the rights and freedom of information, protection of honor, reputation, personal and family, was adopted by the majority of Latin America states¹⁰.

In this sense, the guarantee of habeas data, the protection of the data, is one of the constitutional rights of the latest generation, the laws have developed as a safeguard in front of the technological development that seriously jeopardizes the right to privacy, the so-called “right to be alone”¹¹.

THE CONSTITUTIONAL GUARANTEE HABEAS CORPUS IN VENEZUELA AND COLOMBIA

VENEZUELA

As we mentioned above, habeas corpus is the oldest institutional guarantee or tribunal of one of the oldest rights: freedom.

Since December 1999, Venezuela has a new constitution which has radically changed the previous structure¹².

⁷ Osasuna Patino N.I., *“Tutela y amparo, estudio comparado”*, Uniexternado, Bogotá, 1998.

⁸ E. Rozo Acuna, *“La tutela o amparo dei diritti costituzionali in America Latina”*, Maggioli Ed., Rimini, 200, 203, ss.

⁹ Just as there is a constitutional guarantee of the right of habeas corpus, that is, of personal freedom, the Latin American legal systems have gradually consecrated the guarantee of the right to confidentiality or privacy, habeas data.

¹⁰ E. Rozo Acuna, *“Habeas data costituzionale: nuova garanzia costituzionale del diritto pubblico latinoamericano”*, 2002-IV, 1921 ss.

¹¹ The right to be left alone.

¹² E. Rozo Acuna, *“Il principio democratico nella costituzione ella repubblica bolivariana del Venezuela”*, studies Urbino, LXX 2002/03, 54. 1, 59ss.

The new constitution reinforces the general system and guarantees of human rights¹³, providing that the state should guarantee every person the enjoyment and exercise of human rights, in accordance with the Constitution and international treaties.

For this reason, the Constitution includes a comprehensive regulation of fundamental rights and constitutional guarantees in order to give effect to the exercise thereof. Among these rights and guarantees we can mention the essential guarantees of habeas corpus¹⁴; equality before the law¹⁵, the right of access to justice for the protection of rights and interests¹⁶, the action of amparo for the defense of freedom and security¹⁷.

The Venezuelan constitution, directly connecting with habeas corpus, provides for the right to inviolability of personal freedom and guarantees that no person shall be arrested or detained except by virtue of a court order, unless it is in flagrant delict. In this case, the person must be brought before a judicial authority within 48 hours from the time of detention. For each prisoner is guaranteed the right to immediately notify their family members to have a trusted lawyer which recognizes the right to be informed of the location, the reasons for the detention and the psycho-physical conditions of his client. No person may continue to be detained after his release order was given or after having served the sentence¹⁸. In the same way, every person has the right to move freely and by any means within the national territory, to change domicile or residence.

Unfortunately, in some Latin American countries that have suffered military dictatorships in the 70s and 80s has been applied to the so-called policy of "national security"¹⁹. As a direct response of the violent policy, we can recall the famous phenomenon of the "disappeared," who are the victims of the heinous crime against human life known as the crime of "enforced disappearance." This crime not only violates the right to life, but especially habeas corpus. Some Latin American constitutions to prevent it and fight it have prescribed its prohibition²⁰.

Article 45 of the Venezuelan Constitution forbids any public authority, even during states of emergency, to practice, permit or tolerate the forced disappearance of persons. If the official receives the order to practice, the law requires him not to obey and to report it to the authorities.

¹³ Reference to the Constitution of 1999, Title III, Duties, human rights and guarantees.

¹⁴ Art. 24.

¹⁵ Art. 21.

¹⁶ Art. 26.

¹⁷ Art. 27.

¹⁸ Art.44.

¹⁹ J.R.A. Vanossi, "El estado de derecho en le constitucionalismo social", Eudeba, Buenos Aires, 2000, 733 ss.

²⁰ The Organization of American States-OAS-which includes almost all the countries of the Americas, since 1994 also has a convention against enforced disappearance of persons.

In accordance habeas corpus, the principles of a due process have been constitutionalized: the right of defense, presumption of innocence, the right to be heard, the right to natural justice, the right against self-incrimination, nullum crimen sine lege, no punishment, the principle of ne bis in idem.

So looking at this picture, we can say that the text of the Venezuelan Constitution of 1999, on the rights and guarantees, is more improved than the previous one of 1961²¹.

COLOMBIA

In July of 1991 came into force the new Colombian Constitution²², which among its large and numerous innovations, contains the update and strengthening of the law, action and appeal of habeas corpus, as guarantee for judicial review. The new text begins with the statement that all people are free and that no one may be molested in his person or family. He can not even be arrested or detained except by virtue of a written authorization by the competent authorities. The Constitution also requires due process to all detained or arrested persons. No one can be judged except in accordance with a pre-existing law when it is imputed, in front of a judge or a court of competent jurisdiction and in compliance with the law²³.

In reference to habeas corpus, the text states that Colombian who has been deprived of his liberty unlawfully, has the right to appeal personally or through a third party before any judicial authority to seek his personal right²⁴.

Moreover, the current Colombian Constitution introduces the temporary powers and limits to be used in solving the crisis, as well as establishing a system of constitutional legitimacy among them the control of constitutionality, in the hands of the Constitutional Court. The Constitution states three different types of crisis, with different regimes. This is war, riot and internal emergency. The latter can be economic, ecological, social and can be caused by a public calamity.

With regard to the state of war, the Constitution states that "the President of the Republic, with the signature of all the ministers can declare a state of war." In order to deal with situations of extreme abnormalities that arise from conflicts internal audiences, the Constitution states that "in case of serious disturbances of public order that so imminently threat the institutional stability, safety or security of the citizens of the state, and which can not be averted by the ordinary use of the police authorities, the President of the Republic, with the signatures of all the Ministers, may declare a state of internal revolt, in whole or in part of the Republic, for a period not exceeding ninety days, extendable up to two times, the second of which requires a prior favorable opinion of the Senate of the Republic."²⁵

²¹ To compare the two texts, see A. Brewer-Carias, *"La Constitución de 1999 comentada"*, Ed. Arte, Caracas, 2000.

²² Roza Acuna, *"La Costituzione colombiana del 1991"*, in issues of comparative public law, The Asterisk, Urbino 2003.

²³ They are the same essential characteristics mentioned in the Venezuelan paper.

²⁴ Article 30 of the Colombian Constitution.

²⁵ Art.213 c.1.

In response to a bitter chapter in Colombian history, the Constitution is obliged to specifically state that "in no event shall the civil rights be investigated or tried by the military criminal justice."²⁶

The Constitution provides that in case of war or internal unrest, decrees introduced by President may refer only to issues that have a specific and direct relationship with the situation that led to the declaration of a state of crisis²⁷. The rights and the fundamental freedoms can in no way be suspended, and in any case they will follow the rules of international humanitarian law. The measures to be taken must be proportionate to the seriousness of the facts²⁸.

The Constitution explicitly emphasizes that "The Government will not affect the social rights of workers, with emergency decrees."²⁹ It can be argued that the utility of suspending the fundamental rights to overcome the crisis, it is a dogma of constitutional law, that is a statement that cannot be questioned. For this reason, the international rights stand as the ultimate guarantee of protection of human rights in states of crisis. The American Convention on Human Rights³⁰, declares that member states, including Colombia, may suspend the rights that you were obliged to comply because they are in a state of crisis, but this suspension cannot relate to any discrimination on grounds of race, color, sex, language, religion or social origin.

In addition, this international treaty expressly prohibits the suspension of the rights to the recognition of the legal personality to life, personal integrity, name, nationality, as well as the principle of legality and retroactivity of the law, freedom of conscience and of religion, the protection of the family, children's rights, political rights and judicial guarantees essential for the protection of all the aforementioned rights.

A panoramic view of the geographical area in Colombia allows us to note that Latin American constitutions generally use two techniques to establish what rights may be suspended or limited during states of crisis. The first is to determine specifically the rights may be suspended or restricted, and the second, instead, those who can not.

As we have repeatedly stated, the protection of fundamental rights and guarantees is through a tool of protection: the amparo. The action of protecting Colombia, as a guarantee of fundamental rights, was created by art. 86 of the Constitution of 1991. By the action of protection can only be protected the rights that are not understood by other constitutional guarantees. An example to clarify the statement is the case of the rights of freedom that cannot be protected, because the constitutions have provided for the special guarantee of habeas corpus. So it can be said that the action for the protection of subsidiary nature, as they are not exercised when the person has other measures or actions to recourse to court for

²⁶ Art.213 c.5.

²⁷ Art.214 c.1.

²⁸ Art.214 c.6.

²⁹ Art.215 c.9.

³⁰ Pacto San Jose.

protection of his fundamental rights. Only after the exhaustion of these pathways all amparo guarantees can be used.

The protective action may be allowed only in cases of injury or threat of personal and concrete one or several fundamental constitutional rights, including those enshrined in international treaties³¹.

The action of protection may be filed by any person without distinction, either personally or through a third party. Since it is an institution for the protection or guarantee of fundamental rights it should be pointed out that the protection includes not only the rights enshrined in the Constitution, but also those embodied in the charters, conventions, treaties and international agreements approved and ratified by the State.

CONCLUSIONS

The United States is regarded as the only world superpower, the country's symbol of democracy and freedom. From an admirer of constitutional principles of the founding fathers did not justify American policy in recent decades. Policy that works by reference to the fundamental principles of the founders, not while respecting the rights of citizens. We have often heard of preventive wars and battles against international terrorism. In the name of internal security the constitutional guarantees often are put on the back burner by politicians. The fact that the Constitution provides for the suspension of constitutional guarantees in times of war or emergency situations is a matter on which I have often pondered. I came to the conclusion that Article 1 Section 9 of the Constitution of the United States can often be manipulated according to the historical period in which the country lives. The question that arises is whether the great superpower in the world, a symbol of freedom and democracy, should set an example to other countries even at the constitutional level. Then, studying the cases of Latin America my question is answered, however, that does not solve the problem of the suspension of guarantees. Since the constitutions of most Latin America states are old, these countries are at the forefront in guarantees. Many constitutions prohibit the suspension of constitutional guarantees and provide any protection for those individuals whose rights have been denied. Hence, by comparing these situations I hardly find a meeting point. In both cases, there are many things that still need to be arranged. My interest in history and politics leads me to reluctantly say that many steps are made by the games for power of the political class. So, the judgment will always be that we hope that the best years will be added to the history and reality of the constitutions of many countries.

³¹ The Colombian Constitution requires that: the international treaties and conventions ratified by the Congress that recognize human rights and that prohibit their limitation in states of exception, prevail in the law. The rights and duties enshrined in this Charter will be interpreted in accordance with the international treaties on human rights ratified by Colombia (art.93).

Petar Kurečić

Zagreb School of Business, Croatia

The Impact of Environmental Changes on the Geopolitical Discourses

Abstract:

This paper is focused on the impact that environmental changes, caused by climate change, pollution and population growth, have on the changes that occur in geopolitical discourses of contemporary geopolitics. These changes are visible and significant, in both the post-modern geopolitics and the discourses that oppose the dominance of geopolitical discourses of modern or postmodern geopolitics. A key difference is visible, between the traditional "defensive" exclusivist approach to security-related environment and the inclusive approach, which calls for a change in the perception of the environment and the problems associated with the change in it. The first approach treats the environment as another security challenge and puts an emphasis on the national security, while the second approach to the environment and the changes occurring in it does not consider environment to be a security threat, but rather an opportunity for changes in priorities and functioning of society. This approach emphasizes global security, rather than national security because the latter is not feasible in the context of environmental and climate change. Amounting and identifying the main features of geopolitical discourse is usually related to the names of individual authors belonging to the field of geopolitics of global environment such as, among others, T. Homer-Dixon, R.D. Kaplan, S. Dalby and M. Renner.

Keywords: Environmental Changes, Climate Change, Pollution, Geopolitics of (Global) Environment, Geopolitical Discourses

Introduction

Climate change should be explored as a factor of change in the environment in terms of pollution and degradation of the natural environment, all as a consequence of modern human society. Climate change, which has accelerated during the last couple of decades on Earth, primarily reflects a high degree of dependence of the human society on non-renewable energy sources, such as fossil fuels. When this high degree of dependency of modern human civilization on the incineration of fossil fuels is paired with the high population growth of the world and a high level of fossil fuel consumption per capita in developed countries, but also an increasing level of consumption per capita in countries that are rapidly developing and have a very large population (the best examples of P.R. China and India), it is clear that the burning of fossil fuels, which is one of the non-renewable natural resources, represents the main generator of climate change, which is one of the factors of changes in the environment, along with the pollution produced by human society.

The question which needs answering here is: does climate change, as a reflection of change in the natural environment, which inevitably has a disastrous effect on human society, also change the perception of those who may, through their influence on the production of the modern geopolitical discourse, have the opportunity to influence the practitioners of contemporary geopolitical practices? Simply put, do climate change and its identified consequences affect the changes in geopolitical discourses of contemporary geopolitics?

When considering the impact of environmental changes on the geopolitical discourses, one should distinguish between two different issues, which are both still connected:

- The problem of acquiring access to natural resources such as raw materials and energy sources;
- The issue of the environmental change impact on the reduction of living space and arable land, rising sea levels, the intensity and frequency of natural disasters, such as major storms, droughts and floods.

In both of these issues that geopolitics of global environment deals with, population growth appears as a factor that influences the increasing consumption of natural resources and thereby reduces their quantity. At the same time, population growth hinders access to natural resources, thus increasing the possibility of conflict while attributing to the growing importance of natural resources. In this article, the case study is primarily the impact of climate change on the reduction of living space, and other threats that affect the living conditions of the population of the world, changing the primary topics in contemporary geopolitical discourses. Pronounced changes in geopolitical discourses related to the increasing destruction of the natural environment, which is becoming a growing security problem, have been possible to monitor continuously during the last two decades. Since the beginning of the 1990-ies, the environment as a factor that affects the security and a possible highlighted cause of future conflict, gets its place among the factors that shape the geopolitical discourses that begin to change, influenced by shifts in the environmental conditions, which reflects their ability to respond and adapt to the new conditions prevailing in the world. There's a big difference in the perception of environmental degradation as a security threat and a generator of conflict, which so far has not been the case, but does still show a connection with the traditional geopolitics and the process of securitization.

Dominant geopolitical visions concerning the environment represent, like all geopolitical visions, a form of power and knowledge that support the continuation of global inequality and environmental degradation. Critical geopolitics sees them as such. These visions cause physical as well as intellectual resistance and attempts to be rejected.

Possible impacts of environmental change on the causes and incidence of future conflict

It is impossible to ignore the possibilities and claims that environmental changes, on all the levels, from the global to the local, will not cause sudden cataclysmic events, but gradual and therefore less dangerous raise of average temperatures. Such events could include a significant increase in sea levels, severe storms and vegetation conversions to sandy areas in areas of continental scale i.e. arable land conversions into semi-deserts and desert. Such events would have significant effect on the reduction of

the living space, which, considering the growth of the world's population, will continue to decline even if areas suitable for life remain equally large, which will not be the case considering the climate change. This scenario dramatically enhances the likelihood of conflicts as consequences of climate change. These would be conflicts over living space and living resources such as water, food, land suitable for life and, of course, energy. Violence and the difficulties that would emerge due to sudden and intense climate changes, represent another type of threat to national security, which most societies are not used to.

In the future, armed conflicts could be related in greater extent to the desperate need for natural resources such as energy, food and water. Conflicts could, to a much lesser extent, crop up as a result of ideological, religious or national motives.¹

During the struggle for natural resources, military power can provide the illusion of one's own advantage, but it cannot protect the country's population from the effects of climate change, which could be devastating. Consequences of storms, droughts and floods will also affect the population of developed countries, although less than the population of underdeveloped ones. Instability and vulnerability of trading partners from underdeveloped countries that export raw materials and strategically important resources to developed countries, will threaten the security of the developed countries. *M. Klare*, considering the issue of rising difficulty in acquiring raw materials and energy sources from the U.S. point of view, stated that the military presence, through the establishment and maintenance of military bases in underdeveloped, strategically important countries may be a partial and temporary, but never permanent, solution. The prices required for an access to natural resources by military means would result in increased financial terms and in the sacrifice of soldiers and would eventually deplete even large and powerful countries like the United States. Therefore, as the only sustainable, long-term solution for a secure future, Klare suggests a significant reduction of greenhouse gas emissions into the atmosphere and cooperation with the rest of the world so as to slow down the effects of global climate change² (stopping climate change and reversing the trends of climate change is rarely spoken of due to the fact that the possibility of that happening is highly unrealistic, author's comment).

UK's Defense Minister *J. Reid* argued in 2006 that the world is facing a period of wars for natural resources. Global warming and lesser natural resources, in combination with a growing population that has greater needs, increase the risk of conflict over living space, water and energy (energy sources, author's comment). Conflicts over natural resources and the general living environment are most likely to happen in the underdeveloped parts of the world, but they will certainly affect the propulsive and developed countries, which will not be spared from the harmful effects of the destruction of the natural environment and global climate change. Rising sea levels, reducing potable water consumption, conversion of arable land into deserts, and a further increase in the world's population will be the main

¹ Schwartz, P., Randall, D. (2003), *An Abrupt Climate Change Scenario and Its Implications for United States National Security*, <http://www.gbn.com/articles/pdfs/Abrupt%20Climate%20Change%20February%202004.pdf>.

² Klare, M. (2006), *The Coming Resource Wars*, <http://www.alternet.org/environment/33243?page=entire>.

factors that will affect the conflicts, many of which will be real, deadly wars for access to natural resources, becoming a global reality³.

Prevalence and forms of violence related to the U.S. military forces indicate that this military force is not used to integrate peripheral and underdeveloped parts of the world into the global economy mainstream, but only to ensure the smooth delivery of strategically important natural resources and raw materials needed by the U.S. economy⁴.

The number of refugees who annually leave their residence due to natural disasters (floods, droughts and storms of high intensity) as events potentially caused by climate change, estimates at around 25 million. In addition, the population is forced to leave the places where they live due to causes which are also the consequences of climate change and population growth. Desertification, soil erosion, lack of potable water, raising sea levels can be classified as such. Given the projected growth in the global population to 9.5 billion by year 2050, this number should increase (Brauch et al., 2002: 1-2).

The most vulnerable parts of the world, i.e. the ones that will be most affected by climate change, also rank among the poorest. According to the climate change vulnerability index, an indicator that takes into account 42 different social, economic and environmental factors, in 2011, the ten countries most vulnerable to climate change were: Bangladesh, India, Madagascar, Nepal, Mozambique, the Philippines, Haiti, Afghanistan, Zimbabwe and Myanmar (Burma)⁵. Some of these countries are threatened primarily by raising sea levels and soil erosion, while some do not even have access to sea, but their vulnerability is associated with other climate change impacts. What they do have in common is that they rank among the underdeveloped countries of the world, and that their most populated parts are the most endangered so climate change is already directly affecting hundreds of millions of people. This is particularly evident in Bangladesh and India, the two most affected countries at the moment⁶. Regionally, the most threatened part of the world is South Asia, due to the large number of residents who live near rivers and sea (delta of the Ganges-Brahmaputra), high density of population in the affected areas and intensive deforestation in the southern slopes of the Himalayas, which causes soil erosion. If we look at the list of the large cities that will be mostly affected in 2013, we can see that seven cities are extremely at risk (Dhaka, Manila, Bangkok, Yangon, Djakarta, Ho Chi Minh, and Kolkata). All of these cities are in South and South East Asia. Mumbai, Chennai, and Lagos are in the high risk category⁷.

The consequences of climate change, those caused by nature and those caused by human activities, can lead to a reduction in the quality of the environment (such as soil and agricultural land) and the scarcity of the environment (water and food), which can result in a “shock” produced by the environment. Depending on the global context and the socio-economic, ethnic and religious particularities of the

³Klare, M., *ibid.*

⁴ More in: Tucker, R. (2007), *Insatiable Appetite: The United States and the Degradation of the Tropical World*, Rowman and Littlefield, Lanham.

⁵ <http://maplecroft.com/about/news/ccvi.html>.

⁶ http://newswatch.nationalgeographic.com/2010/10/20/bangladesh_india_at_risk_from_climate_change/.

⁷ http://ingenious.com/?page_id=11379.

context of each country, as well as the history of the conflict in some regions, the "shock" in the environment may contribute to the development of five different possible outcomes:

1. Risks and disasters caused by natural and human activities;
2. Enhanced migration – people who have turned into exiles and refugees due to changes in the environment;
3. The deterioration of social, economic and political crisis, which could lead to
4. conflicts that would vary in the intensity of violence, which could be avoided through the efforts to
5. resolve or prevent conflict by beginning the process of reducing escalation (Bräuch et al., 2002: 19).

Third Assessment Report, made by the IPCC claims that the effects of climate change can be expected in the circulation of ocean waters, the sea level, in the hydrological cycle, the carbon and nutrients cycle, productivity and structure of natural ecosystems, the productivity of agricultural land and forests, as well as geographical distribution, quantity and health of plant and animal species, including the organisms that cause or host infectious diseases that afflict humans. The economy would also be very much affected especially the standard of living and welfare of people, through the disruption in the water, food and energy supply, reducing the value of the environment when it comes to opportunities for recreation, tourism, reducing the value of the cultural and historical heritage, reducing the income of the population. Climate change will affect the possibilities for sustainable development in different parts of the world and further strengthen existing inequalities (IPCC, 2001a: 21).

In many cases, the “shocks” associated with climate change will be one of the factors, which will operate in conjunction with other economic and social factors such as poverty and poor government in some countries. In other cases, conflicts will break out when the opposing countries or opposing groups within one country start to fight for natural resources, reduced due to environmental degradation and climate change. If actively tackled with, the issues related to the environmental changes effect could often be avoided (Schwartz, 2002: 139).

Contemporary changes in the environment, climate change and the possible scenarios that could unfold in the near and distant future cannot be ignored. Geopolitics, which was established as a historical source of power and knowledge which links knowledge about space (the world) and the power to master as much as possible within that space, also does not ignore the reality of the modern world represented by climate change.

In the last two decades, environmental degradation has been recognized in geopolitics as a result of population growth and climate change. Among other authors, which can be placed in a group of those who belong to the modern geopolitical discourse of (global) environmental geopolitics, environmental degradation and climate change have been recognized and researched by the eminent authors, of which here we name some: Homer-Dixon (1991), Kaplan (1994), Renner (2002), Dalby (2002, 2009), Klare (2006, 2008), Tucker (2007).

Due to the impact of climate change and the creation of security challenges, the object of interest of geopolitical discourse should increasingly be the consequences of environmental degradation and

climate change, which would, consequently, use as evidence of geopolitical discourses reacting to trends in the real world.

Tab. 1: The impact of climate change and security challenges that arise as a result of climate change

<i>The consequences of climate change</i>	<i>Security challenges arising from climate change</i>
Rising sea levels	Threat for individual island states, coastal vulnerability
Increase in the frequency and duration of drought	Reduction of arable land in total and per capita = decrease in food production
Reducing the forest areas (deforestation)	Increasing washouts and bigger flood consequences
Acid deposition in soil and acid rain	Reduction of agricultural land, forests
Overuse and pollution of water supplies	Water shortages, development of infectious diseases
Destruction of fish stocks	Changes in river, sea and lake ecosystems = lack of food

Large, catastrophic events, such as Hurricane Katrina and many other hurricanes, long heat waves that cause droughts, which in some parts of the world last various years and the resulting famines (such as the drought in the Horn region in Africa, which peaked was the 2011). The Earth's climate does not respond gradually and cautiously to influences that lead to its changes but rather suddenly, with an unpredictable time occurrence and with large amplitudes. Therefore we should not expect slow and gradual climate changes but rather sudden ones, which will resemble skipping certain thresholds of tolerance of influences on the climate of the Earth and which will be followed by natural disasters⁸. A good example of climatic shocks and crossing the “threshold”, which has shaken the previously established paradigm of gradual climate change, was the discovery of the ozone hole over the Antarctic in the mid 1980-ies⁹.

The globalization of issues related to changes in the environment has had several effects: it diminished the idea of supposed inviolability of national borders, which meant that what appears to be an internal problem actually is a transnational problem i.e. that pollution knows no borders. Also, the globalization

⁸ For this reason, Homer-Dixon called his article “On the Threshold”, referring to the tolerance of the atmosphere of Earth, but also the natural environment as a whole, compared to harmful effects of man. After crossing this threshold, the climate changes would not be happening linearly, but through climate “shocks.”

⁹ Homer-Dixon, T. (1991), *ibid.*

of environmental issues has prompted governments to give up at least a part of their sovereignty and to cede it to supranational regulators.

States have begun to participate in a series of agreements and programs related to environmental protection. NGOs were also given a special place in global politics.

The concept of environmental safety and the emergence of the “defensive” geopolitical discourse

The safety of people is actually a function of successful preservation of the social structure and of successful preservation of natural resources which all societies depend on. The development of the concept of environmental safety, closely related to the security of people can be traced back to the early 1990's, after the end of Cold War geopolitical order. Until the beginning of 1990-ies, security related to changes in the environment was not perceived as a relevant factor that affects the overall security. During the earlier, Cold War period in the geopolitical discourse, this problem had not been generally recognized.

There are two basic approaches to the security of human society, which perceive safety in different ways. The first approach is primarily aimed at protecting people from acts of violence and threats to their lives, safety and rights. Another approach is broader and emphasizes human welfare and dignity and focuses on protecting people, not only from violence, but from a much larger scale of social and economic challenges, as well as the challenges that originate from the environment.

In the second approach, which recognizes the environment as a potential security threat, among geopolitical texts as products of geopolitical considerations on the issue of environmental impact on the security, it is possible to distinguish between papers that are related to changes in the environment and their impact on changes in national security (e.g. Schwartz, Randall, 2003) and articles dealing with geopolitical considerations on the consequences of environmental changes on global security (e.g. Dalby, 2002, 2009a, b).

The approach that explores the changes in the environment as factors that affect global security is based on the premise that it is impossible to establish real security in a globalized world only on a national (state) level or even on the limited alliance type level. A multilateral or even global approach is needed in order to effectively cope with increasing cross-border challenges. The traditional focus on the security of the state (or regime) is inadequate and it must include the safety and welfare of the population because the lack of safety of a population and its communities transform national safety into a very fragile thing. It is exactly the nonmilitary factors that have an important impact on security and stability, while the poorest countries in the world are the most affected by the pressures created by environmental changes, such as the increasing demand for natural resources, which creates a rivalry, the degradation of the natural environment, the increasing spread of infectious diseases, poverty and increasing social differences, large population growth, lack of jobs and the uncertainty of living space. All these challenges make already weak nations even weaker (Renner, 2006).

However, the concept of environmental protection is not synonymous with the claim that environmental change is the only conflict-encouraging or other security threats' factor. Probably no conflict in the world can be explained by a single cause. Therefore, the changes in the environment are

associated with other factors, such as traditional battles for living space and the increasing number of inhabitants, ethnic hatred and political change.

T. Homer-Dixon is generally referred to as the first geopolitician who argued it was possible to link environmental scarcity (i.e. major resource constraints that the natural environment can provide) with violence, if this relation included a set of variables that affect it. In the beginning of the 1990-ies, Homer-Dixon linked the research on military conflict with the research on natural environment. Still, the problem with discussions on the environmental impact on security is that they are usually based only on causes and effects, and not on those variables whose changes can significantly affect the causes, and therefore the effects of interactions of environmental change as cause and threats to the security of human society, as a result of this interaction. He also pointed to the variables such as population growth, demographic structure and distribution of the population. Without a complete understanding of these factors, it is impossible to begin to comprehend the relationship between human activities, changes in the environment, social issues and conflicts.

Homer-Dixon still considered the modern realist perspective, which is often used to understand security issues, unsuitable for identifying and explaining the relationship between environmental change and conflict (Homer-Dixon, 1991). Realism focuses on countries as entities that maximize the power in the international system of anarchy in a rational way. Their behavior is mostly a function of power structures in the system. This leads to limitations because realists think in terms of territorially limited, mutually exclusive countries, and not in terms of wider regions or environmental systems, one of which is the global system. The narrowness of thinking in terms of countries, their power and actions, rather than thinking in terms of categories of systems which transcend national boundaries, leads realists to problems of perceiving environment through categories such as: country, sovereignty, territory, national interests and the balance of forces.

Climate change and threats to the environment can contribute to different types of conflict, such as wars, terrorist attacks, diplomatic and trade disputes. Sometimes the impact of climate change and threats to the environment is a very powerful factor that affects the outbreak of conflict, and sometimes it is only a minor impact and is not directly responsible, but can amplify the impact of political and economic factors. Poor countries will be much more vulnerable to climate change and environmental degradation than rich ones and will also have to deal first with conflicts linked to the effects of climate change and environmental degradation: reduction of agricultural production, economic backwardness, forced migration, and disruption of normal legitimate social relations.

Besides wars, solid, non-democratic regimes will arise as a result of environmental degradation and reduction of resources. Countries threatened by significant reduction of natural resources will be the most threatened in terms of firm regimes, especially if they have a history of giving an important role to the armed forces. Homer-Dixon ranked Indonesia (then still under the Suharto regime, author's comment), Brazil and Nigeria (which suffered the rule of the military junta in the 1990s, author's comment) among these countries. He rated seemingly democratic tendencies in these countries as artificial and stated that they will not have an impact on long-term trends that include a growing population and declining resources.

Concluding that democracy is problematic, but the scarcity (of resources) is more likely, Homer-Dixon warns that contemporary advocates of Malthusianism, also called Neo-Malthusians, may underestimate

the adaptive capacity of human societies to a contemporary system based on environment and society. However, as time passes, their analysis could attract more supporters.

The work of *R. D. Kaplan, The Coming Anarchy: Shattering the Dreams of the Post Cold War*, was the first real example of work that has contributed to the development of the “defensive” geopolitical discourse related to threats that may arise from environmental degradation and climate change, closely associated with an increase in population of underdeveloped countries of the world.

Specifically, in *The Coming Anarchy*, R. D. Kaplan describes the security situation in West Africa in the first half of 1990-ies, marked by utter crime and corruption, armed rebellions and military coups, uncontrolled migration flows, illegal exploitation of natural resources, the spread of infectious diseases (AIDS, malaria, tuberculosis, etc.), as well as the destruction of the natural environment (destruction of native plant communities), followed by a great escape from the rural areas to the slums of large cities of West Africa and the Gulf of Guinea region. The situation has not changed significantly for the better since then. However, what Kaplan does not state are the real causes of this situation, rather than just giving a warning about the security challenges that await the developed Western world, if the same challenges transfer from this underdeveloped world of anarchy and misery, which is now, with all the problems caused by the structure of society and the poor institutions, threatened by degradation of the natural environment which reduces the already small living area of the population whose number is constantly growing. It is the destruction of the natural environment, particularly indigenous plant communities, what specifically affects sub-Saharan Africa, especially the Sahel zone, which represents a large part of West Africa¹⁰. The threat no longer consists only of political instability and the threat of armed conflict, but also lies in nature, which no one takes into account. Still, Kaplan does not show compassion for the inhabitants of this part of Africa or Africa as a whole rather than contemplates on the possible security challenges which could hit the U.S. and countries of the West. The possible collapse of some African countries, the closing of embassies and contacts with the West through trade stations (ports) full of infectious diseases, represents security challenges for the developed world that Kaplan cares about.

According to Kaplan, in order to understand what will happen in the world over the next 50 years one must understand the scarcity of resources that can start environmental, cultural and racially motivated conflicts, geographic “fate” and the transformation of the nature of war. The order in which he stated these problems is not random. He concludes that we must start thinking of the environment as a matter of national security at the brink of the 21st century.

Political and strategic consequences of the growing population, the spread of infectious disease, deforestation and soil erosion, lack of water and water pollution, air pollution and rising sea levels, especially in regions that are densely populated and highly dependent on rivers and threatened by the rising sea level such as the Nile, the Ganges and Brahmaputra deltas, could result in mass migration

¹⁰ Kaplan (1994) states: In Sierra Leone, Cote d'Ivoire, Guinea and Ghana, the natural vegetation consisting of rain forests, and even low vegetation, is largely destroyed. At the time of independence, rain forests covered 60 percent of Sierra Leone and now it covers only six percent, and in Cote d'Ivoire, the percentage has dropped from 38 to eight percent.

from these areas, which could well trigger conflicts among the residents who will be forced to look for their living space in new areas and the native populations in the same regions¹¹.

S. Dalby (1996: 472-496) called the fore mentioned work of Kaplan an attempt, which had then warned of problems such as wars for scarce natural resources, water and energy, which are large, and in the future will be even larger. Kaplan has not forgotten the spread of infectious diseases such as AIDS. Meanwhile, Dalby points out the clear geopolitical dimension of contemporary Malthusianism¹² (called Neo-Malthusianism), which can be traced in Kaplan's work, which refers to warning about the "barbarian hordes" that will "overrun" and "overflow" the developed world due to difficult living conditions in areas where they reside. The traditional concept of national security would call for mobilization and "consolidation" against the "flood" in order to "defend"¹³. If we accept this argument, Kaplan's rhetoric is not much different from the traditional geopolitical discourse, except that it finds another object of threat to the security of the rich and powerful.

The work of R.D. Kaplan expresses a clear tendency to perceive the environment and the challenges that could possibly lead to the future destruction of the environment and climate change as a threat to national security. One could conclude that Kaplan's discourse, explained in the form of the "coming anarchy", presented in the work of the same name, is under the influence of securitization. Securitization, as the ultimate form of politicization of an issue, allows the use of extraordinary measures and resources (Buzan, Waever, de Wilde, 1998: 25-32). In doing so, the one who performs the process of securitization (i.e. identifies an issue as a security threat) would be a country, i.e. its national security bureaucracy. The object of securitization would be a threatening "flood" of refugees from parts of the world affected by environmental degradation, natural disasters and climate change in general (their duration is long and the outcome uncertain), while the target group which should accept this securitization and support the use of special defense and protection locations would consist of the inhabitants and the public of rich, developed countries.

Interestingly, countries have begun to work together in an attempt to resolve problems related to environmental degradation and global warming. Realists and neorealists argue that cooperation regimes

¹¹ Deltas of large rivers will be extremely vulnerable, and in the poor countries of the world river deltas are extremely densely populated. Nile and Ganges-Brahmaputra are the best examples, but we should add, for example, the Mekong and Mississippi (Although Mississippi is not in an undeveloped state, the effects of Hurricane Katrina are still visible on the delta and the largest city, New Orleans) to the list. And other large river deltas (e.g., La Plata, Yangtze, Hoang-ho, the Shatt-al-Arab), and not just deltas, will not be spared. Forced migration might just be the biggest in areas of large river deltas, susceptible to sea level rise and extreme weather, which will cause rivers overflowing in the interior of the land, not on the coast.

¹² Malthusianism, thought named after T. Malthus, who in the late 19th century made a claim according to which humanity cannot expect to feed the entire population in the future, because the population will grow at a geometric progression, and the production of food, at best, can only grow at arithmetic progression.

¹³ Dalby, S. (2009b), *Security and Environmental Change*, Keynote speech, Carleton University, Ottawa,

<http://www.sv.uio.no/iss/english/about/news-and-events/events/2009/gechs/conference-program/videos/day1/keynote-speech.html>.

occur only when a cooperation is of national interest of one or more key countries or when a key country has nothing to lose, but can get something if it becomes a part of the cooperation regime.

Realists' response to the question about strengths or weaknesses of a cooperation regime in solving environmental problems is simple. Regimes reflect the interests of a country, and the possibilities that some countries have in this area (Vogler, 1992: 129).

Critical perspective offers a different, clearer view on global warming, which is global in that it embraces the entire planet. Still, not everybody is equally responsible; responsibility is extremely uneven and asymmetrical. The responsibility of paying for global warming should reflect that.

The Neo-Malthusian perspective tries to attribute all the problems related to environmental degradation in the Global South to too big of a population and implies that the South is responsible for the destruction of the environment (Dalby, 1999). Geopolitical tendencies of dividing the world into blocks that have certain features and giving relative importance to those blocks in the global rankings continue to come to the fore. Thus, as an introduction to the environment related issues, one must know the ways in which geopolitical visions are created and imposed; as products that combine power and knowledge, creating a new "knowledge" within this framework (Dalby, 2000).

Climate change: a threat to national security or an opportunity to change the paradigm?

The "defensive" geopolitical discourse is one of the main, prevalent attributes in the contemporary geopolitical thought, especially when referring to the production of geopolitical discourse related to the political elite of a country and the national security bureaucracy. Kaplan is an advocate of the "defensive" approach associated with changes in the environment as generators of anarchy and potential conflicts, and he calls for the organization of the developed world as a defense against these threats. Along with terrorism and terrorists, who have replaced the Soviet threat as the main source of production of the "defensive" geopolitical discourse, "flood control", related to the population of the underdeveloped parts of the world, appears more frequently on the list of priorities related to strategies for national security, although certainly not under such a name. Because of the potential start of a large international population migration from the poor South to the rich North, the changes in the environment have become a political priority, but also part of the geopolitical discourse. The intensity of environmental changes caused by the process of globalization is so high that security must become equated with ecological process. S. Dalby (Dalby, 2009a, 2009b) highlights the connection between the environment and security and warns about the fact that the theory of the climate change impact on security mainly continues to use the contemporary discourse of securitization in relation to critical debates on security. He also uses the policy of identifying and alerting to threats as a central part in analyzing the impact of environmental change on security. Dalby, who criticizes Kaplan's approach and discourse that primarily perceives changes in the environment in developing countries as a threat to the security of the developed and rich countries, highlights the fact that theories of the security of human society in the modern times require geopolitical imagination which takes various aspects into consideration and which is able to tackle the new causes of vulnerability of modern human societies so that they would become more resistant in the future.

The research on mutual relations between international relations and the environment as a “natural context” deals with the issue of the extent to which politics and the environmental safety forecasts are influenced by a carefully constructed discourse that shapes them. The elaboration of theoretical perspectives related to the research on the relationship of the environment and international relations is influenced by a geopolitical discourse that creates mind maps. These mind maps create “risk” and “vulnerable subjects” i.e. humans and human society. While Dalby recognizes this discourse and the creation which he develops, exposing it, Kaplan is one of the geopoliticians who constructed a discourse and represented it as legitimate one. This is in fact the main difference between Kaplan, a geopolitician, and Dalby, a critical geopolitician, whose works, as well as Kaplan’s, form part of the geopolitical discourses of the global environment geopolitics. The key difference between the two lies in Dalby’s critical perspective which exposes traditionally intoned geopolitical discourse that perceives environment threats as a source of danger, identifying the human society as the main factor that poses a threat to the environment.

The dominant concept of security in the post-Cold War world is still designed as a project of liberal modernity and is part of the dominant perspective that exists within international relations which treats the environment as a potential undefined threat. At the same time, this concept ignores alternative approaches to the global environment security, especially those who point to the history of ecological threats to the environment and harmful over-exploitation of resources (primarily non-renewable). Any approach that ignores the socio-historical context and threats must necessarily be subject to criticism.

A discourse that perceives the environment as a threat constructs security in terms of technology and modernist assumptions of control, within limited territorial-political entities such as countries, which are the products of the modern geopolitical imagination (Dalby, 2002: 146). Contrary to these assumptions, the environment is not a threat to mankind, but mankind is a threat to the environment, and thus to itself - a conclusion that can be drawn in the works of S. Dalby. The differences in the two above mentioned types of geopolitical discourse related to changes in the environment arise from this key difference in perception.

Geopolitical discourses are neither objective and unbiased reflections of reality and an actual situation in a single society nor are they “natural”, but are products of geopolitical vision of their own creators (and their origin, race, sex, age, social status). This statement is consistent with the claim that geopolitics is a historically grounded form of power and knowledge, and is not neutral or objective (O’Tuathail, Dalby, Routledge, 2006: 15). Therefore, it is necessary to research the geopolitical discourses given the context of involvement in the broader socio-political context that has influenced the design of individual discourses.

Whether we perceive the destruction of environment as a cause of threats to security or as a result of human influence on the environment, it represents a real problem to the state structures of almost all countries of the world, especially the poor and overpopulated ones. For example, up until recently, in most countries the governing structures could count on a large part of the population to have access to potable water. Now this is less and less the case and in the future, the situation will worsen due to increasing pollution and population growth. Developmental perspectives, which could once be counted as a given, now cannot be, and climate change will only worsen them. A key issue for countries that are yet to be developed is - to what extent will the climate change alternate the allocation of resources in

their development strategies. Climate “shocks” have certainly made an impact on the economic growth of many countries (IMF, 2003) and have played a significant role in explaining the economic differences between countries (Collier, Dehn, 2001). Climate “shocks” would increase various countries’ chances of getting caught in a “poverty trap” and would reduce the chances of getting out to those who end up falling into such a trap.

When considering the impact of climate change and environmental changes on the general development of geopolitical discourse related to changes in the environment, it is impossible not to mention the former U.S. vice president A. Gore Jr. and his contribution to raising awareness of the inevitability and adversity of climate change, lest the burning of fossil fuels be reduced. In his political career, as a senator and later vice president for two terms in the U.S. and even after his departure from active politics, Gore has spread awareness about climate change and the need to fight against it, by advocating the preservation of the natural environment as much as possible. Up until now, there has not been anybody who has been so powerful, focused and influential, and who has advocated a different approach when it comes to reducing the burning of fossil fuels and the consequent slowing climate change.

Gore also warned that there was clear evidence that climate change was directly responsible for large and devastating floods, storms and droughts that caused forced migration of millions of people every year. They also caused famine, particularly in Africa. *Gore* argues that virtually every scientist involved in climate today recognizes that there is a clear link between an increase in carbon dioxide emissions into the atmosphere and extreme weather conditions, followed by natural disasters. Destabilization of the main conditions in which weather takes place has changed and resulted in a greater length of dry periods in regions that are normally affected by drought, resulting in stronger and more frequent fires, spreading deserts (desertification) at the expense of agricultural land. It has also affected the water level of rivers, such as the Amazon. For example, during the first six months of 2011 even 387 million people in the world were affected by droughts.¹⁴

As an expert in the issue of natural resources and wars for natural resources, and as a man who developed the concept of environmental safety, *M. Renner* and a part of his scientific opus can be included in the geopolitics of the global environment as a geopolitical trend, but also a specific geopolitical discourse.

Renner recognized the importance of environment for the safety of human society and the negative changes that occur due to human activities and refer to the destruction of natural vegetation, changes in rivers and lakes, polluting soil, water and air pollution and global warming (*Renner*, 2006).

In late 1990-ies, issues related to the environment began to emerge in the practical foreign policy activity and political security activity i.e. (partial) planning and implementing foreign and security policies. However, after the shift in the security environment and the security paradigm after September 11th 2001 and the beginning of the “global war on terrorism”, issues related to the environment ended

¹⁴For more information see: <http://www.guardian.co.uk/environment/2011/sep/28/al-gore-proof-climate-change?INTCMP=SRCH> (16th of June, 2012).

up on the sidelines – in both geopolitical discourses and practical foreign policy activities i.e. in practical geopolitical reasoning and action.

Nowadays, awareness of the threats to the environment is greater than ever before, but trends, such as fossil fuel burning, are not changing for the better even in the most developed countries¹⁵.

Inability to achieve international agreements on the environment is one of the key and perhaps the most critical issues and is the reason why the fight against environmental changes is predominantly doomed. As long as the rich, developed countries have a monopoly on technological developments and do not want to share their achievements with the poorer, more numerous countries, a global agreement on curbing negative changes in the environment, which of course includes climate change, cannot be reached.

At the same time, behavioral changes are occurring more frequently, and political decisions are made when the crisis has already emerged. What will be the implications of reducing food production, reducing supplies of potable water, lack of energy, arable land and living space generally, on the development of geopolitical discourse?

It is more likely for countries that have fewer resources and long-term, historically grounded potential hostilities with neighboring countries, to continue to be drawn into different kinds of struggle, which could culminate in clashes, in which the object of conflict would be, for instance, access to water, arable land, or energy. Also, completely unexpected alliances might arise, considering the fact that state objectives would be ensuring enough resources for their survival, rather than differences in religion, ideology, or the struggle for national honor¹⁶.

Over 400 million people now live in areas that will continuously have drier climate, and which are overcrowded and poor. In the future, these regions will become more overcrowded, even poorer, and more affected by climate change. These areas will become origins of mass migration, because maintaining political, economic and social stability in them will become impossible. It will not be possible to provide even the basic resources for survival of the increasingly numerous population in these regions¹⁷. The number of the dead is expected to rise, not only because of the conflict, but due to famine and diseases, because the amount of available food and drinking water per capita, especially in those poor and overcrowded regions, will be reduced.

Conflicts over access to water resources have already become commonplace in many parts of the world, not so much between countries, as within them, especially between different communities, for example in Mexico, India, Brazil. Responses should follow before such conflicts erupt from local and national into possible international conflicts. However, reactions that would prevent future conflicts related to changes in the environment are either absent or are such that they do not decrease but even increase the likelihood of future conflict.

¹⁵ <http://www.cdi.org/adm/1311/Renner.html>.

¹⁶ Schwartz, P., Randall, D. (2003), *An Abrupt Climate Change Scenario and Its Implications for United States National Security*: 2. <http://www.gbn.com/articles/pdfs/Abrupt%20Climate%20Change%20February%202004.pdf>.

¹⁷ Schwartz, P., Randall, D. (2003), *ibid*: 5.

Conclusion

The modern world is increasingly affecting environmental degradation and climate change, as a result of development patterns of modern human society, based primarily on overproduction and burning of fossil fuels. Changes in the environment and climate change are increasingly affecting different parts of the world. Unfortunately, the countries that suffer the most damage are usually the least responsible for this change i.e. underdeveloped countries, whose singular areas are significantly overcrowded and simultaneously very exposed to the aforementioned consequences of climate change. Cumulative effects of climate change associated with overpopulation and historically based conflict and intolerance represent the biggest danger for the future of the world related to changes in the environment. In those parts of the world, the effects of climate change, in terms of the increased number of refugees, poverty, environmental pollution, hunger and conflict will be particularly visible. These regions are South and Southeast Asia, parts of the sub-Saharan Africa, and the African transition zone (southern part of the Sahara Desert and the northern part of the Sahel), between the sub-Saharan and North Africa. Responses of the developed world, primarily responsible for the pollution and the rapidly growing economies which increasingly take their share in polluting the world and encouraging climate change, are not satisfactory and if they do not change, they cannot bring positive change in the long term.

Geopoliticians have recognized environmental and climate change and have, as always in the history of geopolitics, reacted to the influences that come from the "real" world, developing a new geopolitical discourse, the geopolitics of the global environment. Geopolitical discourses related to changes in the environment have evolved over the past two decades. However, the official geopolitical discourses that deal with environmental issues, created by countries' elites and intellectuals, continue to try to impose a vision of global relations in which the responsibility for the destruction of the environment and global warming, according to the neo-Malthusian perspective, shifts to the poor and the increase in the population (for which, as outlined, the poorest are responsible). In the meantime, completely different responsibilities of the developed, the undeveloped and those that are rapidly developing in relation to environmental degradation and climate change, which are the most obvious manifestations of global warming and weather extremes (longer droughts, floods, an increase in the range of temperature, etc.), is continually ignored. Unfortunately, thus far there is no sign of trend reversals when it comes to reducing greenhouse gas emissions on a global level. In the future, all of this should lead to a growing importance of geopolitical discourse associated with changes in the environment, both those which will justify further increases in the greenhouse emissions and shift the responsibility to the poor, and those which will attack these discourses and be change agents on an intellectual level, which should lead to a change of the ruling discourses associated with the global environment. Further intensification of climate change in the most vulnerable areas will result in the radicalization of politics, especially if burdened by historically rooted ethnic and/or religious intolerance. The best example of a region in which all these factors could collide is South Asia, but the wider region of Southeast Asia, the Middle East and the sub-Saharan Africa might not be immune to such developments in the future.

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Manutai Leaupepe

University of Auckland, New Zealand

Cultural Influences in Young Children's Play: Encouraging Notions of Social Sciences education

Abstract:

This paper explores the interactions of Pasifika early childhood student teachers and young children while engaged in play. Drawing on a small-scaled research project that explored students' views of play (Leaupepe, 2008), the findings suggest that parental attitudes towards play and cultural influences of play were significant to the kinds of conversations experienced by both students and children. The study reveals that students were often conflicted with what they had seen and heard from children while they played. Based on students' reflective statements while on practicum and individual discussions with their university supervisor [the author], the paper highlights the challenges and tensions that existed. Students had identified for themselves conflicting ideas of play through what they had learned in a course that focused on the value of play. Of particular interest to the research, was how such views have motivated the types of play opportunities presented to young children in their care. Cultural influences that may have discouraged certain aspects of play and the need to provide opportunities for children to explore notions of social sciences education through play are the focus of this paper. To some extent, cultural influences that are guided by students' deep-seated beliefs of play provided insight to what they had encouraged, what was excluded and why when children played. Using the national early childhood curriculum Te Whāriki and The New Zealand curriculum for the compulsory sector (Ministry of Education, 1996; 2007), the learning outcomes associated to the social sciences are used as a basis for discussion in recognizing teachers' roles and responsibilities in deepening young children's conceptual knowledge and understanding of social justice, fairness and gender. Early years teachers are challenged with the ability to recognise the potential that exists when young children are engaged in play. However, what children learn about the aforementioned concepts is dependant upon teachers' confidence of and subject content knowledge in social sciences education and their own values and beliefs systems. When undertaking any form of research with Pasifika people, it is important that the recognition of their values, beliefs and practices are integrated. Some, though not all, western research paradigms appear to be confrontational and contestable to Pasifika people. The research design used was based on two Pasifika research methodologies, talanoa with an extension of talanoamālie and the kakala model. Both favoured among Pasifika people this was important and regarded as being culturally appropriate and responsive. By incorporating a qualitative framework, the opinions and experiences of the research participants, provided rich descriptions of biographical and reflective narratives. The significance of this work contributes to the much-needed literature concerning Pasifika student teachers views of play and its influences to practice. Pasifika theorizing of play-related ideas are currently underrepresented in research. It is hoped that discussions from this paper will generate a deeper awareness of Pasifika views of play and create a platform whereby robust

debates concerning the place and role of play in the development of young children's conceptual knowledge and understanding of social sciences education are encouraged.

Victoria Boniface Makulilo

University of Bayreuth, Germany

Disconcerted Success of Students' Loans in Financing Higher Education in Tanzania: A Reply**Abstract:**

This paper is a reaction to the work of Veronica R. Nyahende who wrote "The Success of Students' Loans in Financing Higher Education in Tanzania" published by Higher Education Studies, Vol. 3, No. 3, May 2013. Nyahende argues that the success of student loans scheme in Tanzania is due to increased students enrollment; satisfactory guidelines and criteria for granting students' loans (to be referred to as the guidelines); and effective students' loans recovery since 1994 (leading to a revolving fund). On critical account, the present paper notes the 'claimed' success of the loans scheme is based on perceptions of students to the guidelines and loans recovery which is mere hypothetical. Based on the objectives to the establishment of loans scheme in Tanzania, it is argued, the loans scheme performance is highly disastrous. Many students from poor backgrounds are forsaken by private financing of higher education. One of the contributing factors is the application of the guidelines by the Loans Board. Most importantly, low rate of loan repayments and low rate of loan recovery make the idea of a revolving fund a paradox. The high built-in subsidies; and ineffectiveness of the Loans Board to reduce administrative costs and the rate of default are necessary ailments. The paper employs qualitative approach to substantiate arguments.

This subject is of prime importance because the author is currently undertaking a PhD project on „Private Financing of Higher Education and Democracy: The Case of Tanzania and Kenya“. Most of data in support of the present discussion were collected in 2012 from universities (private and public), Loans Board, Tanzania Commission for Universities (TCU), potential loan beneficiaries, Ministry of Education and Vocational Training (MoEVT), and general public. Moreover, some sections of this paper draw from PhD project.

Doriana Matraku, Eri Gjoka

Tirana University, Albania

Competition in Albanian Banking Sector

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Abstract:

Albania has a relatively new financial system, where banking system is the most developed financial service in our country, with a share of 94, 4% of the total financial services. This is a phenomenon of countries with emerging economies, which proves that there is greater reliance on the state economic development of the banking sector, by effecting from the households to the biggest investors and the government.

As in any market, competition is an important aspect also in banking system. It affects the efficiency of the market and the variety and quality of products. But, as the banking system has great influence on the Economic growth and the development of a country, the level of competition definitely affects their performance too.

The main motive for the realization of this work is the great importance that the banking system, and competition in this market, plays in developing countries, including here Albania. Given that the financial system is dominated by the banking system, banks are the main channel for the transfer of funds from the lender to the borrower. Also investments are very sensitive to interest rates, the level of competition reflected in prices, quantities and types of products and services, which will definitely affect the level of investments and economic growth.

The goal is to understand the characteristics of competition in our banking system and study the relationship between the level of concentration, competition and the level of interest rates in the banking market. Defining the characteristics of banking market will be fulfilled in two main directions: first, in describing the characteristics of the banking market, trying to see with which market structure it resembles the most, and secondly by reference to empirical studies held for our market as well as comparison with the region.

By comparison with the region we found that in Albania operates a smaller number of banks and higher fees are applied. Also lending interest rates are higher than in the region, although the differences are not very large. Albanian banking system is more concentrated than the systems of most European Union countries; however, the concentration level is justified to some extent by the short lifespan of our banking system and its level of development, compared with EU countries. Economic theories of competition in the banking system study the linkage of the financial stability and its efficiency. From our observations, we have noted that the increase of the concentration was associated with increased efficiency (and vice versa). This finding supports the idea of efficient markets, whereby the concentration increase is due to higher efficiency. Also, a link between stability and competition was noticed, where the reduction of market power and the increasing competition, increased the undertaken risk by the banking sector, jeopardizing stability.

Keywords: Banking System, Monopolistic Competition Market, Stability, Financial Systems

Mladen Mimica

University Mostar, Bosnia and Herzegovina

Implementation of Good Scientific Practice in a Transitional Country

Abstract:

In Bosnia and Herzegovina majority of research institutions have neither codes of scientific integrity nor procedures for scientific misconduct investigation. There have been occasional, now more and more often cases of plagiarism, falsification and fabrication in research. In the region, research misconduct is not considered serious offence. Tolerance of fraud and no conflict attitude is dominant. As a consequence investigations of misconduct are very rare, and usually end in cover up, without sanctions for executors. Therefore, the only possible curative approach should be tailored to local conditions: very strict prevention of possible scientific misconduct based on measures of European harmonized standards of good scientific practice with the idea that the focus should be on prevention, not investigation and punishment of scientific misconduct. The University management developed a set of seven major steps in building good scientific practice: 1. Education about scientific ethics 2. Code of ethics introduced 3. Discussion on code and possible sanctions 4. Entering data in research protocol on a daily basis mandatory, signed by the author, supervised by mentor 5. Entered data available on University web 6. Permanent monitoring/discussion about data 7. Regular group meetings (researchers, mentors) on a monthly basis Until now first three steps were realized, and agreed implementation of next four steps. 1. Ethics education was already implemented in University Mostar five years ago; it has been extended to study of good scientific practice in last academic year. 2. As practice does not keep pace with the theoretical training, Code of ethics was introduced based on European standards. 3. Rules of good scientific practice have been discussed at University Senate, all Faculty Councils and with student representatives. It was emphasized how honest, exact scientific findings could contribute to advances in science. Also, it was underlined serious consequences of fraudulent data. Special attention was given to definitions of dishonesty and procedures to detect, investigate, and punish misconduct. 4. It is underlined the obligation to register clear and accurate records of the procedures and results obtained on a daily basis. Researchers should certify their findings by signing the records at the end of each day. The research protocol with all obtained results/data should be supervised by a mentor. All researchers should be well aware of the fact that journal editors could request to see research protocols and all authors' recent/related papers published and/or under consideration. 5. Data records should be transparent, therefore shared at University intranet. 6. On that way, permanent monitoring and discussion of research data would be guaranteed. The researcher must be able to explain how the results were reached. 7. As inadequate supervision and mentoring was recognized as the one of the most prominent weak points of good scientific practice regular group meeting open and frank discussion between students and mentors on a regular monthly basis was considered the cornerstone and warranty of deep understanding and the future honest behavior.

Mateusz Mokrogulski

Warsaw School of Economics, Warsaw, Poland

Deposit War in the Polish Banking Sector in 2008-2012. A Quantitative Analysis**Abstract:**

The aim of this paper is the empirical analysis of the so-called “deposit war” that occurred in the Polish banking sector in last 5 years. Although the recent crisis did not badly hit the financial companies in Poland, it temporarily caused non-negligible threats regarding the liquidity position of the banks. The negative process began in the second half of 2008 and lasted somewhere till the end of 2009 Q2, i.e. the first wave of the financial and economic crisis. Then, the fears came back in 2011 Q3, along with the sovereign crisis in the euro area. As there were expectations of capital outflow at that times, many banks decided to increase interest rates on term deposits, much above interbank rates. A short-term objective was actually met, i.e. the Polish banking sector recorded substantial inflow of new deposits. However, such a situation in general negatively affects the stability of the entire financial sector in the longer run. The paper also contains a brief description of steps taken by the institutions in Poland, namely the Polish Financial Supervision Authority (KNF) and the National Bank of Poland (NBP) that helped overcome the turbulent times owing to their active role. Moreover, the presented analysis is forward looking and suggests a list of current challenges for the Polish banking sector compared to other European countries.

Zaenal Mutaqin, Masaru Ichihashi

Graduate School for International Development, Hiroshima University, Japan

Widening and Deepening Economic Integration Impact on Bilateral Trade in the Eurozone and ASEAN

Abstract:

The main aim of this study is to comparatively investigate the impact of different level of economic integration on bilateral trade between the Eurozone and ASEAN in 1990-2009. Applying augmented gravity equation, the results showed that deepening impact on bilateral trade was positive in all Eurozone members but insignificant for original member. In ASEAN, deepening impact which is creating AFTA generates positive result only between ASEAN-6. The policy related with Maastricht criteria variables has small influence in both the Eurozone and ASEAN. Intra-trade industry was a phenomenon in all Eurozone, but endowment had no influence if only between original members in the Eurozone and ASEAN. For ASEAN, different factor endowment was determinant for higher bilateral trade when CLMV countries were included.

Noppakao Naphatthalung

Thaksin University, Thailand

Using the Cippa Model with the Thai Teacher T.V. Program on the Learning Management Ability of English Teachers

Abstract:

The purpose of this research was to study the results using the CIPPA Model with the Thai Teacher T.V. Program on Learning Management Ability of English Teachers. Five English teachers were the subject of this study. Instruments used were 1) a training course on English learning management, specifically two days training; 2) assessment criteria form of the teachers' learning management ability and; 3) questionnaire of the teachers' satisfaction of the training course. Summarising the results found, the study found that 1) the five teachers' learning management ability was at a very high level and 2) the teachers' satisfaction on training course was at a high level.

Keywords: Training, English Learning Management

INTRODUCTION

English is important language because it is the most common language in the world. Learning English is the way of communicating, understanding and learning from people in foreign countries. So, learning English is necessary today. Additionally, with the Curriculum of Thai Basic Education, Foreign Language is one of eight learning areas. English is a compulsory foreign language subject, starting from primary grad one level through to secondary grad six level. Teachers would be offered continuous training. This reform of English language teaching and learning has been achieved in part through the English curriculum development.

I am a lecturer at Faculty of Education, Thaksin University. One of my duties is to train teachers. I was interested in designing a training course using the the CIPPA Model with the Thai teacher T.V. program to improve English teachers' teaching skills. The CIPPA Model is an instructional model that was designed by Assoc. Prof. Dr. Thissana Keammanee from Chulalongkorn University, Thailand. The CIPPA Model comprises of five principles. The principles are: C, stands for Construct which means creating knowledge using activities that encourages learners to construct knowledge by themselves, making them understand and learn what is meaningful; I, stands for Interaction that means interactions with people and environments; P, stands for Physical Participation meaning physical cooperation; P, stands for Process Learning which means learning processes that are essential skills for living; and finally A, stands for Application which means applying knowledge learnt in situations. Furthermore the CIPPA model has seven teaching steps. The seven steps are:

- 1) Activating prior knowledge
- 2) Seeking new knowledge
- 3) Studying and understanding new knowledge; and integrating new knowledge with knowledge that is already understood
- 4) Sharing knowledge
- 5) Conclusion and knowledge organization
- 6) Showing Tasks and
- 7) Knowledge application.

In addition, the Thai Teacher T.V. Program was developed by Thai Commission of Higher Education and Faculty of Education, Burapha University. The purpose of the Thai Teacher T.V. program is to promote teachers how to teach by learning many teaching techniques. These teaching techniques are presented from the VDO clips of the Thai Teachers T.V. program, and are provided both on the web site and VDO Cd.

The results of this research will be useful for teachers in learning and experiencing from the training course to develop their learning management for their students. Additionally, it will be benefit for researchers who will do the similar research.

OBJECTIVE OF RESEARCH

The purpose of this research was to study the results of using the CIPPA Model with Teacher T.V. Program on Learning Management of English Teachers.

SCOPE OF THE RESEARCH

1. The subjects of this research were five teachers by using purposive random sampling, from the teachers who were ready to be trained.
2. The content in the training course was English learning management.
3. Research variables
 - 3.1 Independent variable was using the CIPPA Model with the Teacher T.V. Program
 - 3.2 Dependent variable was the teachers' learning management ability and teachers' satisfaction on training course.
4. Duration of the training was for two days (13th – 14th May 2012).

RESEARCH INSTRUMENTS

The Research Instruments used were:

1. Training course for teachers on English learning management by using the CIPPA Model

with the Teacher T.V. Program, two days in training.

2. Assessment form of ten items of teachers' learning management that was on a five rating scale.
3. Questionnaire of 20 items of teachers' satisfaction on training that was on a five rating scale.

All of the instruments were developed and edited by experts before collecting the data.

COLLECTING DATA

1. Training took place for the teachers on 13th – 14th May 2012 at a meeting room at the Faculty of Education, Thaksin University. I was the trainer. The programme used was as follows:

Day/Time	Activities
Day 1 09.00 - 12.00 hr.	<p>1. Activating prior knowledge</p> <p>Trainer ascertained the background knowledge of teachers about the teaching methods and techniques that they currently used.</p> <p>2. Seeking new knowledge</p> <p>Trainer presented a power point presentation on the Thai Teacher T.V. Program highlighting teaching methods and techniques.</p> <p>3. Studying and understanding new knowledge; and integrating new knowledge with knowledge that is already understood</p> <p>Teachers compared the new learning with methods that they already used and understand.</p>
12.00 - 13.00 hr.	Lunch break
13.00 - 16.00 hr.	<p>4. Sharing Knowledge</p> <p>Teachers discussed in small groups about teaching methods and techniques that they had learnt.</p>
Day 2 09.00 - 12.00 hr.	<p>5. Conclusion and knowledge organization</p> <p>Teachers summarised teaching methods and techniques that learnt by mind mapping.</p> <p>6. Showing Task</p> <p>Oral presentation by teachers.</p>
12.00 - 13.00 hr.	Lunch break
13.00 - 16.00 hr.	<p>7. Knowledge application</p> <p>Teachers designed lesson plan and demonstrated learning management by application gained from the trainer and the Thai teacher T.V. program.</p>

2. Trainer assessed teachers' learning management ability and questioned teachers' satisfaction on training course.

THE RESEARCH RESULTS

The research results were showed in Table 1 and Table 2.

Table 1 Teacher Learning Management Ability (N=5)

Teacher	Items											Average	Level
	1	2	3	4	5	6	7	8	9	10			
	Lesson Plan					Learning Management Ability							
	Systematic planning	Clear	Congruence among topics	Contents fit to student age	Easy to understand	Variety of activities	Interesting activities	Challenging activities	Suitable time	Focusing on performance			
1.	5	5	4	5	5	4	4	5	5	5	4.7	Very Good	
2.	5	5	4	5	5	4	5	5	5	5	4.8	Very Good	
3.	4	5	5	5	4	5	5	5	5	5	4.8	Very Good	
4.	5	5	5	5	5	5	5	5	5	5	5	Very Good	
5.	5	5	5	5	5	5	5	5	5	5	5	Very Good	
Sum	4.8	5	4.6	5	4.8	4.6	4.8	5	5	5	4.86	Very Good	

Table 1 : The research results found that teachers' learning management ability were at a very good level.

Table 2 Teachers' satisfaction form on training course (N=5)

Items	Average	Level
1. Topic of training was interesting.	4.8	Very high
2. Trainer has good knowledge and skills in training.	4.6	Very high
3. Trainer use suitable training methods.	4.6	Very high
4. Trainers and staff were friendly.	4.8	Very high
5. Training activities integrate new learning and what teachers already understood.	4.6	Very high
6. Training activities promoted interaction between teachers.	4.6	Very high
7. Training activities had many valuable methods	4.6	Very high
8. Training activities promoted searching skills and thinking skills.	4.8	Very high
9. Training activities consisted of theory and practice.	4.6	Very high
10. The range of time was suitable.	4.6	Very high

11. The management staff was warm and welcoming.	4.8	Very high
12. Catering was suitable.	4.6	Very high
13. Training Media was suitable.	4.6	Very high
14. The training facilities were comfortable.	4.6	Very high
15. Presentation instruments were fully prepared.	4.8	Very high
Average	4.66	Very high

Table 2 : The research results found that teachers' satisfaction on training were at a very high level.

CONCLUSION

Teachers' training is an important process in teacher's development. Trainers can design training courses that are suitable for each participant by using a variety of activities. Training courses using the CIPPA with the Thai teacher T.V. Program can help develop teachers' teaching skills. It is useful for trainers to apply this model to train teachers in other learning areas.

Irena Nikolova

New Bulgarian University, Sofia, Bulgaria

The EU Foreign Trade and the Financial Crisis: Challenges and Opportunities

Abstract:

This paper reviews the recent data in the field of international trade from the prospective of the current global financial and economic crisis and the Euro area financial crisis. The special focus is on the European foreign trade and the influence of the crises on the development of the trade. In fact the challenges (tariff barriers, non tariff barriers, trade restrictive measures, economic recession in most EU member states, etc.) for the world trade at this stage are more complex and difficult to manage with. As trade is one of the factors for the economic growth in countries it is reasonable to focus on the advantages of exports and respectively imports in order to overcome the financial crises and exit the recession. However as one of the major players on the global stage the European Union can preserve its position in the short run. The analysis suggests that in order to play a key role in the medium and long term the European Union has to overcome 1) the Euro area financial crisis and 2) the gap between “core countries” and “periphery countries.”

Aekkachai Nittayagasetwat

National Institute of Development Administration, Bangkok, Thailand

A Study of Fund Flows and Market Return Volatility: the Case of the Stock Exchange of Thailand**Abstract:**

Since 2008, fund flows due to the quantitative easing (QE) measures issued by the Federal Reserve and other countries' central banks have had a significant effect on the global equity market, especially the emerging markets in Asia. This study investigates the impact of fund flows on the equity market by examining market return and volatility of the Stock Exchange of Thailand. The relation between foreign fund flows and foreign trading in the Thai equity market is also remarked. The study differentiates the effect of fund inflow, represented by foreign net buying, and fund outflow, represented by foreign net selling, on the market volatility. The empirical results show that fund flows have significant effect on the equity market return and volatility. QE adding incurs fund inflow and is positively correlated with market return while QE tempering incurs fund outflow and is negatively correlated with market return. In addition, the relation between fund flows, both inflow and outflow, and market volatility is significantly positive. The results can potentially be explained by the asymmetric information content of foreign investors' buys and sales.

Samir Obaid, Sohail Asghar, M. Naeem

Data Flow Analysis of ALF for Model Based Testing

Abstract:

Data flow analysis (DFA) technique is used to analyze program into data variables and identify data flow operation on these variables. This basic information can be used to identify data dependencies, test data, program execution paths and hence it is helpful in testing process to verify expected behavior of system. In term of executable UML, the models are based on action languages which internally consist of variables and specify data flow operation on these variables. Therefore, DFA of action languages is essential to analyze UML models in term of data flow and use the information to verify formal correctness (expected behavior) of system. In our proposed approach, we are using action language for fUML (ALF) to design and analyze executable UML model. Analysis results show that DFA of executable models provides precise execution flow of variables which are used to identify data dependencies and verification of system expected behavior from its abstract model.

Keywords: DFA, UML, testing, executable UML, ALF

Introduction

Model can formally describe particular aspect of the system by following system's specification. It can present abstract view of the system by graphical notations and complex operations by using natural or action language specification [1]. In this way model can help to represent and analyze that particular aspect of system to study feasibility of requirements, ambiguities in specifications and to gain significant knowledge about system to be developed. Additional benefit of model includes light weight or simple representation of system which enables a modeler to capture knowledge about system without indulging into code complexity.

Executable modeling is ability of model to be executed on bases of execution semantics. UML superstructure [15] provides precise action semantics and there are many action languages that are based on these action semantics such as ALF [1], action specific language (ASL), JAL [13] etc. The use of these action languages can make existing UML model to act as an executable entity and can be used as prototype for the system to be developed. Among existing action languages, ALF is object management group (OMG) recommended language for modeling executable systems. It consists of C or JAVA like syntax and provides the same way to define classes, object and methods call.

In domain of executable UML models, actions can be specified in UML state machine [3, 16] and activity diagram. In context of state machine model, actions are written in the form of Entry, Do and

Exit by using concrete action language. The state machine can be considered as flattened and actions are specified within states of state-machine. On the other hand, UML activity diagram can provide detailed description of particular state's action or entire execution flow of the system. In any case, an action itself consists of variables and their values. Change in variable's value or attribute might affect execution flow of the system and hence it can trigger particular behavior of the system. In order to ensure accurate behavior of model, it is required that actions should be considered as data operation and they must be analyzed term of data flow [16].

Data flow analysis (DFA) technique is used to discover useful properties such as variable's value, point of initialization, data dependency and reachable definition etc of variables within program being analyzed. Data flow analysis techniques are initially found useful for compiler optimization [2] but it is also found to have effective uses in software testing such as finding test paths, test data selection [12] and anomalies detection e.g. def-def, undefined-used [4] within program. In discipline of software testing and verification process it is used to ensure soundness of program by identifying flow paths, variables anomalies which can be used to observe program behavior when it executes through particular path.

Rapps et al., [12] have made first attempt in bringing DFA technique to testing premises but code based DFA technique cannot be applied on action languages due to abstract nature of actions. DFA of action semantics [16] is found helpful in determining flow information of action languages within model. Variable's value can influence particular execution flow within program which consequently executes particular behavior of system. Thus DFA can play import role to ensure accurate behavior of the system during testing.

This paper addresses the issue of DFA of UML models with help of ALF. Studying existing DFA technique on UML models, we observed that the abstract nature of UML models hinder the ability of DFA technique in finding out detailed data flow information from model. The use of action language with UML model can lower down the issue of abstraction and in this way the resulting DFA of model can find out precise data flow information of system.

The rest of this paper is organized as follows: Section 2 discusses existing literature on DFA of UML models: section 3 describes proposed approach: results and discussions are mentioned in section 4: section 5 summarizes the work done and future direction.

Literature Review

Data flow analysis (DFA) is used to utilize definition and use of variables in program and to compute associations and relations such as dependencies among data objects [11]. The value of variable is responsible for program control flow and hence it represents particular behavior of the system [16]. In this way, system particular functionality can be depicted by identifying data occupied by variable. Therefore, data flow information must be considered when system is intended to be tested or analyzed. In this section, we describe existing approaches where DFA is used for program analysis and different testing purposes.

Kim *et al.*, [8] presents test cases generation from UML state diagram. The concurrent and hierarchical structure of model is flattened and state machine is transformed into intermediate models called extended finite state machine (EFSM). EFSM is then used to generate flow graph and test cases are generated on bases of data flow information of variables. In their technique, they describe how conventional DFA techniques can be used to generate test cases from UML state-machine diagram. Furthermore, they also describe definition-use associations of variable that either occurs due to hierarchical or concurrent structure of state machine model. Although they use to identify definition-use operation and definition-use (DU) pairs of variables by applying DFA on flattened state machine model, but the use of un-interpreted/natural language expressions to describe behavior of system can hinder the ability of DFA in finding detailed data flow information from model. Since natural language expressions are not based on formal semantics or grammar rules and therefore it is not possible to parse and tokenize these expressions into atomic expressions or variables.

Liuying and zhichang [9] proposed test selection approach from UML state-chart diagram. They flatten the hierarchical and concurrent structure of state machine to simplify the model. The sub states in existing state-chart model are specified as atomic states and methods are defined to select test paths from whole state machine including hierarchical execution region. The proposed approach is beneficial in generating reduced test suites from UML state machine model and they meet the objective by eliminating test paths if they are found as prefix of some other test paths.

Hyoung *et al.*, [6] described test sequence selection method by applying DFA technique on state-chart. Like DFA on UML state machine [8], they transform state-chart to EFSM model which contains events, guards, actions and all possible runs (test paths) of state-chart. Actions are described at nodes and transition edges. Conventional DFA technique is applied on state machine by identifying predicate use (p-use), computational use (c-use) and definition points of variables in EFSM. Concurrent and hierarchical structure of state machine is flattened and test paths are generated from resulting flow graph by EFSM. Hyoung *et al.*, [6] transform state machine model into flow graph and applies DFA on model. The benefit of flow graph is its ability to occupy variable and data information whether they exist on nodes or transition edges. Although the flow graph is used to occupy expressions that appears on transition edges and nodes but author does not describe parsing of these expressions into data variables in order to identify definition or use operation on these variable. UML consist of set of events and actions such as *callEvent*, *createObjectAction*, *callBehaviorAction* etc [15] which need to be identified and associated with data variables, but the use of un-interpreted or natural language expressions can become hurdle to identify this information from model. Therefore, a formal semantic or grammar based language is required [10] which can precisely describe actions execution within model and it can also be parsed into variables with help of language parser.

Briand *et al.*, [3] performs DFA on UML state chart and describe the effectiveness of DFA technique in MBT. In their approach, they transform state machine to event action flow graph (EAFG) which is a directed graph where nodes represent post condition of actions and edges represent guards and precondition for successor nodes. EAFG is augmented with object constraint language (OCL) expressions. DFA is performed on data variables that appear in OCL expression. Definition clear path and definition use path are identified on bases of definition use operation on variables and builds transition tree to specify execution of operations. In their proposed approach, they make use of DFA

information to identify flow paths from state machine model through EAFG. The flow paths which consist of large number of definition use pair of variable is considered more effective in fault detection because such paths have potential to accommodate large number of anomalies. Briand et al., [3] also defines set of rules which are used to identify definition-use operations on variables and collection operations. The collection operations are commonly used by OCL and UML based action languages and therefore, the defined rules are equally applicable on both of them. Since OCL itself is a declarative language and it can't be used to define computation logic and algorithmic details in model [10].

Waheed et al., [16] uses action specific language (ALS) and analyze data flow information from UML state machine model. ASL is based on UML action semantics and its augmentation with UML model can become a better technique to address following important issues of existing approaches.

1. Use of informal/un-interpreted language expressions

Waheed et al., [16] describes internal details of state machine with ASL. Unlike informal language expressions, ASL is based on formal semantics and grammar rules and therefore its expressions can be easily parsed into atomic expressions or data variables.

2. Precise Action specification

Action language such as ASL, ALF etc is based on UML action semantics and they can precisely describe executable behavior of model. These action languages can also be used to specify algorithms and add computational details which are required for execution.

Like existing approaches [5,6,8], waheed et al., [16] also flattens the hierarchical and concurrent structure of UML state machine. Figure 8 refers case study from waheed et al., [16] approach where states represents actions execution and transition edges represent communication among states. From figure 8, we can observe that ASL expressions are used to describe action/operation within state such as “**status=idle**” in state **1.1**. Similarly OCL expressions are used to describe expressions on transition edges such as “**call(cf) (cf<ef)**” on transition edge 1-6”. ASL parser and mapping rules are used in order to tokenize expressions into variables and identify definition-use operations on these variables. But the use of parser and mapping rules can only identify definition-use operation on those variables that exist inside a state(s) whereas it completely neglect definition-use operation on variables that exist on transition edges. Consequently, the resulting DFA of model will not have data flow information for all those variables that are defined within state but used on transition edges e.g. **cf** and **ef** are defined in state 1 and used on transition edge 1-9 but this information is not acquired by waheed et al., [16] approach. The situation become more critical if *use* of variable occurs only on transition edge such as “**direction**” defined in state 6.4, 9.4 and used on edge 7-13, 10-13. Hence variable “**direction**” will always be considered as unused although it is used on two transition edges (7-13, 10-13).

Above discussion lead us to the conclusion that use of formal languages such as OCL or action languages can become better approach of DFA of UML models. Since OCL is descriptive language and lack execution ability therefore action languages such as ASL, ALF, and SMALL etc can become better choice for modeling and analysis. Existing approaches [16] uses UML state machine to identify variables' flow information but neglect identification of those variables that appears on transition edges

or predicates (p-use). Therefore, it is necessary to propose a technique which could acquire complete coverage of code and data flow operations on variables in order to ensure the correctness of system.

Proposed Approach

In this section we describe our approach towards DFA of UML models by using semantic based action language ALF. We have developed state-based ALF model analysis tool (SAMAT) for analysis of (ALF based) executable UML models. Figure 1 describe the architecture of SAMAT where ellipses represents activities and boxes shows input to or from activities. Sequence of steps and process flow of SAMAT is described in following sub section.

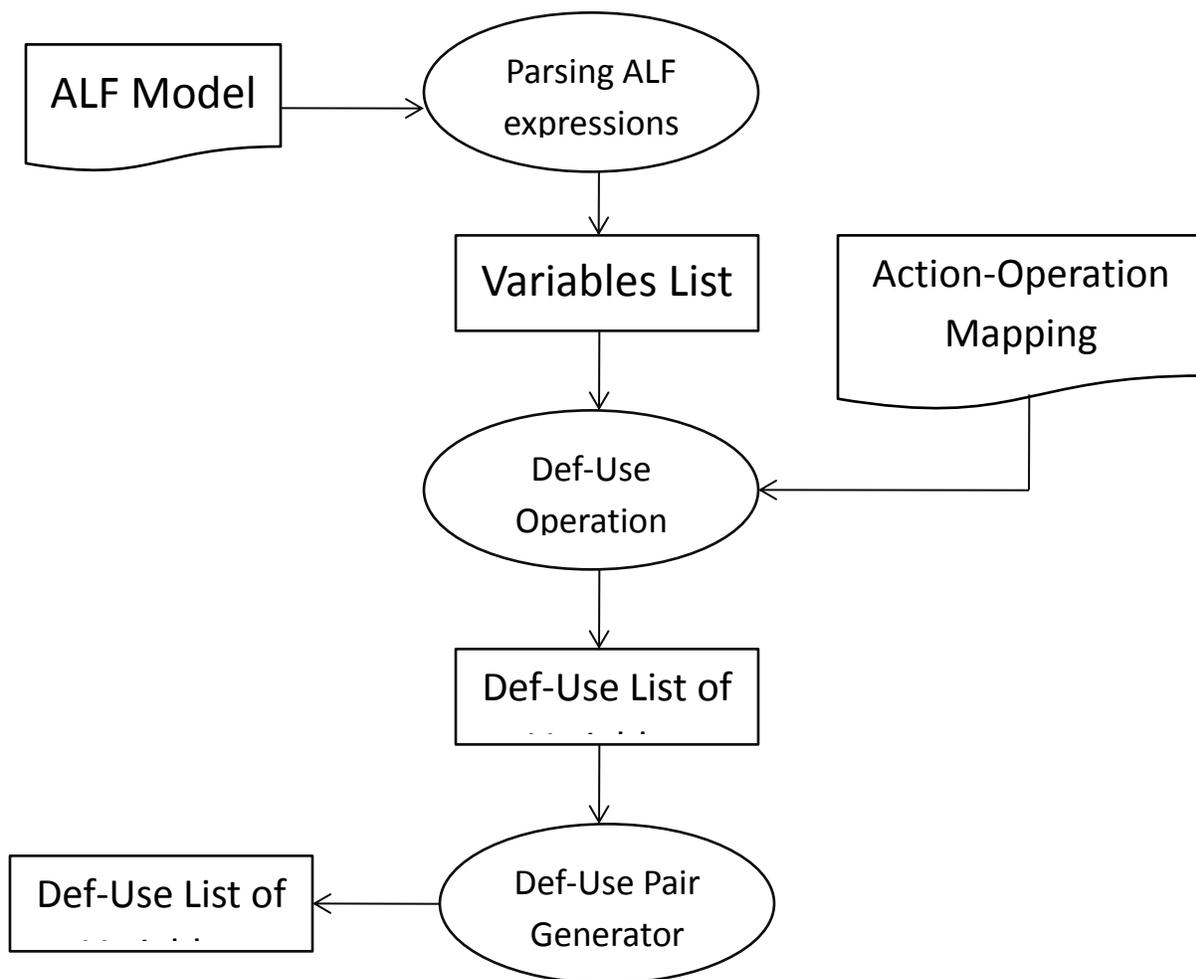


Fig. 1 Process flow of SAMAT

ALF Parser

SAMAT takes ALF model as an input and tokenize expressions by ALF Parser. The parser identifies atomic expressions from statements and specifies UML action associated with these expressions

ALF itself does not contain concept like atomic expression. ALF set of expressions includes primary, increment and decrement, unary, binary, conditional-test and assignment expression. In our case we use the term atomic expression to classify all those expressions that represent individual element such as variables, class object, tuples and that can be directly mapped to UML actions.

Def-Use Operation

ALF parser provides atomic expressions /variables along with action associated with these expressions. Waheed et al., [16] categorizes UML actions into define and use classes and we are also using this classification in form of action-operation in SAMAT to identify data flow operation on variables. Table 1 describes some UML action along with data flow operations. Classification of actions into defines and use can consequently determine DU operations on associated data variables.

Tab. 1 Action-operation mapping

Action	Operation
Add structural feature value action	Def
Create object action	Def
Read structural feature action	Use

Definition-use pairs

DU pairs of variable can be identified by finding use and then corresponding definition(s) of used variable. Figure 2 describe an algorithm to find out DU pairs of variables from program being analyzed. After identifying data flow operation on variables, the resulting model appears in form of acyclic flow graph (AFG) which is taken as an input and for each used variable the graph is traversed to find out definition in all possible parents nodes of variable. There can be single event or multiple non-deterministic (external/internal) events that can cause definition-use operation on variables. In our proposed approach, we use to handle these cases by graph traversing algorithm and feasible path matrix (FPM).

```

function findDUPairs(list)
{
    for(i=0 to list.size())
    {
        usedVariables=list.getUsedVariables()
        forEach(useVar in usedVariables)
        {
            findDefinitionPoint(useVar)
        }
    }
    If(list.subList!=null)
    {
        findDUPairs(list.subList)
    }
}
}

```

Fig. 2 Algorithm to identify DU pairs

Case Study and Results

We have discussed in section 1 that ALF concrete syntax resembles with C of java and provides same way to define class, object and method calls. In this way AFL act as a bridge between abstract UML models and complex programming languages and hence its DFA can provide necessary data flow information which is abstract but precise enough to verify correctness of the system. Following section refers elevator control system (ECS) from waheed et al., [16]. Figure 6 describe state machine model of ECS where we apply DFA by augmenting state machine with ALF and compare results on bases of DFA information.

In this case study our objective is to describe advantage of DFA in finding out formal correctness (expected behavior) of system by its model. We are mapping flattened state machine of ECS to ALF and resulting ALF model is parsed by ALF parser to find out data variables and DU pairs. As mentioned in previous sections that feasible path matrix can be used to find out data dependencies if state consist of un-deterministic events and each of them can trigger the variable's value. Keeping in view the fact, we are also using feasible path matrix [16] to find out data dependencies and DU pairs of variables.

Def-use operations on variables

We are taking flattened state machine model of ECS and transform it into ALF by specifying mapping rules. We are performing this transformation by mapping state into ALF activity class and incoming transition into corresponding event and predicate in ALF active class. Figure 3 describes an example of mapping “*StartMovingDown*” state of ECS to ALF activity class. From figure 3 it can be observed that by mapping “*StartMovingDown*” state to ALF we have also acquired variables that exist on incoming transition edge of the state. Now the resulting ALF model can be parsed by ALF parser to find out variables and identify DU operations on these variables.

<pre> Active Class ECS { Public Floor cf; Public Floor ef; Public Floor targetFloor; Public String status, direction; } do { accept(callFloor:Floor) cf=callFloor; if(cf<ef) { startMovingDown(); } } </pre>	<pre> Activity startMovingDown() { 1. Status="moving" 2. direction="down" 3. p.enqueue(cf) 4. targetFloor=p.front() } </pre>
--	--

Fig. 3 ALF active class for StartMovingDown state

The p-use in TABLE II describes *use* operation on variable that appear on state transition edge or active class predicate. In other words, it shows that *use* operation is performed on “**ef**” at incoming transition edge of *startMovingDown* state. By using above mentioned approach, we have found existing (transition and state) variables from every state of ECS and identified data flow (definition, p-use, c-use) operations on them.

Tab 2. def-use operation of variables

Variable	State	Operation
cf	---	def
ef	---	p-use
ef	---	p-use
status	startMovingDown	def
direction	startMovingDown	def
cf	startMovingDown	c-use
targetFloor	startMovingDown	def
Variable	State	Operation
cf	---	def

DU pairs

We use to find DU pairs of each variable within state by looking variable's use point and then corresponding definition point of that variable. In order to find intra-state DU pairs, we are consulting feasible path matrix (FPM) of given state machine model. The FPM is described in figure 4 where it marks entry between two states as 1 if there is direct or indirect connection between two states. From each state, we acquire defined variables and then look for their use points in states that are marked feasible by FPM. The process is continuing until we acquire DU pairs of all defined variables within model. Table III presents results of inter-state and intra-state DFA of ECS. The distinction of our results is the identification of *definition* and *p-use* of variables such as “direction” and “targetFloor” etc and these distinct variable pairs are availed by identifying variables on transition edges of state machine model.

	1	2	3	4	5	6	7	8	9	10	11	12	13
1	0	1	1	1	1	1	1	1	1	1	1	1	1
2	0	1	1	1	1	0	1	1	0	1	1	1	1
3	0	1	1	1	1	0	1	1	0	1	1	1	1
4	0	1	1	1	1	0	1	1	0	1	1	1	1
5	0	1	1	1	1	0	1	1	0	1	1	1	1
6	0	1	1	1	1	0	1	1	0	1	1	1	1
7	0	1	1	1	1	0	1	1	0	1	1	1	1
8	0	1	1	1	1	0	1	1	0	1	1	1	1
9	0	1	1	1	1	0	1	1	0	1	1	1	1
10	0	1	1	1	1	0	1	1	0	1	1	1	1
11	0	1	1	1	1	0	1	1	0	1	1	1	1
12	0	1	1	1	1	0	1	1	0	1	1	1	1
13	0	1	1	1	1	0	1	1	0	1	1	1	1

Fig. 4 Feasible path matrix for ECS

Table III describes data flow information from ECS that exists in states and state transitions. Precise DFA information also includes those variables that exist on states and state transition such as “direction” and “target floor” etc. On the other hand, the resulting variables also includes invalid DU pairs such as “targetfloor” defined in state 4 and 5 and used on transition edge 3-1, 7-13. These DU pairs can never be availed by test paths because their definition is killed by state 3. The use of adjacency matrix can avoid identification of such DU pairs. Another kind of invalid DU pairs includes definition of “targetFloor” at state 2 and 6 and their use at edge 12-11 and 12-8. Such invalid DU pairs can appear even by using adjacency matrix and there can be (invalid) test path that avail these variables.

Tab. 3 DU pairs of variables

Variable	State	Line	Use State	Line
cf	1	3	2	2
cf	1	3	5	2
cf	1	3	6	3
direction	6	4	Edge 7-13	
direction	9	4	Edge 10-13	
floorNo	1	3	7	1
floorNo	7	1	10	1
targetFloor	6	5	Edge 7-13	
targetFloor	6	5	Edge 12-11	

In subsequent portion of this chapter, we further extends experimental results of ECS to identify data flow information and their benefit in formal accuracy of system through testing.

Adding Exceptional States to ECS

We have added some exceptional states in ECS which includes “*Malfunctioned*” and “*EmergencyDoorOpen*”. The purpose of these states is to describe the behavior of system against unacceptable system event. Table IV describe resulting data flow information after adding exceptional states to models.

Tab. 4 DU pairs of variables

Variables	Identified variables by Waheed et al., [16]	Identified variables by DFA of ALF Model	Adding MailFunctioned State	Adding EmergencyDoorOpen state
DU-operation	19	19	20	21
C-use	10	10	11	11
Def: State	17	17	17	17
Use: State				
Def: State Use: edge	N/A	37	54	60
Invalid DU pairs	0	12	19	23

We have compared our result with waheed et al.,(2008) on bases of DFA results of table IV. From comparison graph we can observe that both approaches cover same number of definition and definion: State & Use: State operation. Figure 5 also show that waheed et al.,(2008) neglect variables information that appear on state transition edges but on the same hand they do not have invalid DU pairs in their analysis model.

The latter two bars in graph describe analysis results by adding new states to system. We use the compute the results of additional states to find out impact of each state in improving accuracy and overall cost (unreachable DU pairs) by analysis of model.

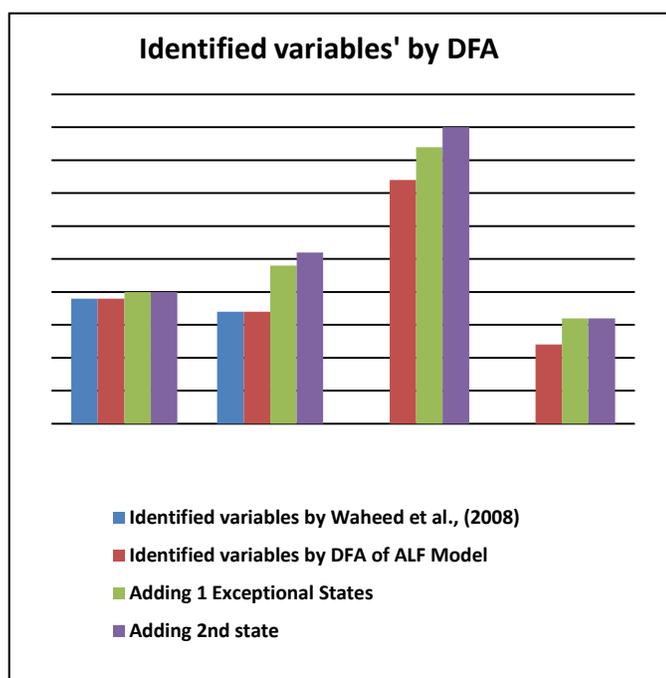


Fig. 5 Comparison graph by DFA of ECS

Measuring Cost and Accuracy

By adding new states to ECS, we acquired additional data flow operations from both computational and predicate part of the system. Furthermore, the process also identified untraceable DU pairs from ECS which are called invalid DU pairs and describes as cost in table V.

Tab. 5 Average increase in cost and DU pairs

variables	DU operations on state machine	Adding 1 st state	Adding 2 nd state	Average
c-use	17	0.0	0.0	0.0
p-use	37	45.95	62.16	54.05
cost	16	18.75	43.75	31.25

Average improvement on bases of hypothesis value

DFA is helpful in verifying accuracy [16] through selection of improved test paths from model. By testing system on bases of initial data flow information, we assumed that there is 40% probability of system's accurate functionality whereas 60 % chances exist for system failure. By adding exceptional states to the system the probability of successful execution increased by (58.38 - 40) 18.389% and then 42.60% which adds to average improvement of 30.49 %. Table VI describes gradual and average improvement after initial assumption value based on hypothesis.

Tab. 6 Measuring accuracy by initial hypothesis

Variables	assumption value	Adding MailFunctioned State	Adding EmergencyDoorOpen state
Probability	40	58.38	76.29
Difference		18.38	36.29
Average improvement	27.33		

We can plot the results of table VI with help of graph. From figure 7, it can be observed that by taking initial hypothesis of 40% (number 40 at vertical column) at initial state the accuracy increased to 58 and then 76 percent by addition of two new states to the system. It can be observed that the accuracy line deviates toward x-axis after adding second state which shows lower contribution of 2nd state in average improvement of system behavior.

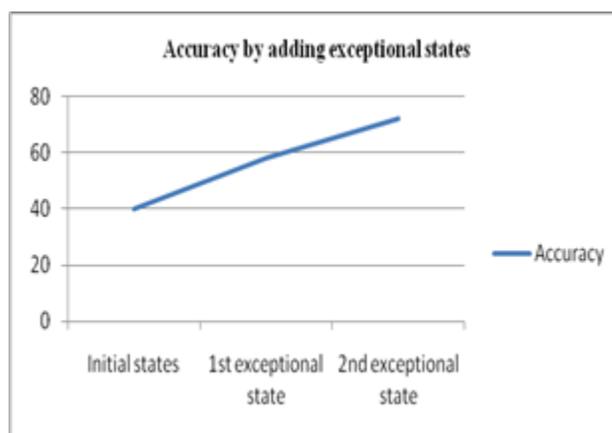


Fig. 7 Impact on accuracy by adding new states

Observation

In above case study we have used DFA information to determine the impact of each exceptional state in improving accuracy or protecting system against failure. We also observed some additional cost of DFA that exist in form of invalid or unreachable DU pairs of variables and there also exist invalid test paths that occupy these DU pairs. Yet the user input data is only way to identify these invalid test path and eliminate them from test suit. By applying DFA on different case studies we observed a weak

relation among the cases which means that cost and accuracy varies from one particular situation to another which depends upon the behavior of state, states execution and evaluation of variables within model being analyzed.

Summary

In this research we have used executable language ALF for DFA of UML models. We also describe complete DFA process by SAMAT and identification of variables flow information from both hierarchical and flattened UML models. From our experimental work, we also described how DFA technique is helpful in identifying impact of system states in improving accuracy of system.

We have found ALF suitable language for modeling and analysis because its concrete syntax can be mapped to UML modeling notations and programming language constructs such as class, object and events etc. From our experimental work, we have observed that mapping UML state machine to ALF has enabled us to find precise data flow information from model. Since DFA has numerous application and we have just used it to find DU pair of variables.

We have aimed some feasible future work in domain of executable models. Our instant future task can be identification of refined test cases by DFA information. Similarly DFA information can be used in fault seeding and thus it can be useful for system verification by mutation operation.

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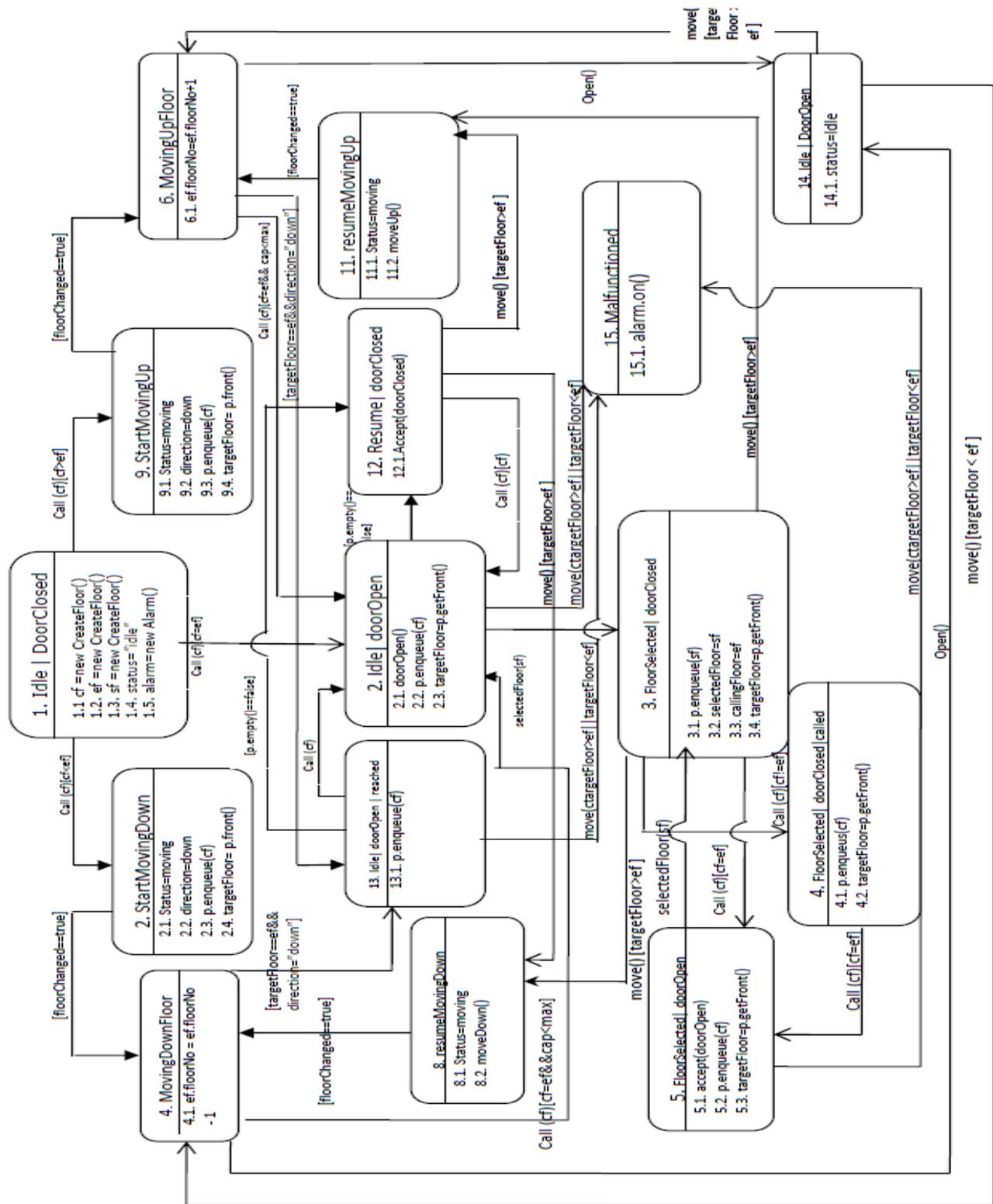


Fig. 8 Elevator Control System state machine model

Iwona Olejnik

Poznan University of Economics, Poznań, Poland

Retirement Savings – Determinants of Households’ Behaviour

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Abstract:

Within the last few years, the inefficiency of the pension systems is more and more often perceived as a global problem and there has been an increase in the interest in the issues of the systems which are to provide financial security in old age. Efficient and effective construction of social security systems, which lower or prevent the effects of the risk faced in old age has become an important goal of social policy in numerous countries. In-depth research of consumers behaviour in terms of retirement savings should form the basis for the further development of social policy and state instruments supporting individual provision for old age. Retirement savings equal consumption postponed to the final stage of human life. Hence, the estimate of the amount of money that would provide a dignified life for a retired person is very difficult, and thus – often wrong. The aim of the article is to identify the determinants of the saving behaviour of households’ representatives intended for retirement security. There are three kinds of factors analysed – demographic, social and economic, as well as the level of financial awareness and expectations as to the level of future consumption after retiring from work. The latter is the responsibility of state institutions. The source of data includes statistics and the results of a representative questionnaire research carried out in 2012 among customers. The research has been conducted on 493 working individuals – Polish residents. With regard to its subject, the research concerned, among other aspects, the attitudes and opinions on saving for retirement. It has been conducted in the Department of Market Research and Services of Poznan University of Economics. The applied method was direct interviews involving interviewers, with a standardised questionnaire (PAPI) used. The measures of descriptive statistics and correlation coefficients have been used in the analyses. The analysis of the relationship between demographic-economic features and attitudes towards saving for retirement has been also conducted with the use of the classification trees of the IBM SPSS Statistics package.

Keywords: Saving, Voluntary Pension Scheme, Customer’s Behaviour

JEL Classification: J26, D14

Madara Orlovska, Malgozata Rascevska

University of Latvia

Verbal Working Memory in Young Latvian Students with Reading Disability**Abstract:**

The goal of the present study was to explore verbal short-term and working memory in Latvian children with and without reading disability. Four memory tasks - Digit Span Forward and Digit Span Backward and Letter-Number Sequencing from WISC IV and Sentence Memory were given to 22 students with reading disability and 22 matched controls with normal reading ability (mean age of each group=8 years 5 month). The results advocate significant differences between groups only in Digit Span Backward task. The lower results of children with reading disability compared to children with normal reading in Digit Span Backward task approve verbal working memory in general as more important than domain specific verbal-short term memory differentiating reading disabled and normal readers.

Keywords: Reading Disability, Children, Primary School, Working Memory, Verbal Short-Term Memory, Latvian Language

Introduction

The collected data from English speaking countries report that reading disability as one of the learning disorders may affect 5 to 15 % of population (DSM 5; American Psychiatric Association, 2013). There is no evidence about exact prevalence rate of reading disability in Latvia, but it might be 5 to 10 % as in languages with a more transparent orthography than English. Reading disability is highly related to orthographical difficulty of the language (Aro, 2006). It is still not scientifically verified, what are typical characteristics of reading disability in Latvian readers.

As a disorder of neurobiological origin, reading disability has been associated with many underlying cognitive deficits (Beneventi, Finn, Tonnessen, & Hughdahl, 2010). Studies have shown the presence of visual (Lovegrove, Martin, & Slaghuis, 1986), language and language based (Dickinson & Tabors, 2001), low-level auditory (Heath, Hogben, & Clark, 1999), working memory (Gathercole et al., 2006) and other deficits in children with reading disability. The main focus of this study will be on memory, especially verbal-short term and working memory, investigation in the context of reading disability. The reported deficiencies in working memory suggest that children with reading disability very often experience problems memorizing and often at the same time manipulating with verbally presented information (Gathercole et al., 2006; Constantinidou & Evripidou, 2012).

The newest, fifth edition of Diagnostic and statistical manual of mental disorders (DSM 5) proposes some important changes in the understanding of reading disability (DSM 5; American Psychiatric

Association, 2013). Currently the Manual considers reading disability as an integral part of learning disability due to high linkage among reading, writing and mathematical disorders. Therefore, reading disability is referred to as specific learning disorder with impairment in reading.

DSM 5 distinguishes the following diagnostic criteria of specific learning disorder with impairment in reading:

A. Difficulties learning and using academic skills, as indicated by the presence of at least one of the following symptoms that have persisted for at least 6 months, despite the provision of interventions that target those difficulties:

1. Inaccurate or slow and effortful word reading (e.g., reads single words aloud incorrectly or slowly and hesitantly, frequently guesses words, has difficulty sounding out words).
2. Difficulty understanding the meaning of what is read (e.g., may read text accurately but not understand the sequence, relationships, inferences, or deeper meanings of what is read).
3. Difficulties with spelling (e.g., may add, omit, or substitute vowels or consonants).

B. The affected academic skills are substantially and quantifiably below those expected for the individual's chronological age, and cause significant interference with academic or occupational performance, or with activities of daily living, as confirmed by individually administered standardized achievement measures and comprehensive clinical assessment.

C. The learning difficulties begin during school-age years but may not become fully manifest until the demands for those affected academic skills exceed the individual's limited capacities (e.g., as in timed tests, reading or writing lengthy complex reports for a tight deadline, excessively heavy academic loads).

D. The learning difficulties are not better accounted for by intellectual disabilities, uncorrected visual or auditory acuity, other mental or neurological disorders, psychosocial adversity, lack of proficiency in the language of academic instruction, or inadequate educational instruction.

Taking together the findings in the previous studies and proposals about identification of reading disability in DSM 5, there are three subtypes of reading disability (Catts & Kamhi, 2005; DSM 5; American Psychiatric Association, 2013):

- Subtype characterized by problems in decoding, but relatively good listening comprehension (refers to dyslexia);

-Subtype characterized by good decoding skills, but impaired listening comprehension (comprehension deficit);

- Subtype having problems in both – decoding and comprehension (mixed subtype).

This study is dedicated to explore reading disability as primary decoding problems (dyslexia and mixed subtype) in young children. As mentioned previously, reading disability is characterized by verbal short term and working memory deficits (Swanson, Xinhua, & Jerman, 2009; Constantinidou & Evripidou, 2012; De Weerd, Desoete, & Roeyers, 2013) on the one hand, but intact long-term and visual spatial short-term memory (Kibby, 2009) on the other hand. The most data are obtained in the studies of children with reading disability in other countries. The only study about reading ability of Latvian children showed the importance of verbal short-term memory predicting later reading achievement (Sprugevica, 2003). Since there is no evidence about the characterization of verbal-short term and working memory in young Latvian students with reading disability, we conducted this study. Our *research hypothesis* was: Latvian students with reading disability compared to the normal reader group would show lower results in verbal short-term and working memory tasks.

Methods

Participants

The total sample consisted of 44 Latvian speaking students of 1st and 2nd grade aged 7 years 5 month to 9 years 2 month, only children with Full scale IQ above 70 standard scores were included in the study. Children with low scores (<1 SD) on Reading Achievement Test (RAT) formed reading disability group, and the control group was matched by age, gender and grade and had at least 1 SD above the average in the RAT. Each group consisted of 22 participants (mean age=8 years 5 month; 55% boys). For both groups of the children Latvian was native language. The written parent permission was obtained for every pupil.

Measures

Each child had an assessment of reading achievement using Reading Achievement Test (RAT) developed for Latvian students (Rascevska & Paegle, 2013). As mentioned describing participants, RAT was the criterion selecting the group of RD. RAT consists of two subtests – Word-nonword reading and Text reading.

The assessment of intelligence was done with Latvian version of WISC IV (Wechsler, 2003; adaptation in Latvia Rascevska, Sebre, & Ozols, 2013). Due to time constraint the Full scale IQ was derived from the short version of WISC IV. It consisted of eight following subtests: Block Design and Matrix Reasoning (Perceptual reasoning scale), Vocabulary and Similarities (Verbal comprehension scale), Digit Span and Letter-Number Sequencing (Working memory scale), Coding and Symbol search (Processing speed scale). Perceptual reasoning and Verbal comprehension indices were obtained multiplying composite scores in two subtests by 1.5.

Verbal short-term memory assessment was done using Sentence Memory test (Orlovska, 2013) – specifically developed test in Latvian. Verbal short-term memory of digits was tested by Digit Span Forward from WISC IV. Verbal working memory was assessed using Digit Span Backward and Letter-Number Sequencing from WISC IV.

Procedure

The assessment of reading, IQ and memory was done individually with each child at school in a separate room, where silence was provided.

Data analysis

The data processing was done by IBM SPSS Statistics 20.0.

Results

The mean scores on each measurement for both groups are summarized in Figure 1.

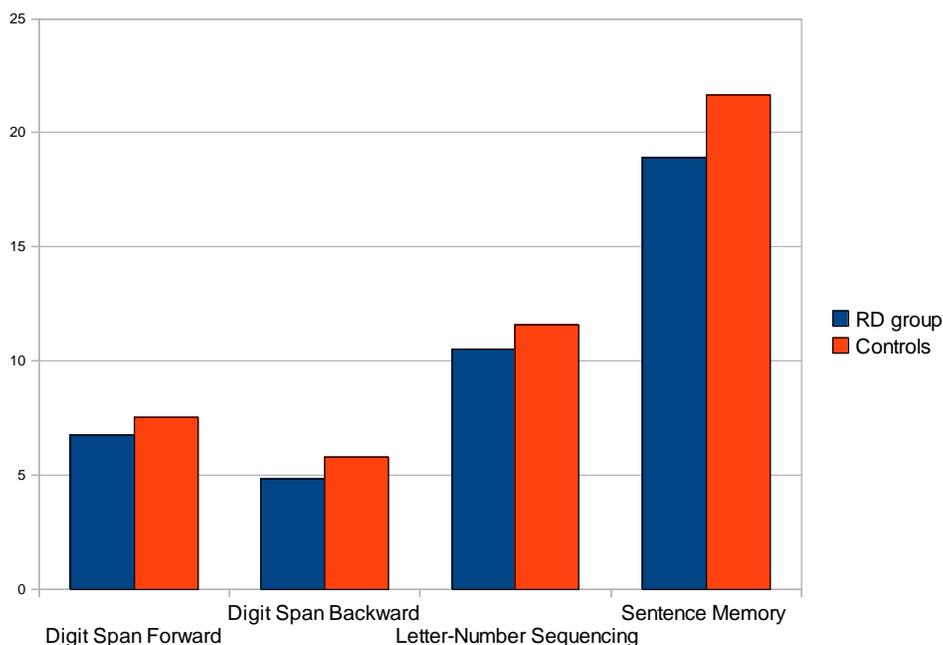


Fig. 1. *The mean scores in each measurement of memory for children with RD (dark bars) and matched controls*

For the data analyses raw scores of each task were used. Spearman-Brown split-half reliability coefficients of all tests in the control group are following: Digit Span Forward task $r_{sb}=.82$; Digit Span Backward task $r_{sb}=.82$; Letter-Number Sequencing task $r_{sb}=.91$; Sentence Memory task $r_{sb}=.88$. As

opposed to that Spearman-Brown split-half reliability coefficients of all tests in the clinical (reading disability) group are: Digit Span Forward task $r_{sb}=.56$; Digit Span Backward task $r_{sb}=.64$; Letter-Number Sequencing task $r_{sb}=.92$; Sentence Memory task $r_{sb}=.74$. Overall in both groups the reliabilities of tests are acceptable as $r_{sb}>.70$, except the reliabilities of Digit Span Forward task and Digit Span Backward task in the reading disability group which are below accepted norm.

Children with reading disability constantly showed lower results in all measures of memory (see Fig. 1), but the only significant difference between groups was in the Digit Span Backward task ($t=2.61$; $p=.01$), not in the Digit Span Forward ($t=1.71$; $p=.10$), Letter-Number Sequencing ($t=.93$; $p=.36$) or Sentence Memory tasks ($t=1.86$; $p=.07$).

The only statistically significant correlation between different memory constructs in the reading disability group was observed between performance in Sentence Memory task and performance in Digit Span Backward task, $r=.61$, $p=.01$. However, in the control group only the relationship between performance in Sentence Memory task and performance in Digit Span Backward task was nearly significant, $r=.41$, $p=.07$.

Discussion

The aim of this research was to explore possible differences between reading disability and control group in several aspects of verbal short-term and working memory. Verbal short-term memory was assessed using Sentence Memory task, digit short-term memory was assessed with Digit Span Forward task, but working memory was evaluated with Digit Span Backward and Letter-Number Sequencing tasks. Overall the reliability of all measurements in both groups was acceptable, apart from the reliability of Digit Span Forward and Digit Span Backward tasks in reading disability group, thus the results obtained from those two measurements must be interpreted with caution.

The results advocate significant differences between groups only in Digit Span Backward task. This suggests that the most important characteristic of memory in distinction between primary school children with reading disability and children with normal reading development is working memory. The deficiencies of working memory in children with reading disability have been reported previously (Beneventi, Finn, Tonnessen, & Hughdahl, 2010; Gathercole et al., 2006). Although the studies also have shown verbal short-term memory as a predictor of reading ability (Sprugevica, 2003) and disability (Swanson, Xinhua, & Jerman, 2009), but our research does not replicate those findings.

We have developed Sentence Memory test for the assessment of verbal short-term memory in Latvian children. The results witnessed that verbal short-term memory construct correlated with working memory construct in reading disability group. This approves the convergent validity of the new Sentence Memory test.

There are at least two limitations of the study that should be taken into account conducting further research. First, the reliability of two measurements of memory in clinical group was below the expected norm. The items of those tests should be explored into detail. Second, children have not been controlled on other measurements, especially phonological abilities, that might play an important role in performance of verbal-short term or working memory tasks. Further studies of verbal memory in

children with reading disability should take into consideration not only the level of intelligence, but other possible mixed variables, like, phonological abilities or auditory perception, that may affect the processing of verbally presented information.

Conclusion

The study approves that verbal working memory in general reflected by classical digit memory task is the most important measure differentiating children with disability in decoding and normally decoding young Latvian children. Verbal short-term memory is not considered as an important factor distinguishing reading disabled and normally reading Latvian children. Future studies of different aspects of verbal memory should take into account phonological abilities of the children with reading disability, that, in fact, may affect the processing of verbally presented information.

Acknowledgements



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Erkan Özata

Anadolu University, Eskişehir, Turkey

Sustainability of Current Account Deficit with High Oil Prices: Evidence from Turkey

Abstract:

Current account deficit as a ratio of GDP is a commonly used measure that determines the sustainability of current account deficits. But other factors such as the composition of the current account deficit, the methods which are used to finance it, exchange rate policy, macroeconomic condition and global economic outlook may also have important implications about the future of current account deficits. The current account deficit in Turkey is regarded as structural because of the dependence of Turkish production and exports on imported intermediate goods. Another factor effecting the current account deficit is the changing oil prices which is a cyclical component. Flexible exchange rates and depreciation of the national currency can be seen as a mechanism that limits the current account deficits to reach higher levels. But there are many other vulnerabilities and constraints in the financial market. In the previous years the share of short term debt instruments in financing the deficit has increased against the foreign direct investment. So the most serious vulnerability of the economy is a sudden stop or reversal of international capital flows. High GDP growth rates driven by low interest rates and robust capital inflows remain a key risk to balance of payments stability. Turkey's reliance on energy imports is also a major factor behind its bloated current account deficit. Every \$10 increase in average oil prices adds \$4 billion to the current account deficit. As a growing economy that needs a lot of energy, ninety percent of the oil that Turkey uses has to be imported. Turkey's dependence on imported oil is hampering its growth and is likely to continue doing so as the country's prosperity increases. The traditional approach to investigate the improvement of the external imbalance is based on the import and export functions. Different from this approach in this study a Structural Vector-Autoregression (SVAR) model will be applied to investigate the effects of fuel imports and foreign exchange policy on Turkey's current account deficit and economic growth. This model will allow us for simultaneous examination of the link between real oil imports, real effective exchange rate, domestic income and the current account.

Keywords: Current Account Deficit, Sustainability, Oil Price, SVAR

1. Introduction

Sustainability of current account deficits always drew attention of the economists. Current account deficit as a ratio of GDP is a commonly used measure that determines the sustainability of current account deficits. A widely used rule of thumb is that current account deficits above 5% of GDP begin

to raise doubts about long-term sustainability. But other factors such as the composition of the current account deficit, the methods which are used to finance it, exchange rate policy, macroeconomic condition and global economic outlook may also have important implications about the future of current account deficits.

Turkey is an oil importing developing country and there is a close relationship between oil imports and current account deficit. As a growing economy that needs a lot of energy, ninety percent of the oil that Turkey uses has to be imported. Turkey's dependence on imported oil is hampering its growth and is likely to continue doing so as the country's prosperity increases. In this study a Structural Vector-Autoregression (SVAR) model will be applied to investigate the effects of fuel imports and foreign exchange policy on Turkey's current account deficit and economic growth. This model will allow us for simultaneous examination of the link between real oil imports, real effective exchange rate, domestic income and the current account.

The remaining part of the paper has been organized as follows. A theoretical framework is given in the second part. Then the current account deficit problem of Turkey will be summarized. Then the literature review about the sustainability of current account deficits will be given. In the next parts the econometric method, the data and the model will be explained. After the estimation results and their interpretations the last section concludes.

2. Theoretical Framework

The balance of payments of a country is a systematic record of all economic transactions between the residents of the reporting country and the residents of the rest of the world over a specified period of time. The balance of payments allows us to investigate the accounting relationships between international flows of goods, services and financial assets. The BOP consists of three parts: Current account (CA), Capital Account (KA) and Central Bank Reserves. When all components of the BOP accounts are included they must sum to zero with no overall surplus or deficit. For example, if a country is importing more than it exports, its trade balance will be in deficit, but the shortfall will have to be counterbalanced in other ways – such as by funds earned from its foreign investments, by running down central bank reserves or by receiving loans from other countries.

The current account and the capital account are the two main components of a nation's balance of payments. Current account is defined as the sum of the balance of trade (goods and services exports less imports), net income from abroad and net current transfers. A positive current account balance indicates that the nation is a net lender to the rest of the world, while a negative current account balance indicates that it is a net borrower from the rest of the world.

The BOP allows us to investigate the implications of a CA deficit and analyze the policies that could lead to a reduction of such an imbalance. One such way to investigate these implications is to examine the link between CA and GDP.

GDP is calculated by adding up the consumption and Investment of households, firms, government and net exports. Shortly we can show this relationship as

$$\text{GDP} = C + I + G + (X-M) \quad (1)$$

If we add net foreign investment and net transfers to GDP, we will obtain GNP. So

$$\text{GNP} = \text{GDP} + (\text{Net foreign investment income} + \text{net transfers}) \quad (2)$$

With equation 2 we actually obtain GNP in terms of current account. Then we can rewrite equation (2) as follows:

$$\text{GNP} = \text{C} + \text{I} + \text{G} + \text{CA} \quad (3)$$

Equation (3) links GNP by its components of output. We also know that we can use our income in one of three ways: Consume (C), Save (S) or pay taxes (T).

$$\text{GNP} = \text{C} + \text{S} + \text{T} \quad (4)$$

Therefore, we can link GNP by its components and uses with the following formula:

$$\text{C} + \text{I} + \text{G} + \text{CA} = \text{C} + \text{S} + \text{T} \quad (5)$$

If we subtract consumption from both sides of the equation and re arrange it we get an accounting identity:

$$\text{I} + \text{G} + \text{CA} = \text{S} + \text{T} \quad (6)$$

$$\text{CA} = (\text{S} - \text{I}) + (\text{T} - \text{G}) \quad (7)$$

In equation (7) current account is expressed as a function of national savings less domestic investment. So if national savings are not enough to finance the desired domestic investment, the country may accumulate net financial claims against the rest of the world by giving a current account deficit. On the other hand, the countries with excess savings will export these savings to the other countries by giving surpluses in their current accounts. The deficit in the current account shows if savings from abroad are imported or not.

Current account also shows the foreign currency balance of a country. If there is a deficit in a country, this means that it is consuming more foreign currency than it is earning. This gap in the foreign currency can be closed either by receiving loans from other countries or by running down central bank reserves.

The question if the current account deficit is harmful or not can be answered from different perspectives. Current account deficits may be beneficial because they may enable more investments than previously observed. The investments flowing in from abroad leads to higher productivity and higher living standards. Also investment inflows from abroad are an implicit vote of confidence by foreigners and can be regarded as a signal that investment is safe. On the other hand current account deficit may be harmful if increased stock of foreign owned assets in the country leads to capital flight during an economic downturn.

In countries having current account deficits policy makers and many economists worry that the deficits are too large. There are roughly two views concerning this idea:

The first is known as the Lawson doctrine. According to this doctrine to the extent that current account deficits reflect private saving and investment decisions, that there are no distortions, and that expectations are rational, then there are no reasons for the government to intervene. The second view could be called the "prudential" or the "IMF" view. It is that, even if deficits reflected private saving

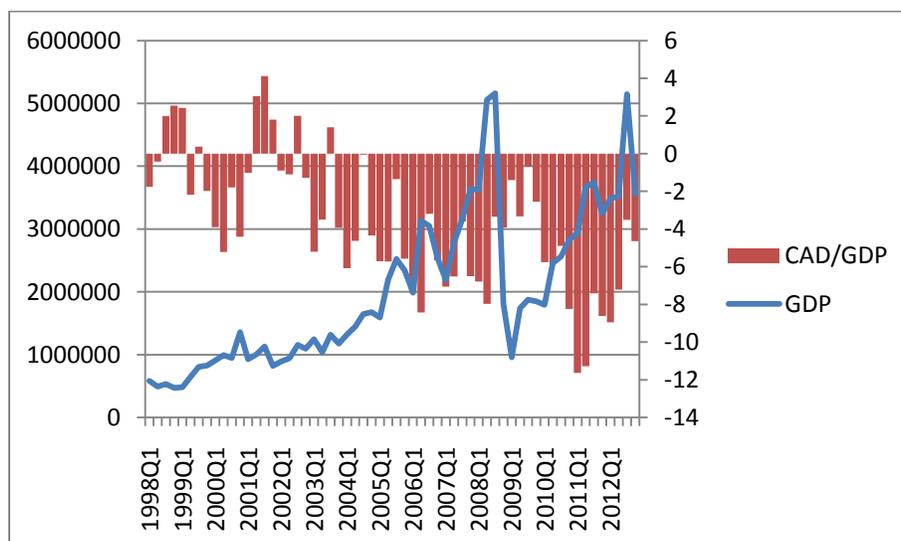
and investment decisions, distortions are present and lead to deficits that are too large. Government intervention to reduce these deficits is desirable (Blanchard, 2006). So the answer to intervene or not can change according to the specific form of distortions in the economy.

3. Current Account Deficit Problem of Turkey

Turkey has experienced impressive economic growth following substantial reforms after the 2001 economic crisis. One remaining concern is the very large current account deficit, which threatens the sustainability of this growth.

Looking at the current account over 1990-2012, Turkey experienced relatively small current account deficits and even occasional surpluses during 1990s; on average the current account balance was a little smaller than -1% GDP, falling to -3.2% and -3.7% in the years before the 1994 and 2001 crises respectively. A different trend emerged after 2002, with large persistent current account deficits, which peaked in 2011 near -10% a level never before seen by the country (Zaidi, 2012). Current account balance had surpluses only in crises years of 1994, 1998 and 2001 where the lessening in the GDP decreases the imports for considerable amounts and narrows the trade deficit (İnsel and Kayıkçı, 2012). The current account deficit is the economy's biggest vulnerability even as it reduced the shortfall to about 6 percent of gross domestic product in 2012 from 10 percent in 2011. The cumulative deficit has widened in 2013 as growth gained momentum and is forecast to reach 6.9 percent of GDP in 2013.

Figure 1: Current Account Balance (% of GDP)



As much as the ratio of current account deficit to GDP, financing methods of the deficit is also important. The current account deficit can be financed by capital flows. These capital flows can be in the form of foreign direct investments which can be regarded as permanent, the currencies coming to buy stocks and bonds, foreign loans or unidentified money which can be collected in the net errors and omissions. If the amount of foreign currency exceeds the demand for foreign exchange, the national

currency will appreciate, imports will increase and the current account deficit problem will continue to grow even more in the following period. Also the danger of the flight of short term speculative capital out of the country in case of some emergency is always expected. Foreign capital inflows that are short term and speculative in nature, however, may leave Turkey especially vulnerable to economic shocks if they result in sudden stops in capital inflows (Zaidi, 2012). In Turkey there were negative developments about the way of financing of the current account deficit in the last years. The share of debt instruments in financing has increased against Foreign Direct Investment. FDI inflows, which are long-term and relatively stable, comprised a significant portion of capital inflows earlier in the decade but have since declined to only 50% of their 2006 peak.

According to the savings investment identity, investment must be financed by some combination of private domestic savings, government savings (surplus), and foreign savings (foreign capital inflows). But if the private domestic savings are not enough the investment heavily relies on foreign capital inflows which results in current account deficit. For the last thirty years Turkey's national savings rate has been lower than that for countries with similar levels of income. Since 1998 this trend has led to a widening savings-investment gap. While investment has hovered around 20% of GDP on average, savings as a per cent of GDP declined from 24% in 1998 to 12% in 2011. Improved access to consumer credit reduces private savings and negatively affect the current account.

Turkey's growing current account deficit depends on the import of cheap consumption and intermediate goods. The sustained appreciation of the lira during the past decade – which made imports cheaper – coupled with the shift of the economy towards a more capital-intensive production increased the demand for intermediate inputs and worsen the trade imbalance (Zaidi, 2012). When the increase in imports is more than the increase in exports, the result is a huge current account deficit. To overcome this problem, measures can be taken to cut the domestic demand growth of the economy can be slowed by sacrificing from high growth rates. As a result when imports of consumption and intermediate goods decrease, a temporary solution to the current account deficit problem can be found. However to solve the current account problem permanently, some structural changes in the production that ends the dependency of the economy to cheap imported inputs has to be realized.

The main reason for the growth of the current account deficit is the use of more imported goods by consumers and producers as a result of cheap foreign exchange. Also the fall in interest rates and expansion of credit facilities are the other factors that increase the demand for imported goods. To solve this problem, some structural changes in both production and consumption have to be made. First of all in the agricultural and industrial production use of domestic inputs rather than imported inputs should be encouraged. Also consumption of domestic goods instead of imported goods must be stimulated. However, as long as the foreign exchange is plentiful and cheap self-realization of this transformation is not possible. For a sustainable production structure, the creation of a realistic exchange rate policy is necessary. If the producers and consumers believe that this policy will be permanent, they can change their choices from imported goods to domestic production.

In Turkey the proponents of non-intervention thinks that the current account deficit has resulted from high growth rates of the economy. Kasman et.al. (2005) provide empirical evidence about the ongoing discussion on the possible causes of current account deficit and show that overvalued TL and economic growth are the main causes. But as long as the foreign assets would like to finance this growth there

will not be any problem. Another thesis of them is about the sources of current account deficit. They think that the current account deficit is not stemming from the public sector but from the private sector and the dynamic structure of the private sector can solve the problem by taking the necessary measures if required. Other than these ideas the next important defense is about the exchange rate system. In the floating exchange rate system if the current account deficits increase to the dangerous levels, exchange rate will automatically make the necessary correction with an increase.

Turkey's heavy reliance on imported energy and intermediate goods is a key challenge for reducing the current account deficit. According to the Central Bank of the Republic of Turkey every 10 dollar increase in oil prices increases current account deficit by \$ 5.6 billion and pull down the growth rate by 0.5 percent. Depending on developments in the Middle East, Syria and Iran, oil prices in 2013 are expected to be high. For this reason it is not possible for Turkey to decrease the current account deficit without reducing the non-energy current account deficit. To this end, the economy has to be slowed down and growth has to be sacrificed. In the current situation, it does not seem very possible to decrease current account deficit with high growth rates and high oil prices. A current account deficit of about %10 of the national income always creates a question mark on the international investors. This high rate may result in the escape of hot money which is used to finance the current account deficit.

4. Literature Review

The current account deficits of Turkey are mainly the result of foreign trade deficits rather than anything else. As mentioned by İnsel and Kayıkçı (2012) these kinds of deficits are more dangerous in terms of sustainability and more open to debate about balance of payment crises since they indicate structural weaknesses in international trade and competitiveness. Dalgin (2012) finds that long term sustainability of the Turkey's current account is "very questionable" but concludes there is no immediate risk assuming Turkey can maintain its current growth. Özlale and Pekkurnaz (2010) analyzes the impact of oil prices on the current account balances for the Turkish economy using a structural vector autoregressive model. The results show that the response of current account ratio to oil price shock increases gradually up to the first three months and then starts to decrease, which indicates a significant effect of oil price shocks in the short run.

During the last decade studies about the sustainability of current account deficit have focused mainly on cointegration relationship between imports and exports. (Narayan and Narayan 2005; Arize, 2002; Irandoust and Ericsson, 2004). If there is a cointegration relation between exports and imports then foreign trade deficit is temporary and the current account deficit is sustainable in the long run. Also different empirical approaches have been used to measure the seriousness of the current account deficit problem. Glick and Rogoff (1995) rely on structural estimation of the model and focus on the estimated responses to various types of shocks. Ghosh and Ostry (1995) use vector autoregression analysis to estimate the consumption smoothing current account. Edwards (2005) assigns particular importance to the debt to GNP ratio and nominal GNP growth rate. He notes that very few countries have had persistently high current account deficits for more than five years and that historically imbalances tend to be short lived and followed by current account adjustment.

Narayan (2013) uses a four dimensional SVAR model to investigate the implications of fuel imports and devaluation policy on Fiji's current account deficits and economic growth. The paper finds that short term deterioration of the current account is partly due to higher fuel imports. Zaouali (2007) investigated the Chinese economy and find that increasing oil prices have modest effects on the current account since the economy could attract foreign capital and investment. Baharumshah, Lau and Fountas (2003) examines the sustainability of the current account imbalances for four ASEAN countries (Indonesia, Malaysia, the Philippines and Thailand) over the 1961-1999 period. They found that the current accounts of these countries were unsustainable and did not move towards external account equilibrium. Moreover, the persistent current account deficits might serve as a leading indicator of financial crises. The evidence also suggest that action to prevent large appreciations should have taken prior to the 1997 crises.

Milesi-Ferretti and Razin (1996) found that a specific threshold on persistent current-account deficits (such as 5 percent of GDP for three to four years) is not in itself a sufficiently informative indicator of sustainability. The size of current-account imbalances should instead be considered in conjunction with exchange-rate policy and structural factors such as the degree of openness, the levels of saving and investment, and the health of the financial system. Mussa (2005) has emphasized that large persistent US external payments deficits on the order of 5 percent or more of US GDP are not sustainable in the longer term and that important macroeconomic adjustments will be needed, in the United States and in the rest of the world, in order to bring these external imbalances down to sustainable levels.

5. The SVAR Method

In this part firstly the empirical model will be introduced. Then the conceptual framework of the relationships between current account deficit, oil imports, real income and real exchange rate will be drawn. The effect of oil prices on the current account deficit and national income will be investigated by using Structural Vector Autoregression (SVAR) method. SVAR models are used to examine the relationship between the macroeconomic variables and dynamic effects of stochastic shocks on the systems of equations. In the SVAR method to identify the system, not ordinary constraints but, constraints from macroeconomic models that are consistent with the theory are used. Thus to overcome the problem of identification, instead of illogical constraints, constraints with theoretical background are used and more meaningful results are obtained.

The SVAR method utilized here will provide us to investigate the relationship between oil imports (OIM), real effective exchange rate (REER), Gross Domestic Product (GDP) and Current account (CA).

SVAR model requires to apply enough number of constraints to obtain the structural components of the error term. If we start with the reduced form VAR model

$$Y_t = A_1 Y_{t-1} + \dots + A_p Y_{t-p} + u_t \quad (1)$$

Here Y_t is the variables vector of 4x1. The variables used in the model are OIM_t which is the ratio of oil imports to total imports, $REER_t$ which is the real effective Exchange rate, $RGDP_t$ which is the real

gross domestic product, CA_t which is the ratio of Current account deficit to national income. All the variables used in the analysis are stationary. (RGDP becomes stationary after we take the first difference. So it is used in the first difference form) A_i 's are coefficient matrixes of $(K \times K)$ and P represents the lag length of the VAR model. u_t is a 4x1 vector and represents the residuals derived from the model.

The error term of the reduced form VAR model u_t , can be written as a linear combination of structural shocks

$$u_t = A^{-1}B\varepsilon_t, \quad (2)$$

Here B represents the structural form parameter matrix. After putting equation (2) in equation (1) and making some arrangements, we can get the structural form of the reduced form equation (1) :

$$AY_t = A_1^*Y_{t-1} + \dots + A_p^*Y_{t-p} + B\varepsilon_t \quad (3)$$

Here A_j^* is 4×4 coefficient matrix and defined as $A_j^* = A^{-1}A_j$ ($j=1,2,\dots,p$). ε_t is a 4x1 vector which represents structural shocks and have the property of $\varepsilon_t \sim (0, I_K)$. Therefore structural covariance matrix $\Omega = E(\varepsilon_t\varepsilon_t')$ is an identity matrix. This model is known as AB model and written as:

$$Au_t = B\varepsilon_t, \quad \varepsilon_t \sim (0, I_K) \quad (4)$$

With four endogenous variables OIM, REER, RGDP and CA; the structural shocks can be defined as oil price shocks, exchange rate shocks, national income shocks and current account shocks. In A and B matrices which are symmetrical of order 4x4 there are 32 ($2K^2$) unknowns. Therefore in order to

determine unknowns in the A and B matrices $2K^2 - \frac{1}{2}K(K+1)$ additional constraints are necessary.

In the model with 32 unknowns maximum 10 parameters can be determined by the system. Therefore we need 22 additional constraints to just identify the system. These constraints are provided by zeros and ones in the matrices. In order to estimate the model zero exclusion constraints are used and the elements of the matrix estimated by the system are represented by λ 's. The other values in A and B matrices are constant. Sims (1980) makes the matrix A lower triangular by ordering the elements of it. The elements in the main diagonal of matrix A are 1 and all the entries above the main diagonal are 0.

Economists have adopted two approaches as a basis in determining the additional constraints. These are the use of short term and long term constraints. Sims (1980) preferred the short term constraints and determines the elements of matrix A above the main diagonal as zero. Because he thought that the effects of economic shocks have a natural timing. For example after a shock in price level the lack of instant response from the monetary policy can be represented by putting zeros to the appropriate places in matrix A. Similarly the timing of tax collection can be used as a corporate constraint for identification (Blanchard & Perotti, 2002). The popularity of long term constraints is provided by Blanchard and Quah (1989). They have investigated the effect of demand and supply shocks on

unemployment and output. They have identified the models by using the long term constraints such as demand shock do not have any long term effect on unemployment and output but although supply shock do not have an effect on unemployment in the long run, it may have an effect on the level of output.

5.1 Variable Definitions and Data Sources

Quarterly data between the first quarter of 1998 and the fourth quarter of 2012 is used in the analysis. The variable called OIM is the ratio of crude oil imports to total imports of Turkey. The value of crude oil imports until the year 2002 is obtained from Turkish Statistical Institute (TUIK). But value of crude petroleum has not been shared because of the confidentiality since the beginning of 2002. So the data after 2002 is calculated manually by using the quantity of crude oil imports in barrels and the price of crude oil per barrel in the world market. Total imports of Turkey are obtained from the central Bank of the Republic of Turkey and are used for calculating the ratio. REER is the real effective exchange rate index that measures the movements in Turkish Lira with respect to the countries which are in a commercial relationship with Turkey. The data for REER is obtained from the Central Bank of the Republic of Turkey. RGDP is the real Gross Domestic Product of Turkey calculated with 1998 prices. The data which is obtained for this series from the Central Bank is in Turkish Liras. The data is then converted to US Dollars by using the average exchange rate of US Dollar/TL. As seasonality is observed in the national income series, it is seasonally adjusted with Tramo Seats before using in the analysis. CA is the ratio of Current account deficit to GDP and it is calculated with the data obtained from the Central Bank of the Republic of Turkey. All the variables except the CA is used in the natural logarithm form.

5.2 Descriptive Statistics

The descriptive statistics of the variables used in the model are reported in table 1. As can be seen from the table during 1998-2012 period the ratio of current account to GDP is -3,6 % on average. There was an ongoing deficit in the current account after the year 2001. In the same period the ratio crude oil imports to total imports of Turkey was 7,07 % on average. According to the results of Jarque Bera Test all the series are normally distributed.

Table 1: Descriptive Statistics

	OIM	CA	REER	RGDP
Mean	7.071768	-3.641421	151.0167	22289411
Median	6.899184	-3.903641	155.1000	21676140
Maximum	11.87021	4.117167	192.0000	31666774
Minimum	3.489183	-11.65465	98.50000	14436129
Std. Dev.	1.712086	3.576352	24.98672	4645358.
Skewness	0.373185	0.111983	-0.159952	0.130957
Kurtosis	2.942731	2.548664	1.843846	1.940728
Jarque-Bera	1.400869	0.634662	3.597576	2.976644
Probability	0.496370	0.728090	0.165499	0.225751
Observations	60	60	60	60

In order to have some prior information about the relationship among the variables the correlation matrix in table 2 is calculated. According to this matrix, a positive correlation between oil imports and current account, a stronger negative correlation between national income, real effective exchange rate and current account is determined.

Table 2 : The Correlation Matrix

	CA	OIM	RGDP_SA	REER
CA	1.000000	0.227202	-0.740150	-0.690915
OIM	0.227202	1.000000	-0.282060	-0.285953
RGDP_SA	-0.740150	-0.282060	1.000000	0.867504
REER	-0.690915	-0.285953	0.867504	1.000000

5.3 Unit Root Test

The assumptions of the classical regression model necessitate that the time series that are used in the model must be stationary and the errors have a zero mean and a finite variance. In the presence of nonstationary variables, there might be what Granger and Newbold (1974) call a spurious regression. To test for unit root we apply Augmented Dickey Fuller (ADF) test on each variable. The ADF test consists of estimating the following regression:

$$\Delta Y_t = \beta_1 + \beta_2 t + \delta Y_{t-1} + \alpha_i \sum_{i=1}^m \Delta Y_{t-i} + \varepsilon_t \quad (1)$$

Where ε_t is a pure white noise error term. The null hypothesis of the ADF test is $\delta = 0$ which means that the series has a unit root and is non-stationary. The alternative hypothesis is $\delta < 0$ which means that the series is stationary. As SVAR method requires that all the variables used in the analysis to be stationary, standard Augmented Dickey Fuller test is applied to learn the unit root properties of the series. The table summarizes the results of the ADF tests for the 4 variables used in the analysis.

Table 3: ADF Unit Root Test

Variable	ADF Test Statistic [lag length]
LOIM	-3.230045** [0] (Constant)
LREER	-3.490885** [0] (Constant linear trend)
LRGDP	-2.595568 [1] (Constant linear trend)
D(LRGDP)	-6.039353* [0] (Constant linear trend)
CA	-3.403914** [4] (Constant)

Notes: For the test the lag length is chosen using Schwarz Information Criterion (SIC) with a maximum of 10 lags. The ADF test for LOIM and CA were run with just a constant, and the ADF test for LREER and LRGDP were run with constant and linear trend as both of these series seems to have positive trends. The critical values that apply for LOIM and CA series at the 1 percent, 5 percent and 10 percent levels are -3,54, -2,91 and -2,59. The critical values that apply for LREER and LRGDP series at the 1 percent, 5 percent and 10 percent levels are -4,12, -3,48 and -3,17.

* denotes the significance of the test statistics at %1 level ** denotes the significance of the test statistics at %5 level

According to the test results LOIM, LREER and CA series are stationary at their levels. In other words these series are I(0). LRGDP series becomes stationary when we take the first difference of the series. So LRGDP is integrated of order one or shortly I(1). Hence only this series will appear in the SVAR model in the first difference form and the other 3 series will appear in their levels.

5.4 VAR Lag Order Selection

The choice of the lag length of the VAR model is based on the five principal criteria which are Likelihood Ratio Statistic (LR), final prediction error (FPE), Akaike information criterion (AIC), Schwarz information criterion (SC) and Hannan-Quinn information criterion (HQ). As shown on the table 3 criteria indicates that the lag length should be 5. But according to Schwarz and Hannan Quinn

criteria 1 lag is better. So we relied on the majority and used 5 lags in the estimation of the SVAR model.

Table 4: VAR Lag order selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	31.81364	NA	4.11e-06	-1.049571	-0.900870	-0.992388
1	100.2762	124.0077	5.69e-07	-3.029291	2.285785*	2.743375*
2	109.6045	15.48847	7.41e-07	-2.777528	-1.439217	-2.262878
3	117.4471	11.83783	1.04e-06	-2.469700	-0.536584	-1.726317
4	139.9314	30.54479	8.55e-07	-2.714393	-0.186471	-1.742276
5	175.9104	43.44630*	4.40e-07*	3.468316*	-0.345590	-2.267466
6	191.1710	16.12448	5.21e-07	-3.440417	0.277115	-2.010833

* indicates lag order selected by the criterion

6. Empirical Analysis

In the Structural Vector Autoregression Models it is necessary to impose some restrictions on the systems of equations to identify the effects of structural shocks. In order to estimate the parameters of the structural model and to investigate the effects of shocks we have to utilize economic theory. The restrictions imposed on the model to estimate the parameters can be summarized as follows:

- 1) Oil prices are assumed to be given. Under the assumption of Turkey being a small and oil importing country which is an open economy, none of the shocks in the Turkish economy can affect the oil prices in the world. Oil prices are determined with its own stochastic process and domestic conditions and variables do not have any effect on this. Under these assumptions we are ready to impose one of the restrictions which we can use in our structural model. Oil prices have a stochastic process in which oil prices are affected from just oil price shocks.

$$\Delta OIM = c_1 * \varepsilon^{OIM}$$

- 2) Real effective exchange rate can be defined as the nominal exchange rate that takes the inflation differentials among the countries into account. It is the weighted average of a country's currency relative to an index or basket of other major currencies adjusted for the effects of inflation. The weights are determined by comparing the relative trade balances, in terms of one country's currency, with each other country within the index. The real exchange rate can be defined in the long run as the nominal exchange rate (e) that is adjusted by the ratio of the foreign price level

(Pf) to the domestic price level (P) (Kıpıcı and Kesriyeli, 1997). Mathematically, it can be shown as

$$r = e \frac{P_f}{P}$$

In terms of this definition, the decline in the r can be interpreted as the real appreciation of the Turkish Lira and an increase in r can be interpreted as the real depreciation of Turkish Lira. As the oil prices affect production costs, real effective exchange rate is also affected from oil price shocks. National income and current account deficit do not have any effect on the real effective exchange rates. With these theoretical explanations our second constraint for the structural model will be as follows:

$$\Delta REER = c_2 * \varepsilon^{OIM} + c_3 * \varepsilon^{REER}$$

- 3) According to the third line in the systems of equations the national income is affected from oil price shocks and exchange rate shocks. When there is a change in oil prices both supply and demand sides of the economy are influenced from this change. Therefore our third constraint is

$$\Delta RGDP = c_4 * \varepsilon^{OIM} + c_5 * \varepsilon^{REER} + c_6 * \varepsilon^{RGDP}$$

- 4) The fourth line in the systems of equations shows the factors and shocks that are effective on the current account deficit. In the theoretical models the most important determinants of the current account deficit are terms of trade, output and exchange rates. In Turkey, as a result of the dependency of the production to imported raw materials and oil, oil prices has also important influence on the current account deficit. In this study, the effects of oil imports, real effective exchange rates and output on the current account deficit will be analyzed. Therefore, according to the fourth line of the systems of equations, the shocks that affect the current account deficit are oil price shocks, exchange rate shocks and production shocks coming from national income. Current account is the most endogenous variable in the system which is effected from all the shocks. The ordering is made from exogenous to endogenous according to the responses of the variables to the temporary shocks. So our fourth constraint will be

$$\Delta CA = c_7 * \varepsilon^{OIM} + c_8 * \varepsilon^{REER} + c_9 * \varepsilon^{RGDP} + c_{10} * \varepsilon^{CA}$$

- 5) By using the 4 restrictions the theoretical model and its estimation results are as follows

$$\begin{bmatrix} 1 & 0 & 0 & 0 \\ \lambda_{21} & 1 & 0 & 0 \\ \lambda_{31} & \lambda_{32} & 1 & 0 \\ \lambda_{41} & \lambda_{42} & \lambda_{43} & 1 \end{bmatrix} \begin{bmatrix} u_t^{OIM} \\ u_t^{REER} \\ u_t^{RGDP} \\ u_t^{CA} \end{bmatrix} = \begin{bmatrix} b_{11} & 0 & 0 & 0 \\ 0 & b_{22} & 0 & 0 \\ 0 & 0 & b_{33} & 0 \\ 0 & 0 & 0 & b_{44} \end{bmatrix} \begin{bmatrix} \varepsilon_t^{OIM} \\ \varepsilon_t^{REER} \\ \varepsilon_t^{RGDP} \\ \varepsilon_t^{CA} \end{bmatrix}$$

λ_{21} Shows the effect of oil imports on real effective exchange rate,

λ_{31} Shows the effect of oil imports on the national income

λ_{32} Shows the effect of real effective Exchange rate on the national income

λ_{41} Shows the effect of oil imports on the current account deficit

λ_{42} Shows the effect of real effective exchange rate on the current account deficit

λ_{43} Shows the effect of national income on the current account deficit

$$\begin{bmatrix} 1 & 0 & 0 & 0 \\ 0,057 & 1 & 0 & 0 \\ -0,032 & -0,045 & 1 & 0 \\ 2,068 & -4,370 & 18,16 & 1 \end{bmatrix} \begin{bmatrix} u_t^{OIM} \\ u_t^{REER} \\ u_t^{RGDP} \\ u_t^{CA} \end{bmatrix} = \begin{bmatrix} 0,163 & 0 & 0 & 0 \\ 0 & 0,086 & 0 & 0 \\ 0 & 0 & 0,022 & 0 \\ 0 & 0 & 0 & 1,089 \end{bmatrix} \begin{bmatrix} \varepsilon_t^{OIM} \\ \varepsilon_t^{REER} \\ \varepsilon_t^{RGDP} \\ \varepsilon_t^{CA} \end{bmatrix}$$

Table 5: Estimates of the Structural VAR Model

	Coefficient	Std. Error	p-value
λ_{21}	0,057	0,072	0,429
λ_{31}	-0,032**	0,0185	0,080
λ_{32}	-0,045	0,034	0,187
λ_{41}	2,068*	0,939	0,027
λ_{42}	-4,370*	1,738	0,012
λ_{43}	18,163*	6,705	0,0068
b_{11}	0,163*	0,015	0,0000
b_{22}	0,865*	0,0083	0,0000
b_{33}	0,022*	0,0021	0,0000
b_{44}	1,089*	0,1047	0,0000

*: Significant at %5 **: Significant at %10

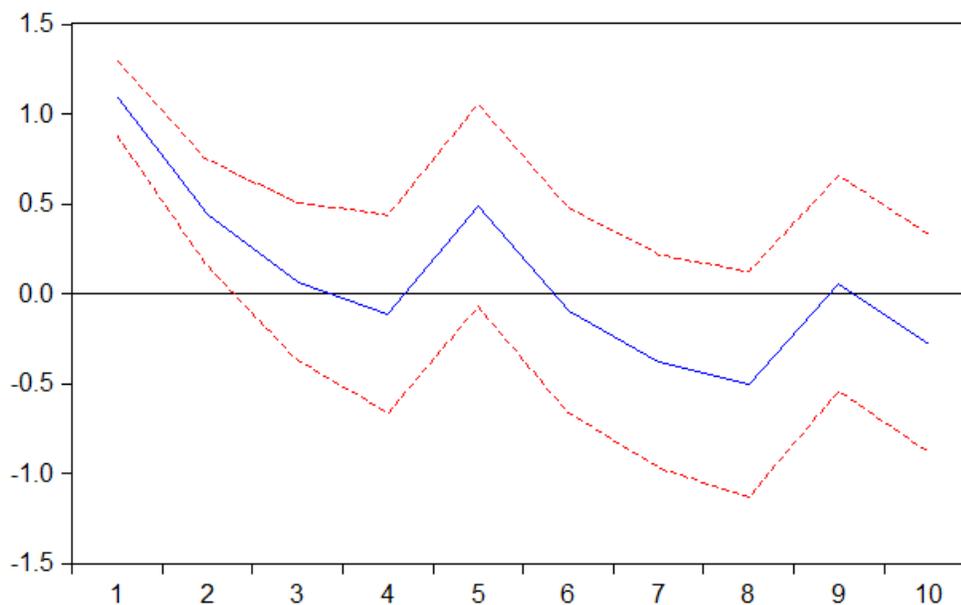
Although the coefficient estimates from the structural model are not very important, the investigation of the signs of the parameters may provide us some theoretical implications. As the subject of the analysis focus on the current account, primarily the effect of the other variables on the current account will be analyzed. Consistent with this purpose, we realize that oil imports have significant positive effect on the current account deficit. This is an expected result for a developing country that is

dependent on foreign energy and using imported oil in the production process, public and private consumption. Another variable that effects the current account deficit is the real effective exchange rate. In the analysis a negative significant effect of REER on the current account deficit is determined. After a decrease in the real exchange rate the national currency Turkish Lira appreciates, imported goods will become relatively cheaper when compared to the domestic goods, and imports will increase. During this process current account deficit will continue to increase. But an increase in the real exchange rate will result in a depreciation of the Turkish Lira, decrease in imports and decrease in the current account deficit. Real income has a significant positive effect on the current account deficit. This is an indicator that shows us Turkish economy can grow by increasing the current account deficit. In order to decrease the current account deficit, high growth rates should be sacrificed to slow down the economy. In the current situation it is not possible to decrease the current account deficit with high oil prices and high growth rates.

6.1 Structural Impulse Response Analysis

One of the important tools which have made VAR models so attractive is the impulse response functions (IRF). IRF summarizes the dynamic reaction of a variable to a specific shock. The figure below shows the dynamics of the effects of three types of shocks on the current account deficit.

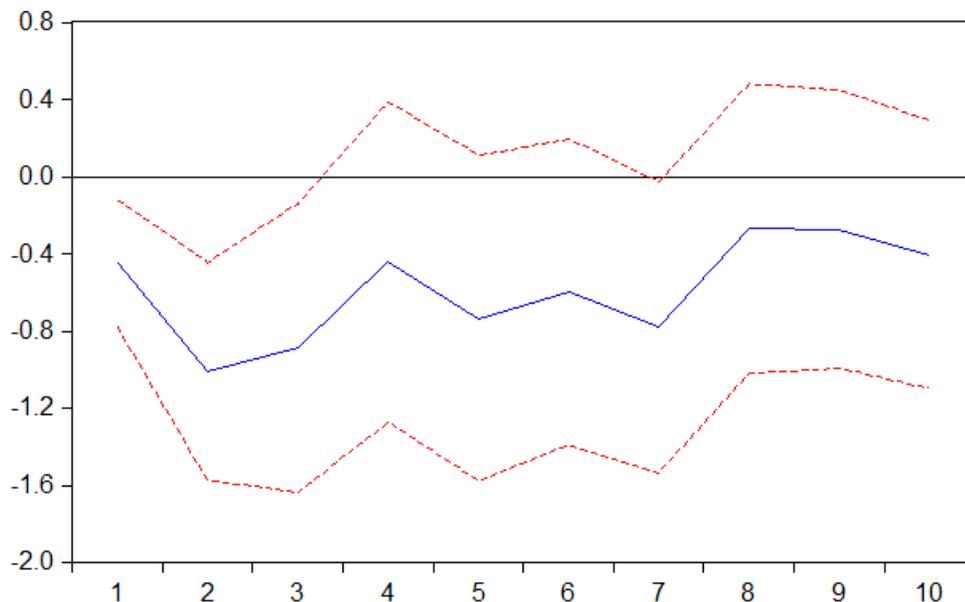
Figure 2: Response of Current Account to Structural 1 Standard Deviation Oil Price Shock



As can be seen from the figure, a one standard deviation shock on oil prices effects the current account negatively and this effect continues until the fourth quarter. There is a small recovery lasting for one quarter but the deterioration in the current account position continues after that. Although it is getting smaller the effect of the shock do not fade away. This is an important finding about the sustainability of

the current account deficit. As a developing economy which demands a lot of energy and oil for the productive activities, it is not possible to sustain current account deficit with increasing oil prices.

Figure 3: Response of Current Account to Structural 1 Standard Deviation Real Exchange Rate Shock



The figure shows the impulse response of the current account to a one standard deviation shock in the Real Effective Exchange Rate. A depreciation of the Turkish Lira leads to a deterioration of the current account immediately in the first two quarters after the shock. But a recovery comes after that which is consistent with the J-curve phenomenon. According to the theory following depreciation of a country's currency (e.g., due to devaluation), initially the trade balance deteriorates but eventually it improves, assuming other things are the same (Krugman & Obstfeld, 1994). This recovery continues until the tenth quarter and the overall effect of the devaluation of the Turkish Lira on the current account position is an improvement.

Figure 4: Response of Current Account to Structural 1 Standard Deviation Real GDP Shock

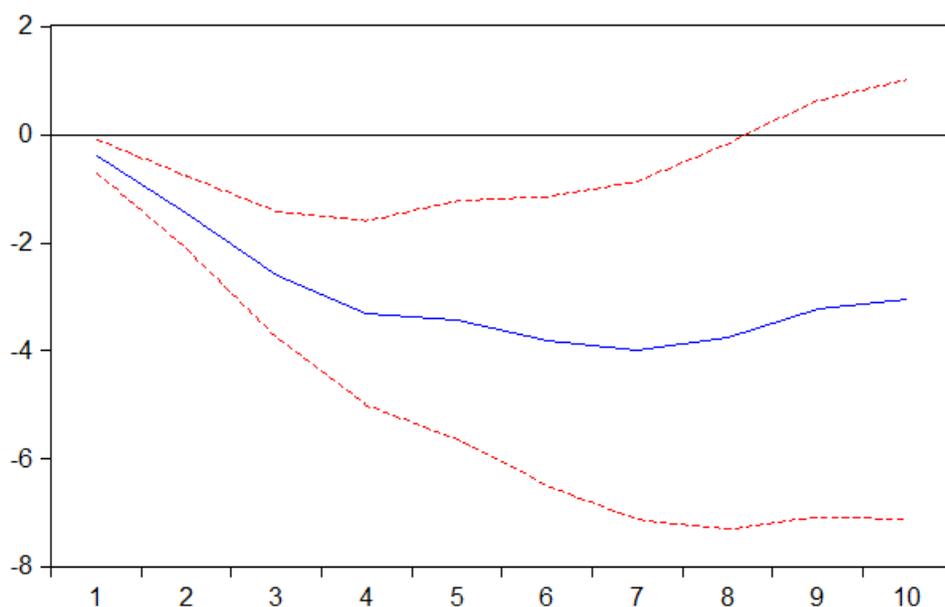


Figure 4 shows the impulse response of the current account to a one standard deviation shock in the Real GDP. We can see from the figure that the cumulative effect of an income shock on the current account is negative. An increase in real income will result in an increase of the current account deficit. This is not a surprise for a country whose production is bound to the imports of intermediate goods. As the growth rates increase, the demand for imported raw materials will increase and the current account balance deteriorates more. Besides, with the increase in real income, the demand for imported consumer goods will also increase when saving rates are decreasing. If we add up these two forces, the result is an increasing current account deficit.

6.2 Variance Decomposition

The variance decomposition of the effects of the four types of shocks on the Current Account is presented in table 6. Shock 1, shock 2, shock 3 and shock 4 are oil price shock represented by increases in oil prices, real exchange rate shock which is an appreciation of the exchange rate and depreciation of the Turkish Lira, Real GDP shock which is represented by an increase in real income and the current account shock itself. The factors effecting the forecast error variance is different in the short and long run. In the first quarter about 70 percent of the current account forecast variance is explained by the shock to the current account itself. But in the long run, at the end of 10 quarters, the distribution has completely changed and the share of current account shock has decreased to 18 percent. The other shocks gained power in explaining the forecast error variance. In the long run 17 percent of the variance is explained by oil price shock, 34 percent of the variance is explained by real exchange rate shock and 30 percent of the variance is explained by real gdp shock. So in the long run the most important factors effecting the current account position are the real exchange rate and real gdp. Oil price shock is coming after them.

Table 6: Variance Decomposition Results

Period	Standard Error	Shock 1	Shock 2	Shock 3	Shock 4
1	0.163067	8.725519	11.94935	9.489588	69.83554
2	0.185072	3.708365	30.48648	31.16857	34.63658
3	0.209913	4.052807	32.26748	41.32605	22.35366
4	0.211887	4.021541	31.66758	44.14345	20.16742
5	0.217351	5.036331	34.82721	39.22780	20.90865
6	0.227086	9.623084	35.04781	36.63113	18.69798
7	0.237859	14.58135	36.12109	31.82986	17.46770
8	0.244446	14.20117	35.41309	31.23478	19.15096
9	0.249744	15.26070	34.36493	32.11464	18.25973
10	0.252706	17.06686	34.08027	30.82318	18.02969

7. Conclusion

Sustainability of current account deficit is always an important subject for economists. Current account deficit as a ratio of GDP is a commonly used measure that determines the sustainability of current account deficits and deficits above %5 of GDP are considered as dangerous. But other factors such as the composition of the current account deficit, the methods which are used to finance it, exchange rate policy, macroeconomic condition and global economic outlook may also have important implications about the sustainability of current account deficits. Turkey has experienced impressive economic growth following the substantial reforms after 2001 but the current account deficit is the economy's biggest vulnerability. Turkey is an oil importing developing country and there is a close relationship between oil imports and current account deficit. In this study, a structural Vector Autoregression (SVAR) model is used to investigate the effects of fuel imports and foreign exchange policy on Turkey's current account deficit and economic growth. We found that overvalued TL and economic growth are the main causes of current account deficit. This is resulting from the dependency of the production on the imported intermediate goods and increase in the private consumption of imported goods.

From the coefficient estimates of the structural model, we found that oil imports have significant positive effect on the current account deficit. This is an expected result for a developing country that is dependent on foreign energy and using imported oil in the production process. Another variable that affects the current account deficit is the real effective exchange rate. In the analysis a negative significant effect of REER on the current account deficit is determined. With the appreciation of the TL (a decrease in the real exchange rate) current account deficit will continue to increase. Finally

Real income has a significant positive effect on the current account deficit. This is an indicator that shows us Turkish economy can grow by only increasing the current account deficit. In order to decrease the current account deficit, high growth rates should be sacrificed to slow down the economy. The impulse response analysis also reinforces these findings. A shock on oil prices affects the current account deficit negatively and the effect of the shock does not fade away. This is an important finding about the sustainability of the current account deficit. As a developing economy which demands a lot of energy and oil for the productive activities, it is not possible to sustain current account deficit with increasing oil prices.

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Fatma Zeynep Ozata, Nilgun Ozdamar Keskin

Anadolu University, Eskisehir, Turkey

Students' Opinions and Preferences on the Design of a Mobile Learning Application on Marketing Education

Abstract

The purpose of this study was to define and better understand business school students' opinions and preferences on the design of a mobile application for marketing education. To accomplish this purpose an explanatory mixed methods study design was used and the data was collected sequentially. First, a questionnaire survey was conducted with 168 business school students from Anadolu University to define their learning orientation. The learning orientation scale produced five factors: visual learning style, auditory learning style, dependent learning style, collaborative working style and learning with written materials. In the second phase of the study, semi-structured in depth interviews were conducted with nine graduate students at Anadolu University to better understand the learning orientation and explore their opinions on the mobile application. After the coding process three themes emerged: learning orientation, content and tools emerged. Added to these themes, eight motives for the use of a mobile marketing education application were also identified.

Keywords: Marketing Education, Learning Orientations, Mobile Learning, Mobile Marketing Application

1 Introduction

According to the Electronic Communication Report published by the Information and Communication Technologies Authority in Turkey in the second quarter of 2013 (ICTA, 2013), the number of mobile subscribers reached 68 million with a penetration rate of 89.8% in Turkey. Compared to the same quarter of 2012, 3G subscriptions have increased 37% in 2013 and the number of 3G subscribers reached up to 45.3 million (ICTA, 2013). Further, the smart phone penetration rate reached 14% in 2012 (Acar, 2013). It is estimated that Internet-capable mobile devices and Internet usage on mobile devices will outnumber computers within few years (Johnson et al., 2011, Ozdamar Keskin & Metcalf, 2011). More people than ever before are feeling the impact of mobile in Turkey as every part of the globe.

As more people choose to reach for a mobile rather than sitting at a desk to access the Internet, our views and behaviors about that access are shifting (Johnson et al., 2011). Today, instructors experience the effects of these technological changes in both marketing education and practice. Academic programs and teaching methods are both being redesigned to reflect these changes in both the practice of marketing and the use of technology for marketing

education (Clarke III and Flaherty, 2002; Lowe and Laffey, 2011; Santandreu and Shurden, 2012). Mobile learning is one of the methods that came into play. Mobile learning can be defined as “any sort of learning that happens when the learner is not at a fixed, predetermined location, or learning that happens when the learner takes advantage of the learning opportunities offered by mobile technologies (O'Malley et al., 2003). Mobile learning has the potential to meet the new requirements for effective teaching and enhance marketing courses for students. Mobile applications embody the convergence of several technologies that lend themselves to educational use, including annotation tools, applications for creation and composition, and social networking tools (Johnson, Adams, and Cummins, 2012).

We need to identify and better understand learning orientation that was successful in the mobile learning application design and offered learners more personalized, supportive solutions, and active learning opportunities. Learning orientation explores how individuals approach learning and manage the learning process intentionally and differently from others (Martinez, 2004). Learning orientation consider the impact of emotion, intention, the will to succeed and social factors on learning; however learning styles recognize the dominant influence of cognitive factors (Jones & Martinez, 2001). In the study, we have called learning orientation as the mix of learning aptitudes, styles and approaches based on the study of Hunt, Eagle and Kichen (2004).

In the partnership of Anadolu University, Okan University and the University of Wolverhampton, we have started “A Multiplatform M-Learning System for More Qualified Courses in ICT Era” project supported by the British Council, the UK – Turkey Knowledge Partnership Programme and Anadolu University Project Center in order to improve a mobile learning vision, develop advanced mobile learning applications, and follow the latest development in regards to education and technology innovations for more qualified courses in higher education in Turkey. In this way, a multi-platform mobile learning system including Android and IOS version (for tablets, smart phones and portable media players) will be built and tested in higher education institutions participating in the project. The system will be adaptable to all courses in higher education according to the needs of target groups. This study is a part of the “A Multiplatform M-Learning System for More Qualified Courses in ICT Era” project and the aim of the study is to understand business school students’ opinions and preferences on the design of a mobile application for marketing education. The results were then used in the implementation stage of a marketing education application in the project.

2 Methodology

An explanatory mixed methods study design (also called a two-phase model) was used in which data was collected in two phases sequentially. The explanatory mixed methods design consists of first collecting quantitative data and then collecting qualitative data to help explain or elaborate on the quantitative results (Creswell, 2008). So in the first phase of the study, a questionnaire survey was conducted with 168 business school students from Anadolu University that took the course of Principles of Marketing in the Summer School 2012. The

questionnaire was developed with 16 items designed to measure students' learning orientations mainly referred from the research of Hunt, Eagle and Kitchen (2004). A four point Likert Scale with strongly agree; agree; disagree; and strongly disagree, was used for the main items.

Respondents of the survey were graduate students (85 men and 83 women), ages ranging from 18-26 years of age from different departments (Business Administration, Economics and Public Finance). The demographic characteristics of the participants are shown in Table 1. The questionnaire, including a cover letter, was distributed to participants during the class. All subjects were asked to respond to the questionnaire and their responses were guaranteed confidentiality. The data of this study was gathered by means of a paper and pencil survey. The Learning Orientations (16) measures were then subject to exploratory principal components analysis (PCA). An orthogonal rotation with varimax was chosen. Following the results of the factor loadings, means, standard deviations, and Cronbach's alpha were computed for each factor (See Table 2).

Table 1: Demographic Characteristics of the Participants (N=168)

Characteristic	%	Characteristic	%
<i>Sex</i>		<i>Department</i>	
Male	51	Department of Public Finance	3
Female	49	Department of Economics	4
		Department of Business Administration	88
<i>Age</i>		Other	5
18-20	10	<i>Grade</i>	
21-25	88	First year	2
26-35	2	Second year	17
		Third year	34
		Fourth year	40
		More than four years	7

In the second phase of the study, semi-structured in-depth interviews were conducted to better understand their learning preferences on marketing courses and explore opinions of students on different characteristics of the mobile application such as level of interactivity, relationship to real world experience, amount of time involved, level of personal importance or relevance, interaction with the instructor, organization of knowledge, and feedback on performance while learning. Interviews were conducted with 9 graduate students at Anadolu University. All participants were business majors and taking the Principles of Marketing course, 4 female and 5 male, ranging in age from 20 to 25 years. A semi-structured interviewing format was followed in the conduct of the interviews and discussion was focused on four themes; their learning orientations/preferences in marketing courses, presentation of the content/knowledge in mobile applications, which tools can be added and finally what

motivates them to use this kind of mobile application. All interviews conducted face-to-face were recorded with the permission of the students and subsequently transcribed.

In the coding process a grounded theory approach was employed that combined deductive and inductive components (Berg, 2005; Glaser, 1978). The deductive component consisted of coding the interview data using the factors identified from the factor analysis and literature review. The inductive component consisted of coding the data for emergent themes. Then all the codes were re-categorized under major themes and the relationships between these themes were examined. QSR NVivo8 was used in the qualitative data analysis.

3 Research Findings and Discussion

Learning Orientations

The learning orientation scale produced five factors based on the factor analysis with eigenvalues greater than 1.0, explaining 57% of the variance (see Table 2). Factor 1, ***visual learning style*** comprises four items that measure the preference of using diagrams and pictures when getting new information. These students prefer visual format than either written or spoken information (Hunt, Eagle and Kitchen, 2004). The eigenvalue is 3,72 and the factor explains 23% of the total variance. The key items in this factor are “using games and simulations in learning (M=2,94 and SD=0,80)” and “remembering best when using pictures or graphs (M=2,89 and SD=0,79)”. Factor 2, ***auditory learning style***, comprises four items that measure the preference of listening the lecturer than read about them in study guides or textbooks (Hunt, Eagle and Kitchen, 2004), (eigenvalue = 1,78, variance explained = 11%). ***Dependent learning style*** was the third factor identified (eigenvalue = 1,38, variance explained = 8%) and consists of two items that measure the preference of studying face-to-face and with an expert. In this style students understand education to be about finding the “right answer” and this information is seen to be held by the lecturer (Hunt, Eagle and Kitchen, 2004). The mean for these items was high (M=3,13 and 3,28), suggesting that these represented important preferences obtained by students. Factor 4, ***collaborative learning style*** (eigenvalue = 1.28, variance explained = 8%), includes four items that measure the preference of working collaboratively rather than alone. ***Learning with written materials*** was the fifth and the last factor (eigenvalue = 1.03, variance explained =6%) and encompasses two items that measure the students’ preference of written materials than diagrams or what is spoken. Relatively few students prefer written materials in their learning orientations.

Table 2: Factor Loadings (Principal Components, Varimax Rotation) of Learning Orientation Scale (N=168)

Items	M	SD	Factors				
			1	2	3	4	5
Visual learning style							
I prefer to get new information in pictures, diagrams, graphs, or maps rather than written or spoken information.	2.83	.81	.775				
I remember best when I see in pictures or graphs rather than what I hear or read.	2.89	.79	.766				
I like using games and simulations in learning.	2.94	.80	.652				
I make simple charts, diagrams, or tables to summarize material in my course.	2.79	.77	.651				
Auditory learning style							
I prefer listening to reading.	2.70	.83		.755			
I understand better if someone explains it rather than reading about it.	2.82	.86		.707			
I remember best what I hear rather than what I see.	2.40	.81		.669			
I prefer listening to the lecturer more than reading the study guide.	3.02	.82		.632			
Dependent learning style							
I prefer working face to face.	3.13	.74			.815		
I prefer working with an expert.	3.28	.72			.797		
Collaborative learning style							
I prefer working in a team or with a partner.	2.79	.83				.738	
I prefer working independently.	2.74	.83				.720	
I watch and learn from other people.	2.69	.79				.538	
I prefer to collaborate on line.	2.52	.81				.452	
Learning with written materials							
I find a written version of the key points of a lecture much more useful than a diagram or oral summary.	2.99	.82					.726
I remember best what is written rather than what is spoken.	2.66	.88					.589
Eigenvalue			3.722	1.788	1.383	1.286	1.033
Variance Explained (%)			23.263	11.173	8.645	8.039	6.455
Cronbach Alfa			.716	.714	.732	.512	.347

Findings from Interviews

We identified three major themes according to the preferences and opinions of the students on the design of a mobile application on marketing education. These were (i) learning orientations, (ii) content and (iii) tools. Figure 1 illustrates the scope of each theme and also how these three themes are related to each other.

Learning orientations refer to the students' learning styles and preferred mode of teaching. Five sub-categories composed the learning orientation theme: active participation, visual learning, dependent learning, preference for structure and work alone. These sub-categories are named referring to Hunt, Eagle and Kitchen's (2004) study.

Active participation refers to the students' actively participation in the learning process and learning by experiences. Students mentioned that they remember better from their experiences and have enjoyed much more. We also asked students how we could add participation in this application. Three recommendations were brought.

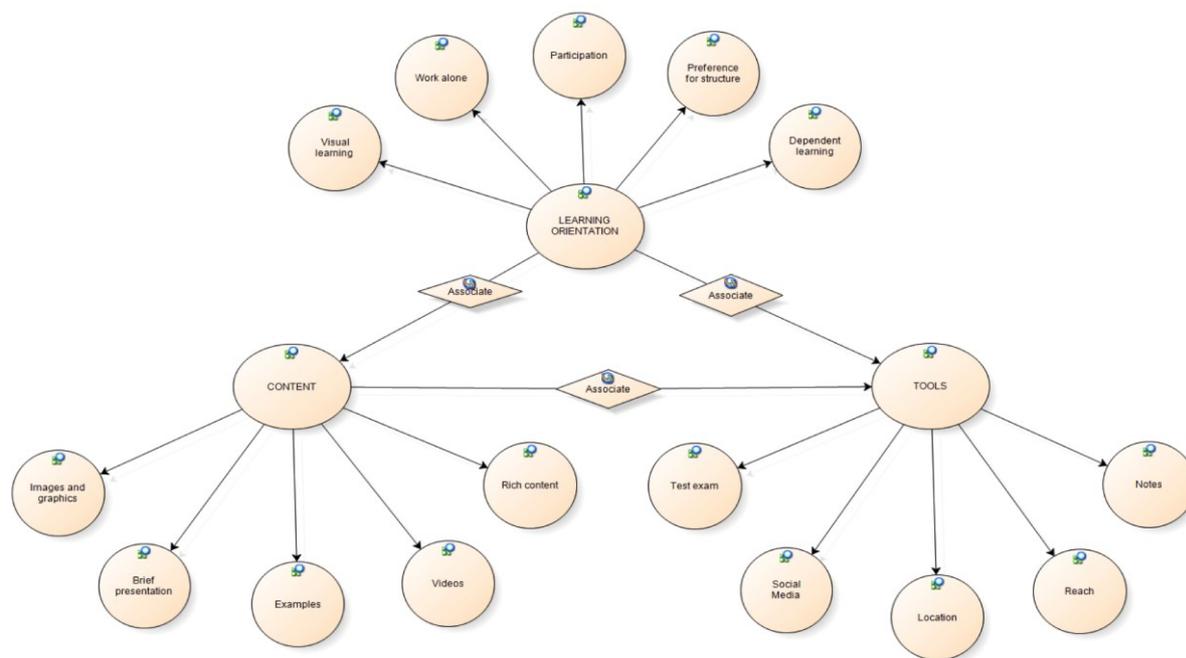
Tasks, games and contest were seen to enhance their experience and also participation. They offered that some tasks related to the course could be given to the students. These tasks may contain finding something (a brand, product, a retail store etc.) that answers a question or engages in an activity or facility such as visiting a retail store and narrating the story of this visit taking into account the sales course. They indicated that these kind of experiences allow them both to have fun as well as learn. The other two recommendations were related to game-based learning. Students quest for fun in all areas of life also make them seek "entertainment" in education. So they think that games especially simulations and puzzles or contests may enhance their education experience and participation in the courses.

Visual learning refers learning more easily with diagrams and pictures. Students mentioned that visual presentation of knowledge help them better understand new information and also make learning process less tedious. Long texts either intimidate or get them bored. Mostly they prefer visual educational aids as they make it easier to remember new information.

All of the students have preference for structure in the courses and dependent learning. *Preference for structure* refers to preferring an organized and well-structured course. These students want clear guidelines and transparency in the process. They are not self-directed learners. They need to be guided so they also prefer dependent learning. *Dependent learning* refers to an expert guided course preference. Students who prefer dependent learning think that education is finding the "right answer" and this information is seen to be held by the lecturer (Hunt, Eagle and Kitchen, 2004). The education system in Turkey is mostly based on dependent leaning and our students unfortunately do not need to explore alternative views. In accordance with the results of our survey, our participants think that dependent learning is the best way to learn new information. They said that when they go on the Internet, because of the amount of irrelevant information, it is hard to find the right answers. But working with an

expert in a dependent learning setting, it is both reliable, time saving and easy way to find the right information. In addition, reaching an expert when needed is also an important issue for them.

Figure 1: Preferences in mobile learning



Finally we asked about their thoughts on teamwork. But they have indicated that they had rather *work alone*.

Content refers to students' preferences on the presentation of knowledge. In accordance with their learning orientations (visual learning style) students prefer *images, graphics and videos* in the presentation of the content. In addition they avoid long texts or videos. They think that the content should be presented *briefly* and in simple terms. One of the students indicated that long texts threaten him and make him escape from that course. They rather prefer material that allows them to choose which aspects of the course they want to focus.

All of the participants mentioned the importance of *examples* in their learning process. They indicated that they better understand and remember the concepts when they are related to an example. Thus, they think that the content in the application should contain examples from the industry. Videos are mentioned by most of our participants as a way of presenting the content. Most of them are also using their smart phones for watching videos, especially from YouTube and Ted Videos. We asked them: Who should present the content in the video; a lecturer or an expert/professional from the industry? In accordance with their dependent learning preference, they indicated that a lecturer video is a must but expert videos can also be added but are not necessary.

They also mentioned that videos should not exceed 15-20 minutes as it is hard to download and also they ran out of patience. Finally they demand *rich content* in the application. We asked them what kind of resources they mostly request. Both academic and informal information sources were mentioned such as articles, e-books, blogs, web sites etc. They expressed that the content should be up-to-date, diverse and entertaining.

The third theme explored from the interviews was the *tools* that can be added to the application. In some part we asked them what tools can be added but in some cases our participants suggested some tools. All the participants agreed on the use of *social media* in the application. Facebook was the number one social media platform mentioned by the students, as it is the most common among the students. They even suggested that the tasks that will be assigned in the application should be related to Facebook in some way. They indicated that the application could be more interactive this way.

Another tool mentioned by our participants was a “*test exam*”. Some of the students thought that these exams can be used as a contest in the application and this could be fun. On the other hand some of the students said that these exams could give feedback about their learning and will increase their motivation. They also mentioned a *tool for reaching the instructor/lecturer* is critical. One of the students told that he e-mails many of his lecturers but none of them responded. He said “to be considered is very important for me in my learning process” and this kind of a tool may guarantee the lecturer will respond. *Location tools* are also mentioned but the participants could not relate how it will enhance their learning experience. At last one of the participants suggested a *notes page* that can be added to the application to take notes when using the application.

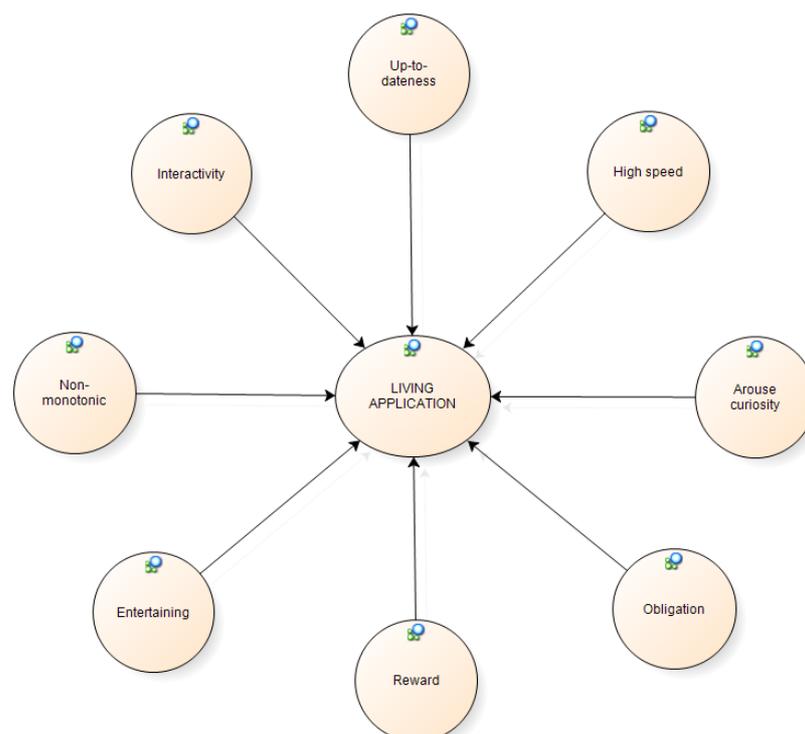
All the themes shown in Figure 1 are quite relevant with each other. The learning orientations of the students directly affect both their preferences on the presentation of the content and the tools they require in the application. The content preferences also affect their tool requirements.

Motives for the use of a mobile application in marketing education: We asked our participants what motivates them to use this kind of a mobile application (See Figure 2). Different themes emerged from the interviews. *Up-to-dateness* was the most highlighted element. Our participants indicated that if the application updates frequently, they would use this application more often. We asked: How could we keep our application up to date? They suggest adding social media tools such as Facebook or Twitter, and a place to demonstrate industry news related to marketing. Another theme frequently repeated by our participants was *interactivity*. Our participants emphasized two kinds of interactivity; one is human to human interactions as they would like to communicate or interact with the other students that use the application, and the second interactivity type is human to artifact communication such as they would like to receive content in different forms (text, audio, video, pictures, graphics etc.).

Our participants emphasized that *monotony* of the application will alienate them from using this kind of an application and suggested adding rich content to avoid monotony. Thus, each time they could look at different parts of the content and learn new things about the subject. *Entertainment* was another element mentioned nearly by each of our participants. They think that up-to-dateness and non-monotonic application are important aspects but these features do not guarantee fun for them. So they persistently express that the application should contain some tools for entertainment such as contests, funny examples or photos and games. Social media is also seen as a tool for entertainment. Some of our participants indicated that the probability of winning a prize (such as a prize competition) or to be *rewarded* (getting an extra grade from their course) could enhance their motivation to use this application. Moreover they pointed out that the usage would increase if the application becomes a *mandatory implementation* in the course. Two of our participants mentioned *curiosity*. They indicated that it must be intriguing for them to use the application but they cannot define how curiosity could be added. At last, *speed* was found as an inhibitory factor for usage because most of our participants remarked their concern about slow running applications. Nowadays, no one can stand waiting. So the download and usage speeds are very important factors for the use of the application.

All the concepts mentioned above such as non-monotonic, up-to-date, entertaining, intriguing refer to a living application. In sum, they would like a **“living educational and entertainment application”** that is dynamic, interactive; information flow is continuous, fed from different recourses like social media platforms and stimulate the students with new updates.

Figure 2: Motives for the use of a mobile application in marketing education



4 Conclusions

All the findings were interpreted simultaneously and as mentioned earlier, the results were used in the implementation stage of the marketing education application named Marketing Genius. Based on the findings the design related implementations were summarized below:

- To keep all the pages simple and brief, the content is presented in modules. For now, only one module is uploaded in the application named “What is marketing?” Written materials are selected as the baseline for our module. But, to avoid long texts the content of the module is also divided into topics such as “marketing definitions, marketing process, needs and wants, exchange etc.” and all the topics in the module are presented briefly (less than 1 page for each topic). By this way students will be able to focus on whatever topic they want to. Moreover they can take a break at the end of each topic or module and then go back to study. In Figure 3, sample screen views from the application were shown.

Figure 3: Sample screen views from the application “Marketing Genius”



- In accordance with the students’ preference on visual learning style, we add images for each topic and at the end we used a graphic to summarize all the topics in the module. We tried to select funny images to get the attention of the students. In addition, videos are prepared for each topic in the module. Three different lecturers gave information about some concepts related to the topics in the module.
- In accordance with the students’ preference on auditory learning style, each page has an audio version of its content. If the student does not want or have a chance to read the text, he/she could listen to the audio recording.

- Sample cases and images are found to give an example of some topics and concepts. Sample case stories are also available as an audio version.
- In accordance with their request to gain experience through their learning process, some tasks are assigned in some topics. These tasks comprise finding a brand name, taking photos and giving some examples related to the topic. These tasks also contribute to their quest for fun.
- “Consulting” tool on the main page (see Figure 3) allows students to reach their lecturer any time they want. With a link given in each page of the module, this tool can also be reached when student is working on a module.
- A 10-question test exam is added to the application for self-assessment.
- The online resources tool includes links of e-books, articles, podcasts and blogs related to the topics. This tool provides accessibility to a wide range of digital content.
- The social media tool enables students to reach the social media pages of the application (Marketing Genus Facebook and Twitter pages). These pages intend to enhance interactivity and entertainment in the application.
- At last, “My Progress” is a follow-up tool that students can monitor both the content and their own learning process (for example, which parts/topics of the module is completed, or how many questions the student answered correctly etc.)

Table 3 gives a summary of which design feature correspond to which themes about the students’ learning orientations, presentation of the content and motives.

Because the number of interviewed students was quite limited, the features of the mobile application were mostly designed based on the results of the quantitative study. So after the use of the application, more in depth interviews can be conducted with the users to better understand their usage patterns and the usefulness of the application. By this way both the application could be refined and also more knowledge is obtained on the performance or the quality of the application. On the other hand, this was an exploratory study. In the future, an experimental design could be conducted to compare a traditional, face-to-face setting with a mobile learning environment. Further, further research is needed to explore how to increase interaction and participation in mobile learning in developed applications.

Table 3: Mobile Learning Preferences and Design Features of the Application

Design features of the application	Learning Orientation	Presentation Content	of Motives
Text based modules	Learning with written materials	Brief content	Non-monotonic
Separate topic pages under modules	Preference for structure		High speed
Short texts			
Images	Visual learning style	Images, graphics and videos	Entertainment
Graphics			Interactivity
Videos			
Audio records	Auditory learning style	Brief content	Non-monotonic
			High speed
Examples	Participation	Examples	Up-to-dateness
Sample cases and images			Non-monotonic
			Entertainment
Assignments	Participation	Examples	Interactivity
			Non-monotonic
			Entertainment
			Reward
			Arouse curiosity
Consulting	Dependent learning style	-	Interactivity
Test-exam	Preference for structure	-	Interactivity
			Reward
Online resources	Participation	Rich content	Up-to-dateness
			Arouse curiosity
			Entertainment
Social media	Participation	Rich content	Interactivity
			Entertainment
My-progress	Preference for structure	-	Reward

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Michaela Pechová

University of Economics in Bratislava, Slovakia

Current Problems of the Slovak Medical Care

Abstract:

On 25th July, 2012, the Government of the Slovak Republic approved the plan of implementation of unitary system of public insurance, that is supposed to come into force in 2014. The plan is based on the presumption that the Slovak medical care system achieves results that are below the average. This presumption is based on the comparison of the total expenses on the medical care system and the indicators of quality of the provided medical care and the health condition of the population, prepared by the Organization for Economic Cooperation and Development („OECD“).

The essential change in organization of the medical care system should be the transition to the unitary system of health insurance. Contrary to the plurality system, the unitary system is characterized by that the insured persons have no choice in electing the health insurance company, and the non-profitability (all funds, other than the costs for operation, are used for medical care).

Keywords: Health Insurance, Insurance Companies, Free Choose, Unitary System

JEL Classification: G22, H51, I18

In the conditions of the Slovak Republic, the legislation allows to perform transformation of health insurance companies into the unitary system by the following vehicles:

Agreement on Management of Health Insurance Company (insurance portfolio) – one of the vehicles of realisation is the system where the ownership structure of insurance companies would remain the same, but the state would act as the manager and would manage them without any intervention of the owners (such system could be understood as certain form of leasing).

Agreement on Purchase of Shares or Certain Assets of the private health insurance companies or certain assets, preceding expropriation – in order to avoid any risk, the state should first try to achieve an agreement with the shareholders of private health insurance companies on purchase of their shares or certain elected assets of the individual private health insurance companies.

Expropriation of health insurance companies – namely the shares held by the shareholders in the private health insurance companies, i.e. the shares in non-governmental health insurance companies, specific assets held by non-governmental health insurance companies, and within that, the insurance

portfolio of the health insurance companies. Expropriation or forced limitation of the ownership title may be performed solely in inevitable extent, according to the law, and for adequate compensation.¹

Profits of Private Health Insurance Companies

According to the statement provided by the Ministry of Health, in the years 2006 to 2011, the private health insurance companies earned the profit in the amount of more than half billion Eur. Upon creation of a sole health insurance company, such funds could be returned back to the medical care system, i.e. back to the patients, and thus to improve the quality of the provided medical care.

The analyst of the *Ineko plán* Institute for Economic and Social Reforms says that the plan to replace several competing health insurance companies by a sole state health insurance company would be too costly. Thus, the pressure of private health insurance companies on the providers of better and more effective medical care for the patients will be lost.²

According to the Association of Health Insurance Companies, it is the control by the health insurance companies that may force the procurers to increase the number of applicants in tenders. What concerns the profit, it is regulated in the current system on two levels. The first level is the obligatory use of profit for creation of the fund up to the amount of 20 % of the paid registered capital, the second level means the obligatory creation of technical reserves for payment of the planned medical care for the insured persons listed in the waiting lists. It is assumed that the profit represents only 1% of the insurance premiums.

Waiting Periods

Another argument of the Ministry of Health are the waiting periods. It states that a sole health insurance company will bring benefits not only in respect of finances, but will bring also transparency and justice in listing the insured persons who wait for planned medical care. The funds from the saved operational costs will be transferred to the medical care, and thus they will result in shorter waiting periods. However, as the Ministry says, the given process will bring also other benefits. The management of distribution of the waiting insured persons will be much more justified, thanks to the sole health insurance company, and the patient will have a better view on his/her listing in the waiting list.

The precise information of how long the patient with certain diagnosis waits at individual providers are not available to the public. Such information are not provided even by the Office for Supervision Over Medical Care. The Health Policy Institute (HPI) performed, by the research method called mystery

¹ Constitution of the Slovak Republic – full version. (ONLINE) (quot. 11. 4. 2013) Available in the internet: <http://www.vyvlastnenie.sk/predpisy/ustava-slovenskej-republiky/>

² A sole health insurance company will only strengthen the state monopoly and conflict of interest. (ONLINE) (quot. 13. 4. 2013) Available in the internet: <http://openiazoch.zoznam.sk/cl/132375/Analytik-Zachar-Jedna-zdravotna-poistovna-len-posilni-monopol-statu-a-konflikt-zaujmov>

shopping (fiction purchase), survey of the duration of waiting for the planned medical care in selected health care providers, which depends also on the fact in which health insurance company is the insured person registered.

The survey has revealed that the health insurance companies in Slovakia differ among themselves in the duration of waiting for the planned operations. Upon publication of the significant differences between the duration of waiting in private insurance companies and the state-owned General Health Insurance Company, the state-owned Insurance Company responded by promising to reduce the waiting periods. However, there is a question whether it is possible to reduce or whether the waiting periods of the persons insured in the General Health Insurance Company will ever be reduced, if the state-owned Insurance Company will be in monopoly position, and there will be no possibility to compare the period of waiting with any other competing insurance companies. The competition of health insurance companies also reduces dependence of the doctors and hospitals on a sole payer. All economists say that in a competing environment with flexible prices, the medical care providers may freely negotiate the contractual conditions.

Unitary vs. Plurality system of health insurance

The Ministry of Health declares, as one of its arguments, that only three of 29 analysed European countries have a plurality system of health insurance, with the option to make profit. Further, the Ministry states that although in other 10 countries, the legislation permits operation of several health insurance companies, they may not make any profit. And one insurance company without the option to make profit is operated in 16 European countries, including United Kingdom, Sweden or Denmark.³

As stated by the Health Policy Institute, several studies show that in case there are any differences between the European health insurance systems, it is not due to the number of insurance companies, but due to other settings of the system (the policy of medicaments, DRG⁴, enforceability of the law, the effect of industry, the transparent procurement, deductibles by the patients, etc.). Professor Sherry Glied (Columbia University, New York) compared the OECD countries having one and several insurance companies. Her study of 2009 states that⁵:

- The systems with a sole health insurance company are somewhat cheaper,
- The medical results are comparable,

³ Five Facts on the Sole Health Insurance Company. (ONLINE) (quot. 13. 4. 2013) Available in the internet: <http://www.health.gov.sk/Clanok?pat-faktov-o-jednej-medical-poistovni>

⁴ DRG (Diagnoses Related Groups) is a classification system. It allows to classify the cases (hospitalization) according to the diagnosis and diagnostic – therapeutical procedures (performances) of the groups which have similar clinical characteristics and similar economic costs. For thirty years, it has been applied also as the payment mechanism in acute institutional medical care. In: DRG in Slovakia. (ONLINE) (quot. 18. 4. 2013) Available in the internet: <http://www.hpi.sk/hpi/sk/view/4084/drg-na-slovensku.html>

⁵ GLIED, S. 2009. Single Payer as a Financing Mechanism. Abstract. Available in the internet: <http://jhpl.dukejournals.org/content/34/4/593.abstract>

- The differences between the countries are larger within one model than between the individual models.

Therefore, it is impossible to generalize whether the unitary system or plurality system is better. Similar conclusions were arrived at also by other studies (e.g. Adam Wagstaff, 2009⁶).

Quantity vs. Quality

Another argument presented by the Ministry of Health as the reason for introduction of the unitary system of health insurance in Slovakia is that at the origin of the plurality system, the experts were mostly of the opinion that the funds would be applied effectively, and at the same time, the medical care would be provided with unprecedented quality. However, as declared by the Ministry, such objectives have not been fulfilled. Several insurance companies have not brought any quality, and due to creating the profit, they started to reduce the money that should be paid to the medical care system. Thus, it is supposed that the unitary system will improve the quality of the provided medical care and maximize the effort to effectively apply each euro.⁷

It cannot be mechanically assumed that by taking over the insurance portfolios or by purchase of the private health insurance companies, the General Health Insurance Company will automatically generate the same profits that have been recently earned by the private insurance companies, and it neither applies that the system with the sole state insurance company will bring into the system more money than the current plurality model. The monopoly of a sole state insurance company, the state providers, and politicians under the influence of the state supervisory bodies would never be under pressure of the competing environment, and would be then much less motivated to achieve good economic results.⁸

Unfair Practice of Private Health Insurance Companies

In its statement, the Ministry of Health writes that recently, we may more frequently see unfair practice on side of the private health insurance companies. Their effort to acquire new insured clients and struggle for profit often go beyond the limit of morals and ethics. By creating a sole health insurance

⁶WAGSTAFF, A. 2009. Social Health Insurance vs. Tax-Financed Health Systems – Evidence from the OECD. Policy Research Working Paper 4821. Available in the internet: http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/01/21/000158349_20090121101737/Rendered/PDF/WPS4821.pdf

⁷ Five Facts on the Sole Health Insurance Company. (ONLINE) (quot.19. 4. 2013) Available in the internet: <http://www.health.gov.sk/Clanok?pat-faktov-o-jednej-medical-poistovni>

⁸ INEKomentáre: On unitary health insurance system and sources for wages of medical workers. (ONLINE) (quot. 19. 4. 2013) Available in the internet: http://www.i-health.sk/inekomentare/1206_inekomentare-o-unitarnom-systeme-zdravotneho-poistenia-a-zdrojoch-na-platy-zdravotnikov

company, such cases would disappear and the people would not become „involuntary“ victims of a game named struggle for profit of private health insurance companies.⁹

According to the Association of Health Insurance Companies, the problem is that the proposal to create the unitary system is not discussed in public. Moreover, any remark of this issue is taken in the context of the profit of private health insurance companies, which is regulated by the law. On the other hand, unilateral discussion on merger of health insurance companies may induce concerns in those people who would consider to become clients of the state insurance company, in order to avoid any complications. Moreover, if the Government or the state insurance company uses such argument to induce the people to change the insurance company before the final approval of the relevant law, it would represent unfair competition by the state.¹⁰

Public Survey

The Institute for Public Affairs in cooperation with the FOCUS agency, performed on 7th – 13th Nov., 2012, a representative survey of the sample of 1,013 adult citizens of Slovakia with the aim to find out what is the opinion of the population on canceling the option to elect the health insurance company, and to establish a sole health insurance company.

According to the survey, approval of the cancelled option to elect the health insurance company prevails critical opinion on such action only with the people with lowest education, who perform non-qualified manual professions, and with the people above 65 years of age. However, in that group, the number of answers “I don’t know” is above average. Significantly more critical answers were provided by the people with higher education performing qualified professions, students, entrepreneurs, and citizens of larger towns.

Negative Saldo of Incoming and Outcoming Clients of the General Health Insurance Company

The approval or disapproval of change of the insurance system may be expressed also by the balance of the incoming and outcoming insured clients of the General Health Insurance Company.

In 2012, the General Health Insurance Company acquired less than 39,000 clients, which represents the highest number since 2005. However, it still continues in the trend of very slow reduction of its insurance portfolio, although in that year, the outflow of clients was substantially lower than during the last years, which may be due to the announced merger of insurance companies. Thus, the saldo of the incoming and outcoming insured clients of the General Health Insurance Company was negative in 2012.

⁹ Five Facts on the Sole Health Insurance Company. (ONLINE) (quot. 20. 4. 2013) Available in the internet: <http://www.health.gov.sk/Clanok?pat-faktov-o-jednej-medical-poistovni>

¹⁰ Five Myths of the Ministry. (ONLINE) (quot. 20. 4. 2013) Available in the internet: <http://www.zzp-sr.sk/pat-myto-va-ministerstva>

Conclusion

In the current situation of the Slovak economics, the Slovak Government and the Ministry of Health have decided to perform a serious step of canceling the plurality and creating a unitary system of health insurance. This step is serious not only from the aspect of change of the entire health insurance system, but also from the financial and economic aspect. According to the analysts, the estimated amounts to be incurred for change of the system vary from the optimistic € 200 million to the pessimistic € 600 million. That amount should include the costs for purchase. However, it is difficult today to determine the precise amount, because this process involves too many variables. It is nevertheless certain that it will not be cheap. At the time when the economy struggles with the high unemployment rate, low growth of GDP, and particularly the high public debt, the efficiency of use of such funds is questionable.

Even upon detail review of the given issue and many facts of the plan to introduce the unitary system of health insurance in Slovakia and the arguments for and against such step, it is rather difficult to decide whether it is correct or incorrect. Every opinion expressed in this area represents only a subjective opinion of an individual.

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Evija Plone, Ilze Stokmane

Latvian University of Agriculture, Lelgava, Latvia

Advancement of Protected Areas Policy in Latvia

Abstract:

"Last 40 years the development of protected areas has been widely promoted because of its potential for regional development in peripheral, rural and sparsely populated areas. The first environmental protection measures have been taken mid-19th century in Western Europe and the USA. The 12th of June, 2012 marked exactly 100 years since the first specially protected nature area in Latvia (Moricsalas Reserve) was established. For assessment of protected areas management effectiveness and became familiar with diverse assessment methodologies and indicators in Latvia it is very significantly explore history and development process of political, institutional and normative base of nature heritage. Our aim was to analyzed nature protection development processes across the World and in Europe and how did those reflect to the similar processes in Latvia. Our results show the interaction of processes and evolution of development what is basically necessary for further research of possibilities of protected areas for regional development in Latvia.

Eva Pongráczová

University of Economics Bratislava, Slovakia

Insurance of Occupational Accidents and Occupational Diseases in Slovakia

Abstract:

Accidents at work and occupational diseases have their economic and social dimension. In terms of employee and the company is more profitable, more efficient and better to prevent of occupational accidents and occupational diseases and the possibility of such to a minimum. In addition to direct effects of occupational accidents and occupational diseases - sick leave, resp. death of an employee, the financial problems the victim or his survivors, problems with other job opportunities - can we talk about indirect consequences, which include loss of skills and experience of the employee for the company and a negative impact on the wider workforce. This paper focuses on the analysis of the statutory employer liability insurance for accidents at work injury and occupational disease in SR and points to the essential duties of the employee in respect of accidents at work.

Keywords: Accidents at Work, Occupational Diseases, Injure Benefits, Social Insurance Company, Superstructure or Compensational Character

The statutory insurance of the employer's liability for damage in case of professional injury and professional disease in the Slovak Republic was introduced in 1993. The law stipulated the indemnification of damage for an employee who has suffered professional injury or in whom professional disease has developed, regardless the solvency or bankruptcy of the employer.

The insurance is operated by the Social Insurance Company. The effort to adjust the legal regulations for indemnification of professional injuries and professional diseases to the new social and economic conditions and to provide benefits to the injured employees resulted in stipulating the accident insurance as a separate system in the social insurance.¹ The accident insurance is regulated by the Law No. 461/2003 Coll. on social insurance, as amended. That stipulation has not the character of indemnification, i.e. compensation of the incurred damage, but it is designed as an insurance system of prevalingly compensation character, representing superstructure to some other social insurance systems (in some types of accident benefits to the social insurance benefits and some pension insurance benefits).²

¹Novotná, E., Rišňovský, E.: Úrazové poistenie. Manažment, mzdy a financie, year 11, 2004.

²Hrubšová, D.: Vecné dávky úrazového poistenia. Národné poistenie, No. 7/2005, p. 6.

The accident insurance means the insurance in case of any damaged health or death caused by professional injury, service injury, and professional disease.

The obligatory accident insurance applies for each employer which employs at least one individual, with the exception of judges and prosecutors. The obligatory accident insurance applies for the employer on the date of commencement of employment of at least one individual and will end on the date when the employer does not employ any individual. For the purposes of accident insurance, the employee means also any individual who performs work under an agreement on works performed beyond the employment.

The following subjects are entitled to the accident benefits from the accident insurance:³

- any employee,
- any secondary school student and the university student having suffered any professional injury or in whom any professional disease has developed in practical lessons during the experience,
- any individual associated in the Voluntary Fire Protection of the Slovak Republic and in any other civil associations, having suffered any professional injury or in whom any professional disease has developed in performance of tasks in fire protection, and any member of the mine rescue corps, having suffered any professional injury or in whom any professional disease has developed in the activities of the corps,
- any individual who provides personal help, upon direction of a public governmental body or a commander of operation and according to his instructions or information, at any accident, natural disaster, and any other extraordinary event or at removal of any consequences thereof, and who suffered any professional injury or in whom any professional disease has developed due to the given activities,
- any volunteer member of the Slovak Red Cross or any other legal entity, having suffered any professional injury or in whom any professional disease has developed in performance of medical services during a sports event or social event,
- any volunteer member of the Mountain Service or any other individual who provides personal help, upon request of the Mountain Service and according to its instructions, in any rescue action in the terrain who has suffered any professional injury or in whom any professional disease has developed in performance of that activity,
- any husband or wife, dependant child, being a survivor of the deceased individual or a person whom that individual paid allowances at the time of his/her death.

In the transitional period, until 31.12.2013, the employer pays insurance premiums for accident insurance in the rate of 0.8% of the base earned in the essential period, being the calendar month for which the premium is paid. The base, from which the employer pays the premium for the accident insurance, is not limited. The base includes also any remuneration paid to the employee for the work performed under an agreement on works performed beyond the employment (agreement on

³Law No. 461/2003 Coll. on social insurance.

performance of work, agreement on working activity, agreement on part time job of students). In that period, neither surplus nor discount from the premium is provided. Upon expiry of the transitional period, the unified rate will be replaced by differentiated premium rates from 0.3% to 2.1% which are classified in ten danger classes with equal difference of 0.2%. Each employer will be classified in one of the ten danger classes according to the prevailing performed business activity, and based on that, the employer pays the premium for accident insurance, that will be determined as percentage rate from the base which corresponds to the relevant danger class. The employer may be obliged to pay a surcharge to the premium or it may be provided with a discount from the premium, that will be subject to the number and serious character of professional injuries and professional diseases, the cause of origin thereof, and some additional precisely determined criteria applicable for the specific employer, when compared with the average values of the same assessment criteria of all employers classified in the same group. The surcharge or the discount will be determined as percentage to the premium, and the surcharge may vary from 1% to 4%, and the discount may be provided in the rate of 0.5% to 2% from the premium.

Provision of injury benefits of monetary character represents in principle superstructure to the provided social and pension benefits. The injury benefits of monetary character have obligatory character (may be claimed), while the regulations applying for injury benefits of material character (physical therapy and working requalification) is based on facultative (voluntary) principle. The claim for injury benefits, under the conditions stipulated by the law, may be applied also by the close relative survivors of an individual and also by any persons to whom that individual paid allowances at the time of his/her death.

In principle, the injury benefits of monetary character are calculated from the daily base determined in the essential period. The daily base will be determined as the ratio of the aggregate bases of the employee, earned at the employer responsible for the damage in case of professional injury or professional disease, and the number of calendar days in the essential period.

The following injury benefits are provided from the accident insurance:

- injury surcharge,
- injury annuity,
- flat settlement,
- survivor annuity,
- flat indemnification,
- costs on physical therapy and professional physical therapy,
- requalification and requalification costs,
- compensation for pain, and compensation for harder assertion in the society,
- compensation of costs connected with therapy,
- compensation of costs connected with burial.

The employee shall have no right to injury benefits, if his/her employer is released from the liability for the damage in health or death of the injured person.

Injury surcharge

Any injured person who is confirmed to be disabled to work during professional injury or professional disease is entitled to the injury surcharge from the first day of the temporary working disability, if the injured person receives compensation of wage provided by the employer or social benefits from the social insurance. Thus, the injury surcharge has superstructure character. It is provided for the days and is in the rate of 55% of the daily base from the first to the third day of the given temporary working disability, and 25% of the daily base from the fourth day of the temporary working disability that is caused by the professional injury or professional disease.

Injury annuity

The claim for injury annuity is subject to more than 40 per cent reduced ability of the injured person to perform the former activities due to the professional injury or professional disease. The amount of the injury annuity is calculated as the 30.4167 multiply of the amount corresponding to 80% of the daily base of the injured person and the coefficient determined as the ratio of the value of the percentage reduction of the working ability and 100. If the injured person receives any disability pension benefits, the injury annuity will be decreased by the relevant amount.

Flat settlement

Provision of the flat settlement represents a compensation for damage health in the extent which is not covered by the claim for injury annuity, and the purpose thereof is to assist the injured person in adjusting to the changed health or working conditions. The claim for that benefit is subject to the condition of reduced working ability by minimum 10%, but more than 40%, which is due to the professional injury or professional disease. The amount of that benefit is determined as a product of 365 multiply of the daily base and the coefficient determined as the ratio of the value of the percentage reduction of the working ability and 100.

Flat indemnification

In order to overcome bad financial situation of the family, resulting from the loss of income of the injured person who died due to the professional injury or professional disease, the wife/husband and the dependant children are indemnified by flat amounts that will help the family to adjust to the changed life conditions. The amount of the flat indemnification for the wife/husband represents 730 multiply of the daily base, but maximum € 50,374.90. Each dependant child receives one half of the amount of the wife's/husband's flat indemnification, but the aggregate amount of the flat indemnification for dependant children must not exceed € 50,374.90. The maximum amounts of the flat indemnification are increased every year with effect from January 1, and the amount of valorization depends on the annual growth of consumer prices and annual growth of the average wage in the economy of the

Slovak Republic quoted by the Statistic Office of the Slovak Republic for the first half-year of the calendar year preceding the calendar year in which the increase is effected.⁴

Survivor annuity

The purpose of the survivor annuity is to compensate damage for those individuals to whom the injured person paid allowances at the time of his/her death. Due to that reason, the amount of the survivor annuity is determined by the amount of the allowance or contribution to the allowance; the duration of the period of provision thereof is determined by the duration of the period during which the allowances were paid. However, the amount of the survivor annuity or the aggregate amount of the survivor annuities in respect of the same injured person may not exceed the amount of the injury benefit to which the injured person was or would be entitled in case of 100 per cent disability to work.

Work physical therapy and physical therapy benefits

The work physical therapy may be provided to an injured person who, due to the professional injury or professional disease, has lower ability to work, if in the opinion of the revision doctor, that person may be expected to be re-included in the work process. The work physical therapy means the training required for re-gaining the working ability for performance of the former activity by the injured person or any other activity suitable for that person. Any other activity of the injured person means an employee's activity or an individual's activity corresponding to the health condition of the injured person for the given work, accounting for his/her age, working abilities, and qualification.

The work physical therapy is organized for the injured person by the Social Insurance Company at the employer of the injured person, in a medical facility or in any other professional institution for provision of the work physical therapy.

As compensation of the lost income from paid activities, the injured person receives the physical therapy benefits in the rate of 80% of the daily base of the injured person for each day of duration of the work physical therapy, except for those days when the injured person did not participate in the work physical therapy without a serious reason recognized by the Social Insurance Company or when he/she obstructed the physical therapy; for which the injured person was entitled to compensation of wage in case of the employee's temporary work disability employee or during which the work physical therapy was interrupted. If the physical therapy beneficiary receives also any pre-old-age pension benefits or disability benefits, the amount of the physical therapy benefit will be reduced by the given amounts of pension benefits.

⁴Pongráczová, E.-Šipikalová, S.: Sociálne zabezpečenie. Bratislava: Vydavateľstvo EKONÓM, 2013.

Requalification and requalification benefit

Requalification may be provided to the injured person who, due to professional injury or professional disease, has lower ability to work, if in the opinion of the revision doctor, that person may be expected to be re-included in the work process. It means change in the former qualification of the injured person who should be protected by gaining new knowledge and skills, by theoretical or practical preparation allowing him/her to work in any other appropriate activity.

The scope of provision of requalification and interruption thereof is subject to the same principles that apply for the work physical therapy. Requalification is organized by the Social Insurance Company in an educational institution providing requalification, and the choice of that institution will be oriented first of all on such institutions which hold, for the specific educational activity appropriate for the injured person, a confirmation on accreditation issued by the Accreditation Commission of the Ministry of Education of the Slovak Republic.⁵ During requalification, the injured person receives requalification benefits which are determined in the same way as the physical therapy benefits.

Compensation for pain, and compensation for harder assertion in the society

The compensation for pain must be adequate to the found damage of health caused by professional injury or professional disease, progress of treatment or removal of the consequences thereof.⁶ It is provided under a medical report where the pain is evaluated by certain number of points according to the point evaluation. In the injured person who has suffered several damages simultaneously, the pain is evaluated for each damage of health separately, and the point evaluations are then summed-up.

The compensation for harder assertion in the society must be adequate to the character of consequences and their expected development in the extent in which the possibilities of the injured person to assert in the life and the society are limited. The point evaluation rates applied for evaluation of the hard assertion in the society due to injury are set forth in the supplements to the law. Harder assertion in the society is evaluated normally only upon expiry of one year of the health damage. The amount of compensation for pain and the amount of compensation for harder assertion in the society are determined as 2% of the average monthly wage in the national economy, quoted by the Statistic Office of the Slovak Republic for the calendar year preceding the year of the claim for compensation, per one point. The Ministry of Health of the Slovak Republic will stipulate the amount of compensation for pain and the amount of compensation for harder assertion in the society by a regulation published in the Collection of Laws of the Slovak Republic, by publishing the notice on adoption of the regulation no later than by May 31 of the relevant calendar year. In 2012, the value of one point was € 15.72. The compensation for pain and the compensation for harder assertion in the society are provided as flat amounts.

⁵ Pipová, B.: Vecné dávky úrazového poistenia. Národné poistenie, 7/2005, p. 8.

⁶ Oslanská, S.: Náhrada za bolesť a za sťaženie spoločenského uplatnenia. Národné poistenie, 8/2006, s. 6.

Compensation costs connected with therapy

The injured person is entitled to compensation of the costs connected with therapy, that were reasonably incurred for his/her therapy due to professional injury or professional disease, based on recommendation of a specialist doctor, and that are not paid from the health insurance, in maximum amount of € 25,187.50. This upper limit is increased always as of January 1 in the next following calendar year.

Compensation costs connected with burial

If the injured person dies due to professional injury or professional disease, the person having paid the costs connected with burial is entitled to claim compensation thereof. The maximum amount of compensation is € 2,519.

Further, the person who lived with the injured person in the common household at the time of his/her death, and an injured person's dependant child is entitled to compensation of one third of the expenses incurred for clothing for the funeral and any traveling costs incurred for transport from the residence to the place of funeral, and back. The amount of such compensations for all persons and dependant children may not exceed € 2,519.

The expected economic effect of the tools of accident insurance, which represent on one hand, an alternative to decrease the duties paid by the employer, and on the other hand to exercise economic pressure on change of his inappropriate approach to the solution of the problems causing professional injuries and professional diseases, is reduced number of professional injuries and professional diseases with their negative consequences.

Conclusion

The first systematic efforts to protect the citizens against consequences of professional injuries and professional diseases were made in individual countries from the end of the 19th century. The common feature of accident insurance in individual countries is the effort to protect human resources and to compensate the incurred damage, i.e. the professional injuries or professional diseases. We can see similarities also in the way of payment of premiums (employer's obligation) in the duty system. The objective of the statutory insurance of the employer's liability for damage in case of professional injury or professional disease in the Slovak Republic is to protect the employer against the risk of economic burden in case of professional injury or professional disease. The benefits paid to the employees have superstructure or compensational character, and help them to overcome the bad financial situation caused by the loss of income from the paid activity.

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Małgorzata Porada-Rochon¹

University of Szczecin, Faculty of Management and Economics of Services

Cost reduction program of financially distressed SME– an international perspective.

Abstract

Financial distress is well understood to be a clear driving force behind many corporate decisions. An important question in finance is the extent to which decisions are influenced by local, domestic market factors. There has been a major gap in research concerning international differences behind such financial decisions, particularly in regard to the use of instruments and activities which are available in common. The aim of this empirical study is to explore the relationships, concerning cost reduction programs, between financially distressed companies in the countries of Poland, Czech Republic, Slovakia, Hungary, Romania and the Ukraine during the global crisis. As such, the hypothesis follows: *Actions taken in terms of cost reduction programs vary for each specific group (G1, G2, and G3)*. The first part of this study is focused on the period of 2007-2011. Financial data was electronically retrieved from AMADEUS (Compustat data file). A sample of 47,205 firm-year observations was selected. The collected data formed a balanced panel in order to eliminate random fluctuations. In the second part of the study a final sample of 397 companies was taken by questionnaire. Calculations were based on the Factor Analysis - Principal Components Analysis

1 Introduction

The complexity and dynamics of contemporary life and business coming together in a turbulent environment create a great challenge during a business crisis. Business crisis are periods when the goals of an organization are threatened, liquidity, profit, success potentials etc. [Osmanagic Bedenik 2012, p.123]. As a consequence of the crisis situation, enterprises get often under financial distress status. Generally, financial distress is the situation when a company does not have capacity to fulfill its liabilities to the third parties [Andrade and Kaplan, 1998, p. 1443-1493]

Due to the weak economic conditions, many firms experienced and still experience declining financial performance. Most of them were (are) obligated to implement turnaround processes. One of the most important parts of turnaround process is cost reduction program.

¹ University of Szczecin, Faculty of Management and Economics of Services, 71004 Szczecin Poland, Cukrowa 8, email: malgorzata.rochon@wp.pl. This research is as part of project financed by National Science Centre granted on the basis of the decision DEC-2011/03/B/HS4/05503

According to this topic, it seems interesting to examine profiles of actions taken by SME in various stages of deterioration process of financial condition.

2 Cost reduction program as an integral part of turnaround process – the theoretical review

A standard definition of turnaround was found by Pretorius “A venture has been turned around when it has recovered from a decline that threatened its existence” [Pretorius, 2009, p. 11] to resume normal operations and achieve performance acceptable to its stakeholders through reorientation of positioning, strategy, structure, control systems and power distribution. Return to positive cash flow is associated with achievement of “normal operations”. A venture is in decline when its performance worsens (decreasing resource slack) over consecutive periods and it experiences distress in continuing operations. Decline is a natural precursor in the process to failure. [Pretorius, 2009]

According to crisis literature, much attention is given to planning for crises as a key to positive outcome (Fink, 1986, Quarantelli, 1988, Smith 1980, Elliott et al, 2005, Hale et al., 2005) [Runyan, 2006, p.13]. There is no consensus between Scientifics whether more attention should be paid to anticipate crises or implementing successful turnaround process.

Turnaround strategies have received systematic research attention in the finance as well as management literature. The accumulated empirical and conceptual studies have resulted in a rather fragmented understanding of turnaround process. [Cater, Schwab, 2008, p.30] Turnaround researchers have identified a number of turnaround actions and strategies. There are several ways in which researchers categorize turnaround actions such as:

- Strategic and operational actions (Schendel, Patton and Riggs 1976, Hofer 1980),
- Entrepreneurial and efficiency actions (Hambrick and Scheter 1983),
- Human resources strategies, product/market strategies, financial strategies, production, operations and technology strategies (Manimala 1991, Khandwalla 1992) [Manimala, Panicker 2011, p.5].

Usually, turnaround strategies can be classified into two groups (Smith and Graves 2005, p.305, Harker and Sharma 1999p. 37) – efficiency strategies and entrepreneurial strategies [Smith, Graves, 2005, p.305]. Smith and Graves describe efficiency strategies as those rectifying inefficient operations, i.e. about cost-cutting and asset reduction, while they describe entrepreneurial strategies as those that reposition it with respect to its current or even its new markets. Smith and Graves [Smith, Graves, 2005, p.305] quote extensive research on efficiency-oriented strategies, where the common argument was that efficiency oriented recovery strategies are essential for any successful turnaround. However, given the scarcity of the process, it is improving firm performance if implemented successfully but disrupting performance if implemented unsuccessfully.

The theoretical and empirical impact of retrenchment on turnaround has been debated vigorously. For example, Robbins and Pearce (1992) argue that divesting assets and cutting costs are the foundations of business recovery, and Hoffman (1989) concludes that controlling costs appears to be the key to successful turnaround. By contrast, Barker and Mone (1994) and Barker et al. (1998) view retrenchment as a false economy that saps the strength of a company [Boyne, Meier, 2009].

Cost control may range from an integral aspect of a highly successful turnaround process to a vacuous and dangerous approach which further damages the organization.

In turnaround process, the cost reduction program plays a significant role. Many researches introduce direct or indirect cost reduction program or cost reduction activities in turnaround model.

Cost reduction is the simplest road to increased profitability and enhanced cash flow. Cost reduction also works well for long - term profits, so long as the process becomes a core belief of the entire company and is constantly readdressed. The selection of cost reduction targets is the key, since cost reduction over the long term cannot undercut a company profit - making capabilities. Instead, the focus should be on constantly paring away unnecessary expenses, increasing efficiencies, and streamlining processes. In addition, it helps to continually reinvest some portion or all of the cost reduction savings back into the company's people, processes, and technology [Braag, 2010, s.7].

The complexity of this program (activities) depends on the perspective perception of the program by the researcher and level of severity of declining.

In addition, as represented in the literature cost reduction program are divergent, some present only a few activities or a range of other instruments.

In literature first among others was Hofer who filled the gap with his contribution in this field. In 1980 he divided strategies into four: Revenue generation, Product/market refocusing, cost cutting and asset reduction. In 1983, Hambrick and Schecter reduced strategies according to Hofer from 4 into 3, Asset/cost surgery, Selective product/marketing pruning, Piecemeal strategy [Hambrick, Schecter 1983, p. 231-248] O'Neill (1986) did not refer to the cost reduction program, as well as Zimmerman (1986, 1989). Zimmerman focused on important role of control in business turnaround situations, indicating actions to increase the efficiency of operations and the success of the turnaround. The indirectly measures proposed by him form part of the cost reduction program [Zimmerman, 2002, p.15-22]. Pearce and Robbins (1993) recommend cost reduction strategies for firms in a less severe turnaround situation, while drastic cost reduction coupled with assets reduction are recommended for firms in more severe turnaround situations [Robbins, Pearce, 1993, p. 301-318]. They do not describe what specific actions should be implemented as part of a cost reduction program. Arogyaswamy et al. (1995) not only flesh out the activities and instruments, but also do not relate directly to the cost reduction program.

Indicate, however, the important issue that a more thorough view of the turnaround process cannot be established as literature lacks the fully integrated models that clearly define the stages in the turnaround process and highlight the critical stages contingencies that impact each stage [Arogyaswamy et al., 1995, p. 493-525].

In summary, there is no one model, no one pattern of cost reduction program. Each of the situations that require the turnaround process is always individually configured by a number of conditions affecting the entity individually, hence the need for individual choice sets of actions that may solve the problem.

Foremost in any financial action plan is that immediate steps should be taken to generate cash, for example, unproductive assets should be sold. In addition, financial reporting before and during the turnaround is essential for feedback, transparency and decision making.

3 Methodology

Results based on the final sample 397 companies from Poland, Czech Republic, Slovakia, Hungary, Ukraine, Romania.

The empirical data used to test hypotheses were drawn from a mail survey conducted by means of a structured questionnaire (5 degree Likert Scale). It examined the role of Cost reduction program a key role in financial decision of distressed SME as a response of global crisis.

More specifically, if the degree of impact of the crisis on the financial condition of SME conditioned diverse set of activities under the cost reduction program as a result of financial decision. It was necessary to make a split of the group of companies (G1, G2, and G3), due to the intensity of the effect of the global crisis.

Companies were classified using the arithmetic mean and quartiles: Q1 and Q3. The distribution of the variables used:

P1_1 – number of employees

P2_1_1, P2_1_2, P2_1_3 – magnitude of the impact of the financial turmoil

For the value P1_1 = 1 (Q1=1.74) and (Q3=2.48).

For the value P1_1 = 2 (Q1=1.69) and (Q3=2.37).

The results served as the basis for the separation of the three groups of companies, which are representatives of distress companies

Group I

If the average of $P2_1 \leq 1.74$ and $P1_1 = 1$ it belongs to 1st Group (G1).

If the average of $P2_1 \leq 1.69$ and $P1_1 = 2$ it belongs to 1st Group (G1)

Group II

If the average of $P2_1 > 1.74$ and the average of $P2_1 < 2.48$ and $P1_1 = 1$ it belongs to 2nd Group.

If the average of $P2_1 > 1$ and the average of $P2_1 < 2.37$ and $P1_1 = 2$ it belongs to 2nd Group

Group III

If the average of $P2_1 \geq 2.48$ and $P1_1 = 1$ it belongs to 3rd Group (G3).

If the average of $P2_1 \geq 2.37$ and $P1_1 = 2$ it belongs to 3rd Group (G3)

As a result of the above classification was obtained:

1. Group (G1) is characterized by the companies which are slightly sensitive to the effects of global crisis (identified by the symptoms of financial nature of global crisis).
2. Group (G2) is characterized by the companies which overwhelmingly identified the effects of global crisis (identified by the symptoms of financial nature of global crisis).
3. Group (G3) found highly sensitive to perceptions of symptoms of global crisis (identified by the symptoms of financial nature of global crisis).

Classification allowed precisely explaining and evaluating the decisions taken by the companies as a part of a cost reduction program in terms of global crisis.

Therefore, in context of global crisis, a hypothesis is following: *Profile of action taken in terms of cost reduction program varies depending on the specified group (G1, G2, and G3).*

4 Measures

In the questionnaire, one of the questions taking in to consideration in this part of research was: the types of cost reduction activities undertaken as a response of the global crisis. This question consistent with 13 possibilities of answers:

1. Reduction of administrative expenses
2. Expenditure cuts on a wide range of R&D
3. Reducing prices
4. Outsourcing
5. Reduction of marketing and selling costs

6. Deferring capital or major investments
7. Reevaluating profitability of customer segments
8. Salary reduction
9. Reducing bonuses
10. Personnel lay-offs
11. Closing unprofitable areas of the business
12. Selling unprofitable areas of the business
13. Divestitures (asset sales)

To verify the hypothesis was used Principal Components Analysis (PCA).

In the course of dimension reduction method using factor analysis, it was calculated the measure of the adequacy of the use of this analysis to the data.

Table 1: Results of Kaiser–Meyer–Olkin (KMO) and Bartlett’s test of sphericity

Kaiser–Meyer–Olkin measure of sampling adequacy		0.794
Bartlett’s test of sphericity	Approx. chi-square	1491.719
	Degrees of freedom (df)	78
	<i>p</i> -value	< 0.001

Source: own elaboration.

Table 2: Results according to Initial Eigenvalue and % of Variance Explained Criterion

Variable	Before rotation			After rotation		
	Initial Eigenvalues	% of Variance Explained Criterion	Total	Initial Eigenvalues	% of Variance Explained Criterion	Total
1	4.210	32.386	32.386	3.908	30.067	30.067
2	1.794	13.796	46.183	1.686	12.969	43.036
3	1.224	9.413	55.596	1.365	10.500	53.536
4	1.051	8.086	63.683	1.319	10.147	63.683
5	0.904	6.955	70.638			
6	0.720	5.539	76.177			
7	0.679	5.223	81.401			
8	0.600	4.616	86.016			
9	0.427	3.282	89.298			
10	0.408	3.142	92.440			
11	0.396	3.047	95.488			
12	0.357	2.746	98.234			
13	0.230	1.766	100.000			

Source: own elaboration

In order to create a clear, possible to interpret the course of the subsequent analysis of profiles given for questions about the types of cost reduction activities, separate components subject to a rotation quartimax.

Table 3: Created after the rotation of the extracted component profiles representing the answers of the question

Variables	Component			
	1	2	3	4
6. Deferring capital or major investments	0.788	0.128	0.049	-0.056
1. Reduction of administrative expenses	0.783	-0.230	-0.333	0.118
7. Reevaluating profitability of customer segments	0.771	-0.053	0.230	0.010
2. Expenditure cuts on a wide range of R&D	0.771	-0.127	0.324	0.039
9. Reducing bonuses	0.651	0.204	-0.075	0.208
5. Reduction of marketing and selling costs	0.630	-0.002	-0.160	-0.070
4. Outsourcing	0.564	-0.277	-0.167	0.186
10. Personnel lay-offs	0.318	0.096	-0.308	0.259
8. Salary reduction	-0.128	0.856	0.063	0.028
3. Reducing prices	0.004	0.845	0.040	-0.009
12. Selling unprofitable areas of the business	-0.130	0.151	0.827	-0.002
11. Closing unprofitable areas of the business	0.292	-0.024	-0.169	0.838
13. Divestitures (asset sales)	0.357	0.019	0.472	0.670

Source: own elaboration

Overall, results for all companies without grouping indicate, that in the course of rotation created 4 profiles. The first one refers to the longest list of activities undertaken by managers and there is the most diverse profile. A second profile consists of salary reduction and reduction of purchasing prices. From theoretical as well as from practical point of view this profile belongs to managers which are not prepared to deal with crisis situations. It means that they make quickly decisions how to cut expenditures immediately. Unfortunately, not only failed to achieve the expected results, but also can lose competitiveness.

To evaluate if the profile of action taken in terms of cost reduction program varies depending on the specified group (G1, G2, and G3) following calculations were used.

Table 4 and 5 present the calculations for first group of companies (G1).

Table 4: Results of Kaiser–Meyer–Olkin (KMO) and Bartlett’s test of sphericity for first Group of companies (G1)

Kaiser–Meyer–Olkin measure of sampling adequacy		0.570
Bartlett’s test of sphericity	Approx. chi-square	188.303
	Degrees of freedom (df)	78
	<i>p</i> -value	< 0.001

Source: own elaboration

The analyzed variables are significantly correlated, which means that the used factor analysis is an adequate tool to reduce the size.

Table 5: Created after the rotation of the extracted component profiles representing the answers for the question about the types of cost reduction activities undertaken as a response of the global crisis for first group of companies (G1)

Variable	Component				
	1	2	3	4	5
8. Salary reduction	0.848	0.032	0.032	0.048	-0.092
3. Reducing prices	0.832	0.147	-0.007	-0.025	0.166
13. Divestitures (asset sales)	0.025	0.858	0.180	-0.101	-0.148
11. Closing unprofitable areas of the business	0.175	0.718	0.147	0.085	0.286
7. Reevaluating profitability of customer segments	0.185	0.539	-0.279	0.460	-0.052
1. Reduction of administrative expenses	0.048	0.140	0.752	0.370	0.075
5. Reduction of marketing and selling costs	0.157	0.038	0.620	-0.027	-0.214
4. Outsourcing	-0.251	0.088	0.585	-0.101	0.370
12. Selling unprofitable areas of the business	0.091	0.081	-0.019	-0.797	-0.011
2. Expenditure cuts on a wide range of R&D	0.346	0.192	0.287	0.543	0.082
6. Deferring capital or major investments	0.371	0.308	0.174	0.376	-0.019
10. Personnel lay-offs	0.015	-0.017	-0.091	0.129	0.859
9. Reducing bonuses	0.126	0.081	0.238	-0.251	0.362

Source: own elaboration

It is assumed, that companies classified in the first group (G1), characterized by five profiles of answers. Those companies were least of all affected by the crisis, which means that these companies were characterized by the most stable financial condition. Therefore, the action taken under the cost reduction program formed a short response profiles. They not required taking the full range of activities. It is clear that the individual profiles are consistent and correspond to distinct needs of managers.

For example, first profile refers to activities aimed at immediate expenditure cuts, third to fixed costs directly affect the good or service produced, fifth to refer to human resources. An interesting feature in this analysis is that, if the manager chose expenditure cuts on a wide range of R&D or deferring capital or major investments, they do not chose selling

unprofitable areas of the business. Relatively stable financial situation of the enterprises justify such actions. Table 6 and 7 present the calculations for the second group of companies (G2).

Table 4: Results of Kaiser–Meyer–Olkin (KMO) and Bartlett’s test of sphericity for the second group of companies (G2)

Kaiser–Meyer–Olkin measure of sampling adequacy		0.827
Bartlett’s test of sphericity	Approx. chi-square	1005.826
	Degrees of freedom (df)	78
	<i>p</i> -value	< 0.001

Source: own elaboration

Table 7 provides evidence, that the companies classified in second group (G2), were characterized by four profiles of answers. Companies from this group overwhelmingly identified the effects of the global crisis. The different characteristics noted in G2, in comparison with G1, are a slightly longer list of activities in first profile. The analysis of these profiles shows that in the first profile there was no convergence of their actions, as was the case in the other profiles, even though the other profiles are characterized by coherence and consistency of choice. For instance, the choice of divestitures was associated with the choice of closing unprofitable areas of the business, which is a logical consequence of the action.

Table 7: Created after the rotation of the extracted component profiles representing the answers for the question about the types of cost reduction activities undertaken as a response of the global crisis for the second group of companies (G2)

Variable	Component			
	1	2	3	4
1. Reduction of administrative expenses	0.858	-0.303	0.073	-0.030
10. Personnel lay-offs	0.834	0.104	0.219	-0.064
5. Reduction of marketing and selling costs	0.814	0.060	-0.190	-0.019
6. Deferring capital or major investments	0.753	0.117	-0.054	0.221
9. Reducing bonuses	0.706	0.280	0.308	-0.122
7. Reevaluating profitability of customer segments	0.645	-0.057	0.002	0.512
4. Outsourcing	0.549	-0.388	0.134	-0.064
8. Salary reduction	-0.138	0.855	0.149	-0.077
3. Reducing prices	0.114	0.820	-0.100	0.085
13. Divestitures (asset sales)	0.103	0.133	0.835	0.279
11. Closing unprofitable areas of the business	0.376	-0.140	0.772	-0.139
2. Expenditure cuts on a wide range of R&D	0.506	-0.060	0.148	0.636
12. Selling unprofitable areas of the business	-0.484	0.370	0.110	0.548

Source: own elaboration

These results provide further support that difference in the way that the financial conditions of SMEs deteriorated, led to additional, less complex, sets of actions.

Table 8 and 9 present the calculations for third group of companies (G3)

Table 8: Results of Kaiser–Meyer–Olkin (KMO) and Bartlett’s test of sphericity for the third group of companies (G3)

Kaiser–Meyer–Olkin measure of sampling adequacy		0.712
Bartlett’s test of sphericity	Approx. chi-square	687.483
	Degrees of freedom (df)	66
	<i>p</i> -value	< 0.001

Source: own elaboration

Table 9: Created after the rotation of the extracted component profiles representing the answers for the question about the types of cost reduction activities undertaken as a response of the global crisis for the third group of companies (G3)

Variable	Component		
	1	2	3
10. Personnel lay-offs	0.828	0.147	0.402
1. Reduction of administrative expenses	0.783	0.323	0.043
11. Closing unprofitable areas of the business	0.779	-0.100	-0.125
13. Divestitures (asset sales)	0.767	0.303	0.004
5. Reduction of marketing and selling costs	0.646	0.571	-0.196
2. Expenditure cuts on a wide range of R&D	0.072	0.888	-0.076
7. Reevaluating profitability of customer segments	0.180	0.842	0.204
6. Deferring capital or major investments	0.202	0.755	0.204
4. Outsourcing	0.174	0.566	0.373
8. Salary reduction	-0.154	0.130	0.784
9. Reducing bonuses	0.400	0.337	0.706
3. Reducing prices	0.020	0.072	0.703

Source: own elaboration

As noted in table 9, companies classified in the third group (G3) were characterized by only three answer profiles. It should be noted that these companies were highly affected by their own perceptions of the global crisis. This group turned out to have the most disturbing financial results.

The obtained profiles indicate that managers in this group were not prepared well enough to make decisions in a crisis situation. They can be characterized as (except the third group) that of making generally random as opposed to deliberate choices. One gets the impression that these managers simply aimed all available tools at improving the crisis

situation. Their urgent need to generate immediate cash translated into a series of errors and inconsistencies surrounding financial decisions.

5 Findings

This study (in this paper -just a small part) has created a foundation for the development of profiles of different groups of firms, and thus the means to identification decisions made on the basis of financial considerations alone. Francis and Desai [2005], Smith and Graves [2006] demonstrated that the intensity of the impact of the crisis is reflected in the degree of deterioration in the condition of the company.

One of the main aims was to explain the specific nature of the impact of the financial turmoil on SMEs and at the same time to diagnose undertaken actions of their cost reduction program. The most important findings are:

- ✓ The greater the impact of the crisis on the financial condition of an SME, the smaller the number of profiles;
- ✓ The more sensitive the financial condition of an SME, to the effects of the crisis, the less correlated the response profiles are;
- ✓ The more vulnerable an SME was to the impact of the crisis, the more comprehensive were the profiles of activities;
- ✓ The more profiles there were, the more coherent sets of actions, taken in terms of cost reduction programs, there were.
- ✓ First group of companies (G1) was characterized by five profiles of answers, the second group (G2) by four profiles of answers, and the third group (G3) by three.

This statement implies that in the first group (G1) the obtained profiles of activities were targeted at a specific need for a concrete problem. These profiles were characterized by a relatively high consistency and logic of actions chosen. However, profiles formed by the third group are characterized by a more haphazard than deliberate set of actions. First, it may be due to the number of symptoms of the crisis and secondly the lack of financial management skills particularly necessary in times of crisis. Above all, however, there was a lack of early warning systems.

So far, the decision to apply greater or fewer activities to a cost reduction program has depended on the severity of the financial distress suffered by the SME. From this discussion it is clear that the profile of actions taken in terms of cost reduction varies according to the specified group (G1, G2, and G3). In accordance with the above, the hypothesis of this study has been verified positively.

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Malgorzata Porada-Rochon

University of Szczecin, Poland

**Determinants of Earnings Management of Financially Distress Firms:
An International Perspective****Abstract:**

The traditional concept of the business, which is striving to establish profit maximization is often criticized as unrealistic, and bypass the many important aspects of economic activity of the company. In particular, the global crisis has reviewed this concepts, highlighting the role of unstable environment. Most of the prior studies on earnings management have focused on why firms manage earnings. Particularly interesting seems to establish the factors that shape earnings (profit or loss) enterprises under the conditions of the recent financial crisis. The aim of this empirical study is to explore the factors that affect the earnings management of services companies in times of financial distress in Poland, Czech Republic, Slovakia, Hungary, Romania and Ukraine. It was selected 2007-2011 for this study period. Financial data was electronically retrieved from data files contained in AMADEUS (Compustat data file). A final sample of 47 205 firm-year observations are selected. The collected data are a balanced panel, so it is possible to eliminate random fluctuations. Qualities of application of research results in a situation in which clearly would be able to get the determinants influencing the earnings and economic value added of small and medium-sized enterprises in Eastern and Central Europe selected countries during the recent financial crisis, it would give an opportunity for entrepreneurs to pay special attention to these factors and to influence the final shape built up the financial result. In the longer term, it is the financial result is the goal, or provide opportunities to achieve their development goals.

Dissatat Prasertsakul

Mahidol University International College, Nakhonpathom, Thailand

Mayookapan Chaimunkong

Thonburi University, Thailand

Investigating Strategy Implementation Barriers and their Relationships to the Firms Strategic Typologies: An Evidence from an Emerging Economy**Abstract:**

As business environment becomes increasingly changing and complex, many today's corporations discovered that strategic management is the pathway to succeed. According to the findings from previous research, organizations that engage in strategic management generally outperform those that do not. Strategic management entails both strategic planning and implementation. The former involves the crafting of a strategy, whereas the latter is the managerial exercise of putting a chosen strategy in place. Strategic planning is important, yet formulated strategies must be implemented otherwise the planning phase becomes worthless. Many empirical studies found that most companies could not successfully execute their formulated strategies that it can lead to disappointing performance. Given this fact, strategy implementation is obviously an important issue; nonetheless, it was almost completely disregarded for decades. Taking into account a lack of cohesive body of strategy implementation literature, many scholars call for greater emphasis on the practical problems of strategy implementation. Common implementation barriers mentioned in the literature include poor communication, lack of leadership, and environmental uncertainty. Even if these studies indicated many factors that lead to a failure in strategy implementation, none of them attempted to discover whether there is a pattern of barriers to implementation due to a firm's strategy and most of them were conducted in the western countries. This study intends to contribute some relevant insights into the literature in the field of strategy implementation by investigating typical obstacles to effective strategy execution and their relationship to firm's strategy in Thailand. Structured questionnaires were collected from 114 senior executives from firms in chemical industry in Thailand that is considered to be a fundamental industry for both manufacturing and the service sector. By operationalizing Miles and Snow typologies using a multi-item approach, 40 firms are classified as Defenders; 36 firms are Analyzers; 19 firms are Prospectors; and 16 firms are Reactors. From hypothesis testing, Prospectors faced more problems from four barriers: uncontrollable factors in the external environment; ineffective coordination of implementation activities; unclearly defined changes in responsibilities of key role; and competing activities distracting attention from implementing decisions. Defenders experienced more problems from two barriers: problems were not communicated to top management early enough and key formulators of the strategic decision can not play an active role in the implementation process. Analysers experienced the extent of problems somewhere between Prospectors and Defenders whilst Reactor is the least effective strategy as they exhibited a poor result in implementation of strategy. The findings suggested that more advanced countries in the Western world experience fewer problems from

implementation of strategy than less developed countries in the East. This study is a pioneer in investigation of the problems of implementation by focusing on whether different strategic types have experienced barriers to implementation differently when they implement their strategic decisions. The findings add new knowledge to the existing literature and lay a foundation to further research. It allows management to focus on and cope with the barriers to implementation that commonly occur and pose serious problems to the organization.

Farah Qadir, Aneela Maqsood, Najam us Sahar, Nadia Bukhtawer

Fatima Jinnah Women University, Fremont, USA

Cecilia A. Essau, Regina Pauli, Catherine Gilvarry

Roehampton University, USA

Amna Khalid

University of Edinburgh, United Kingdom;

Anxiety among Adolescents in Pakistan: Factor Analysis of Spence Children's Anxiety Scale (SCAS)

Abstract:

Anxiety disorders are one of the most common psychiatric disorders among children and adolescents in Western countries (Costello, Egger & Angold, 2005) and are associated with numerous impairments in academic, social, and family functioning (Essau et al., 2000; Messer & Beidel, 1994). From a research perspective it is imperative to make reliable, clinically valid and culturally appropriate assessment in order to determine true prevalence, incidence and characteristics of anxiety disorders which are crucial for early recognition, prevention and treatment in this age group (Beesdo, Knappe, and Pine, 2009). The aim of the present study was to examine reliability and validity of the Urdu translation of the SCAS among adolescents in Pakistan. The instrument was translated into Urdu by back-translation procedure with special focus on content equivalence. Data was collected within school/college premises from a total of 1263 students (708 boys & 569 girls) from 12 schools of Rawalpindi region. Age range of the participants was between 13 and 17 years. Results of the study show mean 41.38 for SCAS total score. We found support for the six-factor structure. Urdu version of SCAS showed adequate internal consistency and strong convergent and divergent validity. Support was also found for girls being at higher risk of anxiety disorders as compared to boys. Results are discussed in light of cultural milieu of Pakistan.

Eva Rievajová

University of Economics Bratislava, Slovakia

Pension System of the Slovak Republic in the Context of Social and Economical Changes

Abstract:

The issues of social security for persons of pension age is given special attention in all European countries. Serious problem at present is to achieve a balance between contributions to the pension system and entitlements provided to citizens of pension age, the ratio between the number of employed in the economy and the number of beneficiaries. Setting up and functioning of the pension system depends on many factors, in addition to demographic trends as well as the development of the economy and state of public finances. The aim of this paper is to characterize the current pension system in Slovakia, to highlight the issue of sustainability from the perspective of public finance, demographic trends, and measures to stabilize the pension system.

Keywords: Pension System, Ageing Population, Unemployment, Economic Growth, Public Finance, Continuously Financed System, Capitalization System

JEL Classification: G23, G28, J26

Introduction

What concerns the sustainability, the most problematic and most discussed part of the social insurance is the segment of assurance of pensions. From the social aspect, the main task thereof is to ensure adequate income level of citizen in situations of long lasting character, during which the individual is unable to obtain, by their own activity, any funds for ensuring their needs, mostly in the pension age. The pension systems form a standard part of the macroeconomic and microeconomic environment of all advanced countries. The pension systems that were developed especially after the World War II and are based on the continuous system of financing come to financial crises, impose more and more demands on the taxpayers and the economically active population. Particularly important is the issue of balance between the contributions paid to the system and the provided benefits, i.e. the balance between the periods of work and receipt of the pension benefits, and the mutual ratio between the volume of active population and the number of pensioners. The financial and economic crisis has negative impact also on the problems connected with ageing population. The sustainability of pension systems has been impaired by such problems as unemployment, low economic growth, deficits in public finance, public debts. The reform steps that were realised in the conditions of the Slovak Republic, where currently a three-pillar pension system is operated, require constant changes and correction in accordance with the social and economic development. The objective of this paper is to

characterize the current pension system, to review the problem of sustainability of the pension system from the aspect of public finance and demographic trends, and measures to stabilize the system, taking into account the adequacy of pension benefits in order to maintain the life standard of those who receive the pensions. The paper is joined with the research project named Vega No. 1/0103/12 „Labour Market in Connection with Economic Growth in the Context of Social and Economic Changes“.

1. Approaches to Modernization of Pension Systems in Europe

The pension insurance system represent the basic part of the social model of each country that has achieved certain level of development. The pension insurance, being one of the parts of social protection, is the system which provided protection to approx. one third of the population mostly in advanced economies. It is also the social system which contains the highest economic potential regardless whether the pension system is financed mostly on continuous basis or by capital. The issues of setting the pension systems, choice of a suitable model have represented the object of discussions for several decades. In 1994, the World Bank published the significant material on pension reform named “Avoidance of the Crisis of Poverty”. The material discussed various potential combinations of political answers to the question of how to resolve the problem of pension systems. The material rejected the pension systems financed only continuously, and focused on the fund systems. The World Bank proposed to diversify the pension system as combination of governmental elements in order to sustain the minimum standards and elements based on private financing and management of funds.

An antipode of the World Bank’s approach to the pension insurance systems in the EU countries are the opinions of the European Federation of Pension Insurance (an association of employee pension associations of the West European countries, mostly the EU member states including Norway, Switzerland, and Iceland, that was founded in 1981), preferring development of the IInd pillar (employee) pension system based on a non-profit principle.

Within several streams of opinions, there is an interesting question implying concerns connected with the argument of demographic crisis in favour of introduction of the fund financing – „whether introduction of the capitalized pillar will help to resolve the issue of ageing population? The continuous system and the fund system represent in essence only different mechanisms of demand on future results of national economies.“ (Kenichi Hirose, 2009, p.31)

Financing of the pension insurance forms a part of the public finance and has significant impact on the quality and sustainability thereof. As the pension systems determine the standard of life of a large portion of the population, and thus also the population’s consumption, they have immense impact on functioning of the whole national economy. The pension systems themselves are affected by the economic stability or unbalance of the country, they are affected by the employment rate, the population development, and other factors. Therefore, they always undergo a constant process of catching-up with, and adjusting to, the economic, social, and political situation in the specific country (Svorenová, 2012).

The importance of modernization of the pension systems was stressed particularly in the meeting of the European Council in Stockholm in March 2001, having laid the basis for implementation of the so-called *open method of coordination of pensions* according to which the pension system in EU belongs

to the so-called communitary policy, i.e. any essential decisions are fully in competence of the individual EU member states. The open method of coordination introduced at the summit in Lisbon in 2000 represents a specific tool of political intervention, which changes the character of development in the areas of application thereof. Within EU, the method (sometimes in the way of trial and error) of mutual cooperation was sought in the areas which, due to some reason, were not subject to the European law, and where existed eminent interest in certain form of coordination of steps. The issues of social exemption, employment, pension have been and still are a sensitive subject from the aspect of competences and setting of objectives. The open method of coordination is not a binding legal tool, and its aim is to disseminate the best practices in the given area, it should help to achieve better convergence of the member states aimed at the approved EU objectives.

The meeting of the Council of Europe held in Göteborg in June 2001 stressed the need of complex approach in order to fulfill the tasks of the ageing society, and approved *three general principles of assurance of long-term sustainability of the pension insurance systems*:

- to ensure efficiency of the pension insurance systems so that they meet their social objectives aimed at provision of safe and adequate incomes for pensioners and their dependants, and to ensure, in combination with the systems of health and long-term care, adequate living conditions for all old people,
- to ensure financial sustainability of the pension insurance systems, so that the future impact of ageing will not impair the long-term sustainability of public finance or the ability to meet the basic objectives of the budgetary policy (in respect of the overall tax burden or expense priorities) and so that it will not result in any unjust distribution of sources between the generations. The objective connected with the financial sustainability is related with the need to maintain just balance between the financial burden and the pensions, between the active population and the pensioners. The change in the amount of contributions (or taxes) and pensions determines the level to which the burden of demographic ageing is distributed between the active population and the pensioners. Most of the current EU member states do not suppose that the amounts of contributions or the tax rate should be increased in the future. The sustainability of the pension system has further implications, even beyond the structure and parameters of the pension system. It deals both with the individual policies applied in the labour market, and other forms of social protection. The open method of coordination tries to account for all issues that are connected with the future of the pension insurance, and seeks for all options that may be used for maintaining the financially sustainable social protection on high level (Svorenová, 2012).
- to improve the ability of the pension insurance systems to respond to the changing needs of the society and the individuals, and thus to contribute to improved flexibility of the labour market, equality of the opportunities for men and women in respect of the employment and social protection, and better adjustment of the pension insurance systems to individual needs.

In the last years, the social, political, and economic development in the world has resulted in the necessity to reform the pension systems. In the EU member states, the realised reforms have been induced particularly by the demographic development manifested in overall ageing of the population of the economically advanced countries. The consequences of the population boom after the World War

II, namely the fast increase of expenses on old-age pensions means that it is required to reform the existing pension system. Ageing of the population in the advanced world will reach such level that in the event of the lack of appropriate reforms it will impair the European social model, as well as the economic growth and stability. The post-war generation with strong population years will reach the pension age, that will be combined with the effects of low birth rate and longer average life. Although in the advanced Europe, in the last decade, the official pension age has moved to 65 years of age, development of the actual age of retirement has been characterized by completely reverse trend, i.e. actual decrease of the age of retirement. It is due mostly to the pressures in the labour market and collective bargaining, that has resulted in the whole scale of the alternatives or pre-retirement. An important indicator is the index of pension burden, expressing the ratio between the population above 65 years of age and the population in productive age (20 –64 years of age).

Table 1 Projection of development of the pension burden index (%)

Country	2000	2010	2020	2030	2040	2050
Belgium	29.5	31.1	38.0	48.8	53.5	52.0
Denmark	25.5	29.6	35.7	42.0	47.0	43.7
Germany	28.0	34.1	38.6	50.3	57.0	56.1
Greece	30.2	33.6	38.0	44.4	54.7	61.6
Spain	28.7	30.7	35.2	44.7	59.8	68.7
France	28.5	29.5	38.1	46.4	52.1	53.2
Ireland	20.3	20.5	26.2	32.1	38.4	46.6
Italy	30.7	35.5	42.1	52.9	67.8	69.7
Luxembourg	24.8	27.6	33.0	42.5	47.2	43.5
Netherlands	23.1	26.2	34.7	44.2	50.1	46.9
Austria	26.3	30.1	34.5	47.0	57.0	57.7
Portugal	26.7	28.5	32.2	37.2	46.3	50.9
Finland	25.9	29.7	41.4	49.5	49.7	50.6
Sweden	30.9	33.8	39.8	45.4	48.9	48.5
UK	27,8	28.5	33.9	43.1	49.1	48.5
EU15	28.3	31.4	37.3	46.8	55.0	55.9

Source: Social Protection in Europe. Brussels: Eurostat, 2002.

The Government gradually passes from the policy of pre-retirement applied in the 80-ties in order to decrease the unemployment rate to the attempts to limit or reduce the expected financial transfers to old-age pensions. In this connection, the indicator of average longevity is important, the sooner the people retire and the longer pension period and the longer the longevity, the higher the social demands on the old age. Reforms of the pension insurance systems represent the key issue of the strategy of modernization of the social protection, aimed at creation of an active society of welfare, as well as assurance of high level of the social solidarity. They also play a key role in ensuring the financial consolidation, quality, and sustainability of public finance.

In the countries of Central and Eastern Europe, the reforms are induced also by the political and economical changes, and therefore, they have a slightly different character than in the original EU member states. In the post-Communist countries, the reformation process is much more dynamic, and mostly involves complete change of the pension system, while in the advanced countries, any adopted changes are pre-discussed for a long time and are less radical. Normally, a partial change is applied in the system, but generally, the system maintains its former character.

The pension systems and their reforms are the phenomenon of the last twenty years. The approach of each country is rather unique and focuses in a different way on various parameters of the system according to the traditions and economic options. Increased costs on the pension systems may be incurred within the first pillar (governmental, public) or such costs may be transferred to the second or even third pillar. It involves as best allocation of the costs on the systems as possible, so that it will remain functional, effective to maximum degree, and risky to minimum degree. However, from the macroeconomic aspect, the costs cannot be avoided in any way.

The financial and economic crisis has negative impact on the problems connected with ageing. By proving mutual dependence between various systems and revealing certain defects in some systems, it acted as a an „alarm clock“ for the whole pension area: higher unemployment rate, lower growth, higher level of national debts, and fluctuations in the financial markets have also hindered fulfillment of the promises of pension within all systems. Such effects, combined with the problems of ageing population, solution of which is required by the current situation, are an evidence of the fact that pension reforms cannot be avoided any longer (EC, 2009).

Currently, pension reform is realised in certain way almost in all EU countries. Naturally, the term „pension reform“ covers a very wide scale of changes or corrections with various intensity, different depth of changes, and focus which is different in each country. Very often, it represents a process of long-term character whose aim is not to realise any radical or revolutionary changes in the pension systems, but involves rather correction of the current status. ***Reform of the pension system may be performed generally in either of the following three ways:***

- The most radical way is complete replacement of the current system by an obligatory capitalization pillar.
- A parallel reform creates, in addition to the existing current pillar, also an accumulation pillar.
- In the transitional economies, a mixed model has been introduced so far, where a part of the current system is transformed to the accumulation pillar.

The core of reforms is also affected by the social values (response to the overactive role of the state, focusing on higher level of individual responsibility), but also deliberations on the costs of the system – the hope that the fund financing will allow higher pensions or lower contributions. *The aim of reforms* is first of all simultaneous satisfaction of the following two basic criteria:

- to provide adequate social protection to the old-age citizens,
- to stimulate or at least not to hinder the economic growth (OECD, 2000).

The following may be said about pension reforms (Rievajová, 2008):

As the demographic development leads rather to deepening the contradiction between development of the population in the productive and post-productive age, with significant growth of the population in the post-productive age, the best solution will probably be stimulation of employment of employees to the highest possible age. This is the reason why some countries (e.g. Germany and England) start to stimulate the business sector to employ employees to the highest possible age. It is also evident that in view of change of the social climate, and also in view of the fact that the today's pensioners are from the physiological aspect much more healthy thanks to the advanced medicine (they have certain specific, rather psychosomatic problems in respect of their performances at work), it will be much more reasonable to employ the population in post-productive age as long as possible, than to prefer their retirement. Thus, that age group of the population has the feeling of being needed and the feeling of certainty, which at the same time reduces the risk of bad health.

Thus, maintaining the space for work of pensioners means actually the fourth pillar which partially resolves the problems of the first three pillars. Being the fourth pillar of pension incomes, it brings permanent incomes from work to working pensioners and very interesting increase of their real incomes. This is the basis for the Lisbon strategy in employment of people in post-productive age.

From the aspect of long-term unemployment, the most endangered groups include, beyond the school graduates, also the people above 50 years of age. This problem must be resolved also by the European Union, because creation of the unified European capital pension market, creation of universal licensing of pension funds, application of liberal strategy of portfolio, and investments of pension funds, etc. will resolve the given problem in part only.

The said aspects might help to resolve the financial situation of most of the pension funds, and they could also guarantee sufficient financial flow for the benefit of pension funds. The investments of pension fund may then guarantee sufficient capital sources for the business sector. By that, combination of the principle of supporting small and mid-size firms and providing loans from capital markers, by using long-term pension sources via pension funds, and applying the governmental supplementary aid creates one of the possible ways for renewal of the social model in the European Union.

The surplus of capital sources may play an important role in restructuring and technologic refurbishment of enterprises in the European Union. Increased competitiveness of European enterprises will then be manifested not only in collecting higher taxes, but also in gradual growth of wages, and thus larger funds to the current and capitalization pillar. Thus, it will be possible to achieve more sustainable positive economic development, and to satisfy one of the key conditions for growth of the pension capital market.

On the other hand, many cases of collapsing pension funds mean the necessity to create a new international financial architecture, but mainly the necessity to apply a more strict and qualitatively new control mechanism of pension insurance funds. The scope of operations performed by the funds in capital markets requires substantial improvements in the legislation in order to control both the capital markets and operation of the pension funds. It is also required to improve control over the share issuers, both on the governmental and enterprise levels.

The fund schemes may be for example used for support of mortgages for houses. It is documented by the example of Chile where the substantive portion of the Chilean pension funds owned, for approximately 11 years, more than 60 % assets in the sphere of mortgage loans. It helped to finance construction of houses for the socially less stabilized strata of the population, and eventually brought significant improvement of life of most of the Chilean people.

In Chile (as a model of pension reform based on capitalization pillars), more than 35 % of the population are not insured in any of the insurance system. The same applies for the U.S.A., where more than 45 million people are not insured in any form of pension scheme. Therefore, certain expectations that were presented in respect of developing countries (mainly African and some Asian countries) that implementation of the capitalization pillar will resolve the problem of future incomes of pensioners has proved to be problematic minimum from the mid-term aspect.

2. Current Pension System in the Slovak Republic

The following section will deal with assessment of the pension reform and specific application thereof in respect of the parameters of functioning of the pension system in the conditions of the Slovak Republic.

Objectives and Results of Pension Reform

The substantial risks of financial burden in the future, many times higher than the current debt in public finance, the risks of decreasing functionality of the system represented a challenge for the thorough and general change of the pension insurance system in the Slovak Republic, with the aim to fulfill three specific targets. The first target was to change the former pension system based solely on continuous solidarity system to a modern three-pillar system with clear relationship between the paid premiums and the benefits from the system. The second target was to improve the long-term fiscal sustainability of the system, particularly in the context of expected demographic changes in the next following decades. The third target was to diversify the sources of incomes in the old age (continuous pillar – labour market; capitalization pillar – capital markets), which also partially reduces the risk of negative effect on the pension due to negative development in individual pillars (Ministry of Labour, Social Affairs, and Family of the Slovak Republic, 2011).

Sustainability and stability are the key requirements for long-term functioning of the pension system. They are based on the following two basic levels:

1. Acceptance of contributions to the system from the aspect of citizens.
2. Resistance of the system against any change in the demographic, economic, external, and other factors that affect its functioning.

The target of the extensive reform of the pension system, which practically started in 2003, was to remove the defects whose existence was a significant factor of the motivation to avoid payment of any premiums, and thus impaired the overall financial balance of the pension system.

The content of the reform steps was an essential change of the continuously financed pension system and introduction of a new old-age pension saving system defined by contributions into the obligatory pension system. ***The main target of the reform*** was to ensure long-term financial sustainability of the pension system, accounting for maintaining the adequacy of paid pension benefits.

One of the most significant changes in the obligatory pension system was gradual transition from applying the unreasonably high rate of solidarity to recognition of achievements and strengthening of the individual responsibility for the situation after retirement. The objective of the pension reform in the Slovak Republic was to respect the principles stressed by the European Commission: reasonable amount of pension benefits, modernization and assurance of financial sustainability of the pension system.

The reform of the pension system represents an important part of extensive and complex social changes, the result of which should have been (Ministry of Labour, Social Affairs, and Family of the Slovak Republic, 2005):

- decrease of the total number of the socially weak people, and gradual decrease of the unemployment rate,
- increased flexibility in the labour market, employment rate, and improvement of the business environment,
- a healthy, just, modern, and financially sustainable pension system that will create a space for further decrease of the overall burden of contributions in Slovakia,
- support of growth of the Slovak economy.

It is expected that gradual convergence of the Slovak economy to the advanced market economy and to the standard of life in the EU countries will affect, in the mid-term horizon, also the growth of wages, that will result in increase of the real value of pension benefits in the 1st pillar. The implicit yield rate in the 1st pillar means, at the current setting thereof, the rate of growth of wages in the economy. Solidarity in the continuous pension system will remain also in the next years, as the amount of maximum pension will be limited by the maximum base of payment of insurance premiums (Ministry of Labour, Social Affairs, and Family of the Slovak Republic, 2008).

Table 2 Estimated total expenses on pensions in the Slovak Republic

Year	2004	2010	2015	2020	2025	2030	2040	2050
Gross public expenses (% of GDP)	7.2	6.7	6.6	7.0	7.3	7,7	8.2	9.0
Expenses of private pillars (% of GDP)	0	0	0.	0.2	0.5	0,6	1.5	2.2
Total expenses (% of GDP)	7.2	6,7	6.	7.2	7.8	8,3	9.7	11.2
Average ratio of benefits from the 2nd pillar	0	0	0.	0.4	0.7	1,0	1.7	2.2

Source: ECOFIN, 2006.

The first step in reforming the pension system in Slovakia was transition from the social security to the social insurance, and implementation of adequate rate of achievements into the social system, while preserving the reasonable rate of solidarity. *The principle of achievements* means significantly higher dependence of the benefit that will be paid out from the system, dependence on the amount of the paid premiums, and on the term of insurance during the active life. *Reasonable solidarity* means that the benefit is partially reduced and the system „subsidies“ the benefits for those insured people who were unable, from objective reasons, to pay premiums in adequate amount or for a sufficiently long period.

Universal character of the system means unification of the age of retirement for the men and women. This measure was approved due to the reason of keeping the balance between incomes and expenditures of the Social Insurance Company, and due to maintaining the optimum ratio between the duration of paying contributions to the system and the duration of receiving benefits from the system.

Functioning of the pension systems from the aspect of financial sustainability and the setting of the system from the aspect of solidarity or achievement are strongly affected by the *demographic development of the society*. Although several demographic processes are going on in the Slovak Republic, even if with certain delay when compared with the advanced countries, the situation in this area is similar. Since the beginning of the 90-ties, our country has witnessed significant changes in the demographic development, that may mean transition to a new model of reproduction behaviour of the population (Bleha – Vaňo 2007), i.e. lower birth rate, less children, and longer life. These are irreversible facts for the next following decades, that will have serious impact on functioning of the society.

The number of pensioners has been growing for several decades also in the Slovak Republic, and the prognosis for the next following years is not favourable. According to Eurostat, the demographic crisis will rise in the next years, and its top is expected around 2055, when the ratio between the population at the age of 65+ and the productive population will be the worst.

In spite of the fact that the pension age has been continuously increased to 62 years in the Slovak Republic, in view of the expected duration of life and the period of receiving pension benefits, that age

is sufficient and does not require any immediate increase. However, the demographic crisis cannot be underestimated, and we should respond to it by effective tools, from the mid-term aspect also by increasing the pension age in view of the expected longer life, so that the consequences of the expected ageing are mitigated in maximum way. The transformation period, during which the pension age will be gradually increased, should not be shorter than 15-20 years, as the aim is to achieve social acceptability of that negative measure from the aspect of the economically active work force.

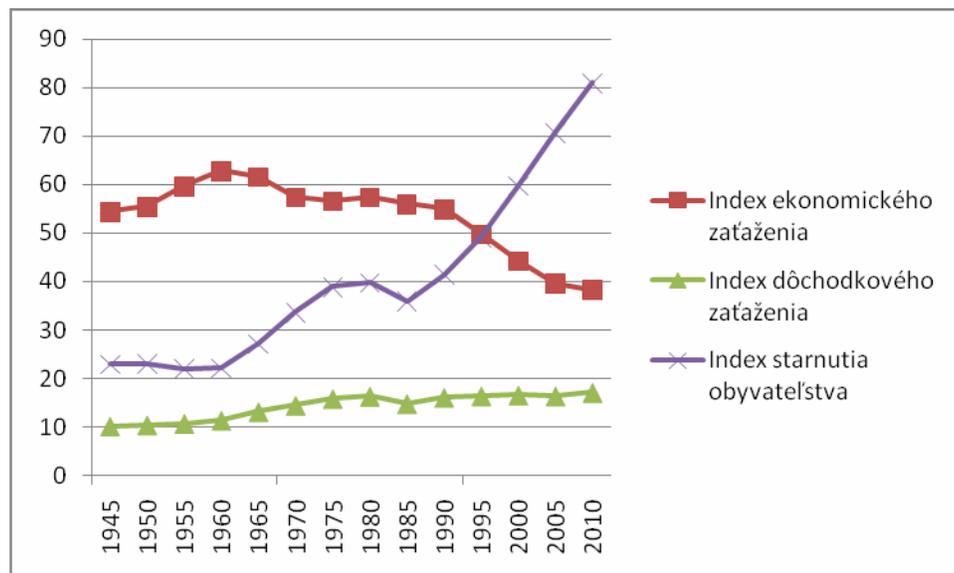
In prolongation of the pension age it is necessary to account for the fact that not every work may be performed by workers to a high age. It cannot be excluded that prolongation of the pension age could result in growth of the disability rate, and that fact must be balanced by the pension system on continuous basis. Attention should be also paid to the intensity of increasing the age, because a too high age could result in difficulty to find a job in the labour market by the old generation. Any inappropriate setting of this parameter will result in lower the income from taxes and duties and higher social expenditures by the state. The decision on increasing the pension age must be based on the performance of the economy and the absorption ability thereof in view of the older working people (Rievajová, 2012).

According to the demographic prognosis, the demographic crisis in the Slovak Republic will culminate in 2055. While in 2002, the ratio of citizens in post-productive age and citizens in productive age was 1:6, by 2055, that ratio will be decreased to 1:2 (Bleha – Vaňo 2007). The growing number of citizens in post-productive age means that it is inevitable to account for the growing impact of that group of the population on the social processes, and for its needs and interests.

The changes in the age structure of the population are presented also by the *economic burden index* which expresses the rate of burden imposed on the productive component of the population by the non-productive component. It reflects steep decline of the children component of the population, slow growth of the post-productive part of the population, and the fact that the generation born in the 70-ties enters into the group of 15-60 years of age. While in 2009, in the Slovak Republic, the ratio between the citizens in productive age and their dependants was 100:38, this ratio is expected to grow to 51.90 in 2025. Based on the analyses of several Slovak prognosticators it is expected that ageing of the population in Slovakia will be one of the most intensive within the whole European Union.

The ageing population index in the Slovak Republic shows the most remarkable changes when compared with the others from the three indices. The index reflects the share of the number of people in post-productive age and the children component of the population. It has been significantly growing since the second half of the eighties of the last century, and in 2010, the ratio between the persons in pension age and children was 81:100, which means enormous growth by 60 pensioners versus 1955.

Diagram 1 Development of economic burden index and pension burden index, and ageing population index in the years 1945 - 2010



Source: Statistic Office of the Slovak Republic.

red line: economic burden index

green line: pension burden index

violet line: ageing population index

The development of demographic characteristics has significant impact on safe operation and stability of the social system, and particularly the pension insurance system. The demographic trend in the Slovak Republic is characterized by gradual slowing-down of reproduction of the population. The share of persons in productive and post-productive age has been increasing, and results in ageing of the population. It is necessary to account for the needs and aims of the continuously growing group of persons in post-productive age. Thus, it opens new opportunities and possibilities of provision of social services, care of persons in pension age.

Table 3: Prognosis of the main demographic indicators of the Slovak Republic until 2050

	2010	2020	2030	2040	2050
Population of 0-17 years of age	1016703	944490	876435	787502	770490
Population of 18-64 years of age	3698270	3536805	3310036	3065937	2642776
Population above 65 years of age	681983	935593	1 153 779	1285931	1466923
Population of Slovakia	5396956	5416888	5340250	5139370	4880189
Average age	38.83	41.85	44.68	46.75	47.83
Total reproduction rate	1.26	1.46	1.58	1.64	41091
Migration saldo	2238	4154	4999	4999	4999
Index of dependence	0.18	0.26	0.35	0.42	0.56
Average age of the population of Slovakia	38.8	41.9	44.7	46.8	47.8

Source: Vaňo – Jurčová – Mészáros, 2002

The Slovak Republic has elected the approach of reforms, including the so-called parametric change of certain specific parameters of the existing system, and also radical systematic change that has changed the basic features of the entire obligatory pension system.

The current pension system is based on three pillars:

1st pillar – obligatory, continuously (PAYG-system) financed with reasonable solidarity. The continuously financed pension system is functional as long as payments of pension benefits may be covered from the collected money. In case the claims for pension benefits exceed the amount of collected contributions, the result is financial deficit and a threatening hidden debt. It is a debt of the pension system, which need not be visible at first sight, but is built in the system that promises to pay pension benefits to future generations, for which there will be no funds due to the demographic development. The said problems of the continuous method of financing the pension have additional negative impacts on the economy. The fact that the system becomes more and more costly and consumes more and more funds means that the productive public expenditures are limited and at the same time, private investments are edged out (Rievajová, 2008).

Currently, the first pillar covers all citizens in active age and their employers that pay obligatory contributions from each wage to the Social Insurance Company. The volume of the paid insurance premiums is immediately used for old-age pension benefits for the current pensioners, the disability

and survivor pension benefits. Since January 1, 2004, this pillar is operated according to new rules, including the following most important changes:

- gradual increase of the pension age to 62 years, both for men and women,
- stronger connection between the pension benefits and the contributions, so that the pension benefits will depend on the contributions to the system and changed calculation of the pension benefits,
- change of the essential period for calculation of the pension benefits,
- decreasing the extent of distribution of the income,
- indexing the benefits upon combination of inflation and wage indicators,
- the option of pre-retirement which, however, will be subject to reduction of 0.5 % for each month, and on the other hand, later retirement is honoured by a better bonus of 0.5 % for each month,
- payment of pension benefits regardless any other incomes from other paid activities without any limitation,
- in the next following years, the low pension benefits will be compensated and the high pension benefits will be partially reduced.

Table 4 Average amount of pension benefits

Type of benefit	2008 (SKK)	2009 (EUR)	2010 (EUR)	2011 (EUR)	2012 (EUR)
Old-age pension	9,431.00	339.73	353	362	375.89
Pre-old-age pension	9,870.00	350.61	367	358	374.51
Disability pension	7,001.00	249.43	255	256	265.10
Widow/er pension	5,708.00	204.33	191	196	205.10
Orphan pension	3,440.00	122.58	125	126	128.24

Source: Social Insurance Company

Table 5 Cumulative expenditures on pension benefits

Type of benefit	2008	2009	2010	2011
Old-age pension	97,085,746	3,595,383	3,926,901	3,926,901
Pre-old-age pension	6,588,697	240,230	172,515	172,515
Disability pension (DP)	16,881,043	622,259	689,217	689,217
Widow/er pension	14,720,999	532,374	559,056	559,056
Orphan pension	1,252,775	43,287	43,057	43,057

Source: Social Insurance Company

Table 6 Ratio between the average amount of the old-age pension and the average monthly wage in the economy of the Slovak Republic

Year	Average amount of pension* (until 2008 in SKK, from 2009 in EUR)	Average monthly wage in the economy of the SR gross** (until 2008 in SKK, from 2009 in EUR)	Ratio (per cent) between the average amount of the old-age pension and the average wage
1991	2,025.00	3,770.00	53.71
1992	2,199.00	4,543.00	48.40
1993	2,532.00	5,379.00	47.07
1994	3,049.00	6,294.00	48.44
1995	3,320.00	7,195.00	46.14
1996	3,727.00	8,154.00	45.71
1997	4,124.00	9,226.00	44.70
1998	4,490.00	10,003.00	44.89
1999	4,878.00	10,728.00	45.47
200	5,382.00	11,430.00	47.09
2001	5,782.00	12,365.00	46.76
2002	6,105.00	13,511.00	45.19
2003	6,503.00	14,365.00	45.27
2004	7,046.00	15,825.00	44.52
2005	7,713.00	17,274.00	44.65

2006	8,226.00	18,761.00	43.80
2007	8,885.00	20,146.00	44.10
2008	9,431.00	21,782.00	43.30
2009	339.73	744.50	45.63
2010	352.54	769.00	45.84
2011	362	786	46.05

* Source: Social Insurance Company

** Source: Statistic Office of the Slovak Republic.

2nd pillar – old-age pension savings established as an obligatory capitalization pillar.

It was established on January 1, 2005. The system is defined and financed, from the aspect of contributions, by remittance of contributions to personal pension accounts of the participants in the systems, i.e. the savers. The Law No. 43/2004 Coll. on old-age pension saving introduced the second, so-called capitalization pillar of the obligatory basic pension system, the essence of which is the fact that since January 1, 2005, the people may save money for their pension benefits. The old-age pension saving (OAPS) represents the so-called second pillar of the pension system, where the savers' funds are managed by a pension management company. The pension management company (PMC) is a joint-stock company having its registered office on the territory of the Slovak Republic (Ministry of Labour, Social Affairs, and Family of the Slovak Republic, 2013). By the end of 2012, each PMC could establish 4 funds: bond fund, share fund, mixed fund, and index fund which apply various investment strategies, and the citizen could elect one of them. According to the amendment to the PMC Law applicable from January 2013, the PMC should keep only two obligatory funds: one guaranteed and the other one non-guaranteed, while the other funds may be created on free basis. The guaranteed fund is safer, but it achieves lower yields from the long-term aspect. The savers will be able to distribute the saved amount into two funds. An important change is decrease of the contributions to the 2nd pillar from 9% to 4% of the base, which means strengthening of the 1st pillar.

Table 7 Nominal appreciation of pension funds (p. f.) in the years 2005 – 2012, in %

Pension fund/Year	2005	2006	2007	2008	2009	2010	2011	2012
Bond guaranteed p. f.	2.9	3.5	4.1	2.8	1.6	1.2	1.5	3.1
Mixed non-guaranteed p. f.	3.3	4.4	3.8	-5.2	0.8	1.2	1.5	3
Share non-guaranteed p. f.	3.5	4.7	3.6	-7.4	0.7	1.2	1.4	2.5
Index non-guaranteed p. f.	–	–	–	–	–	–	–	4.7

Source: Ministry of Labour, Social Affairs, and Family of the Slovak Republic, 2013

The purpose of the old-age pension savings is to insure the citizen for the old age or to ensure incomes for the survivors in case of death of the insured. The savor executes a contract on old-age savings with the pension management company authorized to manage the old-age pension savings. Within the system, the citizens are allowed to elect, on individual basis, one of the several pension management companies which create pension funds and manage the pension assets. The old-age pension saving system does not cover any insured persons of force resorts, for whom a special social insurance system was introduced with effect from July 1, 2002.

The old-age pension saving system is defined by contributions, i.e. the amount of benefit depends on the contribution paid to the management company and deposited on the personal pension account, the gains from disposal with the contributions, and the expected duration of savings as of the date of retirement (Ministry of Labour, Social Affairs, and Family of the Slovak Republic, 2013).

3rd pillar – voluntary

The citizen may pay from their income additional contributions for supplementary pension insurance (savings) in any amount in their own discretion, and certain amount may be paid also by the employer. The state provides tax benefits for the 3rd pillar insurance. Since January 2005, it has been modernized, and has created a space for saving for pension also by other forms – the life insurance, savings in banks, mutual funds, etc.

Both pension systems, capital and continuous, depend on the growth of wage. They differ in their response to the interest rate or return of capital. In respect of the PAYG pension system, the interest rate has basically no impact on the pension costs, because there is no long-term accumulation of capital/funds to which the interest rate would be bound. However, it is opposite in respect of the capital pension systems. In the expression of the partial balance, the costs of the PAYG system are derived from the growth of wages, but the costs of the fund pension system are derived from interaction between the growth of wages and the interest rate. If the growth of wages exceeds the interest rate, the PAYG system is cheaper than the fund system and vice versa (EU SAV, 2008, p. 76).

From the aspect of assessment of fulfilling the targets of the pension reforms it should be said that particularly the target relating to the long-term fiscal sustainability of the system has not been fulfilled until now, and setting of the parameters for the first and the second pension pillars has contributed to increasing the deficits of the pension system, faced by it from the short-term perspective. The largest financial impacts has had the underestimated number of people who would enter the capitalization pillar, and setting the rate of contributions to the 1st and 2nd pillars in the 1:1 ratio (9%). Contraty to the estimate of 40% participants in the old-age pension savings, the actual number was 65% participants from the total number of the insured. Expressed in figures, the negative impact of the reforms represented € 2,947.5 million, that had significant impact on the financial stability of the Social Insurance Company.

Conclusion

Stop of the demographically caused debt of the continuously financed pension system and increased engagement of citizens in their standard of life in the pension age was the priority target of the reform

of the pension system, realised in the Slovak Republic via the system and parameter changes. By introducing the obligatory pension system, namely the continuous and the capitalization pillars, the Slovak Republic belongs to the countries that have adopted such combination as optimum solution which ensures distribution of the risk. The transformation costs incurred by transfer of a part of the insurance premiums to the private pension management companies and the subsequent deficit of incomes of the Social Insurance Company represents currently the main problem of public finance. The first pillar may be sustainable in the current form only in the event of economic growth, growth of employment, increasing labour productivity or by implementing such measures as increased contributions for pension insurance, higher pension age, change of the mechanism of valorization of pension benefits, which, however, may have negative impacts on the population and the pension benefit receivers.

Should the pension reforms concentrate only on formal legislative changes in respect of the future pensioners (for example change of their pension benefits or legislative changes of duration of work), they will not bring any expected effects either from the aspect of the demographic situation or from the aspect of the sustainability of the business, governmental, and fund pension plans. Such understanding of pension reforms is too partial. Should the problems of pension plans be resolved in global context, even a lower yield rate, for example in connection with higher share of portfolio of governmental securities, may be sustainable from the long-term perspective.

Both ways of financing have their pros and cons, and therefore, application thereof largely depends on the specific economic, social, demographic, and political conditions of the given country. Pension funds are highly important in the capital market in the industrially advanced countries, and their assets represent an important part of the private sector capital. There is no doubt that to rely on one source of financing the pension system is rather risky. The evidence of this is the experience with pension systems in many countries, which today clearly speak not only about the risk but also about bad efficiency of applying only one way of financing.

Any measures aimed at support of the financial sustainability of the pension system should be combined with the trustworthiness for the future generations, by guaranteeing an adequate rate of compensation for older citizens, that would ensure, as minimum, the model of keeping the given standard of life. A dominant area in relation to the quality of life of the pension beneficiaries is represented by their incomes, and therefore, in deciding about any reform steps, it is important to resolve the issue of ensuring balance between the financial and social sustainability of the pension system. However, in order to cope with the current situation, new approaches will be required in the economic, social, and migration policy.

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Hala Abdulqader Sabri

University of Petra, Amman, Jordan

Existing and Preferred Organizational Culture in Arab and American Organizations

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Abstract:

In organization behavior it is of interest to know the extent to which local organizations adopt values held in their society. Considerable research, therefore, is expended in search of culture's influence on organizations and attitudes of managers inside them. Hence, this study examines if national values could explain types of organizational culture. It draws its methodology from Hofstede (2001) idea, that national culture impacts organizational operations; Harrison's (1992) types of organizational culture (Power, Role, Achievement and Support); and Pheysey's (1993) notion that Hofstede national culture could explain Harrison's (1992) types of organizational culture. The study first investigates the culture of organizations operating in an Arab society, namely Jordan, then, it compares its results with those reported by Harrison on American organizations. Results are of interest for human resources managers, change management professionals and comparative management researchers. Results also have important implications for international companies who need to take account of national cultures when deciding how much autonomy they should give to units in different countries to determine their own culture.

Keywords: Organizational Culture, Arab, American, Organizations

Alper Selçuk Sakar, Ali Yayli

Selçuk University Beyşehir Ali Akkanat MYO, Konya, Turkey (Sakar)
Gazi University, Ankara, Turkey (Yayli)

The Brand Personality of Konya City as a Touristic Destination

Abstract:

Brand personality is a process emerging as a result of identification of personality properties with brands. Brand personality takes importance for consumers to exhibit loyalty towards a certain brand since brand personality affects decisions of purchasing and enable to make a choice between competitors. Therefore, considering this approach, marketers and enterprises determine which personality properties become valid for consumers and bring these properties into the forefront in the communication.

Destination image is associated with tourist self-image when examining in the model of general image, destination brand and brand personality. This relationship shows that life styles of individuals and their systematics of values are of vital importance during process of choosing a destination. How much opinion of the tourist regarding destination image is in accord with his/her self concept, tendency of behavior, which shall result in visiting that destination, shall be exhibited.

This study addresses brand and marketing world in terms of travelling destinations rather than items of consumers. Dimensions of brand personality of Province of Konya, which is a touristic destination for both domestic and foreign tourists, were executed in accordance with Aaker's (1997) scale, its differentiations are investigated, the destination image is associated with tourist self-image, and based on results of the study, clues about destination marketing of the province are obtained.

Keywords: Brand, Image, Destination, Brand personality, Destination Brand, Destination Image, Destination Brand Personality, Province of Konya

1. INTRODUCTION

In this study; Konya city in Turkey as a touristic destination is examined in terms of brand personality concept in marketing .

Konya is one of the first inhabited cities in the history of mankind, and still contains traces of many ancient civilisations which gives it the atmosphere of a museum city. Because of its locations in the middle of the barren Anatolian steppe, it used to be one of the most important trading centres on the Silk Road. The fertile land around the city means Konya is also the heart of Turkey's grain industry, with farming a major industry. Steeped in tradition, it is one of the most conservative and religious places in the country, and best known as the adopted home of Celaleddin Rumi, the Sufic mystic who founded the Whirling Dervish sect. Today it is still a centre of Sufic practice and teaching, and one of the highlights for visitors is the Mevlana Museum, the former lodge of the dervishes (goturkey.com).

In this day, a group of writers assert a claim that reveals the value of branding concept aimed at developing tourist destination marketing by defining specifically branding processes of destinations. (Morgan and Pritchard 2002; Morgan, Pritchard, and Piggott 2003). Therefore, firstly some concepts has to be clearly identified in terms of tourism : Brand; all words including person names, shapes, letters, numbers, sings like forms and packages of goods that can be displayed or expressed in similar ways and can be augmented on condition that they identify a corporate's product or service and differentiate them from its competitors (Ar, 2004: 4). Destination image, generally can be defined as all mental schemas, believes and ideas of individuals about a place or destination (Baloğlu and McCleary,1999). Destination brand can be defined as “ perceptions about a place that are imprinted on a tourist mind as reflected by the organizations. ” (Cai,2002:273).

Brand personality comes into existence by identifying personality characteristics with brands and is the answer to such question as “If the brand were a person, what kind of person would it be?” which comes out in accordance with consumers' tendency to buy products and brands that match with their own personalities. (Tıǧlı, 2003). The most effective structure for understanding brand personality; Aaker's (1997) consists of 5 main dimensions which are sincerity, excitement, competence, sophistication and ruggedness. Under these main dimensions; it is a scale reflecting 42 personality characteristics including such adjectives as corporate, honest, friendly, cheerful, daring, rugged, lively, creative, masculine, intelligent, successful, upper class, daring, sportive and smooth etc. In this issue, Ekinci(2003) sets destination image with a trimeric model which includes general image, destination image and brand personality in destination brand and associates destination image with tourist's self-image. This association reveals that people's life styles and value systems are of key importance in choosing a destination(Ekinci 2003). The relationship between tourists and destination brand was also examined between self-concept and travel behavior with Sirgy and Su's(2000) self-congruity approach. Self-congruity concept is the result of tourist's association his/her self-concept with destination image. (Sirgy ve Su 2000). If a tourist's opinion about destination image matches with his/her self-concept, behaviral tendecy that results in a visit to that destination will occur. (Morgan, Pritchard, ve Pride 2002).

As a result, brand personality is a process that comes out by identifying personality characteristics with brands. Brand personality is very important for consumers to show brand loyalty for a specific brand, because brand personality affects buying decision and choice between the competitors. So that the marketers and companies take this approach into consideration and determines which personality characteristics gain validity among consumers and features these characteristics in marketing communications.

2. METHOD

2.1 The problem question

The topic of this research is determining the perceptions of domestic and foreign tourists on Konya's brand personality. Thus, the question “Is there any difference in the perceptions of domestic and foreign tourist who have visited the city of Konya on destination's brand personality?” is taken as main problem.

2.2 Aim of the study

The aim of this study is to apply brand personality dimensions of Konya as a tourist destination in the eyes of both domestic and foreign tourists in Aaker's(1997) scale, to search for the differentiation and relying on these research results to submit some recommendations about what can be done for the marketing of destination.

- Whether to associate the city of Konya as a tourist destination with brand personality characteristics or not
- Whether the brand personality perception of this destination differentiate in the eyes of domestic and foreign tourists or not.
- If there is such a differentiation, whether it is related to tourists's self-congruity perceptions about the destination or not

2.3 Hypotheses

- H₁: Tourists' perceptions of Konya's Brand Personality differs according to their being domestic or foreign.
- H_{1a}: Tourists' perception of Konya's Sincerity Personality differs according to their being domestic or foreign.
- H_{1b}: Tourists' perception of Konya's Excitement Personality differs according to their being domestic or foreign.
- H_{1c}: Tourists' perception of Konya's Competence Personality differs according to their being domestic or foreign.
- H_{1d}: Tourists' perception of Konya's Sophistication Personality differs according to their being domestic or foreign.
- H_{1e}: Tourists' perception of Konya's Ruggedness Personality differs according to their being domestic or foreign.
- H₂: Tourist's perceptions of Konya's brand personality as a destination are related to their self-congruity perceptions.
- H_{2a}:Tourist's perceptions of Konya's sincerity personality as a destination are related to their self-congruity perceptions.
- H_{2b}:Tourist's perceptions of Konya's excitement personality as a destination are related to their self-congruity perceptions.
- H_{2c}:Tourist's perceptions of Konya's competence personality as a destination are related to their self-congruity perceptions.
- H_{2d}:Tourist's perceptions of Konya's sophistication personality as a destination are related to their self-congruity perceptions.
- H_{2e}:Tourist's perceptions of Konya's ruggedness personality as a destination are related to their self-congruity perceptions.

- H₃: The relationship between destination's brand personality and tourists' self-congruity perceptions differs according to tourists's being domestic or foreign.
- H_{3a}: The relationship between destination's sincerity personality and tourists' self-congruity perceptions differs according to tourists's being domestic or foreign.
- H_{3b}: The relationship between destination's excitement personality and tourists' self-congruity perceptions differs according to tourists's being domestic or foreign.
- H_{3c}: The relationship between destination's competence personality and tourists' self-congruity perceptions differs according to tourists's being domestic or foreign.
- H_{3d}: The relationship between destination's sophistication personality and tourists' self-congruity perceptions differs according to tourists's being domestic or foreign.
- H_{3e}: The relationship between destination's ruggedness personality and tourists' self-congruity perceptions differs according to tourists's being domestic or foreign.
- H₄: Tourists' perceptions of Konya's brand personality as a destination are related to satisfaction they feel from their visit.
- H_{4a}: Tourists' perceptions of Konya's sincerity personality as a destination are related to satisfaction they feel from their visit.
- H_{4b}: Tourists' perceptions of Konya's excitement personality as a destination are related to satisfaction they feel from their visit.
- H_{4c}: Tourists' perceptions of Konya's competence personality as a destination are related to satisfaction they feel from their visit.
- H_{4d}: Tourists' perceptions of Konya's sophistication personality as a destination are related to satisfaction they feel from their visit.
- H_{4e}: Tourists' perceptions of Konya's ruggedness personality as a destination are related to satisfaction they feel from their visit.

2.4. Significance

In this regard, as a tourist destination Konya's brand personality data obtained from this research is very significant in that it will provide a perspective about which points will differ regarding to destination marketing and what it should pay attention to in the process of being a brand city.

2.5. Population and Sample

The population of the study consists of domestic and foreign tourists who have visited Konya. As it is difficult to reach all the members of population, it is preferred to sample among this population: 197 domestic tourists and 192 foreign tourists.

2.6. Data Collection

In this study, a six-part survey was conducted to collect data. In the survey J. Aaker's Brand Personality scale which consists of 42 questions and 5 sub-dimensions was applied. The dimensions of this scale are respectively Sincerity, Excitement, Competence, Sophistication and Ruggedness.

2.7. Analysis of Data

In the process of finding answers to the problems of study, SPSS 16.0 programme (Statistical Package for The Social Science) was availed.

The frequency distribution is examined to determine personality characteristics of domestic and foreign tourists consisting the population. Graphical display was organized with the use of Excel programme.

The opinions of domestic and foreign tourists about brand personality were examined with frequency distribution.

The reliability of the scale was tested with Cronbach's Alpha.

The differentiation of the domestic and foreign tourists' perception of Konya's Brand Personality was tested with Independent Sampling T Test.

Correlation and Multiple Regression Analyses were conducted to determine the relationship between tourists's perception of Konya's brand personality as a destination and their self-congruity perceptions and satisfaction they feel from their visits.

3. FINDINGS AND COMMENT

Table 1. Frequency Distribution In Respect To Sex

Attendant	Sex	f	%
Domestic	Women	110	55,8
	Men	87	44,2
Foreign	Women	95	49,5
	Men	97	50,5
General (Domestic+Foreign)	Women	205	52,7
	Men	184	47,3

It is pointed out that sampling distribution among the domestic and foreign attendants that constitute the sampling is proportionately close according to sex.

Table 2. Frequency Distribution In Respect To Age

Attendants	Age	f	%
Domestic	Younger than 20	7	3,6
	21-30 ages	58	29,4
	31-40 ages	55	27,9
	41-50 ages	40	20,3
	51-60 ages	18	9,1
	61and over	19	9,6
Foreign	Younger than 20	16	8,3

	21-30 ages	68	35,4
	31-40 ages	58	30,2
	41-50 ages	23	12,0
	51-60 ages	20	10,4
	61and over	7	3,6
General	Younger than 20	23	5,9
(Domestic+Foreign)	21-30 ages	126	32,4
	31-40 ages	113	29,0
	41-50 ages	63	16,2
	51-60 ages	38	9,8
	61and over	26	6,7

It is pointed out that 21 – 30 and 31 – 40 age groups are dominant in age distribution of domestic and foreign attendants that constitute the sampling.

Table 3. Frequency Distribution In Respect To Marital Status

Attendants	Marital Status	f	%
Domestic	Single	66	33,5
	Married	106	53,8
	Seperate/Divorced	25	12,7
Foreign	Single	96	50,0
	Married	88	45,8
	Seperate/Divorced	8	4,2
General (Domestic+Foreign)	Single	162	41,6
	Married	194	49,9
	Seperate/Divorced	33	8,5

It is pointed out that among domestic tourists married attendants and among foreign tourists single attendants are predominant in marital distribution of domestic and foreign attendants that constitute the sampling.

Table 4. Frequency Distribution In Respect To Average Monthly Income

Attendants	Avr. Monthly Income	f	%
Domestic	Less than1000 TL	6	3,0
	Between 1001-1500 TL	39	19,8
	Between 1501-2000 TL	7	3,6
	Between 2001-2500 TL	63	32,0
	Between 2501-3000 TL	36	18,3
	Between 3501-4000 TL	12	6,1
	Between 4001-4500 TL	6	3,0

	Between 4501-5000 TL	16	8,1
	Over 5000 TL	12	6,1
Foreign	Less than 1000 \$	7	3,6
	Between 1001-1500 \$	46	24,0
	Between 1501-2000 \$	39	20,3
	Between 2001-2500 \$	32	16,7
	Between 2501-3000 \$	31	16,1
	Between 3501-4000 \$	13	6,8
	Between 4001-4500 \$	6	3,1
	Between 4501-5000 \$	5	2,6
	Over 5000 \$	13	6,8

It is pointed out that domestic tourists dominantly have 2001-2500 TL, foreign tourist dominantly have 1001-1500 \$ monthly income according to monthly income distribution of domestic and foreign tourists that constitute the sampling.

Table 5. Frequency Distribution In Respect To Educational Status

Attendants	Edu. Status	f	%
Domestic	High School	31	15,7
	Associate Degree	24	12,2
	Bachelor's Degree	99	50,3
	Postgrad. Degree	43	21,8
Foreign	High School	35	18,2
	Associate Degree	22	11,5
	Bachelor's Degree	92	47,9
	Postgrad. Degree	43	22,4
General (Domestic+Foreign)	High School	66	17,0
	Associate Degree	46	11,8
	Bachelor's Degree	191	49,1
	Postgrad. Degree	86	22,1

It is pointed out that attendants having bachelor's degree are predominant in educational status distribution of domestic and foreign attendants that constitute the sampling.

3.1 The Opinions of Domestic and Foreign Tourists In Reference to The Perceptions of Konya

Table 6. The Findings About The Image That Konya City Made On The Domestic and Foreign Tourists

Attendant	The Image Made (1)	The Image Made (2)	The Image Made (3)
Domestic	Mevlana 87, %45,3	Peacefull 48, %25,8	Clean 40, %22,0
Foreign	Moral 19, %10,1	Modern 15, %15,0	Holy 15, %20,8
General	Mevlana 88, %23,1	Peacefull 56, %19,6	Clean 44, %17,3

Table 7. The Findings In Reference To What Domestic and Foreign Tourists Feel From Their Visit To Konya City

Attendant	Feeling (1)	Feeling (2)	Feeling (3)
Domestic	Peace 100, %52,4	Happiness 83, %46,6	Excitement 51, %29,0
Foreign	Happiness 33, %17,6	Comfortableness 6, %27,3	Spirituality 2, %28,6
General	Peace 123, %32,5	Happiness 88, %44,0	Excitement 52, %28,4

Table 8. The Findings In Reference To How Domestic and Foreign Tourists Define The Other Tourists Who Visit To Konya City

Attendants	Type (1)	Type (2)	Type (3)
Domestic	Peaceful 41, %21,7	Tolerant 46, %25,6	Modern 42, %23,9
Foreign	Mevlana 73, %39,0	Lover 8, %40,0	Religious 3, %33,3
General	Mevlana 77, %20,5	Tolerant 46, %23,0	Modern 42, %22,7

3.2 Determination Of Domestic and Foreign Tourists' Opinions About Konya City's Brand Personality

Table 9. Frequency Distribution In Respect To Domestic and Foreign Tourists' Views About "Sincerity" Dimension Of Brand Personality

	Attendant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
down-to-earth	Domestic	1(%0,5)	-	54(%27,4)	85(%43,1)	57(%28,9)
	Foreign	1(%0,5)	9(%4,7)	41(%21,4)	63(%32,8)	78(%40,6)
	General	2(%0,5)	9(%2,3)	95(%24,4)	148(%38,0)	135(%34,7)
family-oriented	Domestic	-	-	18(%9,1)	49(%24,9)	130(%66,0)
	Foreign	1(%0,5)	-	33(%17,2)	68(%35,4)	90(%46,9)
	General	1(%0,3)	-	51(%13,1)	117(%30,1)	220(%56,6)
small town	Domestic	-	7(%3,6)	3(%1,5)	52(%26,4)	135(%68,5)
	Foreign	12(%6,2)	42(%21,9)	53(%27,6)	68(%35,4)	17(%8,9)
	General	12(%3,1)	49(%12,6)	56(%14,4)	120(%30,8)	152(%39,1)
honest	Domestic	6(%3,0)	10(%5,1)	28(%14,2)	52(%26,4)	101(%51,3)
	Foreign	1(%0,5)	1(%0,5)	19(%9,9)	108(%56,2)	63(%32,8)
	General	7(%1,8)	11(%2,8)	47(%12,1)	160(%41,1)	164(%42,2)
sincere	Domestic	1(%0,5)	16(%8,1)	9(%4,6)	30(%15,2)	141(%71,6)
	Foreign	-	-	40(%20,8)	97(%50,5)	55(%28,6)
	General	1(%0,3)	16(%4,1)	49(%12,6)	127(%32,6)	196(%50,4)
real	Domestic	-	7(%3,6)	12(%6,1)	48(%24,4)	130(%66,0)
	Foreign	-	3(%1,6)	36(%18,8)	96(%50,0)	57(%29,7)
	General	-	10(%2,6)	48(%12,3)	144(%37,0)	187(%48,1)
wholesome	Domestic	-	8(%4,1)	24(%12,2)	60(%30,5)	105(%53,3)
	Foreign	2(%1,0)	-	75(%39,1)	84(%43,8)	31(%16,1)
	General	2(%0,5)	8(%2,1)	99(%25,4)	144(%37,0)	136(%35,0)
orijinal	Domestic	-	15(%7,6)	26(%13,2)	56(%28,4)	100(%50,8)
	Foreign	-	-	38(%19,8)	83(%43,2)	71(%37,0)
	General	-	15(%3,9)	64(%16,5)	139(%35,7)	171(%44,0)
cheerful	Domestic	9(%4,6)	15(%7,6)	91(%46,2)	34(%17,3)	48(%24,4)
	Foreign	3(%1,6)	2(%1,0)	34(%17,7)	102(%53,1)	51(%26,6)
	General	12(%3,1)	17(%4,4)	125(%32,1)	136(%35,0)	99(%25,4)
sentimental	Domestic	-	-	19(%9,6)	49(%24,9)	129(%65,5)
	Foreign	13(%6,8)	22(%11,5)	64(%33,3)	68(%35,4)	25(%13,0)
	General	13(%3,3)	22(%5,7)	83(%21,3)	117(%30,1)	154(%39,6)
friendly	Domestic	-	26(%13,2)	43(%21,8)	58(%29,4)	70(%35,5)
	Foreign	-	3(%1,6)	3(%1,6)	57(%29,7)	129(%67,2)
	General	-	29(%7,5)	46(%11,8)	115(%29,6)	199(%51,2)

Table 10. Frequency Distribution In Respect To Domestic and Foreign Tourists' Views About "Excitement" Dimension Of Brand Personality

	Attendant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
daring	Domestic	9(%4,6)	40(%20,3)	70(%35,5)	34(%17,3)	44(%22,3)
	Foreign	-	18(%9,4)	107(%55,7)	45(%23,4)	22(%11,5)
	General	9(%2,3)	58(%14,9)	177(%45,5)	79(%20,3)	66(%17,0)
trendly	Domestic	24(%12,2)	16(%8,1)	77(%39,1)	51(%25,9)	29(%14,7)
	Foreign	4(%2,1)	37(%19,3)	92(%47,9)	39(%20,3)	20(%10,4)
	General	28(%7,2)	53(%13,6)	169(%43,4)	90(%23,1)	49(%12,6)
exciting	Domestic	8(%4,1)	8(%4,1)	30(%15,2)	57(%28,9)	94(%47,7)
	Foreign	5(%2,6)	13(%6,8)	51(%26,6)	49(%25,5)	74(%38,5)
	General	13(%3,3)	21(%5,4)	81(%20,8)	106(%27,2)	168(%43,2)
spirited	Domestic	-	15(%7,6)	53(%26,9)	58(%29,4)	71(%36,0)
	Foreign	1(%0,5)	6(%3,1)	12(%6,2)	78(%40,6)	95(%49,5)
	General	1(%0,3)	21(%5,4)	65(%16,7)	136(%35,0)	166(%42,7)
cool	Domestic	9(%4,6)	19(%9,6)	69(%35,0)	39(%19,8)	61(%31,0)
	Foreign	5(%2,6)	7(%3,6)	67(%34,9)	95(%49,5)	18(%9,4)
	General	14(%3,6)	26(%6,7)	136(%35,0)	134(%34,4)	79(%20,3)
young	Domestic	29(%14,7)	67(%34,0)	52(%26,4)	30(%15,2)	19(%9,6)
	Foreign	10(%5,2)	33(%17,2)	57(%29,7)	59(%30,7)	33(%17,2)
	General	39(%10,0)	100(%25,7)	109(%28,0)	89(%22,9)	52(%13,4)
imaginative	Domestic	11(%5,6)	33(%16,8)	38(%19,3)	54(%27,4)	61(%31,0)
	Foreign	-	5(%2,6)	63(%32,8)	82(%42,7)	42(%21,9)
	General	11(%2,8)	38(%9,8)	101(%26,0)	136(%35,0)	103(%26,5)
unique	Domestic	8(%4,1)	9(%4,6)	32(%16,2)	59(%29,9)	89(%45,2)
	Foreign	-	9(%4,7)	15(%7,8)	63(%32,8)	105(%54,7)
	General	8(%2,1)	18(%4,6)	47(%12,1)	122(%31,4)	194(%49,9)
up-to-date	Domestic	16(%8,1)	9(%4,6)	64(%32,5)	72(%36,5)	36(%18,3)
	Foreign	-	41(%21,4)	61(%31,8)	78(%40,6)	12(%6,2)
	General	16(%4,1)	50(%12,9)	125(%32,1)	150(%38,6)	48(%12,3)
independent	Domestic	9(%4,6)	25(%12,7)	61(%31,0)	50(%25,4)	52(%26,4)
	Foreign	-	25(%13,0)	62(%32,3)	75(%39,1)	30(%15,6)
	General	9(%2,3)	50(%12,9)	123(%31,6)	125(%32,1)	82(%21,1)
contemporary	Domestic	19(%9,6)	1(%0,5)	74(%37,6)	64(%32,5)	39(%19,8)
	Foreign	-	39(%20,3)	67(%34,9)	50(%26,0)	36(%18,8)
	General	19(%4,9)	40(%10,3)	141(%36,2)	114(%29,3)	75(%19,3)

Table 11. Frequency Distribution In Respect To Domestic and Foreign Tourists' Views About "Competence" Dimension Of Brand Personality

	Attendant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
reliable	Domestic	1(%0,5)	9(%4,6)	41(%20,8)	87(%44,2)	59(%29,9)
	Foreign	-	6(%3,1)	42(%21,9)	90(%46,9)	54(%28,1)
	General	1(%0,3)	15(%3,9)	83(%21,3)	177(%45,5)	113(%29,0)
hard working	Domestic	8(%4,1)	15(%7,6)	39(%19,8)	73(%37,1)	62(%31,5)
	Foreign	-	10(%5,2)	54(%28,1)	106(%55,2)	22(%11,5)
	General	8(%2,1)	25(%6,4)	93(%23,9)	179(%46,0)	84(%21,6)
secure	Domestic	-	8(%4,1)	30(%15,2)	106(%53,8)	53(%26,9)
	Foreign	-	-	77(%40,1)	29(%15,1)	86(%44,8)
	General	-	8(%2,1)	107(%27,5)	135(%34,7)	139(%35,7)
intelligent	Domestic	-	16(%8,1)	53(%26,9)	93(%47,2)	35(%17,8)
	Foreign	-	13(%6,8)	72(%37,5)	45(%23,4)	62(%32,3)
	General	-	29(%7,5)	125(%32,1)	138(%35,5)	97(%24,9)
technical	Domestic	10(%5,1)	31(%15,7)	22(%11,2)	89(%45,2)	45(%22,8)
	Foreign	-	32(%16,7)	88(%45,8)	42(%21,9)	30(%15,6)
	General	10(%2,6)	63(%16,2)	110(%28,3)	131(%33,7)	75(%19,3)
corporate	Domestic	9(%4,6)	-	24(%12,2)	72(%36,5)	92(%46,7)
	Foreign	15(%7,8)	5(%2,6)	68(%35,4)	63(%32,8)	41(%21,4)
	General	24(%6,2)	5(%1,3)	92(%23,7)	135(%34,7)	133(%34,2)
successful	Domestic	7(%3,6)	7(%3,6)	23(%11,7)	64(%32,5)	96(%48,7)
	Foreign	-	-	78(%40,6)	94(%49,0)	20(%10,4)
	General	7(%1,8)	7(%1,8)	101(%26,0)	158(%40,6)	116(%29,8)
leader	Domestic	16(%8,1)	16(%8,1)	46(%23,4)	75(%38,1)	44(%22,3)
	Foreign	-	9(%4,7)	88(%45,8)	51(%26,6)	44(%22,9)
	General	16(%4,1)	25(%6,4)	134(%34,4)	126(%32,4)	88(%22,6)
confident	Domestic	8(%4,1)	16(%8,1)	43(%21,8)	79(%40,1)	51(%25,9)
	Foreign	-	5(%2,6)	85(%44,3)	70(%36,5)	32(%16,7)
	General	8(%2,1)	21(%5,4)	128(%32,9)	149(%38,3)	83(%21,3)

Table 12. Frequency Distribution In Respect To Domestic and Foreign Tourists' Views About "Sophistication" Dimension Of Brand Personality

	Attendant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
upper class	Domestic	24(%12,2)	17(%8,6)	75(%38,1)	71(%36,0)	10(%5,1)
	Foreign	2(%1,0)	57(%29,7)	58(%30,2)	56(%29,2)	19(%9,9)
	General	26(%6,7)	74(%19,0)	133(%34,2)	127(%32,6)	29(%7,5)
glamorous	Domestic	-	-	44(%22,3)	84(%42,6)	69(%35,0)
	Foreign	39(%20,3)	18(%9,4)	105(%54,7)	14(%7,3)	16(%8,3)
	General	39(%10,0)	18(%4,6)	149(%38,3)	98(%25,2)	85(%21,9)
good-looking	Domestic	10(%5,1)	9(%4,6)	52(%26,4)	73(%37,1)	53(%26,9)
	Foreign	5(%2,6)	30(%15,6)	37(%19,3)	81(%42,2)	39(%20,3)
	General	15(%3,9)	39(%10,0)	89(%22,9)	154(%39,6)	92(%23,7)
charming	Domestic	9(%4,6)	2(%1,0)	63(%32,0)	73(%37,1)	50(%25,4)
	Foreign	5(%2,6)	-	9(%4,7)	97(%50,5)	81(%42,2)
	General	14(%3,6)	2(%0,5)	72(%18,5)	170(%43,7)	131(%33,7)
feminine	Domestic	48(%24,4)	57(%28,9)	72(%36,5)	9(%4,6)	11(%5,6)
	Foreign	5(%2,6)	30(%15,6)	70(%36,5)	44(%22,9)	43(%22,4)
	General	53(%13,6)	87(%22,4)	142(%36,5)	53(%13,6)	54(%13,9)
smooth	Domestic	1(%0,5)	8(%4,1)	13(%6,6)	126(%64,0)	49(%24,9)
	Foreign	-	8(%4,2)	37(%19,3)	112(%58,3)	35(%18,2)
	General	1(%0,3)	16(%4,1)	50(%12,9)	238(%61,2)	84(%21,6)

Table 13. Frequency Distribution In Respect To Domestic and Foreign Tourists' Views About "Ruggedness" Dimension Of Brand Personality

	Attendant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
outdoorsy	Domestic	16(%8,1)	11(%5,6)	66(%33,5)	72(%36,5)	32(%16,2)
	Foreign	-	4(%2,1)	93(%48,4)	71(%37,0)	24(%12,5)
	General	16(%4,1)	15(%3,9)	159(%40,9)	143(%36,8)	56(%14,4)
masculine	Domestic	21(%10,7)	6(%3,0)	70(%35,5)	53(%26,9)	47(%23,9)
	Foreign	-	13(%6,8)	133(%69,3)	40(%20,8)	6(%3,1)

	General	21(%5,4)	19(%4,9)	203(%52,2)	93(%23,9)	53(%13,6)
western	Domestic	57(%28,9)	28(%14,2)	72(%36,5)	28(%14,2)	12(%6,1)
	Foreign	3(%1,6)	44(%22,9)	67(%34,9)	53(%27,6)	25(%13,0)
	General	60(%15,4)	72(%18,5)	139(%35,7)	81(%20,8)	37(%9,5)
tough	Domestic	8(%4,1)	6(%3,0)	41(%20,8)	89(%45,2)	53(%26,9)
	Foreign	11(%5,7)	18(%9,4)	100(%52,1)	54(%28,1)	9(%4,7)
	General	19(%4,9)	24(%6,2)	141(%36,2)	143(%36,8)	62(%15,9)
rugged	Domestic	31(%15,7)	25(%12,7)	58(%29,4)	38(%19,3)	45(%22,8)
	Foreign	11(%5,7)	10(%5,2)	137(%71,4)	23(%12,0)	11(%5,7)
	General	42(%10,8)	35(%9,0)	195(%50,1)	61(%15,7)	56(%14,4)

3.3 Findings About Self-Congruity Of Konya City

Table 14. Frequency Distribution In Respect To Konya City's Self-Identity

		f	%
In accordance with how I see myself	Domestic	115	58,4
	Foreign	184	95,8
	General	299	76,9
In accordance with how I want to see myself	Domestic	82	41,6
	Foreign	49	25,5
	General	131	33,7
In accordance with my belief about how others see me	Domestic	27	13,7
	Foreign	18	9,4
	General	45	11,6
In accordance with how I want others to see me	Domestic	11	5,6
	Foreign	19	9,9
	General	30	7,7

Konya city has more parallelism with foreigners' self-identity of how they see themselves.

Table 15. Frequency Distribution In Respect To Whether The Attendants Have Been to Konya Before or not

		f	%
Domestic	Yes	136	69,0
	No	61	31,0
Foreign	Yes	28	14,6
	No	164	85,4
General	Yes	164	42,2
	No	225	57,8

Table 16. Frequency Distribution In Respect to How many Times The Visitors Have Been to Konya Before

		f	%
Domestic	1-2 times	47	34,6
	3-4 times	68	50,0
	5 and more	21	15,4
Foreign	1-2 times	16	57,1
	3-4 times	6	21,4
	5 and more	6	21,4
General	1-2 times	63	38,4
	3-4 times	74	45,1
	5 and more	27	16,5

Domestic tourists visit Konya is more frequent than foreign tourists.

Table 17. Frequency Distribution In Respect to How many Days The Attendants Stayed in Konya

		f	%
Domestic	1-3 days	182	92,4
	4-6 days	14	7,1
	7 and more	1	0,5
Foreign	Excursion (One-day)	2	1,0
	1-3 days	123	64,1
	4-6 days	53	27,6
	7 and more	14	7,3
General	Excursion (One-day)	2	0,5
	1-3 days	305	78,4
	4-6 days	67	17,2
	7 and more	15	3,9

Both domestic and foreign tourists accommodate in Konya for about 1-3 days.

Table 18. Frequency Distribution In Respect to Attendants' Satisfaction Scoring From Their Visits to Konya

		f	%
Domestic	1	1	0,5
	5	8	4,1
	6	5	2,5
	7	25	12,7

	8	37	18,8
	9	45	22,8
	10	76	38,6
Foreign	0	2	1,0
	6	1	0,5
	7	28	14,6
	8	106	55,2
	9	47	24,5
	10	8	4,2
General	0	2	0,5
	1	1	0,3
	5	8	2,1
	6	6	1,5
	7	53	13,6
	8	143	36,8
	9	92	23,7
	10	84	21,6

The satisfaction the domestic attendants feel from their visit to Konya is greater than that of foreigners.

Table 19. Frequency Distribution In Respect to Whether The Attendants Think of Visiting Konya Again or Not.

		f	%
Domestic	Yes, I think	196	99,5
	No, I don't think	1	0,5
Foreign	Yes, I think	157	81,8
	No, I don't think	35	18,2
General	Yes, I think	353	90,7
	No, I don't think	36	9,3

As domestic tourists feel more satisfaction than foreigners, domestic tourists think more seriously of visiting Konya again.

Table 20. Frequency Distribution In Respect To Reasons Why They Do Not Think of Visiting Konya Again

		f	%
Domestic	I want to go other places / I have other jobs to do	1	100,0
Foreign	Too far from my hometown	20	57,1
	I want to go other places / I have other jobs to do	1	2,9

I have no time	5	14,3
As I have been here before	7	20,0
There is not a specific reason	2	5,7

The reason is why foreign tourists don't want to come again is that they live far from Konya.

4. RESULTS

Table 21. The Results of Reliability Analysis

		No. of Questions	Average	Cronbach's Alpha
Brand Personality	Domestic	42	3,785	0,933
	Foreign	42	3,696	0,893
Sincerity	Domestic	11	4,258	0,878
	Foreign	11	3,985	0,602
Excitement	Domestic	11	3,569	0,814
	Foreign	11	3,665	0,774
Competence	Domestic	9	3,889	0,798
	Foreign	9	3,730	0,874
Sophistication	Domestic	6	3,544	0,675
	Foreign	6	3,534	0,764
Ruggedness	Domestic	5	3,321	0,661
	Foreign	5	3,262	0,759

Brand Personality Scales that were conducted to both domestic and foreign tourists were found to be highly reliable.

Table 22. Results of T Test in Respect to First Hypothesis

	Attendant	No.	Average	Standard Deviation	t	Sig.
Brand Personality	Domestic	197	3,716	0,521	1,733	0,084
	Foreign	192	3,635	0,392		
Sincerity	Domestic	197	4,258	0,582	5,605	0,000**
	Foreign	192	3,985	0,358		
Excitement	Domestic	197	3,569	0,671	-1,602	0,110
	Foreign	192	3,665	0,504		
Competence	Domestic	197	3,889	0,629	2,524	0,012*
	Foreign	192	3,730	0,610		
Sophistication	Domestic	197	3,544	0,596	0,160	0,873

	Foreign	192	3,534	0,650		
Ruggedness	Domestic	197	3,321	0,754	0,907	0,365
	Foreign	192	3,263	0,489		

** : significant difference at 0,01 significance level

* : significant difference at 0,05 significance level

There is no difference between domestic and foreign tourists' perceptions of Konya City's brand personality

Domestic tourists find Konya more sincere and more competent. There is no difference between domestic and foreign tourists's perceptions of Konya City's excitement, sophistication and ruggedness personality.

1,773 t statistical value that is calculated to determine whether domestic tourists' perceptions of brand personality differ from foreign tourists' perceptions was not found statistically significant at 0,05 significance level (Sig.=0,084>0,05). Mathematical difference detected between the averages was found statistically insignificant. No difference was found between domestic and foreign tourists's perceptions of brand personality. In this case **H₁** alternative hypothesis was **rejected**.

5,605 t statistical value that is calculated to determine whether domestic tourists' perceptions of Konya city's sincerity personality differ from foreign tourists' perceptions was found statistically significant at 0,01 significance level (Sig.=0,000<0,05). After examining the averages, the score domestic tourists obtained from sincerity dimension is 4,258, the average score foreign tourists obtained was 3,985. The domestic tourists' perceptions of Konya's sincerity personality is greater than foreign tourists' perceptions. In this case **H_{1a}** alternative hypothesis was **approved**

-1,602 t statistical value that is calculated to determine whether domestic tourists' perceptions of Konya city's excitement personality differ from foreign tourists' perceptions was not found statistically significant at 0,05 significance level (Sig.=0,110>0,05). Mathematical difference detected between the averages in excitement dimension was found statistically insignificant. No difference was found between domestic and foreign tourists's perceptions of Konya's excitement personality. In this case **H_{1b}** alternative hypothesis was **rejected**.

2,524 t statistical value that is calculated to determine whether domestic tourists' perceptions of Konya city's competence personality differ from foreign tourists' perceptions was found statistically significant at 0,05 significance level (Sig.=0,012<0,05). After examining the averages, the score domestic tourists obtained from competence dimension is 3,889, the average score foreign tourists obtained was 3,730. The domestic tourists' perceptions of Konya's competence personality is greater than foreign tourists' perceptions. In this case **H_{1c}** alternative hypothesis was **approved**

1,600 t statistical value that is calculated to determine whether domestic tourists' perceptions of Konya city's sophistication personality differ from foreign tourists' perceptions was not found statistically significant at 0,05 significance level (Sig.=0,873>0,05). Mathematical difference detected between the averages in sophistication dimension was found statistically insignificant. No difference was found

between domestic and foreign tourists's perceptions of Konya's sophistication personality. In this case **H_{1d}** alternative hypothesis was **rejected**.

0,907 t statistical value that is calculated to determine whether domestic tourists' perceptions of Konya city's ruggedness personality differ from foreign tourists' perceptions was not found statistically significant at 0,05 significance level (Sig.=0,365>0,05). Mathematical difference detected between the averages in tough dimension was found statistically insignificant. No difference was found between domestic and foreign tourists's perceptions of Konya's ruggedness personality. In this case **H_{1e}** alternative hypothesis was **rejected**.

Table 23. The Results of Correlation Analysis In Respect To Second Hypothesis

		Self-Congruity
Brand Personality	Correlation Coefficient	0,012
	Sig.	0,817
Sincerity	Correlation Coefficient	-0,053
	Sig.	0,295
Excitement	Correlation Coefficient	0,016
	Sig.	0,761
Competence	Correlation Coefficient	-0,014
	Sig.	0,777
Sophistication	Correlation Coefficient	-0,016
	Sig.	0,759
Ruggedness	Correlation Coefficient	0,100*
	Sig.	0,050

*: significant difference at 0,05 significance level

Table 24. The Results of Multiple Regression Analysis In Respect To Second Hypothesis

Model	SS	DF	MS	F	Sig.
Regression	2,600	5	0,520	1,546	0,175
Residual	128,809	383	0,336		
Total	131,409	388			
R ² =0,020					
Variance	Standardized Beta Coefficient			t	p
Sincerity	-0,056			-0,921	0,358
Excitement	0,046			0,543	0,588
Competence	-0,038			-0,502	0,616
Sophistication	-0,081			-1,111	0,267
Ruggedness	0,143			2,285	0,023*

SS: Sum of Squares, DF=Degree of Freedom, MS: Mean Square

There is not a relation between tourists' perception of Konya City's brand personality and city's parallelism with self- congruity. There is not a relation between tourists' perception of Konya City's sincerity, excitement, competence and sophistication personality and city's parallelism with self- congruity. There is a positive relation between tourists' perception of Konya City's ruggedness personality and city's parallelism with self- congruity.

0,012 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's brand personality and parallelism with their self-congruity was not found statistically significant at 0,05 significance level (Sig.=0,817>0,05). No relationship was observed between tourists' perceptions of brand personality and their self-congruity.

-0,053 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's sincerity personality and parallelism with their self-congruity was not found statistically significant at 0,05 significance level (Sig.=0,295>0,05). No relationship was observed between tourists' perceptions of sincerity personality and their self-congruity.

0,016 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's excitement personality and parallelism with their self-congruity was not found statistically significant at 0,05 significance level (Sig.=0,761>0,05). No relationship was observed between tourists' perceptions of excitement personality and their self-congruity.

-0,014 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's competence personality and parallelism with their self-congruity was not found statistically significant at 0,05 significance level (Sig.=0,777>0,05). No relationship was observed between tourists' perceptions of competence personality and their self-congruity.

0,016 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's sophistication personality and parallelism with their self-congruity was not found statistically significant at 0,05 significance level (Sig.=0,759>0,05). No relationship was observed between tourists' perceptions of sophistication personality and their self-congruity.

0,100 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's ruggedness personality and parallelism with their self-congruity was found statistically significant at 0,05 significance level (Sig.=0,05≤0,05). It was observed that there is a relationship between tourists' perceptions of ruggedness personality and their self-congruity.

1,546 f statistical value that was calculated to determine the effect of Konya's brand personality on tourists' self-congruity was found significant at 0,05 significance level according to Multiple Regression Analysis (sig.=0,175>0,05). Taking self-congruity as dependent variable and brand personality dimensions as independent variable, it was detected that the regression model that would be adopted was not significant. When R² value was examined, it was observed that only %2 of tourists' self-congruity for the city was explained by city's brand personality. In other words, it was detected that Konya city's brand personality had no effect on tourists' self-congruity.

The decisions about second hypothesis after correlation and regression analysis are;

- **H₂** alternative hypothesis was **rejected**
- **H_{2a}** alternative hypothesis was **rejected**

- **H_{2b}** alternative hypothesis was **rejected**
- **H_{2c}** alternative hypothesis was **rejected**
- **H_{2d}** alternative hypothesis was **rejected**
- **H_{2e}** alternative hypothesis was **approved**

Table 25. The Results of Correlation Analysis In Respect To Third Hypothesis

Domestic Tourists		Self-Congruity
Brand Personality	Correlation Coefficient	0,119
	Sig.	0,096
Sincerity	Correlation Coefficient	0,116
	Sig.	0,104
Excitement	Correlation Coefficient	0,085
	Sig.	0,235
Competence	Correlation Coefficient	0,058
	Sig.	0,418
Sophistication	Correlation Coefficient	0,092
	Sig.	0,200
Ruggedness	Correlation Coefficient	0,125
	Sig.	0,080
Foreign Tourists		Self-Congruity
Brand Personality	Correlation Coefficient	-0,055
	Sig.	0,445
Sincerity	Correlation Coefficient	-0,144*
	Sig.	0,046
Excitement	Correlation Coefficient	-0,080
	Sig.	0,269
Competence	Correlation Coefficient	-0,027
	Sig.	0,712
Sophistication	Correlation Coefficient	-0,085
	Sig.	0,244
Ruggedness	Correlation Coefficient	0,112
	Sig.	0,123

*: significant difference at 0,05 significance level

While it was not observed that there was a relationship between domestic tourists' perceptions of Konya's sincerity personality and their self-congruity, there is a negative relationship between foreign tourists' perceptions of city's sincerity personality and parallelism with their self-congruity.

There is not any relation between domestic and foreign tourists' perceptions of Konya city's excitement, competence, sophistication and ruggedness personality and their self-congruity.

Respectively 0,119 and -0,055 correlation coefficients between domestic and foreign tourists' perceptions of Konya's brand personality and parallelism with their self-congruity was not found statistically significant at 0,05 level. In this case H_3 alternative hypothesis was **rejected**

On one hand, 0,116 correlation coefficient between domestic tourists' perceptions of Konya's sincerity personality and their parallelism with their self-congruity was found insignificant, on the other hand, -0,144 correlation coefficient that calculates this relation among foreign tourists was found statistically significant at 0,05 significance level. As foreign tourists' self-congruity with Konya increases, their perceptions of city's sincerity personality decreases. In this case, H_{3a} alternative hypothesis was **approved**

Respectively 0,085 and -0,080 correlation coefficients between domestic and foreign tourists' perceptions of Konya's excitement personality and parallelism with their self-congruity was not found statistically significant at 0,05 level. In this case H_{3b} alternative hypothesis was **rejected**

Respectively 0,058 and -0,027 correlation coefficients between domestic and foreign tourists' perceptions of Konya's competence personality and parallelism with their self-congruity was not found statistically significant at 0,05 level. In this case H_{3c} alternative hypothesis was **rejected**

Respectively 0,092 and -0,085 correlation coefficients between domestic and foreign tourists' perceptions of Konya's sophistication personality and parallelism with their self-congruity was not found statistically significant at 0,05 level. In this case H_{3d} alternative hypothesis was **rejected**

Respectively 0,125 and 0,112 correlation coefficients between domestic and foreign tourists' perceptions of Konya's ruggedness personality and parallelism with their self-congruity was not found statistically significant at 0,05 level. In this case H_{3e} alternative hypothesis was **rejected**

Table 26. The Results of Correlation Analysis In Respect To Fourth Hypothesis

		Satisfaction
Brand Personality	Correlation Coefficient	0,105*
	Sig.	0,038
Sincerity	Correlation Coefficient	0,191**
	Sig.	0,000
Excitement	Correlation Coefficient	0,097
	Sig.	0,056
Competence	Correlation Coefficient	0,088
	Sig.	0,083
Sophistication	Correlation Coefficient	0,053
	Sig.	0,300
Ruggedness	Correlation Coefficient	0,003
	Sig.	0,954

*: significant difference at 0,05 significance level

Table 27. The Results of Multiple Regression Analysis In Respect To Fourth Hypothesis

Model	SS	DF	MS	F	Sig.
Regression	26,759	5	5,352	3,055	0,010
Residual	670,932	383	1,752		
Total	697,692	388			
R ² =0,038					
Variance	Standardized Beta Coefficient			t	p
Sincerity	0,184			3,078	0,002
Excitement	0,053			0,626	0,531
Competence	-0,015			-0,201	0,841
Sophistication	-0,006			-0,086	0,931
Ruggedness	-0,047			-0,756	0,450

SS: Sum of Squares, DF=Degree of Freedom, MS: Mean Square

As the brand personality and sincerity tourists perceive of Konya increases, their satisfaction from their visits also increases. Namely, there is positive relation between brand personality and satisfaction. There is not any relation between tourists' perceptions of Konya's excitement, competence, sophistication and ruggedness personalities and level of satisfaction they feel from their visit.

0,105 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's brand personality and level of satisfaction was found statistically significant at 0,05 significance level (Sig.=0,038<0,05). As the brand personality that participant tourists perceive of Konya city increases, their satisfaction level also increases.

0,191 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's sincerity personality and satisfaction level was found statistically significant at 0,01 significance level (Sig.=0,000<0,01). As the sincerity personality that participant tourists perceive of Konya city increases, their satisfaction level also increases.

0,097 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's excitement personality and satisfaction level was not found statistically significant at 0,05 significance level (Sig.=0,056>0,05). No relation was observed between tourists' perceptions of Konya city's excitement personality and their satisfaction level of their visits.

0,088 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's competence personality and satisfaction level was not found statistically significant at 0,05 significance level (Sig.=0,083>0,05). No relation was observed between tourists' perceptions of Konya city's competence personality and their satisfaction levels of their visits.

0,053 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's sophistication personality and satisfaction level was not found statistically significant at 0,05 significance level (Sig.=0,300>0,05). No relation was observed between tourists' perceptions of Konya city's sophistication personality and their satisfaction level of their visits.

0,003 correlation coefficient calculated to determine whether there is any relation between participant tourists' perceptions of Konya's ruggedness personality and satisfaction level was not found statistically significant at 0,05 significance level ($\text{Sig.}=0,954>0,05$). No relation was observed between tourists' perceptions of Konya city's ruggedness personality and their satisfaction level of their visits.

3,055 f statistical value that was calculated to determine the effect of Konya's brand personality on satisfaction that tourists feel from their visit was found significant at 0,01 significance level according to Multiple Regression Analysis ($\text{sig.}= 0,010\leq 0,01$). Taking satisfaction as dependent variable and brand personality dimensions as independent variable, it was detected that the regression model that would be adopted was significant.

When R^2 value was examined, it was observed that only %4 of tourists' satisfaction of the city was explained by city's brand personality. The clarification percentage of the model is very low. In other words, it was detected that Konya city's brand personality had no effect on tourists' satisfaction. Looking at the standardized regression tables, it was seen that the dimension that forms the effect is sincerity dimension.

The decisions about fourth hypothesis after correlation and regression analysis are;

- **H₄** alternative hypothesis was **approved**.
- **H_{4a}** alternative hypothesis was **approved**.
- **H_{4b}** alternative hypothesis was **rejected**.
- **H_{4c}** alternative hypothesis was **rejected**.
- **H_{4d}** alternative hypothesis was **rejected**.
- **H_{4e}** alternative hypothesis was **rejected**.

5. SUGGESTIONS

The data of the brand personality of the Konya city as a touristic destination that is obtained from this survey gains importance as a perspective in what ways Konya city would differ in destination marketing and points of importance in the process of being a brand city.

In accordance with the results, it can be tested the differences of domestic and foreign tourists' brand personality conceptions of Konya city by not only using Aaker's scala but also some other implementations of this scala into Turkish culture in local dimensions for the following surveys of cultural comparisons. In this issue, Aksoy and Ozsömer's (2007) local implementation of Aaker's scala into Turkish culture could be used. As it is known, Aaker and others (2001) tested the scala both in Japan and Spain as different cultures and observed different new dimensions when compared to the basic one in USA. In the further more detailed surveys, the classification of foreign tourists visiting Konya city according to their region, country an even cultures might help the understanding of whether they have different city brand perceptions.

When it is considered the relation of satisfaction of Konya city visit between foreign tourists' self-congruity and brand personality dimensions, it is found that the sincerity personality that participant

tourists perceive of Konya city increases, their satisfaction level also increases though there is a negative relationship between foreign tourists' perceptions of city's sincerity personality and parallelism with their self-congruity. As the authors' opinion from a different perspective: " Could it be said that foreign tourists do not find themselves sincere, friendly which they look for in Konya destination and if they find the destination the more friendly and sincere, the more they are satisfied? In this manner, if they feel the city character of peace, love, sufism, spirituality and happiness when they relate to their self-congruity; could it be a living experience like it is done in touristics Budhism temple activities in the far east? Could some live activities be done in Konya where foreign tourists experience the dervish tekke (the place they live) life such as wearing, having food, whirling and just living the philosophy like the dervishes and could it be a different, new and more profitable touristic income generating way that Konya city lacks off?" The authors believe that answers to those questions in the next researches could be a lighting point for the promotion and marketing of the Konya city.

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Abubakar Sadiq Saleh

University of Huddersfield, United Kingdom

Impact of Debt Management Strategy on Economic Growth of Sub-Saharan Africa: A Search for an Appropriate Strategy

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Abstract:

To achieve a meaningful growth most countries in the sub-Saharan Africa may find it difficult to escape borrowing. It is on record that many of these countries have lived literally on debt, debt relief and aid from more developed economies. The effect of debt in most of the sub-Saharan was found to be negative on growth (Okosode and Isedu, 2008; Adegbite et al, 2008). Several works have supported the argument however using very insignificant samples; and few of those are from the sub-Saharan Africa (Fosu, 1996). The negative impact of debt on economic growth could be as a result of factors other than debt. Issues of corruption, mismanagement and the strategy of managing sovereign debts are often ignored. It is believed that an effective debt management strategy is a relevant factor for economic growth. The objective of this work is to determine the effect of a debt management strategy employed by a country on economic growth of such a nation. The work will employ the use of the least square regression analysis to establish the relationship between the variable of debt management (DeM) and economic growth. A Time series debt data was generated from the World Bank Economic Policy and External Debt data bank. Total external reserves as a percentage of external debt (TOTEXRES) represents economic growth in the model, and debt management (DeM) was computed from the World Bank's debt management performance assessment (DeMPA) and the joint World Bank/IMF debt sustainability analysis (DSA) reports. It was expected that an effective debt management strategy would be positively related to economic growth.

Keywords: Debt, Management, Strategy, Relief, Economic Growth

Miral Samarah

Applied Science University (ASU), Amman, Jordan

The Impact of Information Flows and Inflation Risk on the Sensitivity of Stock Returns

Abstract:

Industrial sector considered as one of the most significant economic sectors in Jordan since it plays an important role in economic growth regarding to its impact on GDP, In spite of being affected by economic crashes and depression in addition to the surrounded economical and political circumstances. This study perusing to examine the Jordanian industrial performance relative to a macroeconomic factor represented by inflation risk besides the effect of information flows on stock returns using two statistical methods starting with the Ordinary Least Square (OLS) and applying GARCH Model. The results obtained are consistent with previous studies where it considered to be reasonable and expected, it indicates that the stock returns are dramatically affected by the information's arrival to the market since it causes a volatility in the volume of trade which is significantly and positively effects the firm's performance in financial market; However the firm's stock returns experienced an insignificant and negative relationship with inflation risk.

Key words: Stock Returns , Information Flows , Trade Volume , GARCH model , Inflation , CPI , Expected Inflation .

Jaya Samboo

Mauritius Examinations Syndicate, Reduit, Mauritius

The Microcosm of Teaching and Learning within the Macrocosm of Technological Change and the Challenges of a Globalised World, What Assessment Strategies to Adopt?

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Abstract:

Teaching and learning with the aims to promote social justice, to emancipate the academic community, to build resilience in the future generation demand constant knowledge of the factors affecting each society in particular its new generation. Equally pertinent is the assessment modalities to adopt that best suits the expectations and challenges awaiting the 21st century learner. Assessment techniques should spawn enthusiasm rather than apprehension in a teacher as the reality of which is anchored in best teaching practices and understanding the demands of the new generation. Peeking in a pedagogical stance within the globalised world should be in line with the contemporary educational ethics of each school in which the students share, cooperate and contribute responsibly to a global society. Indeed, such ethics encompass the way students are assessed that ultimately will impact on the reflecting a society of responsible citizens. What type of assessment then? The inevitable inclusion of technology in our lives has skewed the learning rate, the teaching methodologies and the assessment methodologies in a way unthought-of of few years ago. Technology enhances teaching and learning but technology is made devoid of meaning if there is absence of democratic ethics within the learning microcosm. Learner based assessment can promote the appreciation of the diversity of persons and cultures. The types of assessment backed up by a global curriculum should aim at inspiring students to convey the spirit and ideals of a responsible citizen.

Seiuli Luama Sauni

University of Auckland, New Zealand

Transmissionators of Samoan Culture, Language and Spirituality: Samoan Male Nurturers within Early Childhood Education in Aotearoa New Zealand

Abstract:

This paper is a deliberate attempt on the author's part to disrupt the dominant discourses surrounding the notions of nurturing and caring for young children within the context of teaching and learning in early childhood education. There is no doubt that in a profession that is predominantly female-orientated, the influence of male role models is called for. Drawing on a case study that examined the perspectives of Samoan males in early childhood education, the paper highlights contributing factors that have influenced their roles and relationships with young children in their care (Sauni, 2006). In Aotearoa-New Zealand, the changing roles, attributes and status of Samoan males working in early childhood settings is recognised as being of great importance that makes a significant difference in the lives of young children. The term transmissionators within the title of this paper is introduced and used to describe the critical roles of Samoan males as transmitters of culture, language and spiritual knowledge. These are regarded as being important aspects to the nurturing and caring of children that seeks to generate transformation. The paper explores the deeper meanings embedded within fundamental principles that are characteristic to the multiple roles of Samoan males. It identifies the ways in which such values and beliefs have the potential to translate into quality learning for children. The continued existence of stereotypical barriers and assumptions however, the strength and determination of Samoan men to facilitate social change as transmitters of spiritual and cultural knowledge is an achievement in the holistic development of children in their early years. In the 21st century, efforts by the Minister of Education and Pasifika communities, scholars and researchers have focused on the importance of working together to transform educational and culturally responsive pedagogical practices. In conclusion, this paper discusses through reflections the work, impact and influence of Samoan male teachers in early childhood settings. As 'transmissionators', they have accomplished and achieved success beyond their translations of language or transference of cultural values, because it's about a 'mission' a sacred obligation and spiritual connection.

Tatiana Sidorenko

Tomsk polytechnic university, Tomsk, Russia

Foreign Language Education in Technical Universities**Abstract:**

The economic crisis of the recent years capturing almost all countries in the world has a detrimental effect on the education system and on the job market as well. The matter is that the traditional education system is slowly adapted to fast technological and economic changes happening in the society. It leads to the necessity of constant upgrading teaching materials and approaches allowing to prepare professionals specialized in a particular area of knowledge. Upgrading professional knowledge now is the task not only of teachers but also of students themselves. Lifelong learning is in priority in modern educational context, but it is impossible to do without such a tool as the language. We can do nothing with the English language globalization, so the earlier students will introduce to the language learning and its possibilities to career development, the earlier they can broaden their knowledge in a particular area. Thereby language education in technical universities, where it is not included in the list of prior disciplines, is appearing the task of a high importance. The main focus of this paper is on how to organize the language education with the maximum effect on the development of language and social skills as well.

Uba Sirikaew, Supoj Srinil, Harutut Poban, Maneerut Subpa-Asa

King Mongkut's Institute of Technology, Bangkok, Thailand

Villagers' Attitudes Toward Academics Service on the Road Construction Project of Civil Engineering Department, King Mongkut's Institute of Technology Ladkrabang: Case Study of Panoki –Kopadoh Route, Thailand**Abstract:**

The village of Panoki of Tak province and the Kopadho village of Chiang Mai province, both of which are situated in the high mountainous remote rural areas of northern Thailand, were once physically isolated without a paved road connecting between the two communities. Then in December 2010 local villagers and volunteers from the Temple of Prabhuddhabat Hui Tohm of Lamphun province jointly launched the construction project of a local road, Panoki-Kopadoh Route, constructed with bamboo reinforced concrete, and the Civil Engineering Department, Engineering Faculty, King Mongkut's Institute of Technology Ladkrabang (KMITL) acted as the project consultant. As the project progressed, an increasing number of volunteers participated in this road construction project. Nevertheless, the language barrier posed the biggest challenge to the consulting team as the local villagers could communicate only in the Karen language. The task even became almost insurmountable with the villagers' and volunteers' lack of construction skills, personal safety and hygiene. As a man power is a key to success, a consultant provided the practical training for three days and the technical service during construction for those volunteers. This research work aims to study the self improvement of the local workers with respect to basic knowledge of road construction and personal safety and hygiene. A Likert scale and interviews were used to measure their attitudes before and after participating in the practical training and the technical services. The results reveal that the participants not only gained an understanding of the construction of a road with bamboo reinforced concrete but also expressed the willingness to apply the knowledge to future projects of similar nature. In addition, the participant exhibited higher self-esteem after the training and held a positive attitude towards the academics service arranged by the Civil Engineering Department of King Mongkut's Institute of Technology Ladkrabang.

Keywords: KMITL, bamboo reinforced concrete, Karen, attitude, Likert, safety and hygiene

Isabel Soares, Carla Mendes

Faculty of Economics, University of Porto, Portugal

The Economic Evaluation of Renewable Energy Investments: Need to Change**Abstract:**

In the last few decades, electricity market liberalization has significantly influenced investment decisions in regards to electricity generation. Furthermore, electricity generation projects have specific characteristics, such as irreversibility and high level of uncertainty, which influences the choice of the best method to evaluate energy investments. The traditional method commonly used to evaluate these investments is the Net Present Value (NPV). However, this method underestimates the value of the investment when flexibility is one of the project characteristics. Thus, the method is unsuitable to evaluate power generation investments. The Real Option Approach (ROA) overcomes these shortcomings. When uncertainty and irreversibility are present in energy investments, ROA evaluate the investments taking into account that investor's choice is subject to flexibility, i.e., an investor has the choice of postpone or not his choice about irreversible investments. Therefore, the main purpose of this study is to apply ROA to a case-study (mini-hydro plant) through the use of the binomial tree developed by Cox, Ross and Rubinstein in 1979. We conclude that the value of ROA is higher than the value of NPV, because the investor can get better information, and uncertainty is reduced when he has the option to defer the investment. This article provides a deep analysis on the major gaps in energy investments evaluation and contributes to a better understanding of ROA usefulness, namely under adverse economic and financial situations. (This work was financed by: the QREN – Operational Programme for Competitiveness Factors, the European Union – European Regional Development Fund and National Funds – Portuguese Foundation for Science and Technology, under Project FCOMP-01-0124-FEDER-011377 and project PEst-C/EGE/UI4105/2011.)

Alexandr Sokolovskiy, Olga Melitonyan, Tatiana Podsypanina

AZS-Service, plc. (Sokolovskiy), National Research University Higher School of Economics
(Melitonyan, Podsypanina), Moscow, Russia

Conducting Changes in an Organization under Conditions of Considerable Shortage of Qualified Personnel

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Abstract:

The topic of organizational change became quite popular in recent publications of researchers and practitioners all over the world. This interest can be explained by growing market turbulence and highly dynamic development of technologies that dramatically change landscapes of particular industries. Companies that fail to change in accordance with those new trends, or cannot foresee those trends and change before they become real, are condemned to quick death. Most academic publications in this area are focused on the process and mechanisms of conducting changes in organizations, and in many cases they proceed from several simplifications related to availability of personnel of certain qualification and irreversible nature of particular changes. In this regard, many authors who try to simulate the process of organizational change under ideal conditions of the theory, reach a deadlock in practical situations when the process of implementing changes cannot even be started because it is not possible to recruit specialists of required qualifications and skills. In many cases because of the time pressure it is not even possible to provide existing specialists with additional training. Thus, it is easy to see that while simplifications cannot be implemented, and indeed these are 90% of cases of real businesses, the value of theoretical advancements in the field of practical organizational change is decreased. All this leads to the situation when theorists and practitioners exist in parallel worlds and are quite skeptical about each other's activity. Authors of the paper for a number of years combine research and academic activity with practical managerial work on Russian plants. The paper examines particular specifics and conditions of conducting necessary changes in organizations which are "not equipped" with employees of needed qualification and there are limited opportunities to improve the situation because of the tight schedule of changes. Results of research conducted by authors will be essential, first of all, for small and medium businesses that function under considerable limitations of internal and external organizational resources.

Keywords: Organizational Change, Personnel Recruitment, Technological Development, Working Conditions, Labor Market

JEL Classification: O3, M54

Simon Stephens

Letterkenny Institute of Technology, Letterkenny, Donegal, Ireland

Improving Road Safety: a role for fear appeals?

Abstract:

This paper provides an insight into the use of fear appeals to communicate a public health message. A fear appeal is a means of persuasion that threatens the audience with a negative, physical, psychological, and/or social consequence that is likely to occur if they engage in a particular behaviour. Specifically, this paper explores: the effectiveness of fear appeals; the impact gender and age have on the effectiveness of a fear appeals; and ethical concerns relating to fear appeal advertising. This study comprises a two stage data collection process: focus groups and depth interviews. Firstly, two focus groups were conducted. The participants were higher education students. The focus groups explored attitudes and opinions regarding the effectiveness of different styles of fear appeal. Secondly, four in-depth interviews were conducted with road safety experts to assess the effectiveness of fear appeal advertisements and to assess the feedback from the focus groups. The findings from this research indicate that appeal advertising is effective at creating awareness about road safety. However, fear appeals alone do not change the driving behaviours and attitudes of viewers. Fear appeal campaigns must be supported by enforcement if attitudes and behaviours are to change. Gender does not have a major impact on the impact of fear appeal messages. Both genders recognise that all individuals are subject to the consequences displayed in fear appeal advertisements. However, participants in this study report that they and their peers continue to drive whilst tired, distracted and using a mobile phone.

Keywords: Marketing, Fear Appeals, Road Safety, Ethical Advertising

Introduction

Fear appeals are frequently used to communicate important health messages and encourage people to change their behaviour. A fear appeal is a means of persuasion that threatens the audience with a negative physical, psychological, or social consequence that is likely to occur if they engage in a particular behaviour (Algie, 2010 pp. 264). Fear appeals are also referred to as *threat* appeals. Fear appeals rely on aspects of an individual's well-being that motivates them towards action to prevent an unwanted outcome (Thornton, 2005). Arousal of fear is believed by many practitioners to be necessary to motivate and persuade people to undertake a certain activity that is beneficial to themselves or others. A typical fear appeal advertisement consists of a negative consequence being presented such as graphic imagery of a drivers dead body in a crumpled car, with viewers either being told or assuming for themselves that they too are susceptible to such consequences. Evidence suggests that fear appeals

are effective in gaining the audience's attention and communicating messages (Hastings *et al.* 2004; Brennan and Binney 2010). However, conflicting evidence suggests that fear appeals are ineffective, young males are subject to psychological biases; they believe the advertisement to be irrelevant and aimed at someone else (Lewis *et al.*, 2007a). This paper explores the effectiveness of fear appeals in road safety campaigns from the viewpoint of the target audience and road safety experts. Specifically, this paper explores: the effectiveness of fear appeals; the impact gender and age have on the effectiveness of a fear appeals; and the ethical concerns relating to fear appeal advertising.

Fear appeals: a method for communicating a public health message

Fear appeals emerged primarily from the clothing industry, in particular Benetton, Calvin Klein and Richard James in the early 1980s. Benetton and Calvin Klein used shocking content in their advertisements and won awards for heightening public awareness about social issues. This inspired public health campaigns including road safety, AIDS prevention and anti-smoking to use this approach (Dahl *et al.*, 2003; Thompson *et al.* 2009). Fear appeals confront people in a hard and shocking way by highlighting the negative consequences of risky behaviour with the expectation of changing undesirable behaviour. Thornton, (2005) explains that a fear appeal is a means of persuasion that threatens the audience with a negative physical, psychological or social consequence that is likely to occur if they engage in a particular behaviour. The persuasive message which evokes fear or concern is meant to motivate people to pay attention to the message and to adopt the recommendations in the message. A fear appeal frequently uses personal words combined with tough or painful pictures. In Ireland the Road Safety Authority (RSA) uses graphic imagery such as a dead or injured driver in a crumpled car, the desired outcome for such advertisements is that the audience recognise the danger and avoid this danger by changing their driving habits. Fear appeals motivate adaptive danger control actions such as message acceptance and maladaptive fear control actions such as defensive avoidance or reactance (White and Allen, 2000). A fear-based message captures and holds peoples' attention and thus meets one of the requirements of successful information dissemination. Williams (2012) suggests that individuals better remember and more frequently recall advertisements that portray fear than they do to warm or upbeat advertisements with no emotional content.

Threat evokes fear. Threat relates to communicating messages such as: *if you drive like this you will die*. The RSA is renowned for its use of physical threats, primarily, by showing drivers and passengers who are injured or dead at a car crash scene in an explicit manner. There are various scientific opinions about how fear appeals work. Ruiter *et al.* (2001) proposes that a fear-based message starts two opposing mechanisms. First, there is the mechanism to reduce evoked fear by means of psychological defence mechanisms that oppose the message. Such defence mechanisms can take various forms, such as denial where the viewer believes the message not to be true. This mechanism will result in the fear diminishing and the message not being taken seriously. Second, and in contrast, there is a tendency to cope with the message by actually adopting its recommendation; this is the desired outcome of fear appeal advertisements. In both cases fear is the motivating factor, but this motivation can be either negative or positive for the acceptance of the message (Lennon and Rentfro, 2010).

Fear appeals are composed of three main components. These components are fear, threat and perceived efficacy (Williams, 2012). Fear is a negative emotion that is usually accompanied by heightened arousal. Threat is an external motivation which provides viewers with the perception that they are susceptible to the same negative situation or outcome. Many of the threats conveyed by the fear appeal advertisements show how negative behaviour by a driver affects other road users. One particular RSA advertisement shows a drunk driver crashing into a garden and killing a young child as the child's father watches in despair. The aim of such advertisements is to illustrate how dangerous driving behaviours can affect others. Lewis *et al.*, (2007b) explains that fear appeals can evoke a range of negative emotions other than fear such as guilt and remorse. Fear arousing messages can be persuasive when the audience have high self-efficacy and perceive high response efficacy (Woolley, 2004). Perceived efficacy is a person's belief that the message recommendations can be implemented and will effectively reduce the threat depicted in the road safety message (Gore *et al.*, 1998). White and Allen (2000) claim that fear appeals must contain both high levels of threat and high levels of efficacy. Tay and Watson, (2002) propose an alternative view; that is the fear elicited in the advertisements may have negative outcomes and often result in maladaptive behaviour. A fear appeal may amplify the dominant response and may actually increase the tendency to speed if the target audiences are habitual speeders. Sibley and Harre (2009) compared the effects of positive and negative framed drink driving advertisements on young drivers. They report that the positive advertisements were more effective than the negative advertisements in reducing explicit overestimation of self-enhanced bias.

Fear appeal and road safety advertisements

There is evidence that individuals better remember and more frequently recall advertisements that portray fear than advertisements with no emotional content (Snipes *et al.*, 1999, p. 273). However, a challenge is that there are concerns about the long-term effects of the fear appeals. Williams, (2012, p. 16) proposes that it is unlikely that the response to fear appeals remains static over time and that this *wear-out* effect is a major concern for agencies who use fear appeal advertisements. Furthermore, Lewis *et al.* (2007a) suggest that society is no longer affected by scenes of carnage because these images are now commonly portrayed in the media. Advertising agencies are acknowledging the limitations of shock, so rather than road-safety advertisements based on an explicit car crash or anti-smoking campaigns showing stomach-churning images of fat-filled arteries, agencies have begun to take a different approach. Advertisements aim to highlight the emotional consequences of the issues - how it will affect your conscience or your loved ones - is the new trend, (Williams, 2011, p. 20).

Road safety advertisements aim to leave the viewer feeling scared with the intention to change driving attitudes and behaviours. There is growing evidence that traffic law enforcement programs such as random breath testing and speed cameras are effective in reducing illegal high risk behaviours. Breath testing is a major contributor to improved road safety; it helps save lives and prevents serious injuries. Other contributing factors include better roads, speed cameras, compulsory driving lessons, police presence, higher fines, penalties and mobile phone bans. The social stigma associated with losing their driving license is more effective than fear appeal advertisements alone (Lewis *et al.*, 2007b). A law enforcement or penalty can aid the effectiveness of a fear appeal advertisement. Messages highlighting financial consequence such as fines for speeding and lifestyle consequences such as the loss of a

driving license may be more effective in conjunction with fear appeals than the use of fear appeals alone. Williams, (2011) suggests that a supportive message or reward may produce more favourable results; improving awareness and changing attitudes.

Gender and road safety advertisements

There are concerns surrounding the effectiveness of fear appeals in communicating road safety messages to young males. Harre *et al.* (2005) suggest that males are subject to psychological biases, such as optimism bias. Therefore, males can consider fear appeals to be irrelevant and aimed at someone else. Indeed RSA chairman Gay Byrne has said that hard-hitting advertisements are “a waste of time” when it comes to targeting young men (Nolan, 2009, p. 20). The psychological and psychiatric personalities of young males place them in particularly exposed to (fatal) road accidents. It is crucial that persuasive appeals targeting this group of road users are designed with the greatest likelihood of being effective. Lennon and Rentfro (2010) and Harre *et al.* (2005) conducted research on the third-person effect to explore its association with the extent to which male and female drivers report intentions to adopt the recommendations of road safety advertisements depicting high physical threats. Their findings suggest that young males are affected more by social threats such as the threat of losing their driving license

Lewis *et al.* (2007b; 2008) reports that females believe they are subject to the consequences displayed in road safety fear appeal advertisements. However, White and Allen (2000, p. 602) report that individual differences do not appear to have much influence on the processing of fear appeals, generally, studies have reported no effect on acceptance of fear appeal recommendations due to gender, age, ethnicity or group membership. Studies suggest that frightening road safety information has less positive effects on males and young people (Tay, 2002; Elliott, 2003). The classic third-party proposes that individuals exposed to fear appeals perceive the message as being more relevant to and a greater influence on others, it is suggested that males are subject to the classic third-party effect (Woolley, *et al.* 2004). Therefore, males are less likely to adopt the recommendation in a fear appeal advertisement (Das, 2001). In contrast the literature suggests that females are subject to the reversed third-party effect which proposes that individuals believe that the threatening and fearful message is aimed at them and they are subject to the negative consequences (Lewis *et al.* 2007b; 2008).

Goldenbeld *et al.*, (2008) report that anti-speeding fear appeals had a positive or neutral effect for females but evoked counterproductive negative reactions from males. After viewing fear appeal advertisements males had less positive attitudes to speed zones, they were less likely to perceive speeding as a problem and had weaker intentions to comply with speed limits in comparison to the females. Male drivers dissociate their own speeding behaviour from a social problem, essentially a defensive self-justification response to the fear appeal (Woolley, 2004). Lewis *et al.* (2007b) conducted an experiment examining pre-exposure and post-exposure driving intentions and perceptions of anti-speeding and drink driving advertising depicting high physical threats. Females reported that the messages would have more influence on themselves than others while males reported the messages would have more influence on others. Males reported more unsafe speeding and drink driving intentions than females after viewing the advertisements.

Fear appeals may fail to reach and influence the most relevant target group for which they were developed (Rossiter and Thornton, 2004). In contrast to the views that individuals do not believe they are vulnerable to the consequences displayed in road safety advertisements. Indeed a study on the relationship between the third-person effect and the acceptance of fear-based advertisement conducted by Lewis *et al.* (2008) indicates that most individuals perceive themselves as more vulnerable to being persuaded by threat-based road safety advertisements than other drivers in general. Lewis *et al.* (2008) suggest that positive emotional appeals may be more persuasive for males than fear-based negative emotional appeals.

Methodology

Data was collected in two phases: firstly, two focus groups were held with six female and six male higher education students. The focus group participants were shown seven road safety advertisements. Only one of the advertisements had been viewed previously by the participants. The adverts were sourced from the UK and Australia.

1. Advertisement 1: This is a graphic fear appeal advertisement that was developed by the Gwent police department to show the consequences of driving and texting. <http://adland.tv/commercials/gwent-police-psa-texting-while-driving-2009-416-uk>
2. Advertisement 2: This is a fear appeal advertisement that uses shock very well to communicate the dangers/possible consequences of speeding. <http://www.youtube.com/watch?v=H5EyOnccJLg&feature=related>
3. Advertisement 3: This advertisement shows graphic imagery of an injury but cleverly highlights how this injury could be avoided. It offers a coping strategy. <http://www.youtube.com/watch?v=XUUX77Uzds4&feature=related>
4. Advertisement 4: This advertisement shows the guilt felt by someone through their lifetime as a result of killing a young boy by drink driving. <http://www.youtube.com/watch?v=0s033MjVR7o>
5. Advertisement 5: This advertisement features the father of a boy who got killed in a traffic accident. It is an advertisement from the campaign 'everybody hurts sometime'. It is similar to the RSA in Ireland's 'crashed lives' campaign. <http://www.youtube.com/watch?v=plJcXEXbEvY&feature=relmfu>
6. Advertisement 6: This advertisement is called 'dear mom and dad'; this ad contains emotion and informative content. http://www.youtube.com/watch?v=_krbxXawoAU&feature=related
7. Advertisement 7: This advertisement shows the positive effects of slowing down <http://www.coloribus.com/focus/samaya-strashnaya-i-shokiruyuschaya-reklama/9845505/>

After viewing each advertisement the focus group participants filled in an assessment sheet with questions relating to how the advertisement made them feel and what element of the advertisement would encourage or not encourage them to drive safely. The participants were asked to state which advertisement they felt would be most effective at encouraging them to drive more vigilantly.

Secondly, depth interviews were conducted to explore the key issues arising from the questionnaire. The interviews were conducted with road safety experts. Guided by Foley (2008) and Farquharson (2005) snowball sampling was used to identify respondents. Six individuals with a wide variety of experience were approached to participate in this study. Four were available and agreed. The interviews explored three issues: the effectiveness of fear appeals; the impact gender and age have on the effectiveness of a fear appeals; and the ethical concerns relating to fear appeal advertising. The interviews were taped, transcribed, and superfluous material removed such as digressions and repetitions to assist the analysis. Narrative structuring (Kvale, 1996) was used to create a coherent story of the experts' experience(s) of using advertisements to improve road safety.

Findings

The research findings indicate that the attitudes of males and females differ in relation to the effectiveness of particular fear appeal advertisements. The male focus group participants stated that they were more likely to drive vigilantly after being exposed to advertisements containing emotional or positive content rather than gruesome and graphic imagery. Expert 2 cited evidence supporting this:

From conducting surveys after road safety classes and workshops it was evident that the emotional stories told by parents who had lost a child affected males more positively than females (Expert 2).

Lewis *et al.* (2008) suggest that positive emotional appeals may be more persuasive for males than fear-based, negative, emotional appeals. Lennon and Rentfro (2010) report that males are affected by advertisements containing graphic content whilst this study indicates that males are affected by advertisements containing emotional content. In contrast to the males, the females indicated that fear appeal advertisements containing graphic content were more persuasive at encouraging safer driving and communicating a public health message. Previous studies (Lewis *et al.* 2007; Tay and Ozanne, 2002) indicate that strong physical threats (a fatality) are more effective for females than males.

One female participant stated that:

Once exposed to a fear appeal advertisement for the second time it becomes less effective at encouraging safer driving (Female D).

However, when shown all seven road safety advertisements each of the females ranked advertisement 1 as being the most effective at encouraging safer driving even though each of the females had been previously exposed to a shorter version of that advertisement. Therefore, this study suggests that whilst viewers may believe an advertisement is becoming less effective, the impact of the first time effect remains in the viewer's subconscious and when the advertisement is seen for the second time, although easier to watch it subconsciously triggers the first time effect of being exposed to the advertisement. This idea is supported by Expert 3 who proposes that:

Viewers find fear appeal advertisements easier to watch the second time. However, if the RSA receive the desired effect in their fear appeal advertisements the first time it is viewed then the second viewing may act as a reminder of how the viewer felt the first time they became exposed to the advertisement (Expert 3).

Each of the twelve focus group participants stated that they tend to forget the message communicated in [road safety] advertisements:

Once exposed to the advertisement the message remains with me for a short period, perhaps two days but I eventually forget about it and continue driving as usual (Male B).

White (2007) reports that viewers have learned to simply ignore fear appeal advertisements and block the fear appeal message. However, when asked to recall road safety advertisements each of the twelve focus group participants were able to recall in detail road safety advertisements. The participants recalled the people and vehicles involved; the music being played and the slogan or message. This indicates that although viewers believe they forget fear appeal advertisements it is evident that the message remains in their subconscious and memory. The assessment sheet results indicated that the majority of focus group participants believe they could be subject to the consequences highlighted in the seven road safety advertisements. The literature (White and Allen, 2000; Thornton, 2005; Williams, 2011) suggests that males are subject to the classical third party effect whereas females are subject to the reversed third party effect. That is females believe that the advertisements are aimed at them whilst the males believe the advertisements to be more relevant to others (Lewis *et al.* 2007b).

The open discussion revealed that both genders were subject to the reversed third-party effect, both the males and females stated that the advertisements were relevant to them and they were subject to the consequences shown. One female stated that they:

Do not drink and drive. However, many people are aware of individuals who do drink and drive and therefore those advertisements are relevant to all viewers as they must encourage those people not to drink and drive (Female A).

And a male made a similar comment:

I know I am subject to the consequences shown in the advertisements, every driver, passenger, pedestrian and cyclist is. However, I ignore the message and forget that I am subject to the consequences until I hear of an actual road accident ... then remember the messages of the fear appeal advertisements but only for a short period and then I block the message from my memory (Male A).

It was evident from the focus group discussions that both genders are subject to the reversed third party effect. That is they know they are subject to the consequences of dangerous driving. However, they do tend to ignore the consequences. Studies (White and Allen, 2000; Harre, 2005; Williams, 2011) indicate that males are prone to psychological bias such as optimism bias; they consider the advertisements to be irrelevant and aimed at someone else. This view is supported by the road safety experts. One expert stated that:

Males are subject to psychological bias and therefore the females should be targeted through fear appeal advertisements as they will influence the males (Expert 3).

The experts believed that the females were not subject to psychological bias. However, the focus group results have indicated otherwise with one female stating that:

Sometimes whilst driving I realise I am driving too fast and a RSA message or advertisement will come to mind, but I then intentionally forget about it and think that I will not be involved in an accident and continue driving as I did before the message came to mind (Female D).

Lewis *et al.* (2007a) suggest that young males appear to be affected more by social threats such as the threat of losing their driving licence. Each of the experts agreed that law enforcement and/or penalty can aid the effectiveness of fear appeal advertisement. One of the focus group participants stated that:

The fear appeal advertisements are good at creating awareness but it is enforcement that changes attitudes and behaviours to road safety (Male D).

In comparison one expert stated that:

The advertisements are part of a larger toolkit which consists of education, enforcement and engineering (Expert C).

Evidence suggests that a supportive message or reward may produce greater awareness; attitude change: and attempts to quit the undesired behaviour (Williams, 2011). However, Lewis (2007a; 2007b) states that the possibility of using more positive enforcement and rewards in road safety initiatives generally, as well as in advertising more specifically, represents a rather contentious issue. One male participant highlighted the collaboration between the RSA, the Garda Síochána, a regional radio station and their listeners. They were offering a reward of 100 euro to drivers who were caught driving under the speed limit. The males felt that incentives such as these are effective at encouraging drivers to slow down. However, the females stated otherwise:

Incentives such as those only last for a short period, eventually drivers begin to slow down only when they see an actual speed camera or for the time period that the reward is being offered (Female B).

There was general agreement amongst the focus group participants and the experts that fear appeal advertisements are good at creating awareness. However, it is difficult to quantify how effective they are at changing attitudes and behaviours to driving and it is enforcement that changes the attitudes and behaviours of drivers towards road safety and dangerous driving. Evidence suggests that young adults who have been exposed to graphic and violent images in video games, movies, and television may be desensitized to the kinds of images often used in fear appeals (Lennon and Rentfro, 2010). The focus group discussion uncovered that fear appeal advertisements are no more gruesome or graphic than the content shown in television programmes. It was also identified that the proliferation of graphic media has caused widespread compassion fatigue in society.

Conclusion

Previous research indicates that males were affected more positively by advertisements that contained positive content. This study provides a similar result. Positive and emotional content were identified as the most powerful content for encouraging males to drive more vigilantly. Similar to previous studies, the current study indicates that females are effective more positively by graphic content in fear appeal advertisements than males. Previous studies specified that males were subject to psychological bias, this study identified that both males and females are subject to psychological bias. The literature suggested that females were subject to the reversed third party effect whereas males were subject to the classical third party effect. This study indicates that both genders are subject to the reversed third-party effect, both genders understood that they were subject to the consequences portrayed in road safety advertisement. This study reports that viewers retained road safety messages subconsciously; each

focus group participant and each of the experts were capable of recalling a road safety advertisement and describing the advertisement in detail. It was evident from the findings that fear appeals are subject to the wear-out effect; therefore it is important that the RSA ensure their advertisements are realistic and believable. Evidence suggests that it is difficult to quantify if fear appeals change attitudes and behaviours. There was general consensus from the respondents that fear appeal advertisements are a good at creating awareness about road safety. However, in order to change attitudes and behaviours the fear appeal advertisement need to be used in conjunction with a wider toolkit which consists of engineering, education and enforcement.

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Simon Stephens

Letterkenny Institute of Technology, Letterkenny, Donegal, Ireland

Mentoring and work based learning; evidence from Ireland

Abstract:

This paper explores the key challenge for employers, academics and employees of incorporating mentoring into work based learning programmes. The research presented enhances our understanding of best practice in the design of work based learning programmes. In this research a case study design was used to explore the outcome(s) of a work based learning initiative. Data characterizing the participants, their experience and programme outcomes were collected. The challenges associated with work based learning place demands on the design and delivery of curriculum, pedagogy and accreditation. The use of academic mentors can help translate academic knowledge into workplace practice. Mentoring can be successfully incorporated into work based learning programmes. Solutions to this balancing act are likely to involve non-traditional pedagogic approaches. The understanding of the experience of participants is enriched through the use of narrative structuring. The findings from this research contribute to the debate on how higher education can engage in successful partnerships with industry.

Keywords: Mentoring, Supervision, Knowledge Transfer, Work Based Learning

Introduction

In Ireland the creation of the Expert Group on Future Skills Needs (EGFSN) resulted in many government policies and strategies specifying the requirement to align higher education curricula and academic activity with the changing needs of industry (EGFSN, 2010; HEA, 2011). The development of WBL programmes and mentoring schemes have been driven by a combination of government policy; initiatives from higher education institutions (HEIs); and the needs of employers. WBL represents a significant departure from the traditional emphasis of higher education in Ireland. Although mentoring is not a new idea in a business setting the mentoring of employees by academics is new and relatively untested development. The importance of WBL as a means for facilitating the transfer of academic knowledge into meaningful career development in the workplace is well documented in the academic literature (Costley and Armsby, 2007; Brennan, 2005). The perceptions of employers have also been studied (Benefer, 2007) as has the experience of HEIs (Linehan and Sheridan, 2009), and learners (Tate and Thompson, 1994). This paper examines the three perspectives simultaneously with a focus on the potential role of academic mentors. This approach facilitates a three way narrative based in a case study of a WBL programme in Ireland. The result is multiple perspectives

on the purpose, process, benefits and challenges of WBL. The findings which emerge offer insights leading to recommendations that will aid the future delivery of WBL programmes.

Conflicting forces between academic and working knowledge

Linehan and Sheridan (2009) reflect that in Ireland, until recently, provision in higher education was almost entirely designed *for-employment* rather than *in-employment* education and training. *In-employment* training has, for the most part, been largely disconnected from the formal education qualifications system. Of course initiatives to up-skill the labour force pose significant challenges. According to (Forfás, 2012) there is a need to realise the full potential of the people that live and work in Ireland, and this requires a flexible education and training system. Indeed Cappelli (2008, p. 81) indicates that the talent problems of employers, employees, and broader society are intertwined. With competition for traditional learners intense, many HEIs are focusing their attention on those in employment. Murphy (2007) suggests that partnerships between HEIs and the world of work are not entirely new. Traditional and contemporary arrangements for the training of professional practitioners in areas such as law, IT, accountancy and in the pharmaceutical industry have been in existence for some time. By working closely with HEIs, industry can gain access to the new knowledge they need as well as training in the use of the latest technologies (Forfás, 2007, p. 10).

Employers want skills delivered at a cost they can afford and often at short notice. Simultaneously employees want initiatives that offer genuine prospects for career progression. Rosenberg (2012) explains that too often education and industry seem to work in separate systems. Indeed there is significant confusion concerning employability skills in much of the relevant literature. Tate and Thompson (1994) explore the relationship between theory and practice which co-exist with the development of professional education and observe that the emergence of mass higher education has transformed curriculum which now encapsulate skills and abilities which transcend discipline boundaries. Gherardi (1998, p. 273) explains that society is dominated by a view of professional learning, education and training as an endeavor of knowledge delivery based on a notion of learning as a process of information delivery from a knowledge source to a target lacking that information. Typically, the source of knowledge is an academic. Traditionally, academics have used work based examples (often in the form of case studies) to provide evidence that the theories, concepts and models from their subject area provide value when analyzing real world situations. However, Ghoshal (2005) highlights a substantial problem with modern research: theories often fail to represent the reality in the workplace. The reason is that in many cases moral judgment, ethics, and character traits have been excluded from theory building despite the obvious impact on management practices. Therefore, the professional learner will often challenge the validity of academic knowledge based on their experience in the workplace. Although theory can be used to describe workplace activities and inform these activities the position of theory in relation to these activities is not clear (Stephens *et al.* 2010). These issues emerge as key inhibitors to the WBL of our participants and the apprehension of employers to the idea of academic mentors.

The emergence of work based learning

Sobiechowska and Maisch (2006, p. 270) define WBL as a programme of study where learners are simultaneously full-time employees whose programme of study is embedded in the workplace. The programme of study is designed to meet the learning needs of employees and the needs of their employer. Furthermore, Boud and Solomon (2001) explain that WBL programmes typically have six characteristics: a partnership between an external organisation and a HEI; learners who are employed in an external organisation; a learning programme derived from the needs of the workplace and the learner; learners engaged in a process of recognition of current knowledge, skills and competencies; learning that takes place as an integrated part of tasks completed in the workplace; and that learning is assessed by a HEI. Duckenfield and Stirner (1992) and Rowley (2005) suggest working in partnership requires individuals and organizations to direct considerable effort towards agreeing a shared agenda where both parties are convinced that they will benefit, and to which both parties are committed to contribute over the lifetime of the relationship. Traditional WBL programmes focus on up-front delivery of academic content. Therefore, one option for continuing the link between academics and participants is the idea of academic mentors. A review of the literature identifies seven prerequisites for a successful WBL partnership: the WBL programme should be jointly developed by the HEI and the employer; continuous communications between the partners; full commitment from both the HEI and the employer; cultural barriers need to be identified and overcome; the learner must be supported by both the HEI and the employer; flexibility in terms of delivery and assessment; and stakeholders must get a return on investment. Gallagher and Reeve (2005) suggest that WBL partnerships, in attempting to bring together employers and HEIs run the risk of failure due to cultural disparities. Employers, particularly SMEs, may be *turned off* or simply baffled by the jargon of learning and skills. But employers may be persuaded by the addition of a mentoring element which supports their employees beyond the initial delivery of academic material. Of course HEIs who have recent or concurrent industry experience have a clear advantage in bridging the gap academic and working knowledge (Anderson and Hemsworth, 2005, p.16). Furthermore, organizations that have experience of running mentoring initiatives will be able to quickly adapt to needs of WBL and offer support in an effective manner throughout the duration of the programme.

Raelin (2008) identifies three critical elements from an organizational learning perspective in WBL: first, learning is acquired in the midst of action and often aligned to the task at hand. Second, knowledge creation and utilization are collective activities. Third, learners demonstrate a learning to learn attitude, which frees them to question underlying assumptions of practice. WBL is based on the cycle of experience in performing work; taking action and reflecting on emergent learning. Eraut (2000) differentiates between learning in the formal academic system and learning at work, where the academic approach is based on formal, intentionally planned activities, while at work is mostly informal or non-formal. Hager (2004) proposes that WBL is often unplanned and implicit; frequently collaborative; highly contextualized; and often has unintended outcomes. Alternatively, institutional learning is mainly formal, planned, largely explicit, focused on individual learning and the outcomes are often predictable. The design of WBL for learners is challenging. Learners don't want to study what they have already learned, or study content which is packaged in artificial silos of disciplinary knowledge, they want to have content that directly relates to their work and assessments that involve applied projects (Costley and Armsby, 2007).

Stephens *et al.* (2010) explain that when academic knowledge is tested in the workplace it can look vulnerable and non-viable. Therefore, designing and delivering a curriculum for WBL is challenging for academic practitioners accustomed to the traditional mode of teaching and learning. Learning in the workplace involves significant changes in the traditional academic approaches employed by HEIs. Boud and Symes (2000) cite many instances where WBL challenges academic identity and Murphy (2007) proposes that academics can feel threatened when their perceived capacity to be useful is faced with learners whose command of the knowledge environment of work is much greater. Therefore, academics who are involved in WBL typically advise, mentor, coach and supervise rather than *teach*.

Prerequisites for work based learning

Wedgwood (2008) believes that ultimately, an employer's primary motivation for participating in a WBL programme is the expectation of a positive impact on productivity and performance. Employees participating in WBL need support from the employer, particularly in terms of time allocated to attend class and to complete assignments. Furthermore employees may lack study skills and academic writing may prove challenging. Due to the complexities associated with WBL programmes, mentor support from within the organisation may also be required to complement the coaching approach of the academic. Therefore, learners should be allocated a mentor in the workplace who helps them to identify their individual learning needs and helps them apply knowledge to practice. The mentor and student should be supported during the placement by the academic coach through onsite and virtual meetings (Wilson *et al.*, 2005). Benefer (2007) explains that mentors can protect the employer's investment in learning, as well as provide an opportunity for employee development which is both motivating and challenging. HEIs must provide appropriate, qualified and capable academics that have sufficient time to develop and deliver the programme. Furthermore, FDF (2007) identified a key component in WBL partnerships – an academic who are enthusiastic and flexible in terms of delivery and assessment. Brennan (2005) suggests that WBL satisfies the criteria for flexible learning by being flexible in terms of time, place and mode of learning. It transforms the role of the HEI into one of facilitating and supporting learning in a customized WBL programme. In order to effectively provide this support, when and where it is needed, flexible learning has come to be associated with e-learning. In developing WBL programmes, there needs to be multiple access points of learning. For example, the learner should participate in structured lectures, e-learning modules, self-directed study, one-to-one tutor discussions and e-forums (Engage, 2008, p. 9).

Methodology

This research employs an individual case study methodology. The case study method has been widely used in business and education as a research instrument for data collection, theory building and policy/programme development. The case study method has been used to improve practice, typically, by aiding the development of best practice principles (Eisenhardt, 1989; Yin, 2004; and Lewis, 2001). In this research, and following a review of the literature a case study design was used to explore the outcome(s) of a WBL programme and the role for academic mentors. Data characterizing the participants, their experience with WBL, and the enablers and disablers to the development of the WBL

programme was collected. In-depth interviews were conducted with 18 individuals with experience of WBL partnerships (six employers, six managers and six learners). The interviews focused on the following themes: The nature of the WBL partnership (duration, the industrial partner, who initiated the partnership, delivery of the programme etc.); resource allocation; stages involved in planning and delivering the programme; key differences between the WBL programme and traditional programmes of study; problems encountered; the role of academics as mentors; lessons learned; and key success factors.

Tight (2003, p. 188) explains that it is difficult to imagine anyone undertaking a meaningful piece of research, which does not involve some documentary analysis. Therefore, it was essential that sufficient access to company documentation was secured and a review undertaken. The interviews explored the participants' experience of engaging in WBL. In the context of WPL, qualitative data can be used to measure and demonstrate success in a number of ways: to highlight progress at an individual level; show stakeholders what progress is being made; to evaluate the roles of stakeholders; and to assess support for the project. Consideration of these *softer* outcomes provides a valuable context for clients' needs and progress, rendering a truer, more rounded picture of successes (Dewson *et al.*, 2000). The interviews were taped and transcribed, and superfluous material such as digressions and repetitions was removed to assist the analysis. Narrative structuring (Kvale, 1996) was used with participants facilitated to tell their stories as freely and unguided as possible. This approach enables participants to provide highly contextualized accounts, which render the meaning and relevance of their stories clear. The narrative is presented in the next section and recommendations are made in the penultimate section.

Findings

The findings suggest that employers primarily want a WBL partnership that: offers value for money; causes minimum disruption to work schedules; and improves performance and productivity. For the partnership to succeed the employer must be committed in terms of: planning; support for mentoring; providing time off, and engaging with the academics. Like many partnerships, performance and success are largely influenced by the level of trust between the partners. All the respondents mentioned the importance of trust and one respondent summarized the importance of trust by suggesting:

If a WBL partnership is to be successful then it is essential that the parties involved trust each other ... this also means that the partners have full confidence in each other. Colleges often suspect that the employer is only concerned with profits whereas the employer often assumes colleges put too much emphasis on the theory aspects of training (Respondent B – academic).

A number of industry respondents believed that HEIs should ensure that the academics responsible for delivering modules on the programme have a good insight into the culture, functions and workings of the host employer. This helps demonstrate the academics commitment to the programme. Therefore, academics should be encouraged to visit the organisation and see how the organisation operates. Academics should also be aware of the tasks an employee is expected to carry out during and upon completion of the programme. Using the academics as mentors can greatly help to link programme outcomes to work-based actions. The industry respondents suggest that the level of trust between the

partners in the WBL programme is affected by the motives each partner has for engaging in the partnership. If the employer believes that the main reason the HEI is engaging in the WBL partnership is for financial gains, then the employer will tend to have less trust and respect for that HEI. Assigning academics as mentors significantly expands the role academics play in the success of the WBL programme but also in the development of participants.

All the respondents emphasised the importance of communication. Ideally all decisions relating to the development and delivery of the WBL programme should be made in collaboration, as the following quotes outlines:

There needs to be regular feedback sessions between all the stakeholders. There also needs to be a learner representative appointed whose responsibility it is to voice the opinions and concerns of the learners on the programme. The need for this is especially important during the initial stages of the WBL partnership as there are usually teething problems at the start. The dates for these feedback sessions should be identified at the commencement of the programme otherwise the meetings probably will not happen (Respondent F – industry).

Furthermore, the importance of communication is also emphasised from an academic perspective:

Due to the unique nature of WBL partnerships, and the diverse needs of the different stakeholders involved, a steering group should be established to oversee the programme. There should be regular meetings organised where the progress of the programme can be discussed. The steering group should comprise learners, academic mentors and employers (Respondent D – academic).

A number of the academics suggested that working in partnership with a large organisation which has a dedicated person responsible for training and education is less challenging than working with smaller organisations who don't employ a specialist. Respondents suggested that communications between employer and the HEI should not just be confined to issues relating to the WBL programme. For example, employers could invite academics to corporate events. Similarly, the HEI should promote the employer as a good place to work for their full time learners.

If the WBL partnership is to succeed, both the HEI and the employer must invest significant time and effort towards planning the programme:

A roadmap should be created, outlining the key roles and responsibilities for all parties. This plan should also include the objectives the programme seeks to achieve. If possible deadlines should be built into the plan (Respondent A – industry).

Both industry and academic respondents stressed the importance of collaboration in programme design. Interestingly, a number of respondents (particularly academic respondents) believe that initially the partners should collaborate on smaller programmes as opposed to programmes comprising a large number of modules. The view is outlined by respondent B:

Providers or departments new to WBL programmes should initially engage in shorter WBL programmes, for example programmes with two to three modules as opposed to trying to deliver an eight to ten module programme. The learning achieved from delivering a short WBL programme can then be applied when delivering the larger WBL programme (Respondent B – academic).

One of the industry respondents expressed the concern that HEIs often try to develop a generic programme which they then make available to all employers:

From an employer's perspective, it is very important that the programme offered by the college is sector specific. Employers are not interested in a "one hat fits all" approach. They need to feel that the programme is tailored to their individual needs in terms of programme development, delivery and assessment (Respondent C – industry).

The need for flexibility in terms of programme delivery was mentioned by the majority of respondents. Employers suggested that the times and dates of workshops and assessments may require amendment from time to time, especially at times when the organisation is particularly busy. On other occasions the employer may require the HEI to change the content of certain parts of a programme due to market changes or new legislation. Working with a HEI that can be flexible is very important to employers.

A significant number of both the industry and academic respondents emphasised the need to utilise virtual learning tools when delivering WBL programmes.

Virtual learning platforms have the potential to revolutionise WBL programmes. In my opinion it is the single most important tool in such programmes. It allows the learner to learn at a time, place and pace most suitable to them. I have received very positive feedback from my learners, especially learners that are in full time employment (Respondent F - academic).

Several industry respondents stated that they require WBL programmes that cause minimum disruption to the employee's working day and that the use of e-learning tools can help ensure that the employee is not required to attend a substantial number of hours in class when learning can take place using a blended approach.

The respondents emphasize the importance of mentoring:

Employees should be able to avail of mentoring support in addition to the delivery of academic material. The nature of these WBL programmes is that the academic is expected to deliver a lot of information in a fairly short space of time. Additional mentor support could contribute towards a successful programme (Respondent F – academic).

A number of the respondents noted that if mentors are expected to provide support to learners, then they need to be allocated time by the HEI to provide this mentoring support:

During the early stages of our WBL programme, I was made aware that the mentoring support service that was supposed to be offered to learners was not happening. When I investigated the cause of this, I discovered that mentors refused to offer any support unless they were allocated time off from their normal duties. (Respondent C – industry).

The assessment schedule and the nature of the assessment were highlighted as key factors affecting the success of WBL. One industry respondents suggested that assessments should be linked to organizational objectives:

WBL works best when the programme assessments are linked to what the learner is expected to do in the organisation. For example, if one of the modules is marketing, the learner could be expected to

develop a marketing campaign for the organisation as part of the assessment. The learner should be able to discuss these links with their mentor. (Respondent D – industry).

For the learners the type of assessment is crucial:

It was an innovative concept the way the programme did not rely on exams, but involved learners preparing a work based learning portfolio that will lead to improvements in the workplace (Respondent K – employee).

Assessments which map theory to the workplace are also received positively:

The structure allows me to apply the theory I learn in lectures into my workplace, which makes it mutually beneficial for both my own academic development and also for my employer and our customers. Discussing the theory behind the practice with my mentor has also clarified the work I do and why I do it (Respondent I – employee).

A number of academic respondents suggested that employees participating in WBL should be given adequate support in areas such as study skills, assignment completion, presentations, referencing and examination technique. These typically are areas where learners on WBL programmes are weak. The issue of overcoming cultural differences was cited by both industry and academic respondents. An appreciation of the difference between culture in industry and in higher education is vital if a WBL partnership programme is to be successful. It is also important to consider the cultural differences that exist between the partners. Being able to compromise is vital:

Overcoming the cultural differences between private industry and HEIs is a major challenge. Both partners need to be understanding and realise that for the partnership to work, each partner is going to have to be patient. There will have to be compromises on both sides. The ability to overcome the cultural differences will depend a lot on the personalities of the partner representatives (Respondent E – academic).

The respondents suggest that HEIs predominately focus their efforts on education while employers seem to be more concerned with training. If the HEI can bridge this gap (possibly by using mentoring), then there is a much greater likelihood of ensuring a successful WBL programme. According to a number of the respondents, when academics have recent, relevant, work experience and when employer representatives are familiar with higher education, then there is an increased likelihood that cultural differences can be overcome.

Because learners are full time employees with family and social commitments they need to be made aware of the demands and expectations of WBL programmes.

When an employer informs employees about the programme, typically a significant number wish to register. It is important that the employees interested in completing the programme are made fully aware of the demands involved. It is a good idea to have an information session which gives an honest account of what an employee should expect. If possible give employees that previously completed the programme an opportunity to offer their views to potential applicants (Respondent C - industry).

When assessments were linked to the workplace the employees also gained:

The scheduling of the course fitted in really well with my work commitments and unlike many other courses I completed in the past, the assignments are directly linked to making improvements in the organisation so can be completed during working hour (Respondent J – employee).

A number of the academics believe that the employer should ensure that all employees on the WBL programme are suitable. Suitability should be determined by an academic and employer representative interviewing all prospective learners thereby significantly increasing the likelihood of success.

Conclusion

Bensimon *et al.* (2004) argue that there is a need to study problems that are of greater relevance to policy-makers and practitioners. Therefore, in this paper we have presented recommendations which are of use to employers, academics and employees involved in WBL. This paper makes a contribution to scholarly debate on WBL programmes by providing insights from the three participants. Baugh and Sullivan (2005, p. 426) propose that it is also important to look more closely at the initiation and maintenance of mentoring relationships. What brings mentors and mentees together, causes them to be willing to explore the possibility of a mutually beneficial relationship, and binds them together over some period of time? We don't have the answer for every situation within which mentoring is tried but based on our experience and the evidence of this case study we can identify WBL as the glue that binds together mentors and the mentees leading to successful outcomes. Simply put, mentoring like WBL creates a three way reciprocal context. For example, the mentor gives, the mentee gets, and the organization benefits or in the case of the WBL programme profile in this study; the academic gives, the employee gets and the organization benefits. Poulsen (2006) proposes three ways of distinguishing the different approaches to mentoring programs: Sage on the Stage; Guide on the Side; and Learning Alliance. In WBL as is evident from the findings of this paper the Sage on the Stage approach will not work. Employees and employers will resist any sort of dictatorial approach from the academics. The guide on the side is certainly in line with the type of WBL that participants in our study are trying to create. And the final approach is one that should be reflected in the working relationship between the employers, employees and the HEI.

WBL involves balancing the often conflicting forces between working knowledge and academic knowledge and their respective organizational forms. Solutions to this balancing act are likely to involve non-traditional pedagogic approaches. WBL signposts the development of new orientations within the teaching and learning functions and also opportunities to develop new links and synergies based around learning and working knowledge. Therefore, there is a need for alternative approaches which incorporate complexity and the necessary parity of esteem between academic knowledge and working knowledge. Adapting the steps in establishing a WBL plan identified by Brown (2001) we propose that WBL programmes involving mentoring must include: (1) the establishment of a mentor recruitment plan; (2) eligibility screening for mentors and students; (3) training for mentors and those to be mentored; (4) matching students with mentors; (5) a monitoring process and a process for providing ongoing support and training; and (6) closure steps. The outcome is that both partners can benefit from a fully committed partnership which works to overcome cultural differences. This collaborative approach needs to permeate programme design, delivery and support. If the partnership is to be successful there needs to be high levels of communication, commitment and trust between the HE

provider and employer. Employers are anxious to ensure that they are getting value for money and a flexible delivery that does not detract from the productivity of their employees. The HEIs need to be confident that the learner is suitable for the programme and will receive adequate support from the employers.

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Shuichi Suzuki, Masato Kamekawa, Mika Takaoka

Rikkyo Universtiy, Tokyo, Japan

Akihiro Haneda

International University of Health and Welfare, Japan

A Resource-Based Approach to the Competitive Advantage of Hospitals in Japan**Abstract:**

Although recent theories of strategic management research have emphasized the role of resources and capabilities of the organization, and there has been considerable research on manufacturing strategy from the resource-based view, few previous empirical studies have examined the prevalence of resources and capabilities in service industries in Japan. This research, placed on one of the major service industries in Japan, empirically examines large hospitals in and around Tokyo, focusing on the reason why a lot of hospitals suffer a deficit. We study how hospitals in Japan develop resources and capabilities in pursuit of better performance as well as sustained competitive advantage. Based on data from 91 hospitals, we empirically assume that external factors do not seem to be linked to better performance of hospitals, it is safe to say that internal factors such as capabilities of doctors and managers much more contribute to financial performance of large hospitals in Japan. Here we briefly summarize our variables in our multiple regression model. For economic performance we use EBITDA as the dependent variable. For external factors we use the number of hospitals, doctors in the region regulated as well as the number of new inpatients etc. For internal factors we use the size of hospitals, current ratio, the number of new inpatients per 100 beds etc. For organizational capabilities we use the number of surgery per 100 beds, the length of stay of inpatients, labor cost rate etc. This paper also aims to theoretically contribute to the strategic theory of the resourcebased view, showing a “nodal organization” view. The resource-based approach maintains that a firm’s sustainable competitive advantage depends on its ability to manage its internal as well as external context (environment) by exploiting its resources (Barney, 1991; Prahalad and Hamel, 1990; Oliver, 1997). According to Prahalad (2002), multinational firms have opportunities to learn a lot from the emergent market as well as to contribute to the “bottom of the pyramid” with their internal organizational capabilities. Prahalad (2002) explores the concept of the “nodal firm” which develops better resources and capabilities for sustained competitive advantage. As considerable research document, organizations can only survive by exploiting at the same time exploring resources and capabilities such as human resources when the business environment undergoes radical change. This paper gives at first an overview of the ongoing changes in recent Japan. Then the paper examines statistic model of hospitals and empirically demonstrates that internal factors confer more sustained competitive advantage compared to external factors.

Silvia Šipikalová

University of Economics Bratislava, Slovakia

Inequalities in the Labor Market in the Slovak Republic

Abstract:

Unequal status of individuals in the labor market is the results from their utilization in the production process. It is the human capital, the size of which classifies individuals into the labor market in a favorable or unfavorable position and predisposes him/her to have more or less income and more or less job security. This paper focuses on inequalities in the labor market, reflected the Slovak labor market. It touches upon a precarious forms of employment, inequalities by age, education as well as gender. The aim of the article is to point out the persistent inequalities in the labor market in Slovakia by selected indicators.

Keywords: Inequalities, Labour Market, Form of Work, Gender Inequaity

JEL Classification: I39, J29

Introduction

Inequalities may be found in each society, and they are manifested in various forms. For example, we may review the income inequalities, inequalities according to age, ethnics, sex, status, and also according to the consumption, and others. Currently, the inequalities in the labour market appear to be most significant due to several reasons. The paper is a part of the research project VEGA 1/0330/11 Social inequalities and their regional dimension in the Slovak Republic.

In the professional literature, there exist two main streams of understanding the causes why the shortcomings in the labour market affect some groups much more than the other ones¹.

The neoclassical approach is based on the theory of human capital, which assumes, said in a simple way, that some people are less successful in the labour market because they invest less to the education and preparation, and their overall productivity is lower. That approach also acknowledges that some differences in the labour market are due to discrimination based on the characteristics that are irrelevant from the aspect of productivity (for example due to insufficient information, prejudice or unwillingness of the employer to employ certain groups).

The other approach characterized as institutional is based on the assumption that the labour market works has been divided, in its development, to relatively separate segments of „better” and „worse”

¹ Vagač, L. a kol.: *Trh práce. Rizikové skupiny. Diskriminácia, teória, legislatíva a prax*, p. 7.

jobs, with some groups segregated into the secondary market, who face the problem to be employed in the segment of better and more stable jobs. The cause of their limited access to better positions in the labour market is not the lack of skills on their side, but rather the institutional and social barriers between the individual markets.

Both approaches monitor the inequalities in productivity, and the neoclassical approach views them as differences connected with different abilities of the individuals and their approach to the investment into their own human capital, while the segmented market approach stresses the importance of institutional structures creating jobs with different productivity, to which the employees should adjust. The neoclassical approach sees solution of the situation in disadvantaged groups mainly in support of competition in the labour markets and products, but takes into consideration also certain interventions improving positions of the disadvantaged groups, e.g. in education. Those who adopted the theory of segmented labour markets support direct interventions for improvement of positions of the disadvantaged groups with elements of positive discrimination (e.g. implementation of quotas for employment of the risk groups or legislation of equal remunerations).

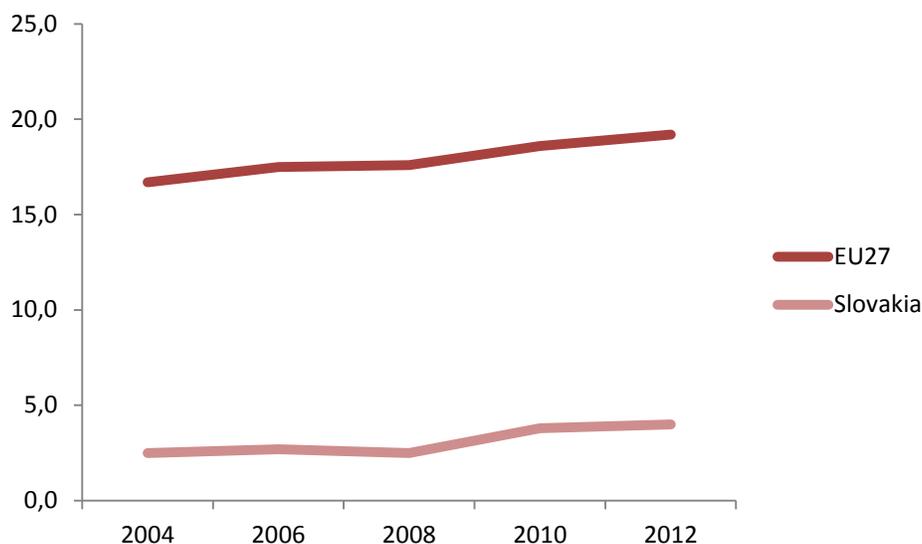
One of the factors contributing to inequalities in the labour market is the growing volume of not fully valuable forms of work, that enable the owners of firms to take higher and higher share from the excess value to the detriment of employees, and which results in employment.

Dissemination of uncertain forms of work is manifested in many forms, but in principle, it involves two aspects². It is forced execution of not fully valuable employment contracts that result in the fact that the employment becomes more and more uncertain, the employees are less and less resistant to the fluctuations in the labour market, they are less and less able to face the social uncertainty or even to build their own professional career. It has negative impacts on the employee themselves, their families and households.

In 2012, the share of employees working in part-time jobs in Slovakia was 4.0 % of the total employment rate. It is almost 5 times less than the average in the EU27 countries in the same year (19.2%). It is related to the economic strength of the country, the purchase power of the population, the traditions, and the offer of such jobs by the employers.

² Keller, J.: *Tři sociální světy. Sociální struktura postindustriální společnosti*, p. 23.

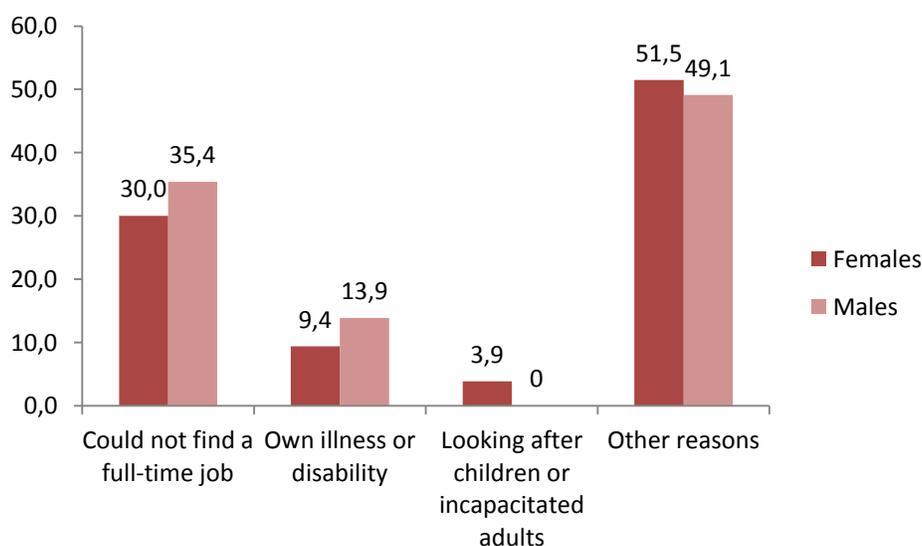
Graph 1 Development of part-time employment as percentage of the total employment (%)



Source: Eurostat database.

In the Slovak Republic, 5.5% women and 2.8% men worked in part-time jobs in 2012, which is below the average of EU27. The most frequent causes of the part-time job include, *inter alia*, the absence of the possibility to be employed in full-time job, which supports employment in not fully valuable form, because it is still a better option that to remain unemployed. Another cause concerning the women is the care of children and disabled adults who need personal care.

Graph 2 Main reason for part-time employment (2012, %)



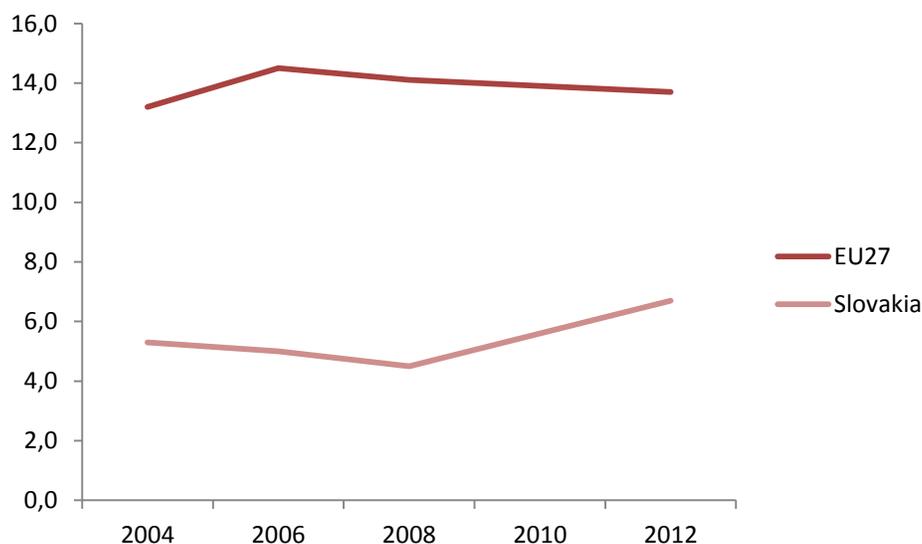
Source: Eurostat database.

While in the past, the not fully valuable forms of work were performed by certain groups of the population only, currently we may say that they become more and more a normal part of organization of work. The global crisis results in growing number of such forms of employment, and the instability of financial markets has been reflected in the instability of the labour markets.

Another aspect of the process of increasing number of uncertain forms of employment is that the uncertain, temporary, and bad paid job does not allow those person who depend on it to adequately contribute to the insurance systems. Thus, the work is disconnected from the social insurance. The result is that the poor working people, when losing their job, become secondary clients of the social state. The result of the not fully valuable employment contracts is lower volume of public sources of the social state, which impairs the life situation of those citizens who depend on social incomes from the state, as well as of the unemployed. It also disturbs the solidarity among the employees.

The inequalities in the labour market are further enhanced by employment contracts for definite period which, when compared with the employment contracts for indefinite period, bring higher uncertainty to the individual, as well as lower demands compared with the key employees.

Graph 3 Development of temporary employees as percentage of the total number of employees



Source: Eurostat database.

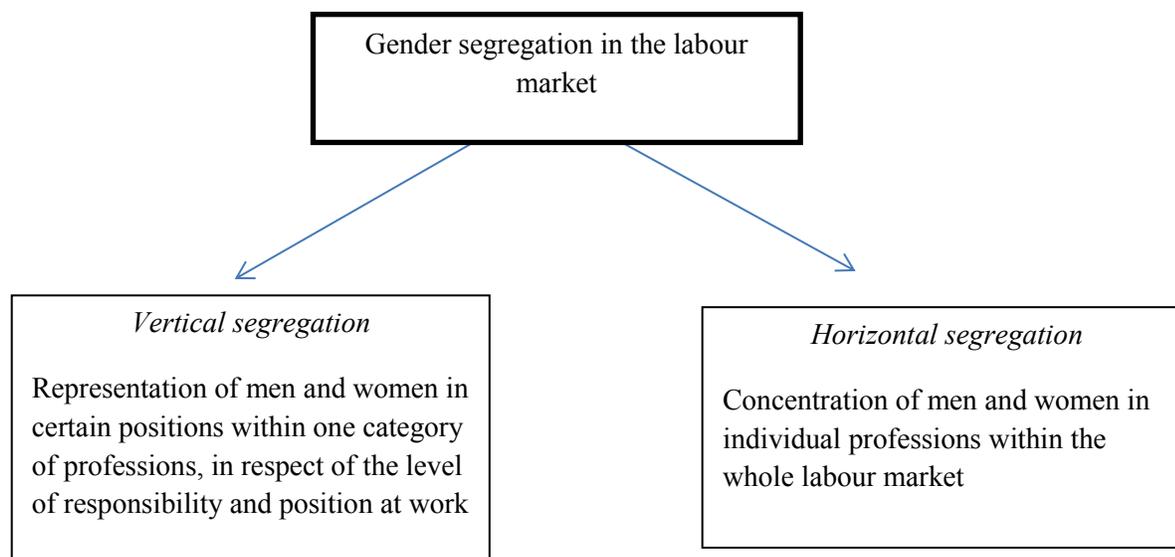
In the monitored period of 2004 to 2012, two stages of development of the share of employees with employment contracts for definite period were recorded. In stage one of the years 2004 to 2008, slow decline was marked in Slovakia of the employees working for definite period. Since the outburst of the crisis in 2008 until present, the share of the employees working under contract for definite period has been increasing. This is due first of all to the uncertain development of the national economy, and the resulting concern of the employers. In spite of the growing number of employees employed for definite period in Slovakia, the share thereof is still one half less than the average of the EU27 countries.

The evidence collected from households show that the employees working under definite employment contracts earn less than similar employees working under employment contracts for indefinite period, and in addition, they have to face greater instability of the job. On average, the employees for definite period earn 25 % less than the employees for indefinite period, although both types of employees have worked for the same number of hours, have the same education, age, and sex. Due to that, the growing share of employees for definite period results in growing income inequalities. In that connection, the larger gap in the employee protection of the employees for definite period and indefinite period causes larger spread between the incomes from work.

The employment contracts for definite period are mostly connected with jobs of seasonal character, and therefore upon termination of the employment contract, the employees often depend on social benefits. The reason of conclusion of an employment contract for definite period is the lack of jobs for indefinite period (84.6% working people in Slovakia) or preference of that form of employment (14.2 %).

One of the most important and prevailing aspects of the labour market is the gender segregation, which is a consequence of the existing models of behaviour in the labour market, and the causes thereof lie in the persisting gender stereotypes based on the traditional understanding of the male and female roles in the family and in the society.

The gender segregation in the labour market applies to representation of men and women in various sectors, industries, professions or positions at work³. Sometimes, it is connected with high representation of men/women in certain types of professions that are stereotypically understood as typically „male“ professions and typically „female“ professions.



The concentration which arises by unequal relationship between the men and women, as the work and representation of men are regarded as more important and more competent regardless their actual skills and qualification results in the gender inequality. The reason of gender inequality (segregation of

³ Barošová, M.: *Monitoring rodovej segregácie na trhu práce – dopady transformačných zmien*, p. 23.

professions) often lies in the fact that the women and men have the tendency to work in different professions with various levels of remuneration.

Table 1 Employment by sex and economic activity in the EU27 and Slovakia (2012)

NACE	EU27			SR		
	Total (1000)	Males (%)	Females (%)	Total (1000)	Males (%)	Females (%)
Agriculture, forestry and fishing	9631,1	63,65	36,35	75,2	77,53	22,47
Mining and quarrying	830,9	88,19	11,81	12,6	95,24	4,76
Manufacturing	33 140,2	70,32	29,68	569,5	66,36	33,64
Electricity, gas, steam and air conditioning supply	1 643,3	76,15	23,85	24,1	84,65	15,35
Water supply; sewerage, waste management and remediation activitie	1 636,9	79,87	20,13	26,0	80,77	19,23
Construction	15 151,4	90,78	9,22	240,0	94,63	5,38
Wholesale and retail trade; repair of motor vehicles and motorcycles	29 333,5	50,80	49,20	288,9	41,40	58,57
Transportation and storage	10 673,3	78,06	21,94	156,2	77,72	22,34
Accommodation and food service activitie	9 454,5	45,37	54,63	97,0	38,25	61,86
Information and communication	6 235,1	68,45	31,55	60,9	66,83	33,17
Financial and insurance activities	6 382,5	48,44	51,56	51,8	31,66	68,34
Real estate activities	1 649,5	49,32	50,68	15,7	52,87	46,50
Professional, scientific and technical activities	10 513,1	52,66	47,34	70,2	44,73	55,41
Administrative and support service activities	8 467	51,33	48,67	60,7	56,18	43,82
Public administration and defence; compulsory social security	14 800,4	53,71	46,29	184,1	48,61	51,39

Education	15 624,9	28,28	71,72	156,0	20,13	79,87
Human health and social work activities	22 164,3	21,85	78,15	159,6	16,79	83,15
Arts, entertainment and recreation	3 362,2	51,62	48,38	27,8	47,48	52,52
Other service activities	5 024,5	34,00	66,00	34,9	27,51	72,49

Source: Eurostat database.

Representation of the Slovak women prevails for example in accommodation and catering services, in banking and insurance, in public administration, in education and health service. However, the situation was similar in the sectors as e.g. the textile or clothing industry that were affected by the decline of jobs, and the global crisis resulted also in canceling such jobs. The women have the tendency to work in professions with lower wages and in positions with lower status, and the character of their professions mostly corresponds to the works performed at home.

Thus, the gender segregation of professions is one of the main sources of wage differences due to gender, because the typically „female“ professions are paid worse than the typically „male“ professions. The typically „female“ professions are connected with certain characteristics and skills of women, as e.g. the skills of caring character (nurse, care service provider, etc.), the skills in household care (waitress, cook, hairdresser, etc.), and also physical appearance (assistant, receptionist, etc.). On the other hand, certain characteristics are connected with the men, as e.g. physical strength, better mathematic and logic thinking, greater will to manage, etc., which predestinates them to be employed in typically „male“ professions.

The highest gender wage difference in Slovakia is in the banking and insurance sectors, the information and communication sectors, and in industrial production. From those sectors, the representation of women is higher than men only in the sector of banking and insurance activities, and as paradox, the highest wage difference may be found here (37.8 %).

Table 2 Gender pay gap in unadjusted form in Slovakia (% , 2011)

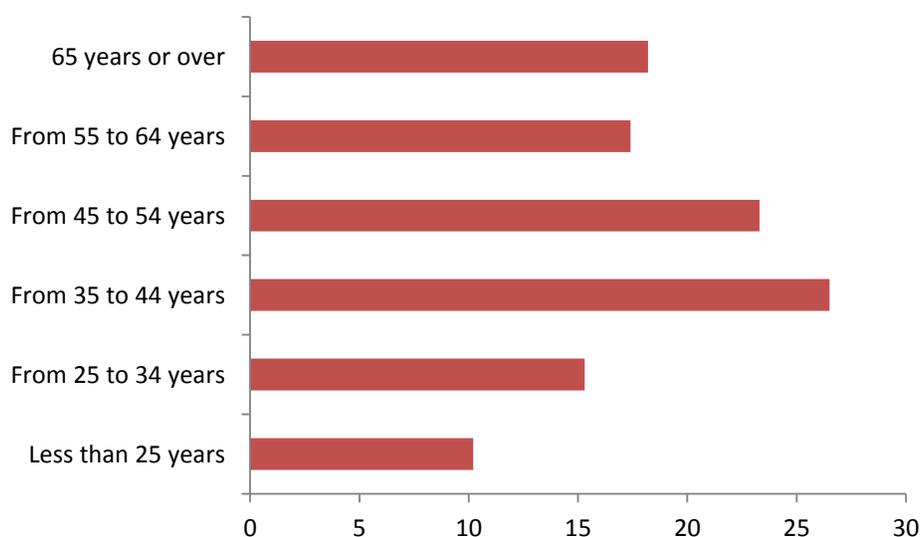
NACE Rev. 2	%
Industry, construction and services (except public administration, defense, compulsory social security)	20,5
Mining and quarrying	-10,7
Manufacturing	28,3
Electricity, gas, steam and air conditioning supply	9,4
Water supply; sewerage, waste management and remediation activities	-2,1
Construction	0,5
Wholesale and retail trade; repair of motor vehicles and motorcycles	26,9
Transportation and storage	1,4
Accommodation and food service activities	0,4
Information and communication	28,8
Financial and insurance activities	37,8
Real estate activities	25,0

Professional, scientific and technical activities	11,4
Administrative and support service activities	8,2
Public administration and defence; compulsory social security	19,1
Education	15,8
Human health and social work activities	24,1
Arts, entertainment and recreation	14,9
Other service activities	7,4

Source: Eurostat database.

The existing social standards and the responsibility of women for household works and care of children result in the fact that the women, compared with men, achieve on average less experience in the labour market, which corresponds to the wage difference between the genders according to age. The highest difference exists after the 35th year of age, as a consequence of the break of women's professional career due to the maternity and parental leave, and then it continues also in older age due to lower representation of women in leading positions.

Graph 4 Gender pay gap in unadjusted form by age in Slovakia (% , 2011)



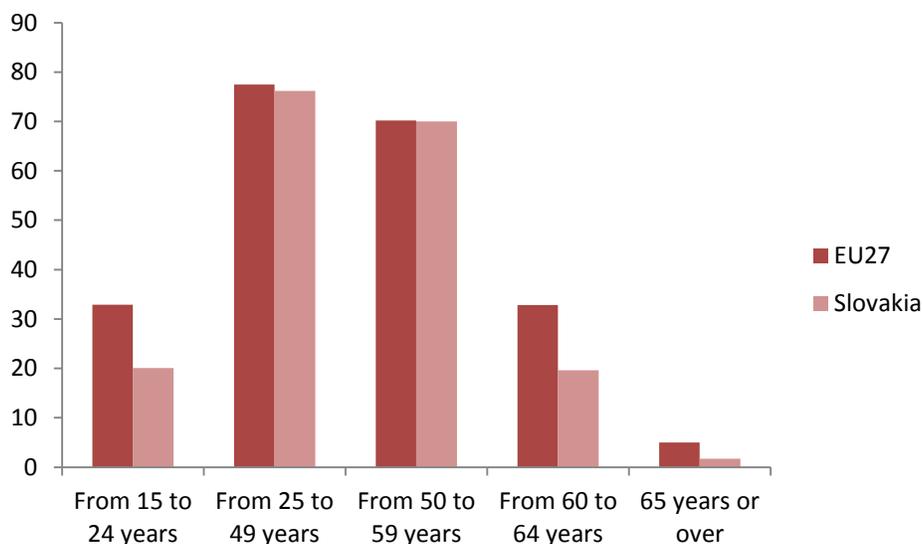
Source: Eurostat database.

Further, in connection with the customary responsibility of women for the household and care of the children, the women enter the labour market more often with lower education than the men, and then have to face less favorable conditions in the labour market. Although in the last decade, the educational level of women has been constantly increased, we cannot say that there would be also gender equality in the labour market. The worse social and economic position of women is also due to the fact that there are not able to affect the decisions which have impact on their everyday life.

Another inequality that may be found in the labour market is the inequality due to the age of the economically active citizen. The highest unemployment rate in Slovakia in 2012 applied from the 25th year of age up to the 59th year of age, and the employment rate according to age is comparable with the average employment rate in the member states. In the labour market, we can meet two anti-poles. On

one side, there are young graduates, and on the other side, old citizens. Both categories represent risk groups which are impaired by high unemployment rate.

Graph 5 Employment rates by age (% , 2012)



Source: Eurostat Database

Although the age should not be a criterion in the employer's demands, in practice, we often meet the employer's approach to older people as people who are less productive, with lower flexibility and adaptability to accept new changes. The negative approach of employers involves also the unwillingness to provide access to education for older employees. Compared with their younger colleagues, they often mean increased expenses for the employer in the form of higher wages and duties, but their long-term experience is often neglected.

We may often see also caution on side of the employers in hiring graduates from schools, due to their insufficient experience and skills, and also due to the fact that they are not sufficiently prepared for the practice. The current bad situation in the labour market has even deepened the inequalities according to age, because several young employees are employed for definite period, and their jobs are cancelled first before the jobs of their older colleagues.

Conclusion

Inequalities in the labour market still persist, and they form a part of the European labour market. Slovakia faces not only the high unemployment rate, but also to several types of inequalities created in the labour market. Currently, the existence of not fully valuable forms of work causes uncertainty of employment and reduces the incomes of households deep down to the level of poverty, which is normally accompanied by claims for minimum social benefits. We should be aware of the fact that the existence of not fully valuable forms of job means also impairment of the social systems and burden for

the public funds. In case of employment for shorter working time, the contributions to the social system are lower due to the lower wage base, and the claims of such employees are much lower than in respect of the employees working in full-time jobs. In case of employment for definite period, upon termination of the employment contract, the people mostly depend on social benefits from the social insurance system, and are not covered by the unemployment benefit due to insufficient period of insurance. Thus, the inequalities in the labour market are reflected also in the other spheres of life. The women in the labour market are exposed to the new type of social risk in the form of the necessity to harmonize the obligations arising from the paid work with the care of the family. In the society, it is required to overcome the customary gender stereotypes, which could contribute to improve the equality of women and men in the labour market. Another cause of unequal position in the labour market is the age which predestinates an individual to take better or worse position in the labour market. Within the labour market policy, special tools should be focused on support of employment of young people and older employees, that will contribute to their adequate positions in the labour market. The reform of education which would harmonize the skills with the requirements of the labour market still remains a challenge for Slovakia.

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Luay Tahat, Mohammad E. Elian, Fuad N. Al-shaikh, Nabeel Sawalha

Gulf University for Science and Technology, Mishref – Kuwait

The Ethical Attitudes of Information Technology Professionals: Comparative Study between USA and Middle East**Abstract:**

This paper aimed at comparatively investigating the ethical orientation of Information Technology (IT) Professionals in the United State and in the Middle East with special reference to the state of Kuwait. It focused on the attitudes and the awareness toward issues such as privacy, piracy, and other general IT ethical aspects. Through the comparison between the two regions, it would also reveal whether differences in IT professional demographics and professional characteristics, including gender, academic level, participation in business or IT ethics training programs, and working status, had any impact on their attitudes towards business ethics. A t-test for equality of means was used to test for significant differences between the targeted samples, while ANOVA F-test was conducted to test for significant differences among the sample countries on a group base. The initial data analysis reveals significant differences between the two samples due to cultural and social orientation variations among participants.

Keywords: Ethics, Attitudes, Culture, Information Technology, Privacy, Social Orientation, Kuwait

1. Introduction

High-speed computer networks are transforming our world. Currently, more people are collecting, handling and distributing information than in any other occupation. The flexibility of information technology (IT) offer many potential benefits to our society and its organizations, but they also raised serious concerns and ethical dilemma that need to be addressed. The social and ethical implications of this technology warrant a special attention and have resulted in the creation of information ethics as a discrete area of study in many disciplines. The goal of information ethics is to integrate the IT and the human values in order to advance and protects people interests rather than doing harm.

Business organizations today handle and manage tremendous amounts of information pertaining to variety of business and non-business transactions and information processing available at one's fingertips. Hence, IT professionals handling this enormous data may be susceptible to misuse and tempt to take advantage of this information control unethically. Therefore, there is a greater need today to set standards and codes of ethics that govern this industry (Weber, 1985). Ethical issues and problems have been addressed widely by the field scholars (e.g. Brightman, 1981; Heide and Hightower, 1983). However, there is a lack of empirical research addressing the views of the IT professionals toward ethical and unethical conduct. The objective of this research aims cat filling this gap.

The past 10 year's period was described as the most challenging period in the history of the U.S. and the global business as a whole. Exploring ethics has been, and will continue to be during the years to come, one of the most popular research topics. No one can deny the reality that public interest for ethical issues is prevalent, reflecting a legitimate concern in light of the many scandals and fraudulent corporate cases worldwide. In the IT ethics, issues are so complex and vary. However narrowing the study focus on intellectual property rights IPRs and privacy will be much helpful. IPR pertains to the ownership of any unique production of an idea or material that has a commercial value such as designs, books, movies, songs, software, medicine, or trade mark, while privacy relates to the extent of what a person would consent and agree to reveal personal information to the public or other entities under certain conditions and the protection of this information [2].

IPR deals with the issues such as: who owns certain information, what is the market fair price for the exchange of this information, and how the access to such information should be administered. The statistics on piracy in the software industry is extremely shocking. About 40% worldwide personal computers installed software is pirated and 80% of different software programs obtained illegally in China [Software Alliance, 2009, Muncy and Vitell, 1989]. In addition, estimated about \$1.5 billion losses in sales of computer software due to piracy (Vitell 1992.)

A thousand U.S. IT users were surveyed by Computer World Magazine in 1998 revealed that 45% of the respondents acknowledged some unethical conduct, while 13% admitted to a very ethical misconduct [Computerworld 37]. Another similar study of 726 U.S. workers by Information Security magazine in 1998 also stated that about 23% of the surveyed workers acknowledged very unethical behaviors (Information Security 12). In these studies, the unethical conducts ranges from surfing the net on company time while at work to software copying, disclosure of private information, and modification or destroying of unauthorized data files.

As a result of this unethical behavior, Wood (2000) stated that the cost of the software piracy in the U.S. has been on the rise ranging between \$ 1-2 billion, while it was between \$8-10 billion worldwide. On the other hand, Business Software Alliance indicated that over 50% of the industry software was illegally pirated in 1996. An estimate by Chan stated that the U.S. software companies have lost over \$322 million due to the Chinese software piracy. All these consequences of this unethical behavior raise the needs for better awareness of this serious issue impacting many industries and people's lives.

This study investigates the ethical orientation of Information Technology Professionals in the Middle Eastern countries and United State of America. *It focuses on attitudes and awareness toward issues such as privacy, intellectual property, and other general IT ethical issues.* The aim of this research is to help the IT companies, governments, and educational institutions to increase their awareness of the potential ethical issues related to information technology.

The rest of this article is structured as follows. Section 2 details the significance and objectives, while Section 3 outlines the methodology. Analysis of the data and discussion of results are revealed in Section 4. Concluding remarks, limitations, and suggestions for future research are included in Section 6.

2. Significance and Objectives

Computer and high-speed communication networks are transforming our world. These technologies have brought us many benefits, but they have also raised many social and ethical concerns. As indicated by Pearson et al (1996) that “it is crucial to study the ethical behavior of information system (IS) professionals because currently every organizations become more strategically dependent upon IT system. Further managers are depending heavily on available information to make their decisions. Thus, Information Technology professional must have direct responsibility for the quality of the information available to managers”. This paper will hopefully contribute to the related literature by providing more empirical evidence to explore the ethical orientation of Information Technology Professionals within the middle eastern countries context and their counterpart in the US, reflecting the fact that these countries are usually classified by researchers as belonging to a cultural cluster that differs from other cultural clusters such as the Anglo-Saxon or Far Eastern Clusters (Hofstede, 1980).

As for the objectives, this study aims to: (1) to determine the views of Information System Professional concerning a variety of ethical issues including: privacy, intellectual property, and other general IT ethical issues. (2) Examine whether there are significant differences between the ethical orientations of Information System professional attributed to their demographic and professional characteristics, including gender, academic level, and participation in business ethics training programs, and working status. (3) Compare and contrast the ethical orientations of Information System Professional in Middle East and their counterparts Professional in the US. The comparison is made with findings of previous studies. This provides the chance to test for significant differences regarding the ethical attitudes toward information technology among IT professionals in different countries, leading us to explore whether culture makes a difference in explaining attitudes to Information System ethics across countries.

3. Methodology

3.1 Measurement Instrument

The survey instrument for the present study consists of two main sections. The first section contains a demographic informational profile of the respondents, such as gender, age, academic level, and working experience. Further, the first section includes an open-ended question which asks respondents to identify whether they have participated in a business ethics training program. The second section includes a 22-statement instrument developed by Mary Prior et al (2002), which was used to test the IT professionals' attitudes towards business ethics for several issues. For majority of the ethical issues, more than one question was provided. The questions distributed randomly among the statements test the respondents' consistency of responses. The issues covered with the number of questions provided are listed in the table below. Each respondent was requested to indicate his/her stance on each ethical statement as 1 (strongly agree), 2 (agree), 3 (not sure/undecided), 4 (disagree), 5 (strongly disagree). The ethical issues, with the number of statements, and the questions associated with these issues are listed in table 1 below.

Table 1. The ethical issues, the number of statements, and the questions used in this survey.

Ethical Issues	Number of questions	of Questions
Intellectual property	4	1, 2, 3, 9
Privacy	4	10, 11, 14, 16
General IT Ethical Issues	12	4, 5, 6, 7, 8, 12, 13, 15, 17, 18, 19, 20, 21, 22

3.2 Sampling and Data Collection

In order to investigate the ethical attitudes of IT professional in the US and Middle Eastern countries, we developed and tested an online questionnaires to explore different information technology ethical issues. A cover letter was attached to the online survey explaining the purpose of the study. Respondent were informed that their participation was voluntary and their responses would be utilized for academic research purposes only. The questionnaire was developed as an online survey and sent to several social network lists of the IT professionals such as: Linkden, Facebook, professional IT groups, and technological organization. The survey was written in English and no translation was required, since English is the dominant language of the US and one of the two official languages of Middle Eastern countries. More than 1000 emails/invitations were sent to the targeted IT professionals. Initially the authors received low responses. To reduce the problem of lower responses, several emails reminder were sent to the targeted people. Out 1000 invitations sent, a total of 225 responses were received. When respondents submitted the survey, the data was captured in a database for subsequent analysis. Participants came from several national and International companies.

4. Data Analysis and Results

4.1 Methods of Analysis

Demographic information was analyzed by using frequencies, while responses to the business ethics value statements were analyzed by comparing means for each statement separately as well as comparing the overall means for targeted variables. For comparison purposes, the *T-test* for equality of means was used to test for significant differences ($P\text{-value} < 0.05$, where confidence of 95% is used, 0.05 probability level). The *ANOVA F-test* was conducted to test for significant differences among countries, on a group basis. The open-ended questions were analyzed after categorization. Given the objectives of the research and for the sake of comparison, some methods of analysis used in this article are consistent with most previous studies as a data collection instrument (Phau and Kea 2007; Sims 2006; and Spero and Tyler 2007).

4.2 Demographic and Professional Profile

Out of 225 questionnaires were taken, 190 completed responses (71.30%) were received. Of these, 35 (29.7%) questionnaires were discarded because they either were incomplete or had vague responses to some questions in the questionnaire. Therefore, the analysis was based on 190 (71.30%) responses. Of these 190 responses, 114 (60%) came from Middle Eastern countries and 76 (40%) came from the US.

For the demographics profile of the respondents, the male/female ratio was 144/46 (75.78%/24.22%). For the US the male/female ratio was 70/20 (36.84%/10.52%) and for Middle Eastern Countries the ratio was 74/26 (38.94%/13.68%). While the age ranged from 20 years to 68 years for the US with a mean age of 33 and the Middle Eastern Countries the age was 22-60 with a mean age of 31 years. For nationality, 40.0%, 0.89%, 1.33%, 3.11%, 2.22%, 4.44%, 5.78%, 4.89%, 19.11, and 18.22 came from the US, Sudan, Iraq, Syria, UAE, Saudi Arabia, Egypt, Lebanon, Kuwait, and Jordan. Regarding the academic level, 66.67%, 24.44%, and 8.89%, were bachelor, Master, and PhD graduates.

Of the sample, 14.22% were once, as part of my new employee orientation enrolled in a business ethics course; 11.11% participated in a business ethics training every two years and 17.33% every year. A total of 43.63% have never received ethics training. Figure 1 below shows the industrial sectors were IT professionals working on.

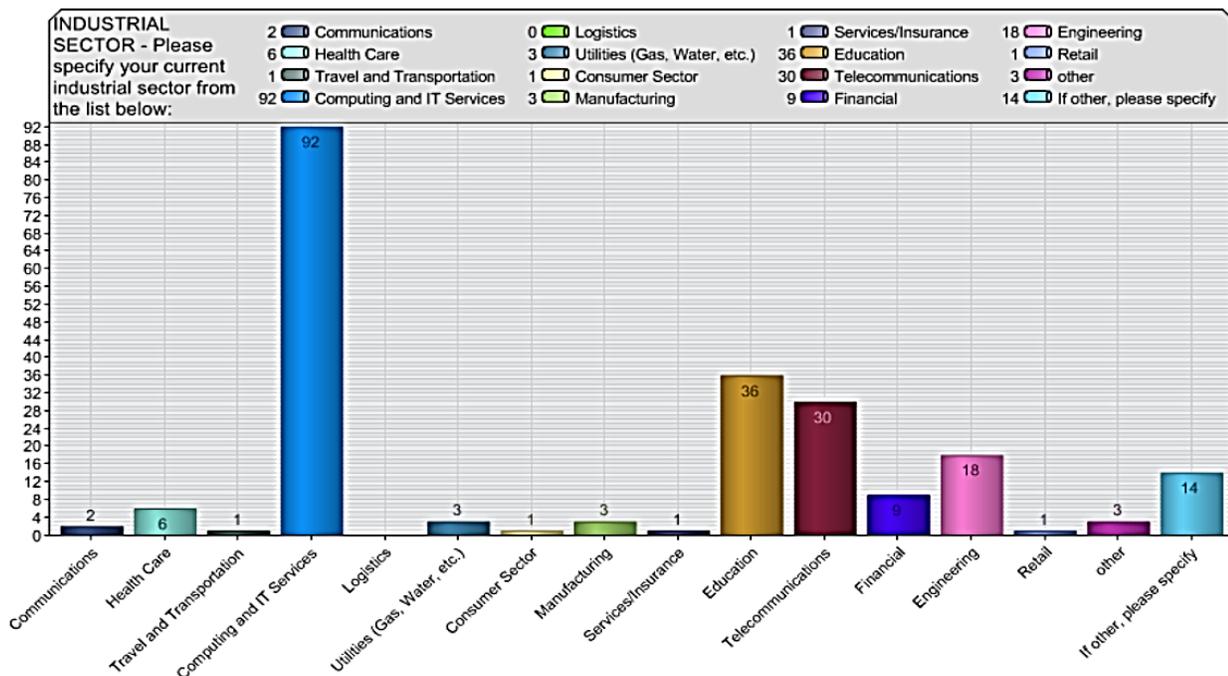


Figure 1: Industrial Sectors were IT professional working

The mean length of the respondents' working experience in the IT sector was 8.13 years whereas the mean of the working experience in the present organization was 6.66 years.

4.3 Ethical Orientations of IT Professionals

Table (2) below summarizes the results regarding the first objective of the study, which addresses the respondents' attitudes towards IT ethical issues or what is called their ethical orientation. Descriptive statistics including mean scores and standard deviation (SD) on each statement are given.

Table 2. Respondents to Each Ethical Statement.

No.	Questions	Mean	SD	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disg.
1	It is acceptable for me to make unauthorized copies of commercial software to use at work	4.22	1.01	0.51%	10.15%	10.15%	27.41%	51.78%
2	It is acceptable for me to make unauthorized copies of commercial software for personal use	3.69	1.36	5.56%	20.20%	18.18%	14.14%	41.92%
3	If an organization has developed software for use in the office, it is acceptable for employees to make unauthorized copies of this software for use at home	4.10	1.06	48.24%	28.14%	12.06%	10.05%	1.51%
4	I would refuse to work on a project that I considered to be unethical	4.04	1.12	5.58%	6.60%	11.17%	32.99%	43.65%
5	Ongoing consultation with representatives of all those affected should occur throughout the information systems development life cycle	2.15	0.77	1.05%	2.62%	23.56%	54.45%	18.32%
6	It is acceptable to use my employer's computing facilities for my own non-profit-making activities if this has no adverse effect on my employer	2.98	1.19	14.29%	19.39%	25.51%	33.16%	7.65%
7	It is acceptable to use my employer's computing facilities for my own profit-making activities if this has no adverse effect on my employer	3.99	1.01	38.27%	36.73%	12.76%	11.73%	0.51%
8	If a project is significantly behind schedule or over budget, it is acceptable to cut down on testing effort	3.79	0.99	25.25%	43.94%	15.66%	14.65%	0.51%
9	Employees should be allowed to recreate a product/program/design for another organization if they	3.34	1.17	19.70%	27.78%	24.75%	23.23%	4.55%

No.	Questions	Mean	SD	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disg.
	change jobs and are no longer employed by the organization who paid them to create it							
10	It is acceptable for me to use other employees' access codes with their permission to access data normally hidden from me	3.49	1.26	29.69%	25.52%	15.63%	25.00%	4.17%
11	It is acceptable for me to use other employees' access codes without their permission to access data normally hidden from me	4.67	0.67	75.92%	18.32%	4.71%	0.00%	1.05%
12	Employees who violate their organization's code of professional ethics should be appropriately disciplined	4.19	0.85	3.13%	0.52%	8.85%	52.08%	35.42%
13	When disagreements arise between development personnel and those affected by the system, it is the project manager who should have the final say	3.53	0.99	13.16%	4.21%	20.00%	50.00%	12.63%
14	Employers are entitled to use electronic surveillance to monitor employees' performance without their consent	3.75	1.22	34.21%	33.16%	13.16%	13.68%	5.79%
15	Providing a systems development project provides me with an interesting challenge, I do not care about its overall objectives or purpose	3.63	0.97	17.19%	44.27%	24.48%	11.98%	2.08%
16	My organization's security arrangements are sufficient to ensure that information held on its computer systems is safe from unauthorized access from external sources	2.42	1.12	4.71%	15.71%	16.75%	42.93%	19.90%
17	Organizations should develop and administer an ethics awareness program for all employees	3.32	1.49	0.52%	2.08%	6.25%	44.79%	46.35%
18	It is acceptable for software contractor, provided with a brief specification, to go ahead and develop the system knowing that in the future re-work under another	3.06	0.99	27.22%	8.33%	33.33%	27.78%	3.33%

No.	Questions	Mean	SD	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disg.
	contract will be essential							
19	Consideration of the overall working environment is not part of the IS professional's responsibility	3.69	0.87	16.20%	49.72%	24.58%	8.94%	0.56%
20	A person who is doing well in business does not have to worry about moral problems	4.14	0.94	42.54%	42.54%	8.29%	4.42%	2.21%
21	I view sick day days as vacation days that I deserve	3.48	1.21	21.98%	36.26%	18.68%	15.93%	7.14%
22	For every decision in business the only question I ask is, "Will it be profitable?" If yes – I will act accordingly; if not, it is irrelevant and a waste of time.	3.58	1.09	21.21%	44.85%	13.94%	16.36%	21.21%
	Mean of All Statements	3.58						
	USA Respondent Mean	3.60						
	Middleeasterns Countries Mean	3.58						

Note: Comments: Questions 13, 21, 22, 26 have been reverse - to reflect higher mean, more ethical

The table above shows that the overall mean for the 22 statements is 3.58. This is above than the midpoint (3). However, respondents' views varied in terms of their reaction to the different statements. The highest mean (4.62) is for statement 11: "It is acceptable for me to use other employees' access codes without their permission to access data normally hidden from me". The standard deviation for this statement is 0.67. Statement 12: "Employees who violate their organization's code of professional ethics should be appropriately disciplined" has the second highest mean, at 4.28 and a standard deviation of 0.85. As for the statements with the lowest means, they are statement 5 with a mean of 2.11 and a standard deviation of 0.77. It reads: "Ongoing consultation with representatives of all those affected should occur throughout the information systems development life cycle". The second lowest mean is for statement 6, which has a mean of 2.92 and a standard deviation of 1.2. It reads: "It is acceptable to use my employer's computing facilities for my own non-profit-making activities if this has no adverse effect on my employer".

4.4 Demographic and Professional Characteristics and the Attitudes toward Ethics

Using the independent sample *t-test*, this section tests for our second objective, which attempts to find out whether there are significant differences between the ethical orientations of IT professionals in Middle Eastern countries and the USA attributed to their demographic and professional characteristics, including gender, academic level, participation in business ethics training programs, and working status?

Table 3: Descriptive Statistics and *t*-test Results for Gender and academic Differences towards IT Ethics

USA-ALL	MID-ALL	no diff.	P(T<=t) two-tail	0.897796	t Stat	-0.12862	t Critical two-tail	1.9728
USA-Male	USA-Female	There is sig. diff.	P(T<=t) two-tail	0.019546	t Stat	-2.37954	t Critical two-tail	1.987934
MID-Male	MID-Female	There is sig. diff.	P(T<=t) two-tail	0.07473	t Stat	-1.8013	t Critical two-tail	1.984467
USA-Male	MID-Male	no diff.	P(T<=t) two-tail	0.797341	t Stat	-0.25728	t Critical two-tail	1.977054
USA-Female	MID-Female	no diff.	P(T<=t) two-tail	0.69734	t Stat	0.391469	t Critical two-tail	2.015368
USA-BS	USA-MS	There is sig. diff.	P(T<=t) two-tail	0.065061	t Stat	1.871952	t Critical two-tail	1.991673
MID-BS	MID-MS	There is sig. diff.	P(T<=t) two-tail	0.100909	t Stat	-1.65709	t Critical two-tail	1.986086
USA-BS	MID-BS	no diff.	P(T<=t) two-tail	0.55059	t Stat	0.598499	t Critical two-tail	1.979124
USA-MS	MID-MS	There is sig. diff.	P(T<=t) two-tail	0.02024	t Stat	-2.4113	t Critical two-tail	2.016692

*The higher the mean, the higher is the ethical orientation of the respondent

**Significant at 0.05

Table 3 presents results regarding the differences between males' and females' ethical orientations. The overall mean for males IT professionals in the Middle East is 3.563784, whereas the overall mean for females is 3.717692. The overall mean for males IT professionals in the USA is 3.548235, whereas the overall mean for females is 3.762. The results show that there is a significant difference between the two categories with respect to male and female in terms of their responses. The result is supported by using the *pooled-variance t-test*, see table 3 above for the differences between the means of the two categories, concluding that the means of males and females are different in terms of their attitudes towards ethics). Such a finding triggers a question about the validity of the widely held belief that women tend to be more considerate and disciplined than men.

Do subjects in different academic degree vary in terms of their attitudes towards business ethics? The results were mix. The means of the IT professional belonging to different academic levels show clearly that there are significant differences between them. With respect to the Middle East, the Bachelor's mean (3.57), Masters' mean (3.74). Higher academic degree (i.e., Master) scored higher means compared to lower academic degree (i.e., Bachelor). This finding was evidenced by using the *F-test* for the differences between the two categories. As far as the US IT professionals, the results were surprising, the Bachelor's mean (3.61), Masters' mean (3.46). Lower academic degree scored higher means compared to higher academic degree (i.e., Bachelor). This finding was evidenced by using the *F-test* for the differences between the two categories.

For Intellectual Property attitude and awareness issue, the results show the means of the two groups that there are significance differences. The *pooled-variance t-test* reported a $t_{stat} = 3.26 > 1.97$ ($t_{critical}$) and the *p-value two tail* = $0.001 < 0.05$. The US professional are more aware of the issue of intellectual property. This is due to the fact that the US has more strict policy and enforcement on software policy, whereas in the Middle East countries, there is policy enforcement, but it is not implemented and seems the government is more ease on this issue. These results are also in agreement with the previous study conducted by Wood (2000). With respect to Privacy attitude and awareness among the IT professionals, the means of the two groups show that there are no significance differences. The *pooled-variance t-test* reported a $t_{stat} = -1.97 < -0.28$ ($t_{critical}$) and the *p-value two tail* = $0.77 > 0.05$. This indicates that privacy is a concern among all professional working on the IT field for the two different group.

5. Concluding Remarks and Future research

The results reveal that the overall mean for the ethical orientation of IT professionals in the Middle East and United State is around 3.58, which is higher the mid-point (3). This simply means that they are in general awareness of the ethical issues concerning information technology and no significant difference found between these two samples. These findings signal an improvement in IT ethics in these areas over previously published studies conducted during the last decade. However, the study also discovered that the same IT professionals were neutral, neither ethical nor unethical, with respect to behaviors associated with ongoing consultation the information systems development life cycle and level of security issues.

Results about gender support the claim that male and female respondents are different in terms of their attitudes towards IT ethics, reflecting the fact that gender has significant influence. The insignificant differences between males and females in term of their attitudes towards ethics may be attributed to the fact that schools' curricula have been more concerned about this issue, causing reduction in the gender ethical gap between the two categories. In other words, these curriculum emphasize the importance of behaving ethically with parents, family, society and then in business practices, supporting the argument that ethics can be taught and education can shape individuals ethical behavior, generally speaking. Therefore, when entering the workforce, males' and females' value systems become almost similar if not identical.

For the influence of the academic level on attitudes towards ethics, the results were mixed. In the US a lower academe degree, (i.e. Bachelor) have higher ethical value than Master degree holder. Whereas in the Middle East, the results indicate that higher academic levels hold higher ethical attitudes than IT professional in lower academic levels (i.e., Master Degree). For the case in the US, this result may be justified by the nature and format of the IT program curriculum, which includes a major mandatory ethics course as a college of business requirement. Third-year level students are normally enrolled in a computer ethics course, reflecting the chance to have more knowledge to undertake judgmental decisions regarding confronting ethical practices.

The findings about similarities and differences of attitudes towards IT ethics may reflect the variety in the countries' cultural and ethical backgrounds, hence, giving credence to Hofstede's theory of the

impact of national culture on the attitudes of people. Further, the variations in IT professionals' attitudes towards IT ethics across the targeted countries provide valid implications for international organizations and managers. This verifies the view that what may be considered as ethical in one country may not be so in another country, reflecting the importance of cultural differences among nations when dealing with ethical decisions, particularly for organizations expanding their businesses beyond their national borders. The current research suggests that additional studies need to be conducted to better define, understand, and clarify the issues that, in turn, will lead to programs with which to enrich or rectify the situation.

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Li-Jiuan Lilie Tsay

Dept. of Applied English, Ming Chuan University, Taiwan, lilietsay@gmail.com

Learning outcomes and the challenge of the English villages in Taiwan

Abstract:

In order to reduce the excessive outflow of students to study abroad, South Korea established the first English village camp in 2004. In 2007, after learning from the experience of this camp, Taiwan founded its first English village. Empirical studies of students' learning outcomes and possible problems which may occur in the English Villages in Taiwan from teachers' perspectives are absent from the extant literature. Five native English teachers who have taught in the English villages participated in this study. In the English villages, six to eight situational classrooms, such as a hotel and a restaurant, were set up to teach students from neighboring elementary schools appropriate English accordingly. A previous study (Tsay, 2008) found that students, after their one-day tour to the English villages, actually felt more motivated in learning English and felt their English had been improved. However, arguments about whether students can learn about the language and experience the culture in just one day are often raised. Hence, this study aims to explore the possible learning outcomes for students after the one-day English immersion program from the teachers' perspective. Furthermore, problems which may hinder students' learning are also presented to administrative authorities for future curriculum improvement at the English villages. Semi-structured interviews were conducted and transcribed for an in-depth study.

Keywords: English village, situational classroom, English immersion program, one-day tour

1 Introduction

Many concerns of the English villages have been raised since the first English village camp was established in 2004 in South Korea. Krashen's (2004) challenge regarding the learning outcomes of the English village has initiated the debates in both pedagogical and political perspectives. While the Korean EVs English villages are being challenged in their pedagogical ground, the ones in Taiwan are hardly researched, left alone the English villages to run at their political glow. Hence, this paper aims to provide an in-depth study through

looking at the related literature of English village and furthermore discuss its learning outcomes and challenges being imposed.

In 2002, a six-year project: *Challenge 2008: National Development Project* was launched and one of its major goals is to increase the Taiwanese's English proficiency through hands-on experience (King, 2008). The novel concept of English village for Taiwan was taken from the ones in South Korea. In 2006, a group of principles and teachers from Taiwan visited the camps in Seoul with the subsidy from the Ministry of Education (MOE) in order to learn about the experience of the English villages. Inspired by South Korea, Taoyuan County has chosen three municipal schools to build up English villages in their spared buildings on campuses due to the decrease of student enrollment. In order to motivate students' English learning, various scenarios were designed on an English-only basis. The first English Village, established in 2007, which is within an elementary school, can accommodate a few thousand students per year. Each of the three English Villages has recruited some native English speakers to teach students.

2 Historical Background of English Villages

In South Korea, the first English village, the Ansan Camp, was established in 2004 in an attempt to reconstruct Korean EFL environment's radically to meet the challenges of globalization and to reduce the amount school children to go abroad for English education (Kellner, 2004). Many English villages have soon followed the experience of Ansan Camp and were established rapidly. After the success of the English villages in south Korea, its successful experience has been regarded as a model in many places in Asia, such as Taiwan and Japan.

The English villages in Taiwan are in a smaller scale and the length of study is shorter compared to the ones in south Korea in order to accommodate the learning situations locally both in cost and space. A few classrooms are equipped with facilities appropriate to their situational topics. In the case of Wun-Chang Junior High School, different classrooms in a four story building are set up respectively as simulated airport customs, a clinic, a bank etc. After its success of setting up an English village, Wun-Chang has been a model for many educational institutions in Taiwan. This kind of English village will be replicated in Taipei, the capital city of Taiwan, to experience the first-hand English learning soon (Ku, 2007). Followings are the summary of situational classrooms at the three English Villages in Taiwan.

Table 1: Summary of the English villages in Taiwan

English Villages	Year established	Situational classrooms
Chung Li Village	2007	<ol style="list-style-type: none"> 1. Airplane/customs 2. Living room 3. Kitchen 4. Duty free shop 5. Supermarket 6. Health center 7. Hotel 8. Restaurant 9. Science lab
Wun Chang Village	2007	<ol style="list-style-type: none"> 1. Customs 2. Restaurant 3. Transportation center 4. Clinic 5. Shopping mall 6. Hotel 7. World culture center 8. Cafeteria 9. Performance center 10. Bank 11. Airplane cabin 12. Police station
Happy English Village	2007	<ol style="list-style-type: none"> 1. Airport 2. Bank 3. Restaurant 4. Pharmacy 5. Clinic 6. Hotel 7. Library 8. Supermarket 9. Boutique 10. Drama 11. Dance classroom 12. Science 13. Cooking classroom

For the curriculum of the elementary schools in Taiwan, one day per semester is scheduled for field trips in order to enhance students' hands-on experience in different subject

matters, such as visiting neighboring museums or factories which are related to the learning subjects. Under the supervision of the Department of Education, the elementary schools in Tao-Yuan area will have their field trips to the English villages established in Tao-Yuan. The so-called “one-day tour” to the English villages, is aimed at having the students to experience the English language and cultures (King, 2008). Students are accompanied by their homeroom teachers. The goals of the one-day tour are to provide students with an authentic English learning environment to experience the culture and to learn the language. Simulated situations, such as a clinic, and a cooking class are set up and equipped like authentic learning environments in English speaking countries (Park, 2006). Those simulated classrooms, also called situational classrooms, are often questioned whether they can provide authentic learning environments for the students (Krashen, 2006).

The subject of English learning and teaching has been the focus of numerous studies in many countries in Asia, such as Taiwan, Japan and Korea. However, even after years of learning English at schools and private institutes, students’ English proficiency remains incompetent due to a lack of exposure to English learning environments (Sunder, 2007). In Taiwan, a similar problem occurs. In Taiwan, learning of English language for children became compulsory in 2001 as early as grade 1 (2001, Ma) and some may even attend private language institutes at younger ages. In order to solve this problem, around seven thousand students in 2007, according to a statistical report in 2008 from the Ministry of Education (MOE), were sent to native English countries to learn English and their culture (2008, MOE).

In South Korea, the durations for the English immersion programs in the English villages can vary from weekends to a few weeks and they are operated by independent educational institutes, either private or national (Park, 2008). In Taiwan, English villages have been set up in high schools or elementary schools unlike the ones in South Korea and the learning program only lasts for one day. Due to the short duration of study, the learning outcomes of the one-day tour in the English villages are found obscure in education and hardly been researched in Taiwan. As Trottier (2008) stated, although at first the pedagogical legitimacy of the English villages in South Korea were neglected by the local government and the Ministry of Education which devoted so much of their interest and funds into the English villages, now some research has been conducted. Taiwan, similarly, has not put much effort on the investigation of the actual effectiveness of the English villages. Ignorance of any

further improvements on the English villages remains while the one-day tour is continued to run with or without the attention of the public.

In Tsay's (2008) previous study, 561 students were asked to self report their progress in three aspects after their one day English immersion program at the English villages. Three constructs of the research dimensions were: students' improvements on their English abilities, their learning interest, and the learning of the situational classroom teaching. The results further concluded that the English immersion program in this study (Tsay, 2008) was successfully implemented in terms of providing a simulated cultural teaching environment and improving the participants' learning interests, contrary to what many educators had previously assumed. Below is the summary of Tsay's (2008) findings.

Table 2: Summaries of Tsay's findings on students' learning after the one-day tour to the English villages (n=561)

Constructs	Percentages
Improvements on English ability	83.35%
<i>A1</i> - Improvement in overall English	78.6%
<i>A2</i> - Improvement in listening	96%
<i>A3</i> - Improvement in speaking	78.7%
<i>A4</i> - Improvement in learning of vocabulary	80.1%
Improvements on learning interests	80.9%
<i>B1</i> - Increase of interest in learning English	68%
<i>B2</i> - Learning of a foreign culture from teachers	92.1%
<i>B3</i> - Willingness of participating again	82.6%
Improvements on the learning at SCT	68.07%
<i>C1</i> - Feeling less afraid of talking to foreigners	46%
<i>C2</i> - SCT enhancing my learning	85.2%
<i>C3</i> - Feeling nervous in situational classrooms	73%

SCT: situational classroom teaching

3 Methods

Five native English teachers of the English villages were interviewed to ask about students' improvements in their English ability, learning interests and after their one-day tour to the English villages in order to cross examine the results from Tsay's (2008) previous study further and push the discussion on the value of the English villages deeper. Table 3 is the summary of the findings collected from the interviews.

Table 3: Summary of the interview findings

Questions	Findings
1. Skills enhanced after students' one day experience at the English village	i. Four teachers did not think that one-day tour can help improve students' four skills. ii. Three teachers felt that maybe listening, speaking and related vocabulary is likely to be enhanced a little.
2. Students' most benefits from the visit to the English villages.	i. All the teachers regarded that experiential learning is the biggest benefit. ii. Four teachers considered that increasing students' interest in learning English is what benefitted students the most. iii. Three teachers felt that learning of a foreign culture will be the benefit students can get out of the English villages. iv. Two teachers felt that learning environment can help students learn English. v. One teacher mentioned that increasing students' social-cultural ability.
3. Difficulties experienced while teaching in teaching	i. Different levels of students. ii. Classroom management sometimes was bad.

4. Differences between traditional English classroom teaching and EVs.	i. Traditional classroom teaching is more teacher-centered while the one at the English villages are more student-centered and content-based.
5. Suggested improvements for the English villages	<p>1. More appropriate educational training can be provided before the actual teaching.</p> <p>2. More preparation can be done, such as asking the students to preview the related vocabulary and content.</p> <p>3. Do not have too much Taiwanese influence on the English villages, such as putting on signs in Chinese.</p>

Pedagogical Concerns: Authenticity and experiential learning in the English Villages

First pedagogical legitimacy encountered is the authenticity of the simulated classrooms. In Breen's (1985) distinguishes four types of authenticity: “

1. Authenticity of the texts which we may use as input data for our learners
2. Authenticity of the learners own interpretation of such texts
3. Authenticity of the task conducive to language learning
4. Authenticity of the actual social situation of the language classroom” (p. 61)

From the interview data, it can be found that the experience at the English villages can help improve students' social-cultural encounters at English villages and rehearse for the students before their contacts within such situations, such as going through an airport custom. Those feedbacks suggest that the English villages can be considered as the authentic input which is conducive to the students' language learning. However, what can be argued here, as Taylor (1994) and Krashen (2006) proposed, is whether it is “inauthentic authenticity” or “authentic inauthenticity”.

What can be used to explain about Tsay's (2008) finding on students' satisfaction with the learning at the English villages and felt that their English abilities have been improved, is the improvement of the students' learning interests in English after the one-day tour. From the interview findings, four teachers considered that the learning at the English villages can help enhance students' learning interests and motivation. Not only has the authenticity of the actual

social situation of language classroom, the simulated classrooms, helped increase students' interest, but also the native English teachers.

To further examine the possible learning which may occur during the one-day immersion program at the English villages, two issues regarding the authenticity which the English villages provide to the learners and the experiential learning which may occur during the one-day tour are to be discussed here.

Regarded as an untested English experience by Krashen (2006) on the Korean English villages later argued by many researchers (Trottier, 2008) that the learning experience at the English villages is an unique experience and should be treated as a goal of education (Pugj and Bergin, 2006). Breen (1985) distinguished four types of authenticity, it is stated that authenticity of texts which we may use as input data for our learners. Taylor (1994) argued that "for most learners the classroom is a very real and authentic place" (p.1). The situational classroom teaching (SCT) in the English villages takes place though in some simulated and purposefully designed setting, the classrooms are real and authentic for the students. Furthermore, what can be argued is that the classrooms are equipped with native English speakers. The students are actually learning the language and experience different cultures which the teachers create and bring in.

Arguments about whether these English villages can help students with their learning of English and culture are often raised in Taiwan. It is generally agreed that the process of learning does take some time to develop and should be an active process of acquiring knowledge (Entwistle, 1996). As suggested earlier, the main ideas of setting up such an English immersion program are to provide students with enough exposure to an English speaking environment and the culture related. In language learning, culture is one of the key elements which often determine students' learning interest and therefore cannot be neglected.

4 Results and Discussions

The organization of the one-day tour program can be done better such as giving some pre-lesson materials to preview before they visit the English villages, 2 teachers said. From the results attained above, in EFL teaching context, it is generally agreed that learners' learning interest will determine their motivation to learn the language and furthermore have a positive impact on their academic achievement. It is interesting to know that the cultural

classroom teaching does help improve the participants' learning interest both from the teachers' viewpoints and the students' self perception investigated in 2008. The finding reveals the significant pedagogical implication to TESOL educators that when the learning environment is fully sufficient and when students learning interest is high, students' improvement in learning will be raised significantly.

Were the current patterns to recur in a more detailed investigation, then one recommendation is suggested. In the simulated classroom settings, the native teachers are manned not only to provide teaching content within the scenarios but also to model for their native culture. Their teaching and training will influence the students' learning significantly. Therefore, a further investigation on teachers' educational training before the one-day tour is recommended.

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Appendix

Interview questions for native teachers teaching at the English Villages

Interviewee: _____

_____ English village

Nationality: _____

How long have you been teaching at the English village? _____

How long have you been involving in teaching?

In terms of four skills, which skill or skills do you think students can enhance after their one day experience at the English village? Why?

Listening

Speaking

Reading

Writing

Based on your knowledge, what do you think students can benefit the most from the visit to the English village?

1. Have you experienced any difficulties while teaching at the English village in the areas of teaching and administration?

Teaching

Admin

2. Based on your knowledge, what makes English village different from traditional English classroom teaching?
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3. In what way do you think the EV (or the school) could have done better to improve?

Blanka Tundys, Tomasz Norek

University of Szczecin, Faculty of Management and Economics of Services, Poland

European Higher Education Area – Application of Requirements on the Polish Market of Education Services**Abstract:**

European higher education area has been in a transformation stage. Formation of a common education area requires adjusting national education programs at higher education level to European standards. The necessity to adjust Bologna process to Polish conditions has required the change in thinking during the formation of majors and curriculums. Existing curriculums did not take into consideration specific education effects, which now form the base for creating education standards. The following ruminations indicate how the change in the area of higher education is being made in Polish conditions, and how curriculums are being adjusted to European requirements. IT subjects offered at the major Logistics of the Faculty of Management and Economics of Services of the Szczecin University shall be used as a practical illustration. The choice was made considering the peculiarity of the subjects combining both practical and theoretical aspects. The presented examples perfectly illustrate methods of verifying effects in scope of knowledge, skills and social competence, which shall constitute the basis of modern, European education system.

Keywords: European Higher Education system, Logistics, IT

1. Introduction

Introduced in 1999, Bologna declaration has started a new chapter in European higher education. The process of standardization and comparability of university degrees as well as fostering and the increase of mobility among students, teachers and research workers, and the assurance of high quality of education has become a determinant of changes and reforms in higher education. Contemporary labour market requires mobility and a free flow of people between sectors and countries. In view of the above it is more and more important to have the ability to undertake education and increase qualifications in various European institutions, centres and universities. Individual national markets have had to introduce changes in order to recognize already obtained qualifications and to update them as to acquire new skills.

The implementation of new rules has also been applied in Polish conditions. Most of the universities have adjusted their curriculums to the new requirements. The following ruminations present how the rules valid in European education area and considering the area have been introduced at the Faculty of Management and Economics of Services of the Szczecin University. A special interest was dedicated to Logistics major and IT subjects, which constitute case study of good practice and full adjustment to the new requirements of the market and European standards.

The implemented reform of higher education in Poland has introduced a number of changes to the system. Among others the stress was put on the necessity to verify the students' knowledge. Basing

the education on results and qualification (knowledge, skills and social competence), as well as on the idea of lifelong learning and the necessity to adjust to the requirements of Bologna process valid practically in whole Europe required from the authors of curriculums a change of their attitude. The changes consider also adjusting to the changing market of education services and treating the services as products offered on a competitive market. The application of new conditions is a great challenge and, at the same time, gives the opportunity of creating a modern education system, which shall be competitive on both European and World markets.

2. European Higher Education Area – European Qualification Framework – Assumptions and Postulates

In 2008 European Parliament and Council of the European Union issued a document - Recommendation considering the establishment of European qualification framework for lifelong learning[1]. European Qualification Framework constitutes common European reference framework enabling connection of various national systems and qualification frameworks in individual member states of the European Union within European Higher Education Area (EHEA).

European Higher Education Area was initiated with signed in 1999 Bologna declaration[2], which determined six operation areas, referring to:

- the system of clear and comparable university degrees. Including the introduction of common diploma supplement in order to improve clarity and comparability,
- system basing on two cycles: the first, oriented toward the labour market and continuing for at least three years (Bachelor), and the second (Master degree), requiring successful implementation of the first cycle and aimed at the preparation for undertaking third degree studies
- the system of accumulation and transfer of achievements (quality points system), such as ECTS applied in the Erasmus exchange program,
- mobility of students, teachers and research workers: liquidation and overcoming obstacles on the way to free movement,
- cooperation in scope of quality assurance, elaboration of comparable criteria and methodology,
- European dimension in higher education: the increase of the number of modules and education and research areas, with European dimension of subject matter, direction and organization.

The application of clear (comparable) university degrees as well as the promotion of mobility are aimed at the creation of competitive European higher education system. Bologna declaration is a voluntary undertaking, however for the EU member countries pursuant to Art. 165 of the Treaty on the Functioning of the European Union, the Union „shall contribute to the development of quality education by encouraging cooperation between Member States, if necessary, by supporting and supplementing their action”.

Passed by 47 countries[3], the declaration anticipates creating by 2010 a competitive and attractive in the international scale EHEA, where educational institutions, with the involvement of the university employees, are able to fulfill various missions in a society based on knowledge. And the vision of lifelong learning enables finding the most convenient education paths. Ten years of functioning of the Bologna process's assumptions enable some summary considering the total

process. Thus it may be stated that the main goals and assumptions considering the transborder cooperation have been established and achieved. However not all the areas have been properly defined and interpreted, thus not all the areas have been subject to full implementation. In 2012 three main priorities were specified in the implementation of the Bologna process (in three-year perspective): assurance of high quality of higher education for everyone, the increase of graduates' employment, improvement of scale and quality in scope of mobility.

Within the scope of the common learning area European Qualifications Framework for lifelong learning - EQF LLL has been created. The framework constitutes a report binding qualification systems of individual countries, being an instrument making the qualifications clearer and easier to understand in various countries and European systems. Two main goals of EQF are the promotion of citizens' mobility between countries and facilitation of their lifelong learning. The performed redefinition of the learning effect motion was of the utmost importance. It has been precisely defined what a learning person: knows, understands and is able to perform when the education process is accomplished. This brings the conclusion that EQF puts stress on the result of learning more than on the contribution considering the learning (e.g. length of the process). The effects[4] of learning are detailed in three categories – as knowledge, skills and competences. This indicates that the qualifications – in various combinations – cover a wide scope of the effects of learning, including theoretical knowledge, practical and technical skills and social competences, where the ability of work with other people is crucial. The applied solutions enabled creating a common point of reference enabling comparison and transfer of qualifications between countries, systems and institutions. This shall make European higher education competitive worldwide.

EQF is aimed at the promotion of lifelong learning. There are eight levels distinguished within the common solutions. The levels include the scope of the obtained qualifications from the qualifications obtained after finishing compulsory education to the qualifications granted at the highest level of university education and training as well as professional and vocational. EQF includes general education, of the adults, vocational education and training and university education. The largest stress is put on the results of learning - the effects.

The recommendation of the European Parliament includes descriptors defining EQF levels. With the above recommendations taken into consideration (table 1), the description of the system indicates eight ranks - levels of reference. The lowest one indicates qualifications obtained after finishing compulsory education, the sixth indicates completed university education with Bachelor degree, the seventh – MA and the eight –relates to the degree of Ph.D. It should be indicated that EQF shall reflect not only education, but also professional qualifications.

Table 1 Descriptors reflecting education levels and effects according to EQF

Level	Learning effects:	KNOWLEDGE	SKILLS	COMPETENCE
		in the context of EQF		
		knowledge described as theoretical or fact-collecting.	skills described as cognitive (with the application of logical, intuitive and creative thinking) and practical (related to manual skills and the usage of methods, materials, tools and instruments).	competence described in category of responsibility and autonomy.
1	fulfilling level 1	basic general knowledge	basic skills required for the implementation of simple tasks	work or education under direct supervision in organized context
2	fulfilling level 2	basic fact-collecting knowledge in a given area of work of education	basic cognitive and practical skills necessary for the usage of crucial information in order to implement tasks and solve routine problems with the use of simple rules and tools	work or education under supervision with some autonomy
3	fulfilling level 3	knowledge of general facts, rules, processes and	set of cognitive and practical skills necessary to implement tasks and	bearing responsibility for the implementation of tasks in work

		motions in a given area of work or education	solve problems by choosing and applying basic methods, tools, materials and information	or education; adaptation of own behavior to circumstances when solving problems
4	fulfilling level 4	fact-collecting and theoretical knowledge in a wider context of a given area of work or education	scope of cognitive and practical skills necessary to generate solutions to specific problems in a given area of work or education	independent organization within the scope of guidelines considering contexts related to work or education, usually predictable, but subject to alterations; supervision of routine work of others, bearing some responsibility for the evaluation and the improvement of actions related to work or education
5	fulfilling level 5	extensive, specialist, fact-collecting and theoretical knowledge of a given area of work and awareness of its limits	extensive scope of cognitive and practical skills necessary for creative solution of abstract problems	management and supervision in the context of work and education subject to unpredictable changes; analysis and development of the achievements of own work and others
6	fulfilling level 6	advanced knowledge of a given area of work and knowledge including critical understanding of theory and rules	advanced skills, revealing fluency and innovation necessary for solution of complex and unpredictable problems in a specialist area of work or education	management of complex technical or professional actions or projects, bearing responsibility for decisions made in unpredictable contexts related to work or education; bearing responsibility for the management of the professional development of individuals and groups
7	fulfilling level 7	highly specialist knowledge a part of which constitutes the latest knowledge of a given area of work or education, being the basis for the original thinking or research; critical awareness of the issues in scope of the knowledge of a given area and on the verge of different areas	specialist skills of solving problems necessary for research or innovative work in order to create new knowledge and procedures as well as integrate knowledge of various areas	management and transformation of contexts related to work or education, which are complex, unpredictable and require new strategic approach; bearing responsibility for contribution to the development of knowledge and professional practice or for the performance of inspections of teams' strategic results
8	fulfilling level 8	knowledge of the most advanced level of a given area of work and education and on the verge of various areas	the most advanced and specialized skills and techniques, including synthesis and evaluation, necessary to solve critical problems in research or innovative operation and to extend and redefine the existing knowledge or professional practice	revealing significant authority, innovation, autonomy, scientific and professional ethics and permanent commitment in the development of new ideas and processes in the most important contexts of professional work or education, including research.

Source: own study based on: Attachment 1 to RECOMMENDATION OF EUROPEAN PARLIAMENT AND COUNCIL as of April 23, 2008 on the establishment of European Qualification Framework for lifelong learning (Text meaningful for EEA), (2008/C 111/01).

3. Reference of EQF to National Qualification Framework (NQF) with a special consideration of the university profile and logistics

The introduction of Bologna process to the Polish system of higher education has initiated necessary changes in the whole education system on this level. Subsequent formation of European Qualification Framework became a guideline for the formation and successive implementation of National Qualification Framework (NQF) and one of its crucial elements - education effects. NQF is supposed to contribute to the indication and description of qualification to be acquired by a graduate of a given major during their all course of studies. Using the definition presented by A. Kraśniewski[5] it should be indicated that the qualifications shall be understood as an achieved degree, title with a corresponding diploma, certificate or other document, issued after the

completion of a given education stage on a higher level. The received document is synonymous to the graduate's achieving specific education effects.

NQF includes the creation of education effects in three categories: knowledge, skills and social competence as well as achievement of qualifications on three levels of studies with two profiles (university and practical). The introduced changes, including the assumptions of NQF, correspond to European Qualification Framework, which has been developed as a result of the introduced Bologna system.

The essence of NQF also consists in indicating and attracting more attention to general skills that should be obtained during the university education that should be useful regardless of the realized career and those that are profiled and fit to a specific major. The necessity of changing the attitude to the education process results from these guidelines. The main goal is to ensure the achievement (with a proper verification) of the education effects within the scope of the above categories anticipated for a given major. The presented guidelines and more extensive liberalization and autonomy of universities in the matter of creating both curriculums and majors and their education effects (with the resignation of previously binding requirements considering education standards) enable better adjustment of the educational offer to the changing market and social demands (among others with a bigger stress put on the cooperation with external stakeholders when creating new curriculums), ability to introduce innovative methods, education regulations and tools, individualization of majors with the same or similar names and their adjustment to the nature of a university or the profile and predispositions of the candidates. The above-mentioned changes above all are aimed at the increase of the quality of the offered curriculums, student-oriented offer and all the didactic process instead of adjusting the curriculums to the interests of the employed university staff.

The amended Act on Higher Education Law[6] in the area considering education and the realization of the didactic process includes many new terms and concepts. In view of these deliberations the most important are *education program and education effects*. The Act[7] defines education program as: a description of the specified by a university education effects in compliance with National Qualification Framework for Higher Education and the description of education process, conducting to the achievement of the effects, with the ECTS points assigned to individual modules of the process. Regulation on the conditions of conducting studies[8] specifies the concept of a curriculum, which even more precisely specifies the role and the meaning of education effects. *Curriculum* for a given major and education level and for a specific education profile or profiles at such major includes *a description of education effects and curriculums of studies, constituting a description of education process aimed at the achievement of the effects*.

Education effects appear as a new concept and from the start they play one of the key roles. Thus in the context of the new regulations, it is crucial that the catalogue of education effects is properly constructed, appropriately adjusted to a major's profile and to the target student group. Appropriate selection of qualitative and quantitative criteria of individual effects' verification is also important. In this context there is also a need for introducing extensive changes of teaching methods. Traditional methods, especially in the group oriented on practical skills (such as IT subjects) become less important. In order to fulfill the criteria of individual effects, keeping in mind that each student after finishing a given major has to obtain them, there is a need for the reorientation of the curriculums both, in the aspect of subject matter and the methodology of the subjects. Such actions require commitment of both university teachers and various stakeholders – internal, which are students, and external – representatives of the labour market play an important role here. Limiting

the deliberations to the group of IT modules, also suppliers of appropriate IT software are of great aid during the creation and adjustment of new cards of subjects (adjusted to created effects)

The amended regulations of the act reforming education have introduced the necessity to create a catalogue of education effects at each university major. The changes also apply to the Logistics major indicated in the title of the deliberations. Previous education standards are being successively superseded with dedicated education effects. The introduced changes may be exemplified with the education effects and the curriculum created at the Logistics major at the Faculty of Management and Economics of Services[9].

The adjustment of the curriculum of the studies and the creation of education effects at the Logistics major took place during the school year 2011/2012. In view of the lack of model effects for the major the catalogue of "own" effects was created. Since the subject matter of the major's profile has not been significantly changed, the effects have been adjusted to the existing curriculum. However both the subject cards and the valid ACTS points have been modified as to adjust the methods of effects' verification to individual subjects. Since new majors were introduced in the school year 2011/2012 – some descriptions of modules and subjects have been adjusted to the approved education effects. The next new element was creation of education effects for individual modules.

The education effects were created at two levels – major and area effects. Since the major has been qualified to the area of social sciences - the area effects accepted and approved by the legislator have been applied. Within the framework of further evaluation and the adjustment of the major to the changes in compliance with the new act there are plans to create education effects for individual specialties. This method enables creation of own curriculum path of the Faculty and the University simultaneously creating the assumptions of the major as adjusted to the local market, employers, university's nature and the latest economic trends.

The created catalogue includes effects in scope of knowledge, skills and social competences, remaining compatible with area effects in scope of social sciences. Which means the necessity of "covering" model area effects. The approved education effects cover two levels of the studies (1st and 2nd degree) ascribed to general academic profile.

Analyzing individual modules it has to be indicated that skills are of great importance (also during the designation of the effects). In spite of the adopted general academic profile, practical skills at the Logistics major are very important. It is especially noticeable in the group of IT subjects where, next to the knowledge of the area, skills are also created and verified and with interactive classes (among others blended learning) also social competences.

In the category of major effects only the area of knowledge indicates the knowledge of IT solutions and IT systems applied in logistics. This shall not imply that only the one education effect is fulfilled by IT subjects. Quite the contrary, a lot of attention is paid to skills and competences.

4. Case Study – IT subjects Logistics Major Faculty of Management and Economics of Services

The adaptation of the IT subjects' curriculum in accordance with the requirements of the National Qualification Framework required introducing extensive changes to the implemented didactic paths for the IT subjects. On the one hand, the introduced changes were to enable the implementation of the goal of the classes, which was:

1. pointing out to students the areas of using IT systems in logistics and the advantages resulting from the usage of the IT systems in logistics;
2. practical presentation of popular IT tools used in logistics: ERP class systems;
3. elaboration of the projected development directions of the IT systems applied in the logistics.

On the other hand, the introduced changes were to enable successful achievement of the education effects planned for the described subjects and to enable precise verification of achieving the effects. Moreover, the prepared didactic paths were to take into consideration the possessed by the Faculty of Management and Economics of Services IT infrastructure, both in software and hardware aspect. At the Faculty of Management and Economics of Services the IT classes at the Logistics major are implemented with the use of the following ERP class systems:

1. Microsoft Dynamics (NAV, AX and CRM series products) – series of ERP class systems dedicated to medium and large undertakings. The Faculty of Management and Economics of Services is a partner of Microsoft company in Microsoft Academic Alliance program. The participation in the program provides the Faculty of Management and Economics of Services with the access to authorized training materials and technical support of Microsoft company's partners. Microsoft Dynamics system is used in a number of logistics classes at the first and the second degree of full-time and extramural studies.
2. SAP ERP 6.0. Presently, the world's most popular ERP class system supporting management of undertakings. The Faculty of Management and Economics of Services is a partner of SAP company in University Alliance program. SAP system is used in a number of logistics classes at the first and the second degree of full-time and extramural studies.
3. Comarch Optima. Presently, one of the most popular ERP class IT system in Poland dedicated to small and medium-size undertakings. Within the scope of cooperation with the software manufacturer, Comarch company, the Faculty takes advantage of full technical support related to the system and the access to e-learning training materials related to the system's operation. Additionally, the Faculty of Management and Economics of Services may provide students with certificates confirming the skills in the usage of individual modules of Optima system (including logistics modules). Comarch Optima system is used in a number of logistics classes at the first and the second degree of full-time and extramural studies.

Due to the nature of the presented material, it was assumed that the *IT in logistics* classes would be carried out on the basis of Microsoft Dynamics and SAP systems. The choice of the ERP class systems guarantees the ability to demonstrate to students presently most advanced IT tools supporting logistics, and the prepared didactic path enables practical presentation of all the crucial features and functionalities of the elaborated systems from the point of view of supporting logistic operation of an undertaking.

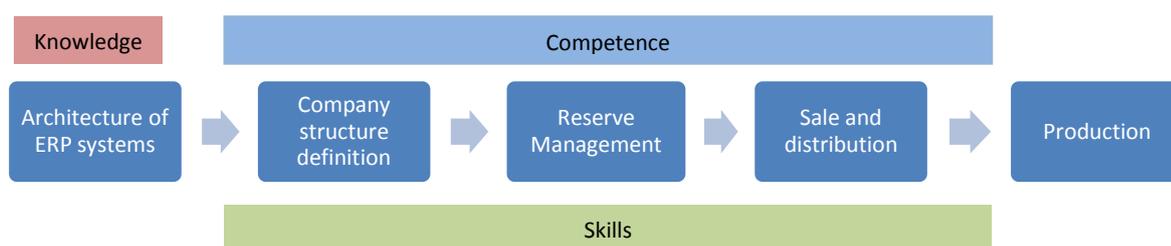
Logical construction of the didactic path is based on the analysis of actual logistic processes existing in undertakings and its scope includes the following issues:

1. technical and functional architecture of ERP systems supporting logistic operation of an undertaking,
2. definition of undertakings, their structures and mutual relations from the point of view of the implementation of logistic activity (company, enterprise, warehouse),
3. reserves management taking into consideration order management, tendering price control and warehouse management,

4. sales and distribution, including the issues of client relations management, sale orders management, price determination and sale documentation processes and the issues of optimization of the transport questions,
5. production, including material specificity management, material itinerary and work stations' definition.

Individual subject matter issues have education effects to be achieved during the didactic process and the methods of their verification. Logical structure of the didactic path for Logistics in IT subject, with the reference to individual education effects in accordance with NQF, is presented in picture No.1.

Picture 1. The logical structure of the didactic path for IT in logistics subject



Source: own elaboration.

The starting point is presetting to students the possible areas of using IT systems in logistics and its advantages and the description of architecture and ergonomics of the presented ERP systems. These classes provide students with the knowledge on basic IT solutions and IT systems applied in logistics (K_W06). This stage is verified with a test conducted at Moodle e-learning platform.

The next stage of the IT in logistics' didactic path implementation consists in defining by students model companies and their logistic structures (company, enterprise, warehouse) and defining reserve management system. The stage's effects include skills in scope of organization and implementation of logistic operational activity in business entities, with the use of computer-aid tools and the competence in using knowledge considering the facilitation of logistic management in the functional areas of business entities and the team work.

This stage is verified with a test where students using the elaborated systems, implement operations related to the reserve management in accordance with the scenario reflecting operations performed in real company. The scenario requires from a student, among others, defining stock keeping units, suppliers and consumers and the full organization of the storehouse.

The next group of the issues discussed during the classes of *IT in logistics* subject is the questions related to the logistic support of sale, distribution of goods and production. During the implementation of the stage students acquire skills enabling the analysis of model processes, construction of simple realizations and operational analyses in the area of logistics and delivery chain and they are able to evaluate the usefulness of typical methods, analyses and good practice for the implementation of tasks and solving problems related to the implementation of logistic processes, projecting the outcomes of the logistic decisions. Additionally, basing on the conducted classes students should be able to form conclusions, elaborate and present results and indicate directions of further actions in scope of IT support of logistic processes. The elaboration of the issue

area should provide the students with the competences in scope of determining priorities and hierarchy of actions aimed at the implementation of a task specified by themselves and others.

This stage is also verified with the test where students solve analytical tasks with the use of the elaborated systems.

5. Summary

European education area requires from national markets detailed reflections and changes in scope of the education process itself and its preparation. The created national qualification frameworks have to adapt to the European requirements, which on the one hand, implies the necessity of introducing radical changes, not only to curriculums, but to the didactic process itself, on the other hand the adjustment of NQF to the new requirements requires commitment and extensive skills in scope of creating curriculums. The new attitude requires more aware creating subject matter of subjects and searching for the most appropriate verification methods corresponding to individual effects. The application of the presented rules should significantly increase the quality of education. European and national qualification frameworks make the qualifications received by future graduates and employees clearer. This enables the students and the potentially employed to move freely on the open education and European labour market. The presented solutions specify both requirements and advantages for people using the offer of European education market. The modification and standardization of the system results in the increase of education quality not only on the national market, but also on common European market.

Notes

1. EUROPEAN PARLIAMENT AND THE COUNCIL RECOMMENDATION of April 23, 2008 on the establishment of European qualification framework for lifelong learning (Text meaningful for EEA), (2008/C 111/01)
2. Bologna Declaration Higher Education in Europe, Common Declaration of European Education Ministers, gathered in Bologna on June 19, 1999.
3. Budapest and Vienna declaration on European Higher Education Area, March 12, 2010, report of ministers responsible for the European Higher Education Area.
4. European Qualification Framework for lifelong learning (EQF), EUROPEAN COMMISSION Education and Culture, Lifelong learning: Education and training policies Coordination of lifelong learning policies, European Commission, European Qualification Framework for lifelong learning (EQF), Luxembourg: Office for Official Publications of European Communities, Luxembourg 2009, www.europa.eu
5. Kraśniewski A. [2011], Jak przygotowywać programy kształcenia zgodnie z wymaganiami wynikającymi z Krajowych Ram Kwalifikacji dla Szkolnictwa Wyższego, MNiSW, Warszawa 2011, p.6 and the following.
6. Act on Higher Education Law, Dz. U. Nr 164, poz. 1365, as amended.
7. Act on Higher Education Law, Dz. U. Nr 164, poz. 1365, as amended, art. 2 ust. 1 pkt 14(b)
8. Regulation of the Minister of Science and Higher Education on the conditions of conducting studies at a specific major and education level, October 5, 2011
9. Due to the shortage of the text in the publication the ruminations shall be limited to the adjustment of the education effects and education modules in the group of IT subjects.

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1. Act on Higher Education Law, Dz. U. Nr 164, poz. 1365.

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8. RECOMMENDATION OF EUROPEAN PARLIAMENT AND COUNCIL as of April 23, 2008 on the establishment of European Qualification Framework for lifelong learning (Text meaningful for EEA), (2008/C 111/01).
9. Regulation of the Minister of Science and Higher Education on the conditions of conducting studies at a specific major and education level, October 5, 2011

Elira Turdubaeva

Kyrgyzstan-Turkey Manas University, Bishkek, Kyrgyzstan

Communicating With Voters in Social Networks: the Case of 2011 Presidential Elections in Kyrgyzstan**Abstract:**

Cyber campaigns are a relatively new phenomenon, however more and more scholars have engaged with their study in the past years. Although some acknowledgement was given more participatory and interactive properties of applications such as email and online discussion fora, the question of how far they might have a deeper ‘democratising’ impact on parties’ campaign management and organization was not something that was widely discussed. After a short analysis of internet use and the state of social networks in Kyrgyzstan, this study focuses on the online election campaigns of presidential candidates in recent elections in Kyrgyzstan. Using Jackson et al.’s methodology adapted from Gibson and Ward (Jackson, Lilleker and Schweitzer, 2009) this study analyzes online electoral campaigns of candidates for 2011 Presidential Elections in Kyrgyzstan in order to explore interactivity ‘as a way for improving participation, information, and interest, and the relationships between civil society and parties’ within the websites and social network accounts of the candidates. The election involved 19 candidates to the presidency. Total 13 websites, 5 Facebook accounts, 7 Twitter accounts and 4 Odnoklassniki and 3 MoyMir accounts of candidates were monitored during election campaign period of 25 September and 27 October 2011. The official 13 websites, 5 Facebook pages, 6 Twitter accounts, 4 Odnoklassniki accounts of Presidential Candidates were archived between 27 September and 27 October 2011 (pre-election campaign period).

Keywords: Kyrgyzstan, social networks, interactivity, web presence, Web 2.0, Cyber campaigns, web 2.0 cyber-campaigns, online mobilization, post-modern campaigning

Sheriff Musa Urama, Emmanuel I. Onwuka

Federal College of Education, Kano, Nigeria

Aishatu Ezeani Ngozi

Enugu State College of Education, Enugu, Nigeria

E-Business in Africa: The Nigeria Experience

Abstract:

The African continent is one of the five continents in the World endowed with huge human and natural resources. Africa holds 15% of world's population with an across sector infrastructure investment average returns of 15% to 20%. The diverse location of people living within the continent makes intercity, interstate, or inter-country transaction among inhabitants difficult and where it does happen, comes with huge transaction cost. The consequence is that a wide gap has been created in Africa's regional or states' economy. This phenomenon has precipitated the wide spread of poverty, intransigent and intro-regional conflict within the African continent. E-business no doubt provides the only viable platform for bridging the gap in African economies. However, its adaptability sustainability becomes a major concern taking into cognizance the various challenges (human resources, infrastructure, high poverty and crime rates) confronting the African continent. Empirical data on African regional economy, e-business in Africa were retrieved and analyzed with a view to determining the level of development of e-business and its impacts on the economy. Results show that investment in e-business infrastructure in Africa (Nigeria) is much viable and will lead to rapid economic development within the continent. Appropriate recommendations are made based on these findings.

Maria Denisa Vasilescu

National Scientific Research Institute for Labour and Social Protection, Academy of
Economic Studies, Romania

Youth Labour Market Analysis

Published in IJoBM 1(1), 2013: <http://www.iises.net/?p=8435>

Abstract:

The purpose of this paper is to analyse the determinants of youth unemployment in the European Union and to compare the Member States in terms of youth labour market performance. Youth unemployment is a delikte problem given the fact that young people represent an exceptional ressource for society, but labour market inefficiencies are preventing the maximum use of their potential. There is a high interest among researchers and policy makers to understand the factors that influence youth unemployment and the link between youth unemployment and various macroeconomic and socioeconomic indicators. The present study will address this issue using a panel data econometric model. Also, the Data Envelopment Analysis method will be used in order to rank the Member States and to identify the top performers on youth labour market – countries that demonstrate effective labour market policies.

Keywords: youth unemployment, labour market, Data Envelopment Analysis, panel data

Anna Vysotskaya, Alla Zotova, Dmitriy Shevchenko

Southern Federal University, Rostov-on-Don, Russia

IFRS Adoption and the Quality of Financial Reporting: Evidence from Russia**Abstract:**

The key idea of the paper is to compare the financial reporting quality before and after International Financial Reporting Standards (IFRS) adoption in Russia. Firstly, the paper suggests a retrospective analysis of accounting standards development in Russia. Secondly, the main problems of IFRS implementation in Russia are being discussed. The main aim of the paper is to show how the transition to IFRS process in Russia runs and suggest methods to facilitate it. The paper contributes to the question if the convergence of Russian Accounting Standards (RAS) with IFRS affected the financial reporting quality of listed firms in Russia.

Since the paper is devoted to the transition of the accounting system in Russia to IFRS, it looks at the history, approaches and teaching of IFRS in Russian Federation in order to provide a broader international perspective of this important arena that shapes the view of accounters. Besides, the paper illuminates the most of the problems, connected with the transition process in Russia. It is done by describing the overall context of accounting education and experience in implementing of IFRS within the contemporary Russian accounting system and the system of higher education.

Keywords: IFRS, Russia, Harmonization, Financial Reporting

Introduction

The most important expectations of the transition to IFRS process differ from one user of accounting information to another. Thus, from the side of stakeholders, the introduction of IFRS is expected to bring important benefits that among all will out-weight the short term costs. The benefits of comparable financial reporting are significant for the companies that need investing from external investors. As to investors, it is important that financial statements are understandable and reliable. For management, this will make the company activities more transparent. For policy-makers, it could help strengthen Russia's capital market and regulators could benefit from improved regulatory oversight and enforcement. More broadly, other stakeholders would benefit from overall improved transparency of company accounts.

As it occurs in the world economy practice international standards influence local accounting mostly by two ways: by insertion of its parts into legislative requirements and local standards as well as by direct using of IFRS in financial reporting by significant amount of Russian enterprises, e.g. credit organizations, which are required to do so by the Bank of Russia.

On the background of globalization processes in economics, creation of trans-continental companies and international stock markets, Russian accounting needs new methods to meet the requirements of the global economic community. New international technologies changed the market environment (e.g. Whittington, 2005) and the expectations of users of financial statements. With the elimination of territorial barriers, that were stumbling blocks for many countries, information became available to the business community in any part of the world. This brought to the capital markets huge amount of new investors. Russia tries to participate in the international accounting processes actively, as in such circumstances neither men nor organizations can withdraw into their national framework. The importance of the Russian accounting system convergence to IFRS is also emphasized by the need to enable users of financial statements from different countries "speak the same language".

As the whole history of science development shows, the language of mathematics provides uniformity of understanding and possesses better categorization tools in logical thinking and inferences than a purely professional specialist language. That's why a mathematical model which is independent from any specific accounting content but capable of taking form of any of them, has good prospects in being understood and accepted by specialists worldwide. It is thanks to the uniform and compact form of the mathematical method of accounting that the specific features in national accounting systems can be found out and compared to find any common ground needed for the developing of international standards of accounting and unification of this science.

However, the methods of modeling the technology of accounting (from initial records to formation of accounting reports) practically repeats with great exactness the same steps which are implemented in practice, using provisional numerical examples. For accountants in Russia traditionally inherent the approach of "the priority of form over content", which is not consistent with the spirit of IFRS. Historically, the State was the main and the only user of financial information and the major application of accounting was limited to tax reporting. Besides, IFRS does not fit into the existing structure of the Russian legislation. Finally, in Russia there are many people who need to study IFRS, it is about three million accountants.

This fact seems to be a stumbling block on the way of harmonizing of Russian national accounting system as it complicates the conceivability due to the difficulty of their observation and the visible variety of accounting techniques.

Literature review

Numerous studies indicate that accounting quality is not determined by accounting standards alone. Accounting quality is also partly determined by the incentive firms have to provide high-quality financial statements.

Literature review in the context of this paper splits to two broad area – the process of convergence to IFRS and examination of developing of the matrix theory in accounting.

The implementation of International Financial Reporting Standards in Russia has been discussed by accounting scientists for more than a decade. The united opinion of specialists is that those standards

must become an integral part of business life of enterprises and be included in statutory norms in Russia.

As one of the brightest Russian contemporary scientist Ya.V. Sokolov (1995) remarks in his paper “Accounting education in Russia today”: “The West has not perhaps appreciated the role of the command or planned economy on the provision of education. The extent and detail of that involvement is first reviewed in respect to accounting education. The changes which are already under way are described and future trends in which Western academics may participate are outlined. Russia and the rest of the Former Soviet Union (FSU) is in the process of changing a well-established, clear structure of education for a less rigid but more idiosyncratic approach. Accountants and accounting educators in other countries should be aware of the history and emerging structures in Russia and the FSU if their involvement is to be worthwhile”.

Richard Mattessich, Giuseppe Galassi (2000) indicated the main stages of matrix algebra application in economic research, accounting and information economics. Arthur Cayley is one of the founders of matrix algebra who in 1894 wrote the book on the system of double records in accounting. D. Rossi (1895) the chess form of accounting was created.

The problems of accounting development and IFRS implementing were discussed in the works by following authors: Bagaeva, A. (2008), Enthoven, A.J.H. (1999), Krylova, T. (2003), McGee, R. and Preobragenskaya, G. (2004), Sarikas, R. H., and Djatej, A. M. (2005).

Accounting in Russia

Like any field of human activity, accounting in Russia was influenced by different circumstances. The primary role belongs to the European school of thought. The connection was established in the XVIII century by Peter the Great who undertook several financial and accounting reforms to introduce the cameralist method of accounting. The accounting reform was established to satisfy specific State’s needs for improving public administration and was largely influenced by Swedish and Dutch accounting practices (Platonova, 2009). Considerable attention was given to developing accounting education, in particular, setting up special accounting schools and training of first accountants. As part of the educational reform, people were sent abroad to learn about European accounting model and to bring books on accounting that were translated later into Russian. Thus, the creation of accounting regulatory framework was done simply by transferring western accounting practices.

Development of accounting in Russia was guided by application in five business areas, including monasteries, manor houses, households, trade and usury, construction and industrial production. One of the vivid examples of application of a newly established accounting framework was Regulation “On management of Admiralty shipyards” dated April 5, 1722 and announced after the construction of a shipyard in St. Petersburg. This document provided a fairly rigorous system of cost accounting and influenced the entire accounting system by introducing one general rule: “it is not the reality, but primary documents that need to be accounted for” (Genin, 1937).

Abolition of serfdom in 1861 and further industrialization of the country brought the need for further improvements in accounting. Development of state factories required much more detailed framework

for cost accounting. One of the innovations of the XIX century was introduction of the “Journal”, a document that listed all business transactions in a chronological order. Another innovation was introduction of accounting for labor in the "List of craftsmen", and accounting for raw materials in a special bookkeeping journal. In the end of the XIX – beginning of the XX centuries Pavel Reinboth promoted the concepts of direct and indirect costs, developed the annual absorption costing system and introduced "rate of costs" as one of the primary indicators of production efficiency (Vysotskaya, 2010).

Developments in cost accounting brought about improvements in financial accounting. The double-entry method was widely spread, but was still based on the German model of accounting where all homogeneous transactions were accumulated in the General journal and finalized in the General Ledger in the end of the accounting period. Innovation of the time was wide promotion of the Italian model of accounting where each transaction had to be recorded in a journal separately and transferred to the general ledger separately as well. “Course in double-entry accounting” by Alexander Prokofiev that described this system, became the guideline for several generations of Russian accountants. However, despite advances in corporate development, the double-entry system was more established in cost accounting than in corporate accounting. In the meantime, a group of researchers tried to challenge the principles of the double entry system and introduce their own accounting systems. However, such innovative accounting systems did not withstand the time test (e.g. the triple-entry system introduced by Fedor Jezierski).

Accounting development continued with establishment of “Schetovodstvo” (Accountancy) journal. Published between 1888 – 1904, the journal included papers of well-known in Europe accounting professionals, namely, Adolf Wolf, Alexander Beretti, Lev Gomberg and others.

Accountancy profession at that time required intelligence, education and analytical thinking. Development of business sector created high demand for accounting professionals who were well rewarded for their services and were well respected in the society.

Significant changes in the Russian economic environment took place with the collapse of the USSR. During the 90s, accounting reflected changes associated with a transition from a command control system to a market economy that resulted in a growing demand of professional accountants in fast-growing business areas. Besides, new forms of enterprises (e.g. cooperatives and joint Soviet-foreign enterprises) required new accounting rules. Harmonization with international accounting standards was able to partially resolve these issues, but did not solve the main problem of Russian accounting. The State remains the main user of financial information and the major application of corporate accounting is limited to tax reporting.

During the 2000–2008 the re-birth of Russian accounting took place. It was caused by economic growth spur driven by private consumption and investment, dramatic increases in the world prices on energy and commodities (Berglof and Lehmann, 2009). In such circumstances, a question of harmonization with international accounting standards became of utter importance.

The Concept of Accounting was formed during the transition period from planned to market economy. Its main purpose was to change the main aim of accounting: in planned economy accounting aimed to provide information for the State, the new Concept of accounting was to create a market-based infrastructure that provides a favorable climate for private investment, including foreign investment.

Since, in Russia, historically Continental system of regulation of accounting was used, the adoption of the Concept in 1997 has shifted the model of regulation of accounting and reporting to the Anglo-American one.

Quality of reporting and problems of IFRS implementation

Among the most serious problems of IFRS implementation in Russia, it is used to mention the next:

1. The lack of official status of financial statements prepared under IFRS, as well as the necessary infrastructure of IFRS;
2. The formal approach of regulators and businesses to many categories, principles and requirements of the accounting and reporting, comply with the conditions of market economy;
3. High costs of business entities to prepare consolidated financial statements according to IFRS through the transformation of financial statements prepared under RAS;
4. Significant administrative burden on businesses to report excessive reporting to state authorities, as well as unnecessary costs because of the need for parallel accounting to tax records;
5. Poor quality control system accounting, including the poor quality of the audit of financial statements;
6. Lack of involvement of professional associations and other interested public, including users of financial statements, management accounting and reporting;
7. The low level of training most of the accountants and auditors, as well as lack of skills in the use of information prepared under IFRS.

As the professor V.G. Getman (2011) notes, the above problems are not solved so far. The fact that the concepts outlined the following objectives:

- a) Conduct training on the reorientation of accounting in-depth study of IFRS;
- b) Monitoring of the quality of educational programs;
- a) Implementation of management training in this regard;
- g) Ensuring that the training of professional accountants;
- d) Certification of Professional Accountants, based on IFRS;
- e) Upgrade training and methodological support of education.

However, the reforms in the field of accounting seriously complicated the achievement of goals. Thus, due to the ongoing reform of education, were admitted to the following steps:

1. Reduction of 1-year study period (from 5 years up to 4) - This factor may affect the preparation of Accountants (as experience has shown that 5 years is possible to prepare a suitably qualified accountant, but maybe it will do in 4 years is not yet known);
2. The rules set forth in the federal state educational standards of 24.02.2009g. are extremely out of place, since the drafting of this standard is carried out within the existing system of services under the

state order. In addition, if we compare our GEF standards of European countries, unlike in Europe, in our country, according to this standard, up to 42% of the hours necessary to discipline, which the West did not even study that calls into question the usefulness of both time allocation, allotted to their study, and the very necessity of studying them.

Thus, there is a need to adjust the standard with experts in the field of accounting education. Among other things, the very weakness of the standard under consideration is the lack of professional disciplines in the profile of accounting. It should be noted that the whole world is now moving in the opposite direction, namely towards the harmonization of curricula, but according to Russian GEF, curriculum development is the responsibility of each university.

The current, third generation of the standard makes a complete decentralization of the education system. There is no reorientation of contemporary accounting education for in-depth study of IFRS. For example, if a second-generation standard IAS discipline was fixed officially in the curriculum, the third generation of the GEF is absent, and the inclusion of this discipline in an educational program given into the hand of the university.

In addition, the new standard could significantly hinder monitoring the quality of educational programs, as there are no standard educational programs.

Within the integration of Russia into the world economy and the globalization of capital markets, such problems as lack of the comparability of financial statements and the inadequacy of financial information to accurately assess the risks for making decisions by investors compounded.

Development of the company in modern conveniences depends on many factors, among them is the quality of the information contained in the financial statements. Improvement of the quality remains the key point of accounting reforms in Russia recent years. Worldwide such quality is determined according compliance with the requirements by all interested users of accounting information.

Among the main problems of improving the quality of financial accounting reporting in Russia are distrust of its content for the users and inadequacy of its content to the requirements.

In Russia, the economic reforms have identified the need to improve the quality of financial statements. As the content of reporting is generated in accordance with the same rules as for the tax needs, it becomes unclaimed because doesn't meet the principle of neutrality. This can be explained partly by the manner of its formation. It must be admitted that the Russian Accounting Standards (RAS) today only partially meet international requirements.

As it was mentioned in the analytical report of the National Organization for Financial Accounting and Reporting Standards Foundation (NOFA, 2005) in Russia introduction of IFRS rules in Russia will have an impact on various areas of accounting reports quality and government regulation. The nature of these effects depends on the legal mechanisms by which the rules of IFRS are introduced into the legal system of the Russian Federation. Analysis of the expected impact of IFRS implementation suggests that the application of the rules of IFRS doesn't have a negative impact on the accounting reporting quality, and in many cases, it will have a positive impact not only on the financial accounting, but on the managerial one, as well.

Teaching IFRS in Russia

In USSR accounting had to change in order to suit the needs of centrally planned economy and so did accounting education. During the Soviet times professors kept developing accounting and providing new research to suit needs of the economy. Obviously, having experience of few generations of accountants in the USSR implemented in practice and education, some professors did not want simply to give up certain features of USSR practice.

Since in 1995 the Russian government established a professional body, the Institute of Professional Accountants and Auditors, the process of transition to IFRS began. The role of the Institute was to promote the development of accounting reforms and provide continuous professional development. As part of the role the Institute provided certification of accountants, however, it did not have the same status as professional certification in the West.

In Russia, the number of university students of all forms of education has increased from 3045.7 thousand in the 1980-81 school year to 7064.6 thousand in the 2005-06 academic year. Of these, the number of full-time students increased from 1685.6 thousand to 3508.0 thousand, respectively (Russian Statistical Yearbook, 2006). Since the abolition of the distribution of graduates by companies in Russia began to develop the labor market of young professionals as part of a market economy as a whole. As it was already mentioned, the content of higher education in the Russian Federation is determined by the state in the decision-making procedures (Educational Standard), it does not take into account the interests of particular enterprises, employers and there are no direct links between higher education (the Department) and the sphere of production (the Company), which leads to the formation of the gap between the quality of training in universities and professional qualities of knowledge workers necessary for the effective functioning of the enterprise.

The existing over 1,000 universities and HE colleges (including state (approximately 60 percent) and non-state institutions) in Russia are categorized within a broadly hierarchical system as elite, federal, research and classic universities, academies and institutes. The total student population is in the order of 7.5 million, with approximately 800-850 thousand graduates per year¹.

Accounting education in Russia has traditionally been regarded as part of a wider economy studies with emphasis on bookkeeping rather than accounting in its Western approach. The decision to adopt IFRS coincided with several such major changes in accounting education in Russia, as the move from five year 'specialist degrees' towards a structure of four year 'bachelor degrees' with the option of extending study to six years with a specialist 'masters degrees'.

As a result, there is no concerted action, "university -enterprise," the graduates at the end of high school, faced with the serious problem of employment. Of the total number of graduates seeking for the employment, the most part was with a degree of "accountant" employment asked for the assistance. Of these, 34.2% were employed, including according to their specialty - 15.8% (Russian Statistical Yearbook, 2006). The cause of such situation seems to lie in that there is a high demand for highly

¹ Stoner, G., and Vysotskaya, A. (2012) Introductory accounting, with matrices, at the Southern Federal University, Russia. Issues in Accounting Education . ISSN 0739-3172 (doi:10.2308/iace-50228)

qualified accountants with extensive experience and age over 30 years, and young graduates who have mostly theoretical knowledge, employers are reluctant to hire.

Since there is a definite dependence between even the size of the company and the number of employed accountants, one can judge how the demand on the specialists rose to the extent of the growing amount of enterprises (Table 1).

Table 1. Dependence between the size of the company and the number of employed accountants

Size of the enterprise	Total number of employees	The total number of accountants	The av. number of employees per accountant
Small	<20	1-3	7
Medium	20-200	5-10	20
Large	200-1000	10-20	50
Extra large	>10000	>100	-

Besides, almost all recruitment companies (i.e., Head Hunter, Job.ru) mention that there is a positive dynamics of labor market in accounting and finance sphere, the dimension between the most popular specialists is the following:

- Accountant - 26.7%
- Finance Manager - 19.3%
- Finance Director - 17.1%
- Chief Accountant - 12.5%
- Accountant of the sector - 9.7%
- Financial Controller - 7.9%
- Auditor - 6.8%

But one of the most serious problems in adopting IFRS in Russia lies in the sufficient lack of official Russian translations of IFRS in recent years, most accountants were using unofficial Russian translations of IFRS (Tyrall et al. 2007). There were attempts to develop a new accounting terminology in order to cover accounting concepts not needed during the Soviet era (Vysotskaya A. and Prokofieva M., 2012).

Conclusion

Russia continues adopting key principles of IFRS and, even now, the forms of accounting reports become more informative and the most attention in them is given to the priority of content over the

form. Besides, the innovations in the accounting legislation in Russia tend towards the involvement in this process all the enterprises without exceptions.

As it follows from the problems of harmonization of accounting standards it seems to be necessary to move in the direction of creating accounting meta-models which are compact and universe and which are invariant to the initial accounting data but easily adaptable to the existing national accounting systems in all their diversity. One of the effective tools of creating such meta-models is mathematic modeling, in particular the one which uses the basic notions and operations of matrix algebra.

Concerning the fact that for the large company reporting on IFRS requires 3-5 specialists in this area (staff with the ACCA or CIPA certificate) and taking into account that the number of the companies adopting IFRS increases, it is obvious that in order to meet their needs in Russia, even today there should be more than 7000 staff. Even now there are about 50% of accountants who are aware of IFRS. Besides, the percent of companies that use IFRS is still not very high (not more than 20%). Thus, there is a certain need for IFRS-training among the accountants which will increase in case of the mandatory transition to IFRS. In such circumstances, Russian financial accounting needs can be served in, at least, 5-7 years. That is the time that it will take to bring the IFRS-training in accordance to the existing demand.

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Pannaloka Wadinagala

National Central University, Taiwan

An Intellectual Interpretation of Buddhist Ethics

Abstract:

The recent interpretations about the theoretical structure of Buddhist ethics have provoked the scholars to come up with many views about the topic. Damien Keown (1992, 2001) made the attempt to interpret Buddhist ethics in terms of Aristotelian Virtue ethics. He argues to the effect that in the eudemonia, the final goal in accordance with Aristotelian ethics, both intellectual virtue and moral virtue are equally significant. Damien argues, similarly, in the Buddhist ethics, morality and wisdom or practical and intellectual aspects maintain equal position in relation to the nibbana, the final goal of Buddhism. In this paper, the question is addressed whether Aristotle has given equal place to both practical wisdom and theoretical wisdom or theoretical aspect of virtue is dominant. The interpreters of Aristotelian virtue ethics argue for the priority of intellectual virtue over practical/character virtue. And also, the reading into the Nichomachean Ethics of Aristotle proves that in his ethical theory 'intellectual virtue' is dominant. Further, Damien assumes the approach to interpret Buddhism through its intellectual aspect would not serve the purpose of introducing Buddhism to the western society. So, he has selected the moral aspect of Buddhism and finds the analogy of Aristotelian virtue ethics as the medium to convey his view on Buddhism. I am to argue that Buddhist ethics has to be addressed through the intellectual aspect which is embedded in its theory of the nature of reality. The realization of the reality produces the invincible moral character. The intellectual understanding of reality as the turning point of moral character is equally reflected in the Theravada Buddhism and Mahayana Buddhism. The Pali Nikaya texts prove the priority of intellectual understanding making the claim that purity comes from wisdom while the Mahayana philosopher Shantideva mentions in his famous work Bodhicaryavatara that the entire Buddhist system is based on wisdom. Following the textual evidence in the early Buddhist Pali Nikayas and the works of Shantideva of Mahayana tradition, I will argue that the Buddhist ethics can be better interpreted in terms of intellectual aspect than the approach made through morality. The interpretation of Buddhist ethics as intellectual dominant ethics would be closer to the Aristotelian Virtue ethics than Damien's approach to interpret Buddhist ethics.

Key words: Buddhist Ethics, Early Buddhism, Mahayana Buddhism, Shantideva, Aristotle, Damien Keown

Jian-Ming Zhou

Institute of Agronomy for the Overseas, Florence, Italy

Unblock WTO Doha Round and Conquer Agricultural Protectionism, Under/Over-Production and Neo-Colonialism

Abstract:

"The irrational land use by able-bodied part-time/absent farmers earning higher off-farm income but unwilling to lease under-producing land beyond family consumption need to full-time farmers has been a global obstacle. Full-time farmers use tiny farms, cut forest for land or quit. Developing nations suffer under-production, while developed ones subsidize farmers causing over-production and protectionism. In World Trade Organization, on 6 December 2008, the developed countries agreed to reduce subsidies substantially, but asked developing ones to unaffordably open non-agricultural markets to compensate consequent agricultural loss, blocking Doha Round. Rich countries have bought/rented in land from poor ones, affecting sovereignty, squeezing small farmers as neo-colonialism. Softening the US and Western European laws, the author proposes: (1) A Dual Land System: the owner could keep a part of land for family consumption even without sufficient production, so as to avoid relying on buying food in market, practice farming skills, return to farming once lost off-farm jobs. The rest is land for market. If nobody wishes to lease it in, he could keep it without sufficient production, preventing over-production. But if others want to lease it in for sufficient production, he could not refuse even at low rents, avoiding under-production. (2) Convert the environmentally sensitive land to nature after constant overproduction. Keeping private land ownership, they could prevent protectionism, over-/under-production; sustain full-time large and part-time/absent small farmers; reach cereals basic self-sufficiency, promote multi-functionality of other agricultural/rural sectors, improve the environment. Hence the developed countries could abolish protectionism without losing agriculture, no need to ask the developing ones to unaffordably open non-agricultural markets. Neo-colonialism could be avoided: Countries should first use own land rationally. Forbid land sale to foreigners for sovereignty. Allow lease. Host country should first cater own farmers. If their land beyond family consumption need is under-producing, allow other domestic/foreign farmers to use.

I. Irrational and Polyopollistic Land Use Is a Global Obstacle

Ever since the 1950s, after the first land reform of distributing land ownership (or possession under public ownership) to small farmers, the irrational and polyopollistic land use by able-bodied part-time and absent small farmers earning higher off-farm income but unwilling to lease the under-producing land beyond their family consumption need to full-time farmers at low rents, has been a global obstacle, even if land property rights have been well defined and sale/lease allowed. [Polyopoly is designed by the author to denote the control of a resource by many sellers in contrast to monopoly (by

one seller) and oligopoly (by a few sellers)]. This is mainly due to their lacking interest in low rents, avoidance of misuse by tenants, jealousy in preventing neighbors from prospering, and hobby use. Only the old, and single female, landowners are willing to lease land out at low rents as their ability to earn off-farm income is low. In those countries where the first land reform has not been completed, there are also large landowners who exercise it. The full-time farmers, without right to use such underutilized or idled land, have to subsist on tiny farms, cut forests for more land, or quit agriculture for cities or developed countries. The land of the emigrants is ineffectively used by their old parents, wives or children, or just idled. Many developed countries have given huge subsidies to maintain farmers on agriculture, causing (1) *agricultural protectionism* and (2) *over-production*, while numerous developing nations suffer from (3) *under-production*. Zhou, Jian-Ming (2001: chapters 4-11) has provided evidences in Northeast Asia, Southeast Asia, South Asia, Central Asia, Central-Eastern Europe, North America, and the European Union.

A typical example is Japan. Of all the farm households, those in full-time decreased from 33.7% in 1960, to 20.1% in 2003, 22.6% in 2005, and 27.7% in 2010, and those in part-time 1 (mainly farming) reduced from 21.2% in 1980, to 13.1% in 2003, 15.7% in 2005, and 13.8% in 2010, while those in part-time 2 (mainly other jobs) grew from 66.2% in 1980, to 66.9% in 2003, reduced to 61.7% in 2005, and 58.6% in 2010. There has been a general decreasing trend of the total agricultural labor force and those males and females aged between 15-64 during 1965-2010, and those males and females aged 65 and over during 2002-10. The utilization rate of cultivated land has been dropping from 133.9% in 1960 to 100% in 1993, 99.3% in 1994, 94.4% in 2002, 93.4% in 2005, 93.0% in 2006, 92.6% in 2007, 92.2% in 2008, and 92.1% 2009. The cultivated land abandonment ratio grew from 2% in 1975 to 3.8% in 1995 and 107% in 2005 (JMAFF 2005: 9, 60) (in so doing, the owners abandoned operation but not ownership, and consequently others still could not use their land). As a result, its rice self-sufficiency has been kept until 1996 and reduced to 99%, 95%, 95%, 95%, 95% and 96% during 1997-2002, 94% in 2006-07, 95% in 2008-09 artificially by the heavy state protectionism. Most of the other agricultural products, with less or no government subsidies, have lost self-sufficiency since the 1960s, and all have fallen into this situation since 1994. The only exception is whale, whose basic self-sufficiency has been maintained at the expense of this scarce sea animal despite the continuous international protests. (HSJ 1868-2003 Table 7-53. JSY 1977: 100; JSY 1986: 159; JSY 1992: 153; JSY 1993/94: 272; JSY 1997: 235, 276; JSY 1999: 231; JSY 2000: 268; JSY 2002: 230, 231, 237, 278; JSY 2003: 278; JSY 2005: 230, 231, 237, 274; JSY 2006: 233; JSY 2007: 233; JSY 2008: 235; JSY 2009: 237; JSY 2010: 236-7, 243; 280; JSY 2011: 236-7, 243, 280; JSY 2012: 236-7, 243, 280).

The World Bank (7 September 2010: Preface) reveals that more and more people have realized the importance of the rational farmland use as a global task, which has been neglected for too long. 'Smallholder productivity is essential for reducing poverty and hunger, and more and better investment in agricultural technology, infrastructure, and market access for poor farmers is urgently needed. When done right, larger-scale farming systems can also have a place as one of many tools to promote sustainable agricultural and rural development, and can directly support smallholder productivity, for example, through outgrower programs.' 'Larger-scale farming can provide opportunities for poor countries with large agricultural sectors and ample endowments of land.'

Therefore, 'the demand for land has been enormous.' 'Interest in farmland is rising. And, given commodity price volatility, growing human and environmental pressures, and worries about food security, this interest will increase, especially in the developing world. *Many countries have suitable land available that is either not cultivated or produces well below its potential.* This was a development challenge even before the food price rise of 2008.' 'Such problems are not due to a lack of potential. For example, although deforestation associated with the expansion of the agricultural frontier has been a serious problem (and one of the world's largest contributors to greenhouse gas emissions), our analysis shows that the projected increase in the demand for agricultural commodities over the next decade could be met, without cutting down forests, by increasing productivity and farmland expansion in non-forested areas. In particular, none of the Sub-Saharan African countries of most interest to investors is now achieving more than 30 percent of the potential yield on currently cultivated areas.' (World Bank 7 September 2010: Preface)

Unfortunately, the World Bank has not given any effective and appropriate solution. 'A major conclusion of the report is that access to a basic set of good information is essential for all stakeholders. *Good public information* can help governments formulate policies, identify gaps in implementation, and perform essential regulatory functions. Good public information can help civil society educate local communities about their *rights* and the potential uses and value of their land, assist in specific negotiations, and monitor agreements so they are indeed adhered to. And good public information can help investors effectively design and implement projects that respect local rights, are profitable, and generate local benefits.' (World Bank 7 September 2010: Preface)

'Helping countries reduce poverty and hunger by increasing agricultural productivity is at the core of the World Bank's agenda. In collaboration with partners, the World Bank is ready to contribute to this important agenda by providing information and analysis, helping countries build their institutional and regulatory capacity, and supporting more and better investment in agriculture, especially smallholder agriculture, so that the rising global interest in farmland contributes to results that are sustainable and equitable.' (World Bank 7 September 2010: Preface)

However, merely increasing public information to the irrational and polyopolistic land use cannot solve the problem. What is essential is to give full-time farmers the right to use the under-producing land beyond family consumption need of the part-time and absent farmers.

II. Internationally Neglected US and Western European Laws for Efficient Land Use

It is claimed that the USA is the most liberal and democratic country of the world. But there are the following strict laws. (1) There is a time effect on turning occupied private property into ownership - adverse possession law: if a private person has occupied a private property (e.g., farmland) without agreement of the owner, while the owner has not sued the occupier during a limited period, then this property will belong to the occupier. For example, in Texas, if the owner of a farmland has not sued the farming occupier within 10 years, he will lose his right to claim it and the occupier will own it legally. (Texas Code - Civil Practice & Remedies Code 2009).

(2) There is a 'squatters' rights law for turning occupied public land into private ownership: if a person (squatter) has occupied a public land for over 20 years and paid taxes, the Secretary of the Interior may

issue a patent for 160 acres (64.75 ha) of such land upon the payment of not less than 1.25 dollars per acre (0.40 ha). (US Code Collection)

These laws are still exercised. Their main significance is to encourage the efficient use of the idled private and public land resources. Their main imperfections are that (1) If the private landowner has found that his idled land is being used by another farmer without his agreement within the limitations period, he may sue to get the land back, while still idling it. (2) Even if an adverse possessor or squatter has successfully gained ownership of a private or public land, he may idle or under-utilize it later on, without leasing it to those full-time farmers who wish to produce sufficiently on it. (3) People in general may not wish to lose private property including farmland even if they do not use it.

In Western Europe, (1) there has been a law to give right to other farmers to produce sufficiently on any under-producing land: in the EU Council Regulations 1963/262, 1967/531 and 1963/261 (Van der Velde & Snyder 1992: 9, 13-4); Italy 4 August 1978 (still valid but not applied), whose Article 2 stipulates that ‘Those lands whose average ordinary production in the last three years has not reached 40% of that obtained under the same cultivation, in the same period, on the lands of the same census zone, with the same cadastral characteristics, the cultural features being taken into account, are regarded as *insufficiently* cultivated’; and Switzerland from the Middle Ages that any farmer can bring his cattle to graze in the private pastures of the Alps (still valid but not applied) (Lehmann 10 October 2005). Its main shortcoming is that it obliges landowners to lease out all their inefficiently used land, so that part-time and absent landowners would not be able to produce for family consumption and practice farming skills; and once lost off-farm jobs, would either have no access to their land rented out, or have to withdraw it within the contractual period, affecting the lessees.

(2) There has also been a law to oblige landowners to either use their land or lease it out for sufficient production: in Germany 31 March 1915 (until 1961) (Winkler 1992: 83. Kroeschbell 1982: 69); UK 6 August 1947; Norway 18 March 1955, 25 June 1965, and 31 May 1974 (still applied due to continuing under-self-sufficiency with the cold weather) (Austena 1992: 140-3, 146-7), and Denmark 17 July 1989 (Wulff 1992: 36, 38-9, 40, 44, 46-7). Its main shortcomings are that it may cause over-production, plus the above-mentioned one. Both laws have been suspended at the over-production stage. (Rodgers 1992: 149. Anker 4 March & 13 May 2002)

III. Two Proposals by the Author

Built on the above-mentioned laws, but overcoming their shortcomings, making them lenient and more acceptable, and consistent with the ‘Charter of Fundamental Rights of the European Union’, ‘Article 17 Right to Property’, ‘The use of property may be regulated by law in so far as is necessary for the general interest’, the author raises *Proposal (I) Give full-time farmers access to the under-producing land beyond family consumption need of the part-time and absent farmers, by creating a Dual Land System* (where the farm is larger than for family consumption). The legal criterion for sufficient production of a land should be at least 40% of the normal output (as referred to in the Italian law of 4 August 1978), but should be raised according to the local conditions in different countries. A landowner may keep a part of his land as *land for family consumption* (as an economic buffer without relying on buying food in the market, also for practicing his farming skills as a technological buffer,

and returning to agriculture once lost off-farm jobs as a social buffer) even if he does not produce sufficiently on it. The rest of the land is *land for market*. If nobody would like to lease it in, the landowner may keep it even without sufficient production, so that over-production could be prevented. But if other farmers, without being forced by anyone, merely out of their own economic considerations, would like to lease it in so as to achieve economies of scale, reduce costs and become viable or more competitive, the owner could not refuse even at low rents, so that irrational production abandonment and under-production could also be avoided. The minimum lease term should be determined according to the local conditions and the nature of the crops. Having rented in contiguous parcels of different owners, the tenant would have the right to remove the boundaries and join parcels together to eliminate fragmentation (which is also a difficult and unsolved task under private land ownership), with the original boundaries recorded in the cadastre and a map and shown by field signs. Once the leasing contract is over, the owner has the right to withdraw the land. But if he does not produce sufficiently on it for maximally one year, while other farmers wish to lease it in for so doing, he could not decline. If afforded, the state may provide a minimum living standard welfare to every rural (and urban) resident who would have to compete in the market to earn more; and a decoupled direct subsidy to the real land operator (owner or tenant). The state should set up a ceiling of chemical fertilizer, pesticide and herbicide per ha and inspect its application so as to protect the interests of the landowners and promote green production.

Proposal (II) Convert the environmentally sensitive land back to the nature once a country has encountered constant over-production. Some developed countries regard the highly productive land as the cause for over-production and, have, by paying subsidies, set aside a part of it from cereal production on a quasi-compulsory basis, while setting aside the lowly productive land on a voluntary basis. The EU stopped set-aside in the autumn 2007 to raise cereals production, without giving alternative to the better environment effect it had brought. But the author finds that the true cause is protectionism without which farmers would have no incentive to over-produce even if much highly productive land is available for farming. Thus such countries should phase out protectionism, and make the non-environmentally sensitive land (no matter whether highly or lowly productive) available for full-time farmers to achieve economies of scale, while converting the environmentally sensitive land (both highly and lowly productive) back to the nature (forests, lake land, grass land and wet land) permanently beyond set-aside which is only temporary. Its landowners should not produce cereals, but could still pursue production of fruits, vegetables, livestock, fishery, afforestation, processing of agricultural products, transportation, rural tourism and other off-farm activities. They could be paid a transitional subsidy until they could earn a basic living by non-cereal production activities. Hence full-time large farmers could be further strengthened, over-production of cereals avoided, multi-functionality of the other agricultural and rural sectors promoted, and the environment improved.

These measures would, without affecting private land ownership, simultaneously reach eight aims: (1) minimize/abolish/prevent protectionism, while (2) avoiding over-production and (3) irrational production abandonment and under-production; (4) boost competitive full-time large farmers, whereas (5) not crowding part-time and absent small farmers out of agriculture; (6) reach/maintain basic self-sufficiency in cereals, meanwhile (7) promoting multi-functionality of the other agricultural and rural sectors and (8) improving the environment.

Although these Proposals are principles which should be adapted to the local conditions, it would be universally appropriate to give full-time farmers access to the under-producing land beyond family consumption need of the part-time and absent farmers, and convert the environmentally sensitive land back to the nature once a country has encountered constant over-production. They would be useful also for public land ownership. Hence launching a second global land reform – land use reform.

IV. Achieving Breakthrough of the WTO Doha Round Negotiations

The Doha Development Round or Doha Development Agenda (DDA) is the current trade-negotiation round of the World Trade Organization (WTO). Its fundamental objective is to improve the trading prospects of developing countries. It was started in November 2001 in Doha and planned to complete in 2004. The main cause why the negotiations are still blocked is that on 6 December 2008, the developed countries have agreed to substantially reduce agricultural subsidies: 'Overall trade distorting domestic support (Amber + de minimis + Blue). EU to cut by 80%; US/Japan to cut by 70%; the rest to cut by 55%.' 'Cuts made over 5 years (developed countries)' (WTO 6 December 2008); but they claim that this would cause farmers not to produce and loss of agriculture, and thus ask the developing countries to largely open non-agricultural markets for compensation. The WTO Director-General Pascal Lamy (25 February 2009) also supports this view, as he argues: 'Of course, Japan will face pressure from other WTO members to further open its agricultural market and to accept new disciplines for fishery subsidies. I understand this is a difficult decision at home and that it will take some time. But I just want to assure you that this happens everywhere. It is not easier for the US or European Union to reduce its agricultural subsidies or for the Chinese government to reduce its industrial tariffs further. Multilateral trade negotiations are a *give and take*, no country can ever get everything it wants, and no country will *lose everything* without *returns*. Eventually, a delicate balance of rights and obligations will be reached.'. The developing countries, however, cannot afford as their industry and services are too weak in front of those of the developed countries.

Therefore, to make the developed countries not lose agriculture after substantially reducing or even abolishing agricultural protectionism, and thus not need to ask the developing countries to largely open non-agricultural markets for compensation, is the key to achieve the breakthrough of the Doha negotiations.

(I) There Are Three Kinds of Developed Countries

i. New Zealand and Australia. They have basically abolished agricultural protectionism in the mid-1980s, but not lost agriculture. This is because the earlier immigrants had formed the largest farms of the world with very low costs which could easily feed their small population. Thus, after abolishing agricultural protectionism, even if many able-bodied part-time and absent small farmers earning higher off-farm income do not produce sufficiently on their land, nor lease it to the full-time farmers, the basic national food self-sufficiency would not be lost.

ii. The USA and Canada. Their farm structure is similar to that of New Zealand and Australia. But they have been implementing agricultural protectionism for a long time. After substantially reducing (or even abolishing) subsidies in quantity, and decoupling them from output in structure, even without adopting the Dual Land System in Proposal (I), they would not lose agriculture, just as New Zealand

and Australia. Only after their population has grown to the extent of threatening food basic self-sufficiency (especially in cereals), demanding more food and crops for biofuel, would the Dual Land System need to be applied. Thus the root of agricultural protectionism in the USA and Canada is political as farmers want more income and politicians need more votes, so that it would be relatively easier to solve.

iii. The EU, Switzerland, Japan, South Korea, etc. Their farm sizes are much smaller than those of New Zealand, Australia, the USA and Canada. After substantially reducing (or abolishing) subsidies, and decoupling them from output, many part-time and absent small farmers would neither produce sufficiently on their land, nor lease it to the full-time farmers. The basic national food self-sufficiency would be lost. Therefore their root of agricultural protectionism is more economic than political. Only by adopting the Dual Land System, could this outcome be avoided.

Proposal (II) could be adopted by all countries even now if they have encountered constant over-production.

For convenience, the developed countries in the following text exclude New Zealand and Australia.

(II) There Are Currently Three Schemes

The first scheme: the developed countries still maintain agricultural protectionism. This would be the best for them, but extremely harmful for the developing countries.

The second scheme: the developed countries agree to substantially reduce agricultural subsidies, but claim it would cause farmers not to produce and loss of agriculture, and thus ask the developing countries to largely open non-agricultural markets for compensation, but the latter cannot afford.

i. Regarding the quantity of the subsidies, substantially reducing them would indeed lead the developed countries (except for the USA and Canada) to lose agriculture. The main cause is that under the current high subsidies, the full-time farmers can afford to pay high rents, so that the part-time and absent landowners are willing to lease land for them to achieve economies of scale, reduce costs, become viable or more competitive. Once the subsidies have been substantially decreased, the full-time farmers would not afford to pay high rents, so that the able-bodied part-time and absent landowners would refuse to lease land out at low rents, because they earn higher off-farm income and are not interested in the low rents. Thus, the full-time farmers could not be viable and would also quit agriculture for higher off-farm income, and the basic national food self-sufficiency would be lost.

ii. Concerning the structure of the subsidies, the developed countries have signed the 1994 Uruguay Round Agreement on Agriculture, including that the subsidies coupled with the volume of production should be significantly reduced to 5% of the value of total agricultural production. This is because the coupling is the engine of all the protectionist measures. **(1)** The coupling violates the principle of market economy. For example, having produced more, in country A, farmers cannot receive more subsidies (which are decoupled from the volume of production), and have to sell the products in the market to earn profits. But in country B, farmers can get more subsidies (coupled), then they would over-produce, without caring whether the market demands, because the government will purchase the surplus anyway. They produce for subsidies, not for markets. Thus the coupling is unfair and belongs to protectionism. **(2)** Now that the coupling leads to over-production, in order to avoid the consequent

lower prices to harm farmers, the government has to give price support. **(3)** Over-production induces the government to provide export subsidies to make dumping to the developing countries. **(4)** Over-production also results in import restriction, further harming the developing countries.

But most developed countries have not fulfilled this commitment, because the decoupling would lead them (except for the USA and Canada) to lose agriculture. The main causes are: **(1)** The decoupled subsidies are not linked to the output, so that the recipients can produce zero, and only plant trees and grasses to prevent soil erosion. They will rather spend most time on earning higher off-farm income. **(2)** The decoupled subsidies are to the real land operators. If the land is leased out, they will go to the tenants. Thus landowners are neither willing to produce nor lease land out, so as to keep them.

For example, as Tables 1 and 2 show, the EU augmented the proportion of the decoupled subsidies in 2005, and immediately during 2005-07, the prices soared but output declined by a large

Table 1 Price Indices of Agricultural Products Output (annual, base 2000=100) in the EU-25 during 2004-2007 (percentage change on previous year)

	Products	2004		2005		2006		2007	
		Nominal value	Deflated	Nominal value	Deflated	Nominal value	Deflated	Nominal value	Deflated
01000	Cereals (including seeds)	0.8	-1.4	-13.2	-15.1	14.3	11.9	51.2	47.7
02000	Industrial crops	0.3	-2.1	-6.5	-8.6	-1.7	-3.7	8.4	5.7
03000	Forage plants	7.8	5.3	-15.8	-17.7	-2.5	-4.7	15.0	12.5
04000	Vegetables and horticultural products	-8.7	-10.6	6.1	3.8	3.3	1.1	1.8	-0.4
05000	Potatoes (including seeds)	-4.0	-6.0	-8.0	-9.9	53.9	50.7	-0.1	-2.3
06000	Fruits	-5.3	-7.6	-4.6	-7.2	1.7	-0.8	9.2	6.5
07000	Wine	-0.8	-3.1	-10.2	-12.1	-0.8	-2.8	6.6	4.6
08000	Olive oil	9.0	6.1	17.0	13.7	11.5	8.3	-17.0	-18.9
09000	Other crop products	-2.1	-3.9	0.8	-1.1	2.9	1.0	15.6	13.7
10000	Crop output	0.6	-1.6	-7.3	-9.4	10.5	8.2	18.0	15.5
11000	Animals	5.7	3.4	2.1	-0.1	4.6	2.3	-2.2	-4.3
12000	Animal products	-2.0	-4.0	-1.3	-3.3	-0.1	-2.2	13.3	10.8
13000	Animal output	2.4	0.2	0.7	-1.4	2.7	0.5	3.9	1.6

Source: Eurostat 22 May 2008.

	Products	2004	2005	2006	2007
01000	Cereals (including seeds)	116.7771 ^e	85.8114^e	95.0855^e	99.7265^e
02000	Industrial crops	110.7405 ^e	95.3927^e	88.9980	101.3525 ^e
03000	Forage plants	118.4117 ^e	94.7261^e	95.4808^e	108.0536 ^e
04000	Vegetables and horticultural products	100.7447 ^e	102.6572 ^e	98.1613^e	100.3144 ^e
05000	Potatoes (including seeds)	111.5982 ^e	92.7823^e	91.8628^e	114.0034 ^e
06000	Fruits	107.3119 ^e	99.3271^e	103.7991 ^e	95.2570^e
07000	Wine	123.5462	93.3301	98.2866^e	96.5989^e
08000	Olive oil	142.0365	82.0909^e	88.1631^e	103.2011 ^e
09000	Other crop products	110.8344 ^e	105.6712 ^e	104.7566 ^e	99.3885^e
10000	Crop output	112.0250 ^e	94.7476^e	96.5847^e	100.9396 ^e
11000	Animals	98.9983^e	100.2587 ^e	98.9529^e	102.0796 ^e
12000	Animal products	99.7145^e	99.2706^e	99.0223^e	99.8507^e
13000	Animal output	99.2770^e	99.8836^e	98.9794^e	101.2327 ^e

Notes:

e - Estimated value.

Value 01 Value at basic price.

P_adj vol Volume.

Geo eu25 European Union (25 countries).

Base year n_1 n-1 = 100.

Source: Eurostat 29 October 2008.

In 2004, according to Table 1, at the percentage on previous year of the price indices of agricultural products output: in nominal value, seven of the 13 categories of products were higher, six lower; and in deflated value, four of the 13 higher, nine lower, than in 2003. Correspondingly, as Table 2 demonstrates, of the indices in the volume (preceding year = 100) for the 13 categories, only three were lower, while 10 were higher than in 2003, showing a general increase of agricultural output.

In 2005, the starting year of the wider (although still partial) decoupling, as shown by Table 1, at the price indices of agricultural products output: in nominal value, five of the 13 categories were higher, eight lower; and in deflated value, two of the 13 higher, 11 lower than in 2004. However, as displayed by Table 2, of the indices in the volume (preceding year = 100) for the 13 categories, 10 were lower, and only three were higher than in 2004, starting a general trend of lower production.

In 2006, as revealed by Table 1, there was a wider increase (percentage on previous year) of the price indices of agricultural products output: in nominal value, nine of the 13 categories were higher, four lower; and in deflated value, eight of the 13 higher, five lower than in 2005. But, as introduced by Table 2, of the indices in the volume (preceding year = 100) for the 13 categories, 11 were lower, and only two were higher than in 2005, strengthening the general trend of higher prices but lower production.

In 2007, as displayed by Table 1, there was an even wider increase (percentage on previous year) of the price indices of agricultural products output: in nominal value, 10 of the 13 categories were higher, three lower; and in deflated value, nine of the 13 higher, four lower than in 2006. But, as introduced by Table 2, of the indices in the volume (preceding year = 100) for the 13 categories, five were lower than

in 2006, continuing the general trend of higher prices but lower production. In the autumn 2007, the EU had to stop set-aside in order to raise cereals production. Moreover, the EU turned from a net exporter of agricultural products in 2006 to net importer in 2007 (European Commission June 2008).

In 2005, the Tuscan and Umbria Regions of Italy also suffered considerable decrease of output, because many farmers just planted sunflowers and let them die in the fields, so as to obtain the decoupled subsidies, but unwilling to lease land to the full-time farmers who wanted to produce sufficiently.

Therefore, the coupled subsidies lead to over-production, while the decoupled ones to under-production. Thus substantially cutting subsidies and decoupling them from output in the developed countries (except for the USA and Canada) will indeed cause farmers not to produce and loss of agriculture. How to reach equilibrium between over- and under-production? The Uruguay Round Agreement and other agreements have not provided any solution. The developed countries use this as a 'reason' to ask the developing countries to largely open non-agricultural markets for compensation. But the developing countries cannot afford. Hence the blockade of the Doha negotiations. As a result, the developed countries would be glad to maintain the first scheme without a visible end.

The third scheme: the solution proposed by the author - the USA and Canada would not need to adopt the proposed Dual Land System, but the other developed countries would need to. Then substantially reducing or even abolishing agricultural protectionism would not lead them to lose agriculture. This would be beneficial to them. But this would also mean that they would lose the excuse to ask the developing countries to largely open non-agricultural markets for compensation. This would be unfavorable to them. Taken together, this would be less advantageous than the first scheme to them. Moreover, in the developed countries, the agreement to substantially reduce agricultural protectionism is mainly from the government. Farmers (especially the part-time and absent ones) basically have no pressure to reduce from their own, but prefer to maintain or even increase it. Thus they would not adopt the Dual Land System at their initiative. Only through dealing with them by the governments of all the developing countries in a united way, reasoning with facts, providing pressure, would they adopt and achieve breakthrough of the Doha negotiations.

However if these developed countries preferred not to adopt the Dual Land System, then they would not be obliged to. But they would have to abolish agricultural protectionism, at least implementing their agreement on 6 December 2013, without asking the developing countries to unaffordably open non-agricultural markets for compensating their loss of agriculture, because there is this Proposal for them to adopt to avoid such a loss. Hence the breakthrough of the Doha Round.

Unfortunately, land tenure has been long neglected in the Doha negotiations. It is now imperative to raise these Proposals into the agenda by the governments.

V. Emerging Neo-Colonialism

In the recent years, many relatively rich countries, including those with much under-utilized land at home, have bought or rented in land from poor countries, affecting the latter's sovereignty or crowding their small farmers out of agriculture, causing neo-colonialism.

The Director-General of FAO (Food and Agriculture Organization of the United Nations) Jacques Diouf (3 June 2008) indicates that ‘the structural solution to the problem of world food security is an increase in productivity and production in the low-income food-deficit countries.’ ‘To this effect, it is necessary to develop partnership or joint-venture agreements between, on the one hand, those countries that have the financial resources and on the other, those that possess land, water and human resources. Only in this way will it be possible to ensure sustainable agricultural development in the context of more equal international relations.’

Diouf (29 July 2008) adds that ‘The objective should be to create mixed societies in which each side contributes on the basis of its own comparative advantage. One would provide financing, administrative skills and the guarantee of product markets. The other contributes on the basis of land, water and manpower. Complementarity in technical, economic, financial, fiscal and legal expertise, together with knowledge of the ecological, social and cultural environment would constitute a solid basis on which to share both the risks and the benefits of long-term cooperation.’ ‘These direct foreign investments in agriculture should allow the creation of jobs, income and food, enabling at the same time friendship among nations.’

However, Diouf (29 July 2008) laments that ‘It is worth mentioning here the many initiatives taken recently in Latin America, in Africa, in Asia and in Eastern Europe, the implementation of which in certain cases give reason for considerable concern and require the rapid adoption of corrective measures. In effect, some negotiations have led to unequal international relations and short-term mercantilist agriculture.’ ‘In reality, what is happening is a propensity for one of the two parties to take over the role of the other. Land acquisition and long-term farming leases appear to be favored by foreign investors.’

Socially and economically speaking, ‘Even in certain countries where land is an asset like any other exchange commodity and is used as a refuge against currency devaluation, protests from farm workers and indigenous populations are frequent. In other cases, the appropriation and distribution of land have become a source of latent conflict. If one adds to this the emotional, or sometimes, mystical value of what constitutes one of the bases of national sovereignty, you can easily imagine the risk of a social outcry when such land falls into foreign hands. The problem is a very real one and in global terms, taking into account the role of speculation and increasing prices for land in a world where, between now and 2050, production will have to double in order to meet, inter alia, world population growth and the needs of the emerging countries.’ ‘The risk is of creating a neo-colonial pact for the provision of non-value added raw materials in the producing countries and unacceptable work conditions for agricultural workers.’ (Diouf 29 July 2008)

Technologically and environmentally speaking, ‘The exploitation of natural resources for the sole purpose of achieving financial profitability is hardly favorable to the kind of production that preserves the soil’s mineral and organic reserves and prevents such practices as burning and deforestation. It does not allow for the correct use of fertilizers and pesticides which would otherwise provoke pollution. It does not encourage the co-existence of crop and grazing lands, nor crop rotation that would be needed to restore the soil’s biological and nutritional properties that are taken up by plants.’ (Diouf 29 July 2008)

Diouf (29 July 2008) states that 'FAO believes that the time has come to give deep thought to creating the conditions to ensure the success of international "joint-ventures" for food production.' He asks 'But what would be the guarantees for the two sides concerned; the necessary incentives; the legal status; the most appropriate conditions for production, processing and trade; the most appropriate type of contracts for workers as well as the economic benefits for the State, for small farmers and for the private sector?'

Similarly, the World Bank (7 September 2010: Preface) indicates that 'the demand for land has been enormous. Compared to an average annual expansion of global agricultural land of less than 4 million hectares before 2008, approximately 56 million hectares worth of large-scale farmland deals were announced even before the end of 2009. More than 70 percent of such demand has been in Africa; countries such as Ethiopia, Mozambique, and Sudan have transferred millions of hectares to investors in recent years.'

'Recent press and other reports about actual or proposed large farmland acquisition by big investors have raised serious concerns about the danger of neglecting local rights and other problems. They have also raised questions about the extent to which such transactions can provide long-term benefits to local populations and contribute to poverty reduction and sustainable development.' (World Bank 7 September 2010: Preface)

'At the same time, in many cases the announced deals have never been implemented. Risks are often large. Plans are scaled back due to a variety of reasons including unrealistic objectives, price changes, and inadequate infrastructure, technology, and institutions. For example, we found that actual farming has so far only started on 21 percent of the announced deals. Moreover, case studies demonstrate that even some of the profitable projects do not generate satisfactory local benefits, while, of course, none of the unprofitable or nonoperational ones do.' (World Bank 7 September 2010: Preface)

'Institutional gaps at the country level can be immense. Too often, they have included a lack of documented rights claimed by local people and weak consultation processes that have led to uncompensated loss of land rights, especially by vulnerable groups; a limited capacity to assess a proposed project's technical and economic viability; and a limited capacity to assess or enforce environmental and social safeguards.' (World Bank 7 September 2010: Preface)

In fact, as a result of the constant global population growth, continuously increasing demand for food, and worry about the ever warming climate change, cultivable farmland has become more and more precious. Many countries have swarmed into Southern Sahara Africa to buy land. But in general, the ordinary African people have not got benefits from it. (Ya, Long 3 November 2009)

The Right to Food Movement official of the Action Aid organization Alex Wijeratna indicates, 'A hot tide of robbing towards African land has emerged, and is developing in an unimaginable speed. There are many secrets in the land sale deals. The poor mass cannot get the relevant information. Nobody has asked them for an opinion. Thus the external society is arguing to suspend the land sale and purchase, until an appropriate system has been established to make appraisal. But we are concerned that the new agreement may not appear quickly.' (Ya, Long 3 November 2009)

For example, in Ethiopia, according to Helmut Hess, longtime Africa Director and East Africa expert at the Bread for the World (Brot für die Welt), the chief aim of the government agricultural policy is not to realize food self-sufficiency, but to support exports. Correspondingly, large areas of farmland have

been leased to foreign investors (e.g., agricultural companies from China, India, Saudi Arabia). The aim is not for producing food, but for producing biofuel. Or, even if for producing food, it is not for matching the local demand, but for exportation. In 2011, just in the Gambela Region, nearly 900 permits of farmland cultivation were issued to the companies to produce soybean, rice, biofuel, etc., for exportation, the annual rent per ha being only 2 US dollars. (Yu Han 23 July 2011)

In contrast, 10% of the population of Ethiopia (number two in population amount in African countries) is constantly in mal-nutrition. The aid from the World Food Program of the United Nations to it is more than to any other country. Since February 2011, the government, together with the World Food Program, has had to solicit aid for the 3,000,000 hungry people. According to experts, this number was lower than the true one. (Yu Han (23 July 2011)

Valerie Amos (11 July 2011), United Nations Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, reported her recent journey in Ethiopia: ‘I traveled to the Somali Region, where 1.3 million people (and in my discussions with regional authorities, they thought that number would go up to 2 million) – nearly one-third of the region’s population – require food and non-food assistance due to the drought. I met the regional president, and visited an affected community in Bisle Kebele. I spoke to women who had walked for five hours with their children to get help – food assistance and health care. More and more children are malnourished. People have lost their livestock and now have no means of economic support.’

According to Alun McDonald (18 July 2011), Regional Media and Communications Officer for the Horn, East and Central Africa, and Head in Nairobi and Kenya of Oxfam, ‘the causes behind the current humanitarian crisis are a combination of the poor rains this year, chronic drought, entrenched poverty, and a lack of investment in affected areas.’

McDonald pointed out that climate influence is only part of the causes. Behind it are also a bad policy and inadequate policy responses to the crisis. Thus, the worst-hit areas were always the least developed and most politically marginalized regions. Hess indicated to another, so-called ‘man-made’ factor for the Ethiopian food crisis: the allocation of land to foreign investors for the production of biofuel and food for export. (Schadomsky 22 July 2011)

80 percent of Ethiopians are still farmers, and small farmers are the economic backbone. ‘If the country wanted to get its chronic hunger problem under control, then the government would have to focus on these people’, as Hess emphasized. It is imperative to decentralize food production and to assist the millions of small farmers with appropriate measures such as new seeds. (Schadomsky 22 July 2011)

The countries as buyers or lessees of farmland include Australia (in South America), China (in Brazil, Venezuela), Egypt (in Sudan, Uganda), Germany (in China), Gulf countries Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates (in Cambodia, Egypt, Georgia, Indonesia, Kazakhstan, Laos, Morocco, Myanmar, Pakistan, the Philippines, Russia, Sudan, Tanzania, Thailand, Turkey, Uganda, Ukraine, Vietnam, Yemen), India (in Australia, Brazil, Canada, Paraguay, Ethiopia, Indonesia, Kenya, Madagascar, Mozambique, Myanmar, Senegal, Uruguay), Japan (in Africa, Argentina, Brazil, Central Asia, China, Indonesia, New Zealand, Peru, Russia, Ukraine, USA), Russia (in Ukraine), South Africa (in Congo-Kinshasa, Mozambique, Zambia), South Korea (in Mongolia, the Philippines, Russia, Sudan), UK (in Mozambique, South Africa, Zambia), USA (in Brazil, Mexico).

(Ma, Jing 26 April 2009. Yang, Xiao 20 April 2009. Mu & Hai 25 June 2009. Gu, Yue 18 August 2010. Bai, Yi-Min 19 May 2008. Wang, Kai 29 June 2009. Gan, Yu-Lan 20 April 2008. Huan Qiu Shi Bao 16 April 2009. Shen, Song 16 July 2009. Li, Xue 3 August 2009. BCC 10 May 2008. XHNA 10 May 2008. Li, Zheng 12 September 2009. Ma, Tao 18 November 2008. Wang, Bo 20 July 2008. Zhao, Zhi-Peng 3 August 2009. Xue, Yong 21 November 2008)

The FAO, UNCTAD (United Nations Conference on Trade and Development) and World Bank have discussed to stipulate a ‘Code of Behavior’ on land purchase in Africa. It aims to get agreement of the local people before purchasing land, and guarantee that the local farmers will not incur loss. (Ya, Long 3 November 2009)

VI. Avoiding Both Land Waste and Neo-Colonialism

The author's Proposals could avoid both land waste and neo-colonialism. (1) Those countries which have not realized rational and competitive farmland use should do so first at home, rather than unfairly using the land of other countries. (2) Farmland sale into foreign ownership should not be allowed, so as to protect the national sovereignty. (3) Farmland lease should be allowed as this will not affect the national sovereignty. (4) The host country should first cater the need of the domestic farmers for farmland, at least for family consumption, rather than letting them landless or hold insufficient land, while leasing farmland to foreigners. (5) If their land beyond family consumption need is under-producing, then the other domestic and foreign farmers could be allowed to compete for use (Dual Land System).

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Magdalena Ziolo¹

University of Szczecin, Faculty of Management and Economics of Services

Fiscal rules as a way of stabilizing the European Union member states budgets' after the crisis 2007

1 Introduction

The economic slowdown and the crisis are two categories which are strictly connected with the global market economy. The last spectacular crisis was dated in 1929 and since 2007 the economic world has been gaining new experience in dealing with this phenomenon. After the subprime market had broken down, and the property bubble had spoiled over, the unbalanced budgets era in Europe and outside have started. The extensive deficits and debts are nowadays one of the crucial threats for economic growth and for public authorities which are seeking for the sufficient way out. The European Union case reflects how difficult the problem of the unbalanced budgets might be. The best example is the so called “PIGS” statistics (Table 1).

Member state	Debt / GDP (%)		
	Year 2000	Year 2011	Year 2012
Portugal	51	89	123,6
Ireland	38	88	117,6
Greece	103	136	156,9
Spain	59	71	84,2
<i>The others with debt / GDP over 100%</i>			
Belgium	108	102	99,6
Italy	109	120	127

Table 1 Public debt (%GDP) in selected EU member states

Source: Eurostat

The current level of the deficits and debts in the EU member states is determined by the welfare state approach which is / or used to be (till now) a leading concept in Europe. The unsound budgets of the EU members (as the result of the concept) force us to revisit welfare

¹ University of Szczecin, Faculty of Management and Economics of Services, Public Finance Department, 71004 Szczecin Poland, Cukrowa 8, email: magdalena.ziolo@wzieu.pl

state assumptions and take restructuring steps. The increasing debt in the EU countries was a good reason for the discussion about the efficient instruments of the restructuring of the public budgets in order to balance them. The starting point was the fiscal stability. One way to ensure the fiscal stability is the proper fiscal rules implementation.

The paper examines the role of the fiscal rules in stabilizing EU member states budgets and in determining fiscal performance in EU zone. The main goal of the study is to assess the efficiency of the fiscal rules and answer the question if the fiscal rules are nowadays an efficient way of sounding EU member states public budgets' after the crisis and protect them against extensive deficits in future?

The paper is organized as follows. Section one presents critical review of the conventional wisdom. Section two contains of the fiscal rules analysis in different EU countries and at general EU level. Section three defines difficulties and obstacles decreasing the efficiency of the fiscal rules. The last part is conclusion.

2 Historical Background

The fiscal rule is a kind of government intervention that imposes a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates [Schaechter and others, 2012, p. 5]. According to the most common quoted Kopit's and Symansky's definition fiscal rule is "permanent constraint on fiscal policy through simple numerical limits on budgetary aggregates" [Kopit, Symansky, 1998, p. 2]. The history of the fiscal rules was started by M. Friedman and is connected with the critic of the discretionary monetary policy which should according to M. Friedman be replaced by simple mechanism such as fixed rate [Friedman, 1948, p. 245-264]. The concept of the fiscal rules was also strongly supported by R.E. Lucas who integrated fiscal rules with rational expectations theory. The similar approach is characteristic for F.E. Kydland and E.C Prescott [Kydland, Prescott, 1977, p. 473-491]. The public choice theory (J. Buchanan) is the next one dealing with fiscal rules and pointing out the role of the social control which is possible to achieve with their help. The beginning of the fiscal rules in the European Union was strictly connected with Delors' Report (1989) which inter alia postulated the coordination of the economic and fiscal policy [Fратиanni, von Hagen, 1990, p. 391]. Three years later, the Maastricht Treaty was signed (1992). One of the best known Maastricht criteria are deficit (3% GDP) and debt limits (60% GDP), which were complemented in 1997 by Stability and Growth Pact [Buti, Giudice, 2002, p. 2]. The fiscal

rules included in the Stability and Growth Pact did not work in the crisis so it was necessary to improve the formula and the mechanism of the rules what have recently been done and called as the Six Pack [Schaechter and others, 2012, p. 14].

3 Related work

Fiscal rules are one of the crucial tools of fiscal policy which are commonly used, in order to mitigate unbalanced budget risks and their negative effects [Balassone, Franco, Zotteri, 2003, p. 3]. According to the text, fiscal rules usually allow to:

- ensure fiscal discipline [Ter-Minassian, 2007, p. 2];
- influence the unsustainable increase in public expenditures or the debt level [Sutherland, Price, Joumard 2006, p. 6];
- improve fiscal performance [Kumar and others, 2009, p. 3];
- diminish the impact of the politicians on public finance, especially on public spending and the issue of deficit bias;
- overwhelm negative externalities or spill-over effects within a federation or currency area [Kell 2001, p. 7].

After the crisis of 2007, the role of fiscal rules has been revisited and is nowadays defined as of “providing a credible medium-term anchor” [Schaechter, Kinda, Budina, Weber 2012, p. 6]; which is not-surprising taking into consideration the concerns in public finance, having occurred in many economies since 2007. In this context, it is worth mentioning that the main factors responsible for the fact that public finance is prone to being unbalanced and for fiscal discipline tend to be disregarded. The most common approach, presented in the literature note such phenomenon including: moral hazard, free rider, and common pool problem. All of them affect fiscal discipline, creating the risk of excessive deficit and originating from inter alia [Ter-Minassian 2007, p. 3]: an integrated economy; a common financial space and framework for providing the medium and long-term goals for monetary and fiscal policy among the EU member states; and finally, the bailout history. There is one more important aspect: fiscal rules are a significant source of information for all public sector stakeholders. The credible fiscal rules provide a piece of information about the character of the state’s fiscal policy and reflect the governmental attitude and expectations for the future, which determines the framework for economic policy and stakeholder business risk assessment.

Taking into account the fact that there is a great variety of fiscal rules and that much experience has been gained in this field since the last crisis, the theoretical question has been raised: how should fiscal rule be designed to be efficient and what type of rule is the most suitable regarding the different tiers of the government? Kopits and Symansky pointed-out the crucial factors that should be taken into account while assessing fiscal rules such as: 1) the objective the rules have (targeting or creating a ceiling), 2) the effective period, 3) whether or not they are constitutionally grounded or are set in another law regulation, 4) which government tier is affected, and 5) whether any restrictions for violating the rules are imposed [Kopit, Symansky, 1998]. Summarizing the Kopit's and Symansky's approach to the appraisal of fiscal rules, eight criteria should be considered—fiscal rules should be: well-defined, transparent, adequate for fiscal targets, consistent with macroeconomic policies, simple, flexible, enforceable, and supportive of efficient policy actions [Ayuso-i-Casals, 2012, p. 15].

Despite the fact that the key characteristics of optimal fiscal rules are identified, there is no simple answer regarding the impact of fiscal rules on budgetary outcomes and economic indicators. Some simulation analysis confirmed the superior role of the adjusted balance rules in dealing with output shocks [Kumar and others, 2009, p. 3]. However, there is still much room for cyclical adjustment. US evidence indicated the correlation between ex post budget balance rule and a lower deficit level. However, there has been negative compliance with the fiscal rules and a diminishing level of spending in public investments and an increase in taxes [Kell, 2001, p. 7]. The same empirical evidence is not transparent for the European Union. There are some empirical studies [Tommasi and Braun (2004), Hallerberg and von Hagen (1999)] confirming that the implementation of fiscal rules resulted in decreased imbalances in budget, but the evidence provided was for specific regions, rather than for the European Union [Galli, Grembi, 2012, p. 4].

The crisis of 2007 has showed the weakness of the fiscal rules implemented so far, which needed to be modified in several countries across Europe. Fiscal rules are not unique, work differently, and serve different goals. This signifies the differing ranges of influence for each single fiscal rule. The most common in use are the so-called numerical fiscal rules, which support fiscal sustainability implemented on budget balance.

Type of fiscal rule	Objectives		
	Debt sustainability	Economic stabilization	Size of government
Debt rule	x		
	x		
Budget balance rule	x	x	
	x	x	x
Structural budget balance rule		x	x
Expenditure rule			
Revenue rule			

Table 2 Properties of Different Types of Fiscal Rules

Source: A. Schaechter., T. Kinda, N. Budina, A. Weber (2012) Fiscal Rules in Response to the Crisis – Towards the “New Generation” Rules a New Dataset. International Monetary Fund Working Paper 12/187

Debt sustainability, economic stabilization, and the impact on the size of government are the most considered outcomes regarding fiscal rules. It is important to bear in mind that these results of the implementation of fiscal rules are not guaranteed. The efficiency of fiscal rules may be increased by such means as: law regulations and ensuring coherency with strategic documents regulating main economic and financial issues at the governmental level. Law regulations, inter alia constitutionally grounded fiscal rules, should define sanctions for violations and obligations for subnational government that result from it as well [Inman, 1998, p. 1]. The way of defining fiscal rules is also crucial. Numerical fiscal rules require prudent and clear indicators, which allow for the performance of fiscal goals. Debt rule sets a target limit for public debt, which is usually measured as percent of GDP [Kumar and others, 2009, p. 3]. This type of rule is the most effective “in terms of ensuring convergence to a debt target” [Schaechter, Kinda, Budina, Weber, 2012, p. 7]. The budget balance rule is the next one which in practice may be specified as: overall, a structural and cyclically adjusted balance rule [Kumar and others, 2009, p. 3].

According to Inman there are two types of budget balance rules: the strong and the weak. For budget rules to be strong is to balance ex post (at the end of the fiscal year). For the weak rule, on the contrary, the timing for being reviewed is ex ante [Inman, 1998, p. 19]. Strong rules cannot simply be suspended by a majority vote, though the weak one can. For strong rules, there is an open access to the process of enforcement; however, for the weak rule, the same process is unavailable. Finally, in case of strong fiscal rule, the legal process of amendment is difficult enough to overwhelm the pressure to change the rule [Wierds, 2008, p. 36-37].

Expenditure rules are aimed to set limits on total, primary, or current spending in absolute terms, growth rate, or in a percentage of GDP. This kind of rule does not introduce constraints on the revenue budget side that is much less difficult to communicate and to monitor. Although expenditure rules have a lot of limitations (for instance the problem of exclusions and timing) they are reported to be one of the most successful way of fiscal consolidation [Ayuso-i-Casals, 2012, p. 3]. Expenditure rules are usually restricted for general government tier.

Revenue rules taking into consideration all of the types of fiscal rules used across the European Union are very rare. These kinds of rules set ceilings or floors on revenues in order to boost or reduce tax burdens. Revenue rules themselves may result in pro-cyclical fiscal policy, and, similar to expenditure rules have an impact on government size [Schaechter, Kinda, Budina, Weber, 2012, p. 9].

Nowadays, the most common in use are combined rules, consisting of two or more fiscal rules. It responds to the need of the most comprehensive influence on debt stability, size of government, and economic stabilization, which is impossible to achieve using only one fiscal rule.

4 European Union experience in fiscal rules implementation after the crisis 2007

There are two tiers of the fiscal mechanism in the EU: the first tier, the state level; and the second tier, the EU level. This means that there are two kinds of regulations regarding fiscal rules – general at the EU level (Maastricht Treaty, The Stability and Growth Pact) and at the member state level – depending on the state but coherent with EU general. In 1985, only Germany, among the countries in the European Union, had fiscal rules. In 2012, the number of countries with national or subnational fiscal rules increased to 76 (March). Generally, in most those countries fiscal rules were response to the crisis. After 2007, the fiscal rules were

established especially by such EU countries as: Hungary, Lithuania, Poland, Romania, and Spain (Table 3).

Country name	Type of fiscal rule in place				National (0), supranational (1), both (2)				Year of implementation			
	ER: Expenditure rule	RR: Revenue rule	BBR: Budget balance rule	DR: Debt rule	ER: Expenditure rule	RR: Revenue rule	BBR: Budget balance rule	DR: Debt rule	ER: Expenditure rule	RR: Revenue rule	BBR: Budget balance rule	DR: Debt rule
Austria	-	-	1	1	-	-	2	1	-	-	1995	1995
Belgium	-	-	1	1	-	-	1	1	-	-	1992	1992
Bulgaria	1	-	1	1	0	-	2	2	2006	-	2006	2003
Cyprus	-	-	1	1	-	-	1	1	-	-	2004	2004
Czech Republic	-	-	1	1	-	-	1	1	-	-	2004	2004
Denmark	1	-	1	1	0	-	2	1	1994	2001	1992	1992
Estonia	-	-	1	1	-	-	2	1	-	-	1993	2004
Finland	1	-	1	1	0	-	2	2	2003	-	1995	1995
France	1	1	1	1	0	0	1	1	1998	2006	1992	1992
Germany	1	-	1	1	0	-	2	1	1982	-	1969	1992
Greece	-	-	1	1	-	-	1	1	-	-	1992	1992
Hungary	-	-	1	1	-	-	1	1	2010	-	2004	2004
Ireland	-	-	1	1	-	-	1	1	-	-	1992	1992
Italy	-	-	1	1	-	-	1	1	-	-	1992	1992
Latvia	-	-	1	1	-	-	1	1	-	-	-	-
Lithuania	1	1	1	1	0	0	1	2	2008	2008	2004	1997
Luxembourg	1	-	1	1	0	-	1	2	1990	-	1992	1990
Malta	-	-	1	1	-	-	1	1	-	-	2004	2004
Netherlands	1	1	1	1	0	0	1	1	1994	1994	1992	1992
Poland	1	-	1	1	0	-	1	2	2011	-	2004	1999
Portugal	-	-	1	1	-	-	1	1	-	-	1992	1992
Romania	1	-	1	1	0	-	1	1	2010	-	2007	2007
Slovak Republic	-	-	1	1	-	-	1	2	-	-	2004	2004
Slovenia	-	-	1	1	-	-	1	1	-	-	2004	2000
Spain	1	-	1	1	0	-	2	1	2011	-	1992	1992
Sweden	1	-	1	1	0	-	2	1	1997	-	1995	1995
United Kingdom	-	-	1	1	-	-	2	2	-	-	1992	1992

Table 3 Types of Fiscal Rules in EU countries

Source: IMF Fiscal Rules Dataset, 2012, A. Schaechter., T. Kinda, N. Budina, A. Weber (2012) Fiscal Rules in Response to the Crisis – Towards the “New Generation” Rules a New Dataset. International Monetary Fund Working Paper 12/187

According to Table 3, most of EU countries implemented more than one fiscal rule. Debt rule as obligation is included in the Maastricht Treaty (1992) and in the Stability and Growth Pact (1997), which indicate so called convergence criteria inter alia regarding deficit and debt defined as 3% of GDP for deficit and 60% of GDP for debt. Budgetary, convergence criteria occurred insufficiently to maintain the public's financial balance in the EU zone as the crisis began. Significant improvements for stabilizing the EU public finance area were introduced in December 2011 as Six Pack (six legal acts regarding inter alia dynamic of public spending and debt reduction) and in March 2012 in form of the intergovernmental treaty called the Fiscal Compact (full name: Treaty on Stability, Coordination and Government in the Economic and Monetary Union). The main assumptions and duties resulting from the Fiscal

Compact (including fiscal rules) and Six Pack are with regard to [Schaechter, Kinda, Budina, Weber 2012, p. 13]:

- the national structural budget balance rule;
- stronger enforcement of national rules;
- new debt rule at the supranational tier;
- new expenditure benchmark at the supranational tier;
- more restricted criteria and a more automatic process to launch an excessive deficit procedure;
- budgetary procedures and independent fiscal councils.

The national structural budget balance rule is deemed to be respected if the annual structural balance of the general government does not exceed 0,5% of GDP at market prices (1% for countries with a debt level for a GDP significant below 60% and a low sustainability risk) [Fiscal Compact].

A stronger enforcement of national rules signifies the need to establish the mechanism which ensures the fulfillment of the structural budget balance rule at a national level. The European Court of Justice may impose financial sanctions if this rule is not followed [Fiscal Compact].

The new debt rule, at the supranational level, obligates member states with a debt level above 60% of the GDP to annual debt reductions of no less than 1/20th of the gap between the current debt level and the 60% GDP reference [Six Pack].

New expenditure benchmarks, at the supranational level, place a ceiling on the annual growth of public expenditure (with some exclusions, i.e. unemployment benefits) according to a medium-term rate of growth (the growth of annual expenditures should not exceed the long-term nominal GDP growth) [Schaechter, Kinda, Budina, Weber, 2012, p. 13].

Decisions on sanctions under the Excessive Deficit Procedure (EDP) may be taken by Reverse Qualified Majority Voting (RQMV), which “means [that] fines are deemed to be approved by the Council unless a qualified majority of Member States overturns them” [European Commission 2013].

Budgetary procedures and independent fiscal councils are tools which should ensure the implementation of fiscal rules and provide comprehensive data sets about fiscal developments and its risks.

The new fiscal rules have been adopted since 2010 by such EU members including: Austria, Italy, Hungary, Poland, Portugal, Romania, Slovak Republic, Spain and the United Kingdom (Table 4):

Country	Rules Description
Austria	Structural deficit at the federal tier (including social insurance) shall not be higher than 0,35% of GDP from 2017
Italy	Balance budget principle in structural term
Hungary	Debt rule (come into force in 2016) requires cutting government debt to GDP ratio until it falls to below 50% annually
Poland	Expenditure rule limits discretionally spending of general government to 1 percent in real terms
Portugal	Structural balance cannot be less than MTO in Stability and Growth Pact
Romania	From 2010 general government expenditure growth should not exceed projected nominal GDP for three years until there is budget balance surplus
Slovak Republic	Debt rule sets debt limit to 60% of GDP with automatic adjustment starts when ration debt to GDP is 50%
Spain	Structural deficit at all levels of government meets the EU limit, debt limit shall be set for every government tier (from 2020)
United Kingdom	The new cyclically adjusted balance rule for five years period, new debt rule targets falling public sector net-debt to GDP by fiscal year 2016/2017

Table 4 Fiscal rules implemented in EU member state since 2010

Source: A. Schaechter, T. Kinda, N. Budina, A. Weber (2012) Fiscal Rules in Response to the Crisis – Towards the “New Generation” Rules a New Dataset. International Monetary Fund Working Paper WP 12/187, p. 43

All of the mentioned-above fiscal instruments and improvements for fiscal rules are in response to the crisis and should better stabilize public finances across the Euro zone in the future. As for now, it is too early for the sufficiency analysis of those newly-launched fiscal consolidation and stabilization tools.

5 Empirical evidence and discussions

Since the crisis of 2007 has occurred, the main EU countries have sought prudent solutions in order to stabilize public budgets and finance. Fiscal rules seemed to be the most popular way to achieve this goal. The empirical evidence confirmed that as soon as the crisis started, the fiscal rules became more popular. The phenomenon was observed in mid-1990s, early 2000s and after 2007 [Schaechter, Kinda, Budina, Weber, 2012, p. 37].

In order to analyse the role of fiscal rules in stabilizing public budgets in the EU zone some empirical statistics have been verified. Special attention has been paid to such countries as Germany, France, and other countries which constitute the so called PIGS group: Portugal, Ireland, Greece, and Spain. Germany and France are the leaders among the EU member states, taking into account their experience in the implementation of fiscal rules. Germany was the first EU country that implemented the budget balance rule, in 1969. In 1990, only five countries had fiscal rules: Germany, Indonesia, Japan, Luxemburg, and the United States. France and Germany are countries with constitutionally grounded fiscal rules (as well as Poland, Spain, and Switzerland). Finally in mid-1990s, France became the first EU nation to introduce all four fiscal rules (the expenditure rule, the revenue rule, the debt rule, and the budget balance rule).

The analysis of fiscal balances (the overall and cyclically adjusted balances) and the debt level in the period of 2008-2013 (data from 2012, 2013 are prognosis) confirmed the poor condition of the PIGS countries compared with the EU average and the leading nations (Germany and France). Charts 1, 2, 3 reflect the main tendency.

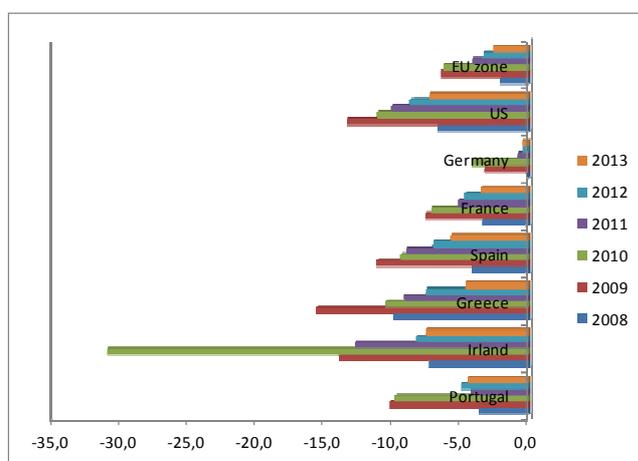


Chart 1 Overall Fiscal Balance (%GDP)

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

The analysis of the main budgetary indicators for the EU and the US after 2007 pointed-out the negative influence of the crisis on public budgets in countries located in those economic zones. However, the impact of main budgetary indicators such as the budget balance and debt as percentages of GDP was different for every single state. The countries with weaker public finance basis, which have been implementing pro-cyclical fiscal policies for several years,

were most prone to the impact of the crisis. In these groups, PIGS countries are the most mentioned. The significant crisis affliction occurred from 2009-2010. In the analysed period, PIGS countries were always below the EU average statistic regarding deficit and debt. Taking into consideration the fiscal balance and debt level as percentages of GDP especially from 2009-2010, Ireland and Greece had the worse statistics (Chart 1, 2, 3).

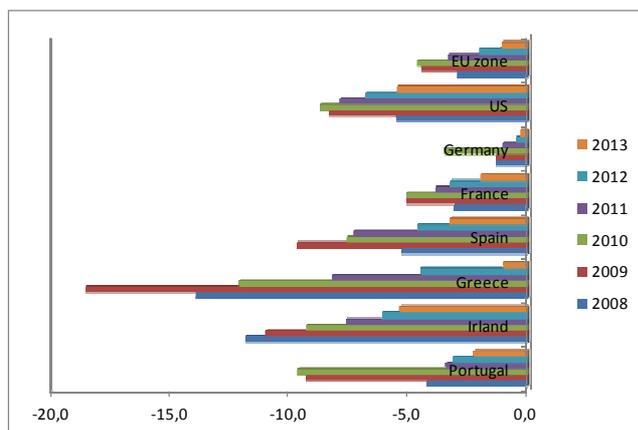


Chart 2 Cyclically Adjusted Fiscal Balance (%GDP)

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

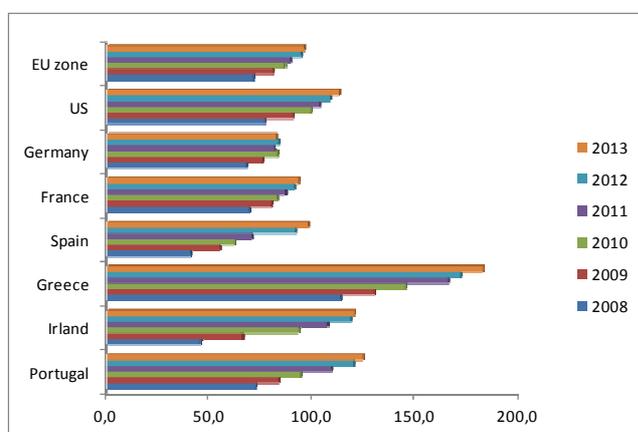


Chart 3 General Government Debt (%GDP)

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

In the analyzed period, the highest overall fiscal balance was observed for Ireland and reached the level -30,9% of the GDP in 2010 and -12,8% of the GDP in 2011 (Chart 1). The EU average for the same years were -6,2% GDP (2010) and -4,1% GDP (2011) [IMF Fiscal Monitor]. The main factor impacting the statistics was economic (change of conjuncture).

When we compare the overall fiscal balance with the cyclically adjusted balance this thesis is proved. Ireland in 2010 and 2011 was strongly affected by the economic downturn, which is why the overall balance was so high in these two years. However, after cyclical correction, the Cyclically Adjusted Balance (CAD) was reduced to -9,9% of the GDP in 2010 and -7,7% of the GDP in 2011 [IMF Fiscal Monitor]. At the same time-period the same reduction for Greece was not as significant in 2011 -8,3% of GDP and in 2010, the CAD was even higher, at -12,1% of that GDP [IMF Fiscal Monitor]. However, the general enhancing tendency regarding fiscal balances of the PIGS countries had been observed since 2010. The problem has not been resolved for the public debt (Chart 4, 5). The prognosis of debt level in 2012 and 2013 for Greece and Ireland is still increasing. In this period, the debt level for the PIGS is going to be the highest as well and exceed the EU and US average (Chart 6). The highest debt level among PIGS is expected in 2013 for Greece – (181,8% the GDP). The country with the next-highest debt level would be Portugal (123,7% of GDP in 2013) and then Ireland (119,3% of the GDP in the same year) [IMF Fiscal Monitor]. While average debt level in the EU zone and the US after 2008 is increasing, Germany is predicted to reduce its debt to 81,5 % of the GDP in 2013. Public debt in France in 2013 is expected to raise ca. 2 percentage points to 92,1 % of the GDP. The fiscal adjustment in the EU zone after implementation of the Six Pack and Fiscal Compact should make public finance statistics more comparable.

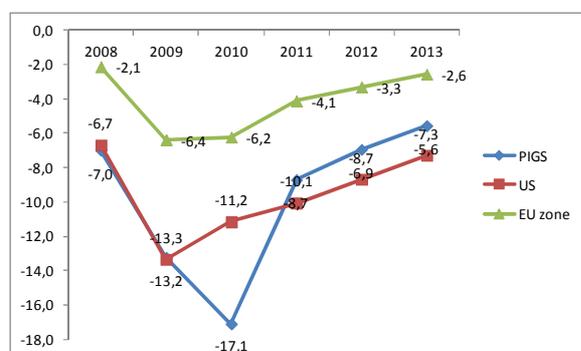


Chart 4 Overall Fiscal Balance (%GDP) average for PIGS, EU and USA

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

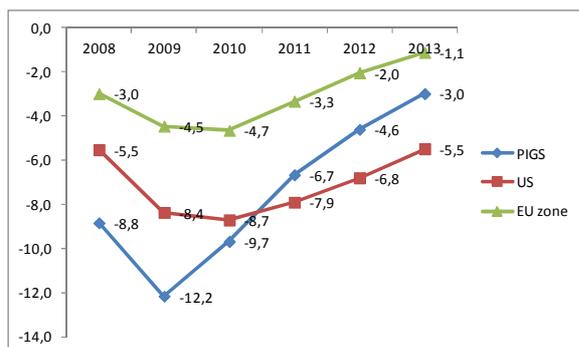


Chart 5 Cyclically Adjusted Fiscal Balance (%GDP) average for PIGS, EU and USA

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

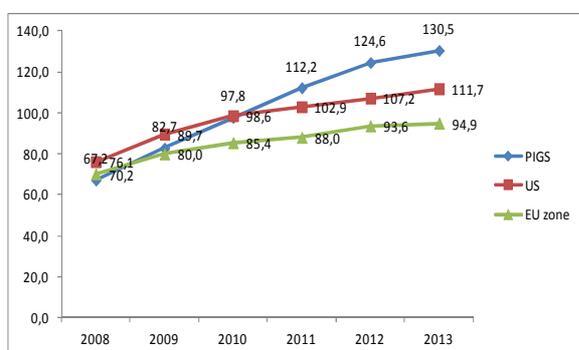


Chart 6 General Government Debt (%GDP) average for PIGS, EU and USA

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

There is still a different approach to the public sector in EU member countries which influences public debt statistics. There is not a unique list of entities building public sectors in the EU states; including open pension funds (in Poland they are included in the private not public sector) and other entities which should be counted as public. These so-called budget statistics make the assumption of the debt level incomplete.

However, fiscal consolidation after the crisis of 2007 is still in progress and brings different fiscal outcomes in EU countries. In order to monitor fiscal benchmarks and the stages of consolidation in advanced economies, see Table 5.

The progress in fiscal consolidation, for selected advanced economies according to IMF data sets, is presented in Table 5.

	Benchmark 1: Adjustment to Achieve MTOs ¹				Benchmark 2: Adjustment to Stabilize Debt ²				Benchmark 3: Adjustment to Reduce Debt ³			
	SB target ⁴	Change in SB, 2009-13 ⁴	Further adjustment needed ⁴	Progress through 2013	CAPB needed to stabilize debt ²	CAPB change, 2009-13	Further adjustment needed	Progress through 2013	CAPB needed to reduce debt ³	CAPB change, 2009-13	Further adjustment needed	Progress through 2013
Advanced economies												
Austria	-0,5	1,7	0,8	●	1,4	1,7	0,0	●	2,1	1,7	0,7	●
Belgium	0,5	2,6	2,1	●	3,1	1,7	2,1	●	5,0	1,7	4,0	●
Czech Republic	-1,0	2,7	0,9	●	1,0	3,1	1,3	●	1,0	3,1	1,3	●
Denmark	0,0	0,5	-0,8	●	0,8	-0,1	-0,2	●	0,8	-0,1	-0,2	●
Finland	0,5	-0,3	-0,6	●	0,9	-0,4	-1,5	●	0,9	-0,4	-1,5	●
France	0,0	3,3	1,4	●	3,1	3,4	2,6	●	4,5	3,4	4,0	●
Germany	-0,5	0,9	-0,2	●	1,4	0,8	-0,6	●	2,6	0,8	0,5	●
Greece	0,0	17,5	1,1	●	2,0	15,8	-1,5	●	9,0	15,8	5,5	●
Ireland	-0,5	5,6	4,9	●	4,5	9,2	4,6	●	6,8	9,2	6,9	●
Italy	0,0	4,2	-0,6	●	4,8	5,0	-1,6	●	7,6	5,0	1,2	●
Netherlands	-0,5	2,9	0,9	●	1,8	2,8	1,3	●	2,1	2,8	1,6	●
Portugal	-0,5	7,0	1,8	●	4,1	8,9	1,8	●	6,6	8,9	4,3	●
Slovak Republic	-0,5	4,1	2,0	●	1,0	4,7	1,7	●	1,0	4,7	1,7	●
Slovenia	0,0	4,3	0,7	●	1,4	5,5	0,0	●	1,4	5,5	0,0	●
Spain	0,0	5,5	3,5	●	5,1	8,8	4,5	●	5,5	8,8	5,0	●
Sweden	-1,0	0,1	-0,4	●	0,3	0,0	-0,2	●	0,3	0,0	-0,2	●
United Kingdom	...	5,7	4,6	6,4	5,8	●	5,7	6,4	6,9	●

Sources: European Commission (2012b); and IMF staff estimates and projections.

adjustment; an empty circle means that no substantial progress is projected to materialize until end-2013, and a completely darkened circle means that the target is projected to be met by 2013, with

¹ For members of the European Union, the medium-term budgetary objective (MTO) is the country-specific structural balance (SB) target established in stability programs and convergence programs, in the

² The cyclically adjusted primary balance (CAPB) needed to stabilize debt is the CAPB required in 2020 to allow the debt-to-GDP ratio to return to 2011 levels by 2030, based on the methodology and

³ The CAPB needed to reduce debt is the CAPB required in 2020 to reduce the debt-to-GDP ratio to appropriate levels, as defined in Statistical Tables 13a and 13b (with the corresponding interest

⁴ Percent of potential GDP

Table 5 Progress in Fiscal Consolidation

Source: IMF Fiscal Monitor (October 2012) Taking Stock: A Progress Report on Fiscal Adjustment

According to the data set presented in Table 4, the Scandinavian countries have fully completed the fiscal consolidation process, though the PIGS countries are still in progress. The most advanced is the process of stabilizing debt; eight countries have already fulfilled the criteria. Adjustment to a Medium-Term Object (MTO) and debt reduction is still open. Five countries have completed adjusting to MTO, and four have fulfilled the target of debt reduction. Greece and Ireland have the biggest gaps left to set the debt benchmark. The same target in debt reduction has been set for Ireland and the United Kingdom (UK), however the economic and political situation of these two country is completely different.

Following deficit and debt statistics in the EU zone uncovered a general conclusion: the more fiscal rules a country implemented, the more stable the fiscal indicators (budget balance and debt). This assumption is far too simplistic. It is, of course, very difficult to indicate, in practice, that the fiscal rules are the only crucial factor responsible for stabilizing the economy and successfully fiscal consolidation. Countries in the EU zone vary, and their public finances and legal regulations are not the same. Even if the Six Pack and Fiscal Compact budgetary criteria are common, there is still much room for differing political and economic surrounding.

There is no index or indicator which allows the measurement of the comprehensive outcomes of fiscal rules. That's why the issue is so sophisticated. There are a lot of different studies which try to explain the impact of fiscal rules, but they usually use qualitative methods (i.e. a survey to gain the data set or a basis on case studies). However, we can observe the fact that the implementation of fiscal rules interacts with sound public finance and fiscal discipline. The earlier fiscal rules were respected as the fiscal indicators, and were improved for advanced economies. Hard budget constraints decrease insolvency risks and support fiscal consolidation, which is weaker in soft budget constraints.

6 Conclusions

The crisis (especially in public finance) in several of countries is usually accompanied by the implementation of fiscal rules. In mid-1990s, the fiscal rules were not commonly in-use, but this changed over the last two decades. Nowadays, fiscal rules may be a sufficient tool in stabilizing public budgets under two conditions: they are constitutionally grounded and are flexible (inter alia including escape clauses). There is no agreement in literature on the efficiency and adequacy of fiscal rules; very often, the attitude toward them is negative (concerning the impact of fiscal rules on economic growth, etc.) [Visagio, 2004, p. 10] Although some studies present negative approaches to fiscal rules, they are also portrayed as a preventative and restructuring tool, making them especially useful.

According to practice, countries that have had a long tradition of fiscal rules and respect fiscal discipline are more suitable to overwhelm the economic slowdown and crisis, than countries with poor fiscal discipline. Softening budget constraints usually results with an increasing deficit and debt. Fiscal rules must be cyclically adjusted to be economically sufficient. What that means is that they should be implemented or launched at exact times depending on the stage of conjunctural cycle. In economic growth, they should be anti-cyclical and during economic slowdown, pro-cyclical.

Fiscal rules are very popular and a lot of work has been devoted to the sufficiency of this fiscal tool. However, there is still a problem with its assessment, how does fiscal rules impact public finance and stabilize public budgets? There is no standardized, quantitative measure or procedure of how to do it, because the terms of analysis differ across countries. This may be the subject for future works and analysis.

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**Rômulo Jose de Oliveira Zurra, Lissandro Botelho, Sylvio Mário Puga
Ferreira, Luiz Augusto Soares¹**

Fundação Getulio Vargas, Federal Institute of Amazon, Federal University of Amazonas,
Federal University of Minas Gerais

E-legislative and Accountability: The Case of Brazil

Abstract

This article broaches the subject of Electronic Government, with a focus on its use in the 27 state legislatures of Brazil, concerning its use as a tool for public transparency. We sought to measure the level of transparency in the web addresses of these state legislatures. The measurement of the degree of transparency of the legislative web pages was carried out through the application of an electronic transparency measuring method, duly adapted, which are used by the non-governmental organization, Legislative Monitor, to monitor the websites of the legislature in Mexico based on the determinations of Complementary Law 131/2009 and Law 12.527/2011. The model took into consideration the availability of information on: administrative function; internal control; legislative work; work of the committees; concessions, permissions and contracts; historical archive and librarians' services; external controls; e communication channels with the citizens. From this measurement a general ranking transparency was presented, demonstrating that 55.5% of the state legislative websites present insufficiency and low levels of transparency. Finally, the results of the research were correlated to other variables, with the intention of verifying if there was any degree of correlation between the variables analyzed and electronic transparency.

Keywords: transparency - e-gov - e-legislature - accountability

1 Introduction

The use of new technological resources allowed society to have new forms of Information and Communication Technology (TIC) use, the government sector being one of the greatest inductors of strategic actions leading to an information society. The importance of the TIC in the modern organizations has created, especially in the last few decades, inestimable differential in the methods, processes, and in the structural-administrative concept

¹ University Professor; Parliamentary aide; Bachelor in Public administration at the UEA; Master in Public Administration at FGV/RJ and member of the "Technologies of the Management" research group at Fundação Getulio Vargas (FGV/RJ); email: romulozurra@yahoo.com.br; Professor at the Federal Institute of Amazon (IFAM); PhD student at Erasmus University Rotterdam; CNPq Fellow; email: lissandro.botelho@gmail.com; Professor at the Federal University of Amazonas (UFAM); Director of the Social Studies College (FES); email: sylviopuga@hotmail.com; Professor at the UFAM; PhD student at Federal University of Minas Gerais (UFMG); email: las10@uol.com.br

itself of the same. Besides the initial benefits, it is being economy of time, resources and raw material. The TIC also represented innumerable qualitative gains in the productive activity and the rendering of services. Such technologies became, despite a certain delay, a part of public organizations' set of administrative tools. However, the rigid bureaucratic parameters, where the rational-legal perception rules, and, sometimes, substitutes the attempts towards a more innovative strategic reasoning, had conferred upon the technological advances in the scope of public administration quite a slow rhythm in compared to private organizations. Centralization, maintenance of the *status quo*, formalism and innumerable other bureaucratic dysfunctions in the public machine, were belatedly perceived as incongruous to the elementary advances that can be fostered in the governmental structures with the use of TIC.

However, based on the technological advance and the rise of the Internet, that broadened the possibility of sharing of data and information and, above all, made possible and facilitated the systems integration process in a more homogeneous environment, TIC, increasingly leaves behind being merely an support instrument for bureaucratic activities, also being used as strategic tool of the public organizations, becoming a powerful ally in the implementation of governmental actions.

Thus, the Internet becomes an affable communication channel governments use as a strategy to improve the public rendering of services and to invest heavily in this instrument that can greatly facilitate the easy and equitable access to various services and governmental actions. Thenceforward, a more democratic environment can be conceived, where everyone can have access to any type of information at any time. In the State vs. Society relationship, the Internet presents itself as a very favorable channel to establish a strong trust-based relationship between the citizens and the State.

On the other hand, today the population also has been demanding greater transparency on the part of the governments and seeking ever increasing information, especially on the use of public resources. Consequently, the Internet constitutes a strategic tool where the proper citizen himself can accompany the activities of the State, therefore “the right to access information generated or withheld by the public sector became one of the cornerstones in the effort to extend the transparency of the State and to make the detainers of public offices more responsible”, (ABRAMO and KONDO [et al.] 2002, P. 203).

Thus we highlight the role of the Legislative Branch in this context, as a legislator, controller and inspector of the Executive branch's actions. The Legislature currently makes use of the modern TIC tools and needs to use it to follow the governmental acts, supplying the citizen with the necessary information on the management of the public goods and treasure. To that end, this information must, at the least, be made available on the Legislative website, as well as the information on the administration of the Legislative House itself.

Considering this perspective compels this article to discuss the systems of electronic governance used by all State Legislatures of Brazil, the main target being the measurement of the degree of transparency that these websites make available to citizens. Thus, the websites of all 26 State Legislatures of Brazil and the Legislative chamber of the Federal District will be analyzed to answer the following question: What is the degree of transparency of the State Legislatures websites in Brazil?

2 E-gov as an instrument of accountability

The last decades of the 20th century presented changes in the paradigms of public administration, with the emergence of new models, such as the managerial one, that gave greater emphasis to the control of the results, instead of the means. At the same time, according to JOSE VAZ (2002), the “redemocratização” process, strongly stimulated by the Constitution of 1988, stimulated a significant pressure from society for transparency in the government. This same re-democratization may have led society to a firmer posture of demand for better quality public services. These transformations provided the use of new tools that greatly helped the government to meet the demands of the rules established by the managerial paradigm and the Constitution of 1988, among them, the use of TIC stands out.

The use of the TIC by the public administration to interact with society and private institutions, either in carrying out its end or means activities, and especially, in the rendering of services or in making information available came to be called e-gov.

JOSE VAZ (2002, P. 16) shows this when he affirms that the TIC constitutes in an important instrument of support for the public administration, by allowing the offer of new services to the citizen, offering conditions for broadening the efficiency and the effectiveness of public services, improving the quality of these services and further allowing access to information and the formation of new standards of relationship with citizens and new spaces to promote citizenship.

However, with the introduction of the rules posed by *accountability*, as to the obligation of the public managers to render accounts to society. Nevertheless, one observes that the use of information tools arose to facilitate this process, in view of the apparatuses and managerial systems that assist the managers in the fulfillment of their activities. From this perspective, the Internet also presents itself as an important tool, since it makes it possible for citizens to access varied services without the necessity of leaving the house. Another important contribution of the information systems, the Internet in particular, to *accountability* is that it allows the citizen to follow the activities of the public servants, besides being used to render accounts, where the government, by means of its websites, can make available all types of information to be accessed by the population.

On the other hand, the simple introduction of the precepts of *accountability* supported by the tools of e-gov does not guarantee the full exercise of citizenship and of social control. For such, it is necessary that a cultural change of the citizens be observed. DAHL (2001)

affirms that from the moment when a type of citizen is born, who is effectively able to participate in the public thing, *demand*s for accountability as an instrument of popular sovereignty control of the acts of the elected representatives and the public servants in general will be formulated.

AKUTSU & PINE (2002) argue that the social control and the formal controls are closely tied. Only with full *accountability*, that is, with public information and trustworthy renderings of accounts on the part of the governors, duly audited by external and internal controls of the public agencies can citizens actively participate in public decisions. On the other hand, without an organized civil society, the public managers will not feel obliged to promote *accountability*. The social control can, therefore, fortify the legally instituted formal control, leading society to more actively participate in public life and thus reduce the distance between government performance and the actual needs of the citizens.

For this transformation to be accomplished, strengthening of *accountability* on the part of the managers and the incorporation of this concept in the culture of society is primordial. Thus, in a society with full *accountability*, one expects that the public managers give to accounts of their actions, making the decisions and actions that interest the collectivity public, such as the of budget statements; ample advertising public tenders, indicating the selected suppliers and the prices of the winning proposals; and indication of the services and programs offered by the government. In more advanced stages of democracy, one expects that, besides the transparency of the results obtained by the administration, the main governmental decisions - such as the elaboration of the budget and the public tenders for public projects and services of greater reach - always be made only after consulting society through public audiences.

Therefore, what can be argued is that with the full use of the precepts of *accountability* supported by the e-gov tools, the public administration can provide its citizens greater access to public information. For SANCHEZ (2003, p.29) this availability of information is a democratic conquest. The governing bodies generally dose out information from droppers and, even so, they hide what they consider “strategic”. Any and all information can easily be considered “strategic” and, in most cases, concealing information becomes the rule and not exception. There is still a long way to go, but it could be shortened if society were to pressure for the opening of information contained in the new information systems.

It is worthwhile to remember that the production and regular transmission of information concerning public policies (government actions) are vital for control or participation, even of the organized segments of society, as the governmental transparency also depends on the degree of freedom of the press, allowing the discussion and freedom of opinion (CLAD, 2000).

Therefore, in a democracy it is supposed that political power comes from society as a whole and that each citizen participates in making collective decisions. Therefore, it is understood that all the decisions must be public, in the double sense that the process that leads

to them is open to ample participation and the content is accessible to all. The consequence of this principle is the demand for a high degree of transparency in political decision making (CLAD, 2000).

Thus, the diffusion of public information constitutes one of the basic conditions for the success of the *accountability* cycle, since if the citizens have very incomplete information on the actions of the public power, they will face difficulties in evaluating the governance. The tools of e-gov must be used in this perspective so that society is always armed with information on how the public thing is being managed. E in this process, it makes sense to highlight the role of the Legislature in the transparency of public administration, as will be seen next.

3 E-Legislature as a Transparency Tool in the Brazilian Public Administration

The Legislative Houses, regarding the principle of separation of powers and autonomy of public entities, in constitutional terms, and comprehending their jurisdiction and scope, have as incumbencies: rendering and taking of accounts with the government; the ascertainment of crimes by politicians, through due process of law; convening secretaries of State, other political players, legal representatives of third sector entities, that perceive and manage state goods or resources and other entities who offer public services, by means of public concessions; affecting ownership and establishing subsidy for the governor and the lieutenant governor of the State; the appraisal of nominations subject to the deliberation of the Legislative Branch; e, other themes defined by law.

Consequently, one can affirm that motivated by the changes in posture imposed by new administrative paradigms and especially the emergence of TICs, that stimulated the legislative branch to act as an agent of *accountability*, the Brazilian legislature needed to seek new tools that could facilitate and improve the fulfillment of its tasks. Notwithstanding, the legislature also had that to adopt informational tools that the executive branch had already been using, the combination of which came to be called e-gov or electronic government. In the scope of the Legislative Branch this tool was named of *e-legislature*.

Currently all State Legislatures in Brazil have web pages, where information such as daily news on the parliamentary actions, members' of the house of representatives schedules, order of business, annual and bi-annual reports parliamentary and committee activity, house of representatives attendance statistics, budget performance, along with other information, is made available. However, the release of this information varies greatly among state Legislative Houses, some releasing a reasonable amount of information and others a still just beginning, and insufficiently.

A positive aspect of these websites is that they also provide a communication channel between society and the Legislative House and with the members of the house of representatives, a fact that facilitates contact with branch, still considered by many, as distant from the population, especially residents far from the states capitals, since the state

Legislative House establishes its headquarters there. Due to this distance, a great part of the population can only follow the performance of the parliamentarians, through the media, among them the legislative body's websites, which present themselves as one of the most complete means of contact between the population and the legislature.

As MAIA (2002) affirms, the new information and communication technologies, including the Internet, seems to offer various advantages over the democratic Medias, since its interactive and multi-functional devices offer “new possibilities for decentralized participation”. As the author affirms, these new technologies allow different partners of interlocution to be in contact, through reciprocal actions and virtual bonds, creating an unknown potential for interaction. This is not just about isolated connectivity of the web-user in contact with the government, for example, but the potential of collective connection, approaching citizens through *chats* and discussion groups.

Thus, these websites are an excellent information and transparency tool for the acts of the Legislative Branch, since one of the main functions of the electronic government is transparency, which uses the tool box of the TIC, especially the Internet, to inform citizens on the actions that the organ is carrying out and how many resources, be they material, human or financial, are being expended in achieving the goals of the entity.

Thus, the use of Internet also becomes a support tool to the legislature in the achievement of its role of overseeing agent of the executive branch, which, if fully explored, can allow this Branch to truly become an agent of *accountability*. The responsibility thus falls to the Legislature to not only divulge information concerning its own actions, but also those of the Executive Branch.

In this context, is important to highlight an important difference in the use of information systems, especially the Internet, between the Executive and the Legislative Branches, where the first may make use of these systems to render services to society, such as issuing barcodes to pay fees and taxes, school registration, payment of fines, etc. The use of the internet by the Legislature, on the other hand, exercise mainly informative, supervisory and control functions. Therefore, transparency is the main function of e-legislature. Thus it is essential that these state legislatures actually use e-legislature as a tool for control, oversight and disclosure of its actions and the actions of the Executive Branch. However, without the introduction of specific regulation in each Legislative House that compels its president to disclose what is considered minimum information, the decision of what it will be at the disposal of the population will still be left to the criteria of these presidents. Faced with this, the following process of regulation of the transparency in some countries of America presented itself.

4 The Law of Public Transparency and Access to Public Governmental Information

One should note the importance of passing and applying a law that guarantees the citizen greater ease of access to public information, since one of the principles of public

administration is legality, which causes the acts of the public administrator to be buoyed up through laws, decrees, resolutions, ordinances, etc. Consequently, the Brazilian Constitution foresaw the publication of public information, however, it was still necessary to introduce a more specific legislation, that compelled the public servant to divulge data inherent to public administration, as well as specify which information should be divulged, this being necessary to provide greater uniformity in publishing this information among the different agencies of public administration and especially so that the citizen can know what documents and information the public manager should supply.

Thus, on the 27th of May, 2009 the Complementary Law 131/09 came into effect, which compelled all public agencies belonging to the three branches of the Federation to make available, in real time, information on its budgetary and financial executions. Added to this Law the Usual Law 12,527/2011 also came into effect on May 26th, 2012, known as the Law of Access to Information - LAI, which establishes that the public entities must divulge on the Internet, in clear language and with ease of access, data on public administration.

On the Internet one must be able to find, at least, a record of the organizational structure and scope, addresses and telephone numbers of the respective units and hours they are open to the public. Records must also be published of any transfer of financial resources and information on public tenders, including the proclamations and results. The law requires that general data be displayed on the Internet allowing the accompaniment of government programs, actions, projects and construction, besides answers to the questions most frequently asked by society.

A panorama of this subject is shown here, demonstrating how this process occurred in the United States and other countries of Latin America, which already possess specific legislation on the subject and were chosen because they present certain similarities to Brazil, such as the political-economic system, of government, and territorial proximity, among others.

In the United States the freedom of information and the “*Sunshine*” laws are the two main governmental initiatives in combating corruption. E one of the main artifices of the American strategy was the creation of the Freedom of Information Law – Foia; Approved first in 1966. This Law determines that the government documents are, in essence, property of the people and that the population retains the right to access them. The Foia inverts the traditional burden of proof, switching from the hypothesis that the documents are confidential until the citizens establish basis to access them, to the hypothesis that the documents are public until the government establishes a basis (such as national security and personal privacy) to keep them confidential. Hence Foia elaborated an important premise, in which posterior reforms have been made: that the citizens have the right to know their government and to know what was being done.

In Latin America Colombia is a pioneer in adopting legislation on access to public information, which came into effect July 5th, 1985, with the introduction of Law 57, which

granted to all persons the right to consult documents in power of State offices and to receive a copy of these documents.

On January 22nd, 2002, Law n° 6 was enacted in Panama, on transparency in the government, which states that all legal entities have the right to ask information of the government agencies and the staff member concerned has 30 days to provide this information. The noncompliance of the employee leads to fines or dismissal from employment. The law establishes nine cases of “restricted access”, among them the ones that are related to information on national security and the cases being investigated by the Solicitor-General.

On August 2nd, 2002, the Peruvian President, Alejandro Toledo, officially enacted the Law of Transparency and Access to Public information, which then was published on August 3rd, 2002 in the *El Peruano* official gazette. Although this law represents an important advance for the right to information, it behooves us to mention its article 15, that refers to the exceptions that the law grants to the Executive Branch to classify information as “private and strictly confidential” for reasons of national security, since this procedure would grant the ministerial cabinet, an eminently political entity, the ability to classify information as restricted. On August 6th, 2003 the regulatory decree of the Law of Transparency and Access to the Public Information came into effect. This Regulation was promoted by the committee created by law to fulfill provisions of the same.

In Mexico, suggestively named “*Ley de Transparencia*”, was approved on June 11th, 2002, but the Mexican Congress had the prudence to give it one year to take effect so that the public agencies could adapt to the new rules. The Law was also one of Vicente Fox Presidential campaign promises in 2000. The new law foresees that all the State organs place to the citizens' disposal information that allows them to know the functions, actions and resources of the government. Documents that can affect the national security are excluded.

In May of 2004 it was Ecuador's turn, with the approval of Congress. The Law of Disclosure and Access to Information grants the citizens access to information in the power of agencies of the public sector, with the exception of information of a personal nature or that has been classified as such by a competent public officer. The law further guarantees access to information in the possession of public and private entities that have public information, with the exclusion of personal data.

In Argentina, enacted in 2004, the law offers a general guarantee of access to information, allowing the Argentineans access to the databases of official agencies. The law establishes administrative and legal penalties for the public officers who do not comply with the requests. It also confers public character to the laws, decrees and documents that have been kept secret by the State for over 10 years without having been classified as restricted.

In Honduras the law was approved on November 27th, 2006, after pressure from the Committee for the Liberty of speech - C-Free, which carried out a Regional Dialogue in the city of Choluteca on the subject of the “Right to the information in the national scenario”.

Two similar meetings had been carried out in other regions of Honduras. In the course of this conference, the local limitations faced by the journalists, social communicators and the citizens to gain access the information of public interest were examined. E in this meantime C-Free presented a draft bill on Access to Public Information and the *habeas data* appeal.

According to Transparency International, Chile stands out as one of the countries with lowest levels of corruption on an international level, and lowest in this aspect in Latin America. In this context the main measures adopted by Chile were: the formation of the National Public Ethics Committee in 1994; the establishment of the Law of Administrative Probity in 1999; the elaboration of the Pro Transparency Agenda in 2003; besides the approval of the law known as Law of Public Transparency and Access to Governmental Information in 2007.

5 Methodology and Presentation of the Results

Research on electronic transparency in the Legislatures of the Brazilian states established the report on electronic transparency from the Mexican Congress, which is made by the Non-Governmental Organization, Legislative Monitor, as a baseline model. The report analyzes a set of items required by the Law of Transparency and Access to Governmental Public Information in Mexico, instituted on June 11th, 2002, and also of the Legislative Resolution by the Mexican Congress, that detailed the requirements already made in the Complementary Law. Hence, the model used in this research underwent some adaptations, integrating items and sub-items not observed in the original model, since further items were added that are considered obligatory in the Complementary Law 131/2009 and Usual Law 12,527/2011, respectively the Law of Transparency and the Law of Access to Information. Some of these were observed in some state legislature's websites in Brazil, which were not contemplated in the Mexican model. The model built observed 8 items, which had been researched in all 27 Brazilian State Legislatures in the period between 06/ 29/2013 and 07/13/2013. The items analyzed are:

- A) Administrative role: it seeks to observe if the state parliaments place information on its administrative structure (organic structure, abilities of the sectors, list of public servers, remuneration of the servers, objectives and goals of the administrative units) at the disposal of the society ;
- B) Internal control: it intends to observe the parliamentary performance and the audits carried out in the scope of the agency (information on material goods, report on fiscal management, allocation of financial resources, funding of staff and indemnity, annual report on transparency, results of audits, complaints against member of the house of representatives and disclosure of the budgetary execution in real time - as stated in Law 131/2009);
- C) legislative Work: its purpose is to analyze if there is availability of information on the legislative works (order of business, parliamentary gazette, propositions, roll call votes, information of official trips and resources, *Web* channel and parliamentary attendance);

- D) Work of the committees: its target is to verify if information is available on the works of the legislative committees (members of the committees, results of inquiries, work reports of, committee reports);
- E) Concessions, permissions and contracts: it seeks to observe if information is available on the public bidding process in the scope of the Parliaments researched (concessions and permissions; information on contracts: acquired or leased goods and the services that are being contracted; the price of contracts; the name of the contracted party and deadline for contract fulfillment);
- F) Historical archive and librarian services: it seeks to analyze whether the legislatures have adopted criteria for cataloguing and classifying documents, as well as rendering librarian services, making the procedures, requirements and formats explicit for the good use of the historical archive and the virtual library ;
- G) External Controls: The goal here is to analyze if the legislatures State make information available on the acts of the Executive Branch of its respective State (State Master Budget, *link* for sites of other organs and the Official Gazette);
- H) Communication channel with citizens: it seeks to observe if means of interaction with the society are made available (channel of contact with the parliamentary ombudsman, lists of the main questions and answers, a channel for complaints, information request forms as required by Law 12,527/2011).

6 System of weights

As seen previously, the model is composed of 8 items, in which 40 are distributed sub-items. With the end goal of facilitating data tabulation, keeping in mind that the model has a considerable number of sub-items, was decided to adopt only three measurements, which are: 0 When the agency not make available what it is being verified; 1 when what is being verified possess a reasonable availability; and 2 when the agency satisfactorily makes available what is being verified.

Therefore, having 40 sub-items distributed within the 8 items, the adoption of the system of weights as described above would provide a total result of 40 points if the Legislative House reasonable fulfilled all the analyzed requirements and 80 points, if the analyzed parliaments fulfilled all sub-items satisfactorily. Hence, adopting as maximum 10 as the maximum score (of the whole), the model adopts a system of weights as follows: 0 = 0; 1 = 0.125 and 2 = 0.25.

Thus it is evident that the item with the greatest number of sub-items must receive a higher score, as described below:

Picture 1 - Maximum score per item

	Item	N° de Sub-items	0.125	0.25
A)	Administrative Role	5	0.625	1.25
B)	Internal control	8	1	2
C)	Legislative work	7	0.875	1.75
D)	Work of the committees	4	0.5	1
E)	Concessions, permissions and contracts	6	0.75	1.5
F)	Historical archive and librarian services	3	0.375	0.75
G)	External Controls:	3	0.375	0.75
H)	Communication channels with the citizens	4	0.5	1
	SCORE	40	5	10

And to measure the transparency per item, it was necessary, first, to construct a transparency continuum, in which 4 levels were established, classified according to the percentage of the requirements of the analyzed item were met (ratio measurement).

By means of the transparency continuum it was possible also to fashion a transparency ranking, where the state legislatures' websites were arranged in order of acquired points, using as a tie-breaker the websites with a higher score in item "E" - concessions, permissions and contracts, since they are the main item required by Law 131/09 and Law 12.527/2011.

Picture 2 - Transparency continuum

Level of Transparency	Percentage of requirements met	Quartile
Satisfactory	75% to 100%	4°
Reasonable	50% to 74.99%	3°
Low	25% to 49.99%	2°
Insufficient	0% to 24.99%	1°

Thus based on this methodology, the set of results attained are presented.

Table 1 - Score per item and level of transparency

Order	State legislature	Administrative Role	Internal control	Legislative work	Work of the committees	Concessions, permissions and contracts	Historical archive and librarian services	External Controls:	Channel to the citizens	Final Score	Level of Transparency
1	Rio Grande Do Sul	1	1.625	1.75	1	1.5	0.75	0.625	1	9.25	Satisfactory
2	Rio De Janeiro	0.75	1.125	1.625	0.75	1.5	0.5	0.5	0.75	7.50	
3	Santa Catarina	1	1	1.5	0.375	1.5	0.75	0.375	0.625	7.13	
4	São Paulo	0.625	1.125	1.25	0.625	1.5	0.625	0.375	0.375	6.50	REASONABLE
5	Mato Grosso	0.875	0.75	1	0.375	1.5	0.5	0.25	0.875	6.13	
6	Minas Gerais	0.75	1.125	1	0.375	1.5	0.5	0.125	0.625	6.00	
7	Paraná	0.75	0.875	1.625	0.625	0.875	0.375	0.5	0.375	6.00	
8	Amazonas	0.375	0.625	1.125	0.5	1.375	0.5	0.625	0.375	5.50	
9	Ceará	0.75	0.75	1	0.75	0.75	0.5	0.5	0.375	5.38	
10	Bahia	0.625	0.5	1.125	0.75	1.25	0.125	0.25	0.375	5.00	
11	Espirito Santo	0.875	1	1.125	0.125	0.75	0.375	0.5	0.25	5.00	
12	Paraíba	0.75	0.375	0.75	0.625	1.5	0.5	0.25	0.25	5.00	
13	Rondônia	0.5	0.625	1.25	0.375	1	0.5	0.5	0	4.75	
14	Pará	0.125	0.5	0.75	0.625	1.5	0.375	0.125	0.25	4.25	Low
15	Federal district	0.625	0.25	1	0.375	0.875	0.75	0	0.125	4.00	
16	Pernambuco	0.625	0.25	1.125	0.875	0	0.625	0.5	0	4.00	
17	Rio Grande do Norte	0.75	0.625	0.75	0.375	0.75	0.25	0.125	0.125	3.75	
18	Mato Grosso do Sul	0.25	0.75	0.5	0.375	0.75	0.375	0.5	0.125	3.63	
19	Sergipe	0.625	0.375	0.75	0.375	0.75	0.25	0.125	0.375	3.63	
20	Goiás	0.125	0.5	0.5	0.625	0.875	0.375	0.375	0.125	3.50	
21	Tocantins	0.5	0.5	0.5	0.375	0.75	0.125	0.25	0.5	3.50	
22	Amapá	0.375	0.625	1.125	0.25	0.5	0.125	0	0.375	3.38	
23	Maranhão	0.375	0.25	0.75	0.125	0.75	0.125	0.125	0	2.50	
24	Piauí	0.375	0.5	0.625	0.125	0	0	0.375	0.375	2.38	Insufficient
25	Roraima	0.25	0.625	0.125	0	0.75	0.125	0.125	0.25	2.25	
26	Acre	0.375	0.125	0.625	0.125	0.375	0.125	0.125	0	1.88	
27	Alagoas	Website off-line at the time of the research (06/29/2013 to 07/13/2013)								0.00	Insufficient

7 Analysis by item

Administrative Role

In this item, 18.5% of the websites were classified as having insufficient transparency; 26% a low level; 48% reasonable; and only 7.5% qualified as satisfactory. The best score went to the Legislatures the Rio Grande Do Sul and Santa Catarina, which met 80% of the requirements. As to the general level, the group was classified as low.

Internal control

In this item, 26% of the websites were classified as having insufficient transparency; 52% a low level; 18% reasonable; and only 4% qualified as satisfactory. The best score went to the Legislature of Rio Grande Do Sul's website, which met 81% of the requirements. As to the general level, the group was classified as low.

Legislative work

On this point, we found the following classification: 8% of the websites were found with an insufficient level of transparency; 37% at low level; 41% at a reasonable level; e 14% at a satisfactory level. The best score went to Rio Grande Do Sul, which met 100% of the requirements. As a whole the group was classified as having a reasonable level of transparency.

Work of the committees

The item in question had the following classification: In this item, 22% of the websites were classified as having insufficient transparency; 36% a low level; 22% reasonable; and 19% qualified as satisfactory. The best score went to the Legislature of Rio Grande Do Sul's website, which met 100% of the requirements. As a whole the group was classified as having a low level of transparency.

Concessions, permissions and contracts

In this item, 11% of the websites were classified as having insufficient transparency; 8% a low level; 44% reasonable; and 37% qualified as satisfactory. Eight websites met 100% of the requirements. Three websites did not register a score. As a whole the group was classified as low.

Historical archive and librarian services

On this point, we found the following classification: 30% of the websites were classified as having insufficient transparency; 8% a low level; 44% reasonable; and 18% qualified as satisfactory. The best score went to the Legislatures the Rio Grande Do Sul, Santa

Catarina and the Federal District, all of which met 100% of the requirements. Two websites did not score. The group as a whole was classified as low.

External control

In this item, 37% of the websites were classified as having insufficient transparency; 15% a low level; 44% reasonable; and 8% qualified as satisfactory. The best score went to the Legislatures the Rio Grande Do Sul and Amazona, which met 83% of the requirements. Three websites did not register a score. As a whole the group was classified as having a low level of transparency.

Communication channels with the citizens

In this item, 33.5% of the websites were classified as having insufficient transparency; 44.5% a low level; 11% reasonable; and 11% qualified as satisfactory. The best score went to the Legislature of Rio Grande Do Sul's website, which met 100% of the requirements. Five websites did not score. As a whole the group was classified as having a low level of transparency.

8 General analysis

Analyzing the data above, one can conclude that only 7.5% of the state legislative websites in Brazil, i.e. only the legislative websites of Rio Grande Do Sul and of Rio de Janeiro, possess a satisfactory level of transparency, which means that the websites of the legislatures of these states make available 75% or more of the researched items. The State Legislatures of Santa Catarina, São Paulo, Mato Grosso, Minas Gerais, Paraná, Amazonas, Ceará, Bahia and Espírito Santo, which represent 37% of the universe of the study, were classified as having a reasonable level of transparency, being that they made available up to 74.99% of the items researched. The legislative websites from Rondônia, Pará, Federal District, Pernambuco, Rio Grande do Norte, Mato Grosso do Sul, Sergipe, Goiás, Tocantins, Amapá and Maranhão, representing 40.7% of the total researched, were classified as having a low level of transparency, since they make available up to 49.99% of the researched items. And finally, the legislative websites from Piauí, Roraima, Acre and Alagoas that represent 14.8% of the research universe were classified at an insufficient level of transparency, since they made available less than 24.99% of the researched items.

So, analyzing this general classification based on descriptive statistics, we find: that the greatest score (upper limit) was 9.25, obtained by Rio Grande Do Sul. The lowest score (inferior limit), on the other hand, was 1.88, given to the state of Roraima and Alagoas, which zeroed the researched items, due to the fact that their websites were off-line throughout the period of the research (06/29/2013 through 07/13/2013).

Therefore, the group average was 4.25 points and the standard deviation was 1.95. Thus, we found the following distribution around the group average:

Up to 2 units of standard deviation = 96.3% of the websites

Up to 1.5 units of standard deviation = 90% of the websites

Up to 1 unit of standard deviation = 74% of the websites

Up to 0.5 unit of standard deviation = 48% of the websites

Through this analysis it is observed that the distribution of the values is quite symmetrical around the average, which is 4.25 points.

This means that the scores varied very little in relation to the average, that is, that a great part of the received scores very near the group average. Thus, 90% of these scores are concentrated in the (1.32; 7.17) points interval, corresponding to 1.5 units standard deviation. A ratio of values above of 7.17 points is low (7.4%), which exceeded the mark of two units of standard deviation in relation to the average, these being from the legislatures of Rio Grande Do Sul and Rio De Janeiro. Another important fact is that 51.8% of the websites obtained a score equal to or greater than the average and the other 48.2% received a score below it.

Thus we can conclude that in general the group score was low, explained by the considerable ratio of websites with below average scores. Making a general classification based on the observed average, we see that it also is classified as low, since it belongs to the 2nd quartile = 25% to 49.99% = low level of transparency.

However, it is necessary that relate data obtained to other variables, which will be able to better explain or to clarify the score obtained by the state legislative websites.

8.1 Relation to Other Indicators

The research also correlated the final result of the electronic transparency in legislatures with the Index of Human Development - IDH (2008) and with the percentage of people who have access to the Internet in the Brazilian states, elaborated by the IBGE (National Research of Sampling per Domicile - the PNAD/2011).

The statistics tool used for this verification was correlation, since it takes the role of measuring the force of relation or association between two variable, by means of the correlation coefficient.

Table 3 - relation with other indicators

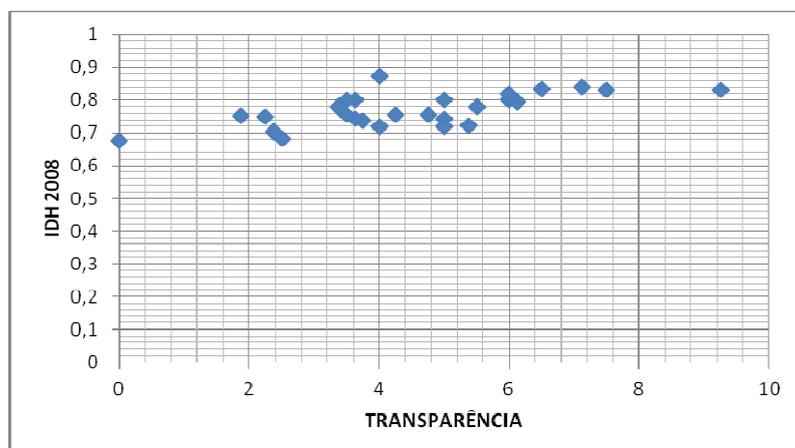
	State	Transparency	IDH (2008)	% access to the Internet (2011)
1	Rio Grande Do Sul	9.25	0.832	48
2	Rio De Janeiro	7.5	0.832	54.5
3	Santa Catarina	7.125	0.84	52.1
4	São Paulo	6.5	0.833	59.5
5	Mato Grosso	6.125	0.796	49.5
6	Minas Gerais	6	0.8	43.6
7	Paraná	6	0.82	51.1
8	Amazonas	5.5	0.78	37.3
9	Ceará	5.375	0.723	33.4
10	Bahia	5	0.742	37.2
11	Espirito Santo	5	0.802	48.5
12	Paraíba	5	0.718	38.4
13	Rondônia	4.75	0.756	42.8
14	Pará	4.25	0.755	30.7
15	Federal District	4	0.874	71.1
16	Pernambuco	4	0.718	37.2
17	Rio Grande do Norte	3.75	0.738	36.5
18	Mato Grosso do Sul	3.625	0.802	51.7
19	Sergipe	3.625	0.742	34.5
20	Goiás	3.5	0.8	47.7
21	Tocantins	3.5	0.756	38.2
22	Amapá	3.375	0.78	41.1
23	Maranhão	2.5	0.683	24.1
24	Piauí	2.375	0.703	24.2
25	Roraima	2.25	0.75	48.1
26	Acre	1.875	0.751	40.8
27	Alagoas	0	0.677	34.3

Source: Elaborated by the authors, 2013.

8.2 Relation of electronic transparency with IDH

This analysis consists of verifying the degree of correlation of electronic transparency with the Index of Human Development (2008); that is, the intention is to see if the States that possess a good performance in IDH, also have a good performance in electronic transparency.

Thus, we present the graph of dispersion and the coefficient of correlation to verify the hypothesis formulated above.

Graph 01 - Relation of IDH X Transparency

Source: Database of IDH - 2008.

Coefficient of correlation = 0.66

Analyzing the graph, one can note that there is a positive correlation between the two variables, that is, the states that get high scores of X tend to get high scores of Y. This does not yet mean that the hypothesis was confirmed; to that end it is necessary to test the intensity of the correlation.

To do the intensity test it is necessary to observe the coefficient correlation, which indicates numerically indicates both the direction and intensity of the linear correlation. It can vary from -1 to +1. The closer to 1 it is, indicates greater correlation strength. In this sense, this correlation obtained a coefficient of 0.66. This value indicates that there is a considerable correlation between the two variables analyzed.

Thus, it can be concluded that: the hypothesis formulated above can be confirmed by the correlation analysis, since this coefficient indicates that in the majority of the Brazilian States where the performance in IDH (2008) was high, a good performance in legislative electronic transparency was also found.

8.3 Relation with the percentage of people with access to the Internet

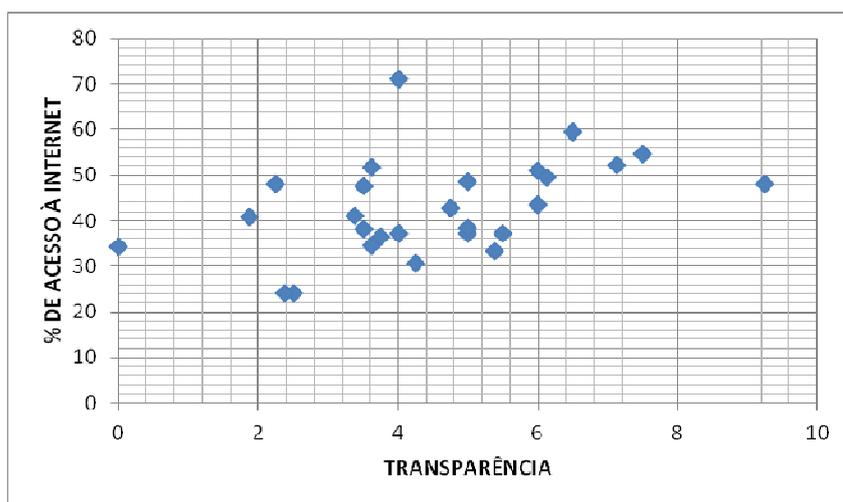
The Brazilian Institute of Geography and Statistics - IBGE, periodically surveys all Brazilian States with the purpose of verifying the ratio of people who have access to the Internet. This survey is taken by means of the National Research of Sampling by Domiciles - PNAD. The last survey was made in 2011, the results of which were used here to accomplish this analysis of correlation.

And considering this work to make a study of a tool that has, essentially, the Internet as its means of operation, the formulated relation has the purpose of verifying if in the states

where with a greater percentage of people who have access to the Internet also possess a good performance in electronic transparency.

Accordingly, we present the graph of dispersion and the coefficient of correlation to verify the hypothesis formulated above.

Graph 02 - Relation of Percentage of access to Internet X Transparency



Source: Database of PNAD - 2011.

Coefficient of correlation = 0.51

Analyzing the graph, one can note that there is a positive correlation between the two variables, that is, the states that get high scores of X tend to also get high scores of Y.

In the intensity test it is necessary to observe the coefficient correlation, which indicates numerically both the direction and intensity of the linear correlation. In this sense, this correlation obtained a coefficient of 0.51. This value indicates that there is a considerable positive correlation between the two variables analyzed.

Thus, it can be concluded that: the hypothesis formulated above can be confirmed by the correlation analysis, since this coefficient indicates that in the majority of the Brazilian States where there is a greater percentage of people with access to the internet, a good performance in legislative electronic transparency was also found.

9 Final Considerations

This article had the intention of contributing to the improvement of the understanding of the role of the Legislatures as controlling power of the acts of the executive branch, and that therefore it has the duty of publish the actions of this power. Reaffirming that above all, the Legislature also must be transparent in its actions. This contributes to broaden the

knowledge on the diverse roles of electronic government in the current public administration, in particular its use in a branch that is still little studied.

With the implantation of the electronic government, other concepts had started to be part of the modern public administration, among them e-governance, which as shown in the article, started to use Information and Communication Technology (TIC) in public administration, in its relationship with society and private institutions, be it in the operation of its means and end activities, and especially in the rendering services or making information available. Thus, it was soon noted that e-government became an important tool of *accountability*, uniting the rules the latter to the information technologies of the former.

However, the Brazilian experience faced right off the digital exclusion problem, which is fruit of social exclusion experienced for years in the country. This problem, certainly, left and still leaves a great part of the population on the wayside of services offered by e-gov. However, it is evident that the Country has been circumventing this question, even with governmental actions to try to diminish the number of the digitally excluded, which reaches 55% of the Brazilian population, according to data of the National Research of Sampling by Domiciles - PNAD, by the IBGE, in 2011.

Therefore, the challenges of e-gov in Brazil are still numerous. However, this article focuses on a specific branch, which is the Legislature. This direction of the study was due to the fact that few studies have been made on the application of the concepts of the electronic government in a Branch whose main role does not include the rendering of services to society, whose main role is to control the actions of the Executive Branch, besides elaborating norms and rules that govern the actions of the public administration. Thus, the use of the Information and Communication Technology - TIC in the Legislature, at the beginning, as well as in the Executive Branch, came into use for the improvement of its internal processes. However, as this Power is not a services provider, interface with the society would have to be different. This form is the spreading information on its actions and also on the actions of the Executive.

However, what was observed is that Brazil proceeded rapidly with the implementation of the e-gov tools, and in the case of the legislatures, this process occurred a short time later. In the article it was possible to not that there is a great difference among the websites of this Branch, as to the availability of information, that is, there is no standard of how the information is made available in these websites, being left to the criteria of the president of the parliament to choose how these information should be made available to the public.

However, the Laws of Transparency and Access to information, even coming into effect after many countries of Latin America, sufficiently improved the amount and the quality of the information offered to citizens, since it took from the manager the discretionary power to decide whether to divulge or not certain information and defined which information should be available. The initiative, certainly, made the Brazilian State Legislatures' websites offer more information more homogeneously. It is also important to consider that the Law

established deadlines for offering information, which must be followed to the letter by the managers to not result in outdated information.

Through the research it was possible to see that few states presented a satisfactory or reasonable level of transparency. When the research observed the data by geographic region it was noted, by means of the average of its respective states, which decreases in the following direction: Southeast, South, Center West, Northeast and North. This same direction is observed when it analyzes other variables, as the IDH, and the percentage of access to the Internet in the states. When one correlated scores of the electronic transparency with the ones from IDH (2008), it was possible to see that the majority of the states with high IDH are the ones that also have a greater degree of electronic transparency. The same observation was made when electronic transparency and the percentage of people who have access to the Internet in the Brazilian states was correlated, that is, the states with greater percentage of access are the ones that also have the greatest degree of electronic transparency.

Therefore, in general, the legislative websites of the states Brazil, have a low level of transparency, that is, the user of these websites find little information on the researched items, with prominence for the items that evaluate the level of transparency in offering data in real time, which obtained the lowest levels of transparency.

In spite of this, the State legislature of Rio Grande Do Sul can be highlighted for presenting a satisfactory level of transparency and was by far the legislature with the highest score, which registers as the website that at most meets the requirements of the Law of Transparency and Access to Information.

Therefore, the work carried out evidenced that the use of information tools in the governmental activity made possible to create more direct, institutionalized and accessible channels of access to public information, even with the persisting difficulty of access to this information by certain groups within society. And as observed, even the websites that were classified as having a satisfactory level of transparency, the information is not yet fully available. However, the opening of this information is a democratic conquest, which certainly with greater pressure and participation of society, will tend to ascent to greater levels.

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