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Entrepreneurship & SMEs in Emerging Markets: Competitiveness & innovation in Knowledge Economy

Usai A., Porcheddu D., Morandi F., Cardinali S., Del Giudice M.

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6th International Research Symposium (2017)
Entrepreneurship & SMEs in Emerging Markets:
Competitiveness & innovation in Knowledge Economy

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Competitiveness & innovation in Knowledge Economy



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Introduction

Entrepreneurship & SMEs in Emerging Markets: Competitiveness & innovation in Knowledge Economy

Usai A. ^a, Porcheddu D. ^a, Morandi F. ^a, Cardinali S. ^b, Del Giudice M. ^c

Developing countries cannot rely on multinational or large corporations for economic growth. In most Western countries, the most important component of the economic system is made up of small and medium businesses (SMEs), both in terms of number of companies and employees. Although most SME enterprises are not created by wealthy people, they themselves create wealth and employment. However, for many people successfully navigating an SME will be a major challenge. Whilst SMEs have the potential to become a core element of an economic system, their small size, their lack of specialized managers, their focus on the technical process (usually very labor intensive) can limit their ability to compete in the 'market'. Another potential enemy of SMEs is a matter of defining exactly what the 'market' itself is. SMEs no longer compete with their physical neighbors, but they have to compete with unknown and unlimited competitors spread worldwide. Besides managerial skills, most SME operators lack marketing skills and this is more common among SMEs that focus on international tourism and other services.

SMEs in developed countries also face similar problems, especially in the early stages of the start-ups. Enterprises use different models to overcome limitations and become successful. In developing countries, SMEs use networks with centralized services, especially the government agencies which provide education, training and mentoring and a certain level of marketing and managerial services together with banks and funding agencies which also assist in making startups and SMEs sustainable. But do these approaches strengthen SMEs and enable them to become competitive? How far are these approaches helpful for SMEs based in emerging markets in making them competitive and sustainable? Can university researchers come up with better proposals for SMEs in emerging markets?

Competitiveness and *innovation* are the two key factors that determine SMEs' success in the current business environment. Innovation in enterprise management systems, which includes technology, design and development, business models and management. To become more competitive, it is imperative for SMEs to actively manage knowledge as well as other intangible assets like brand reputation, customer experience and market expectations. Therefore, the 6th symposium will focus on competitiveness and innovation of enterprise development and SMEs in Emerging Markets, especially firms engaged in tourism and services marketing.

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TAKING ADVANTAGE OF THE POTENTIAL OF BQUEST FUNDRAISING IN NON-ANGLO-SAXONS MARKETS

Alex Bizzarri, Silvio Cardinali, Antonio Picciotti

Bequest fundraising has become an increasingly important source of income for charitable organizations. As highlighted in several studies, it is not unusual for organizations with well-established bequest programs to receive upwards of 30% of their philanthropic support in this form. Receiving a bequests gift represents the pinnacle, the fulfillment of the relationship. Moreover, the next generation to consider bequests giving will also feature large numbers of single households and will reflect the increasingly multiethnic and multicultural society (Sargeant and Lee, 2002). Previous studies on this instrument have focused primarily on pledger/legator demographics and psychographics rather than on the peculiarities a NPO should have in order to secure them. (Schervish & Havens, 2003; Sargeant & Shang, 2008). Furthermore, researches predominantly addressed the issue in Anglo-Saxons countries (USA, UK, Australia) leaving a substantial number of interesting markets barely unexplored. One of them is the Italian market where, according to Cariplo Foundation Observatory, funds from bequest giving from now to 2030 could reach a potential of 129 billion euros. Within this huge transfer of wealth, non profit organizations could gain a remarkable share, however just a few of them have already started to exploit this opportunity thanks to a pro-active attitude to entrepreneurship. Our work's purpose is to highlight the State of the Art of the bequest fundraising literature in order to understand which questions are still unanswered and what could be the potential of future research in this field. Findings confirms how studies are concentrated within Anglo-Saxons countries, notably USA, UK and Australia. Other markets recently begun to deal with this kind of fundraising anticipating substantial challenges that research could fruitfully address.

THE SME IN THE CEEC NEED THE SAME SUPPORT AND INCENTIVES AS BIG MULTINATIONALS

Soltes Dusan¹

Abstract

It is a well known fact that SMEs play one of the most important roles in the overall macroeconomic development even in the most developed and/or the economically most successful countries especially regarding their contributions to the GDP growth or in the creation of new jobs, innovations, etc. In many cases it have been especially SMEs that have been bringing to the market the most innovative solutions like e.g. it is in the case of informatics, hardware and software development , etc. Unfortunately, in the CEEC there is still not enough support to the SMEs as in many cases their founders or entrepreneurs in general are seen mainly as people who want to become too quickly and easily too rich also through not meeting but avoiding their tax and various other payment duties and obligations towards state like various taxes, health and social insurances, VAT payments, etc. Another very negative factor contributing to this rather negative situation and development in the SMEs sector has been a fact that while in the case of SMEs there is a tendency to increase an overall taxation and administrative burden on the other hand big multinationals and foreign direct investors are at the same time enjoying various most attractive forms of state aid like e.g. various special incentives, tax holidays, cheaper energies, special incentives for job creations, etc. In the paper in more details we will be dealing with these and other negative factors that make entrepreneurship and business activities of SMEs in the CEEC still less attractive and more difficult than for example it is in other so called “old” EU member states or than in the USA, China, etc.

Keywords

SME – small and medium enterprises, tax holiday, GDP, employment, incentives, multinationals, tax-licence, VAT.

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Introduction

As it has been already mentioned also in the Abstract to this paper, it is a well known and respected fact that the SMEs play a very important role in the support of the overall macroeconomic development not only in the developing countries where the SME sector is most important mainly due to the lack of capital and the insufficient inflow of the FDI, but it is so also in the most developed and the largest economics in the world. For example according to the OECD statistics (OECD, 2012) in the OECD member states that with some exemptions represent the most important economics in the world, the share of the SME on the GDP represents around 50 to 60 per cent and their share on supporting employment through creation of new jobs is even higher i.e. between 60 – 70 per cent. In the developing countries it is even higher due to the lack of capital and FDI. Hence, it is evident that this sector plays a very important role in the overall macroeconomic development especially regarding innovations, new ideas, various e-business activities (e-Business Cases, 2012) and moreover regarding its functioning it is much less demanding on various external resources than other economic sectors. Therefore it is not a surprise that in the most developed countries they are paying an adequate attention and support to this sector. Among the most important measures we could mention the simplification of the entire process of creating and establishing the SMEs like e.g. in the USA where in some states to establish a SME is possible even through the e-communications. In China there are „one-stop“ shops where the SME could be established during one visit, etc. And of course there are various forms of support especially to the new and starting SMEs like e.g. in the form of various advisory and consulting services, so-called incubators, etc. not to mention also some financial and fiscal measures that are creating more favorable conditions for existence and functioning of this important sector.

Unfortunately, if we are looking to the situation of the SME sector in the CEEC – Central and Eastern European Countries the situation is quite different especially regarding the governmental support to this sector although their role in the overall macroeconomic development is comparable to the one in the most developed countries in the world either in the OECD or EU member states.

In the next parts of this paper we are going to present some of the main problems that are related to the current situation of the SME in the CEEC in general and in one of them i.e. Slovakia in particular.

1. The Main Problem Areas of the SME in the CEEC

The main problems that are to some extent negatively effecting the existence and functioning of the SMEs in the CEEC are according to the results of our ongoing research as follows. In general the SMEs in the CEEC are to some extent negatively effected mainly by the following main reasons (Working papers, 2009-17):

- SME sector in some of the CEEC countries do not have any tradition
- SME have not the best reputation regarding their overall position in the countries' macroeconomic development
- SME are negatively effected by still high or even growing administrative and bureaucratic burden and changing legislation
- SME have relatively limited and complicated access to the financial resources
- SME are discriminated by the high and even growing taxation and various other payment duties
- SME are discriminated as do not enjoy the same benefits and various incentives like the big companies or multinationals as foreign direct investors

2. Specification of the main problems of SME in the CEEC

In this part we are presenting in more details the main problems that are still existing in the individual CEEC countries. The depth of these problems in individual CEEC countries depends on various national and regional factors as well as it depends on the history of the SME in each and every country. During the previous socialist or command economy era in the former socialist countries of the CEEC region there were quite different conditions for SMEs.

2.1 SME sector in some of the CEEC countries do not have any tradition

As we have mentioned above, there has been quite different history of SMEs in different CEEC countries. In some countries there were existing some and in general quite long years experiences from the private sector especially in the case of SMEs..In addition to the typical big socialist state and cooperatives properties, there was existing also quite developed sector of private workshops, small production and service providers that according to the current classification we could consider as typical SMEs.

For example in Poland, Hungary and even in one of the most rigid socialist countries like it used to be in the former GDR, there were existing quite strong and widely existing private SMEs involved especially in the sectors of various services like repairs, retail sales, small farmers, etc.

On the other hand there were existing former socialist countries like e.g. the former Czecho-Slovakia i.e. the current Czech and Slovak independent republics where there was not existing any private sector and thus also anything that could be called as the current SMEs. This different situation and historical development has of course then positively or negatively effected the beginning of the SME sector in different CEECs. It is evident that inception of the SMEs after the demise of the socialism in the CEEC countries has been quite different in different former socialist countries. Where the relatively strong private sector and thus also SME have been existing also during the socialism its development also in the new market oriented conditions has been simpler and more easier than in the countries like e.g. in the current Slovakia where there was no tradition as we have presented above with any private sector and thus also with the SME sector.

2.2 SMEs have not the best reputation regarding their overall position in the countries' macroeconomic development

Most probably also due to the above historical development and different approach to the existence of the SME in different CEEC countries there are also very different perceptions and attitudes towards the SMEs in general. While in some CEEC that we have characterized above as countries that already during the socialist era used to have a relatively big and functioning private sector especially in the categories of current SME like e.g. it has been in Hungary, Poland, etc. the position and development of the SME has been there also after the transformation of those countries to the modern market economy relatively smooth and without any major problems, The situation in the other group of CEEC has been completely different. For example in Slovakia

This new sector has started existing practically only after the demise of socialism and quite logically with all various problems we could call as "babies diseases".

Without going into many details the main problems (FM UK, 2009-17) in this respect then have been as follows:

- Most of newly arising SMEs during the transformation to the modern market economy have been created by people who were either former communist nomenclature or people who during the socialist era were in the category of "wechslars" i.e. illegal foreign money changers who both had a right contacts or funds
- Many of them created new SMEs as former socialist managers of their former small companies that before that were socialist or cooperative companies and of course they privatized them for very low or almost no privatization costs
- Many of these new SMEs have been created only for the purpose of participation in the so-called big privatization that included former big socialist industrial and other companies.
- In many cases these new owners have very quickly financially fully exhausted their newly acquired private property and led them to the total bankruptcy or sold them for officially low prices to the foreign owners but with reasonable under the table paid "special incentives" for them.

In view of this negative development in the early stages of SMEs sector creation and development there was growing unemployment that in some regions have achieved the level of 25-30% and what was one of the main reasons for a very negative general opinion about the new private SMEs while at the same time their new owners were becoming too rich and very quickly either through speculations with their new properties or as we have shown above through selling them to foreign investors bellow real prices but with a sufficiently high "incentives" from the foreign companies.

Hence, in general we could state that the newly arising SME sector from the beginning of its existence have acquired a very bad reputation as a sector being unfortunately characterized by money laundering, corruption, clientelism, mafia style privatization and also various other forms of formerly not known shadow or back economy.

2.3 SME are negatively effected by the still high or even growing administrative and bureaucratic burden and often changing and more complex legislation

Due to the above complicated historical development and negative reputation of the SME sector in the most of the CEEC from the beginning of its existence there has been not only existing the above negative view on this sector as a sector that is dominated by the above negative aspects of the shadow or even black economy with wide spread taxes and other due payments evasions. But there has been also some official reaction to this negative views on the SME sector. Hence, gradually there was a growing pressure not to support this sector by some supporting measures or financial incentives or benefits but in the opposite there has been growing overall administrative and bureaucratic burden what is quite a different approach than in the most of the developed countries. In view of this negative approach and pressure the SME sector has been becoming less attractive than it is generally with this sector. As we will demonstrate in the next part of this paper the overall trend in the number of SMEs has been rather declining than growing. That all in spite the fact that e.g. the establishment of the new SME has been gradually becoming less administratively demanding and also the National Agency for Support of the SMEs has nowadays been supporting especially new start up SME more experienced and efficient than it has been in the years when the SME sector has been just beginning to exist.

2.4 SME have relatively limited and complicated access to the financial resources

In the view of the generally widespread view about the SME sector as a sector where it is possible to become a too rich and too quickly this general opinion has been negatively effecting also the access of this sector to the financial means from the state or regional budgets. And unfortunately the same situation has been also regarding the access of the SMEs to the funds from the EU budget either from the regional, cohesion or other forms of funding. In many cases one of the main problems in this problem area has been that due to the specifics of this SME sector there has not been enough capacities and know how, how to apply and how to become eligible for being funded from these internal or external funding resources. We have to realize that the large part of the SME sector are really very small or even micro companies in many cases only being single person or family businesses. In view of this their small size and thus also small or not existing administrative capacities so they are not able by themselves to apply successfully for any of the available funding. In view of this situation there has been a really urgent need for some kind of support that would help SMEs in accessing and successfully applying for various possible sources of funding as without that in many cases especially SME start-ups are not able to overcome initial periods of their business activities.

As a rule most of them are at the beginning of their businesses in the red figures. But existing official national SME agency as a rule is not able to provide enough support to all SMEs that would need some support in helping them in applying for the available funding either from national or EU funding schemas. This negative situation has gradually led to the appearing many various in many cases dubious private advisory and/or consulting agencies that are “ready” to help to SMEs in preparing applications or projects that could help them to obtain so necessary external funding. It is quite evident that all these “services” are not for free, as the SMEs have to pay for this services by not small fees that just further are negatively effecting financial situation especially of the new startups SME. In case if finally the SME is successful in obtaining such a funding then quite a relatively big part of the obtained funds are basically going to those various advisory and consulting private agencies. In other cases a lot of such a funding is again going to them as they are more successful in applying for such a funding on the pretext that without such funding and thus without such advisory and consulting agencies the whole SME sector would be without any such professional services, etc. Basically we could say that a relatively large part of funding intended for the SMEs are siphoned on the way to them by various of these consulting and advisory providers and then only a small fraction of the real funds is finally reaching those to whom it has been destined i.e. the small or micro SMEs.

2.5 SMEs are discriminated by the high and ever growing taxation and various other payment duties

An other negative factor that has been very negatively effecting the existence and functioning the SMEs in the CEEC has been from the beginning of the existence of this sector a very often and substantially changing the rules and regulations and in general legislation on taxation and various other payments to be paid by this sector. Again there are at least two main reasons. One of them has been the fact that in many CEEC countries especially those without any longer history of this sector, hence all this legislation has to be created from scratch. It is then quite clear that such legislation and moreover being created under the pressure of urgency and thus during the relatively short available time more over often drafted without the necessary skills and experiences of the drafting personnel has had quite many shortcomings and was far from being effective. Thus it needed quite frequent modifications, changes and various other amendments that have led to the instability of the entire this important sector.

The other main problem in this connection has been the problem with the already above mentioned lack of trust in the SME sector regarding its bad reputation as a sector of money laundering, tax evasion, corruption, clientelism, mafia style privatization, etc. Hence as a consequence again there has been other pressure for gradual “improving” the existing taxation legislation for the SME sector in such a way that all these still often existing negatives have to be gradually eliminated. In view of this development we could state that the tax and other payments burden has been permanently growing. This overall burden has been growing even up to such high level like it has been currently existing in Slovakia where SMEs have to pay so called “tax licence” what means that every SME has to pay some by law determined tax even in case if that company has not produce any profit or even if it were in loss! It is evident that such a measure is definitely not supporting a very existence of this sector. And again due to this measure, many especially small and micro SME starts ups are rather finishing their business for good then to be paying this tax licence when they are still in the initial stage and in the “red figures”. In many such cases the potential entrepreneurs or small businessmen are in many cases then again sent among the unemployed people.

2.6 SME are discriminated as do not enjoy the same benefits and various incentives like the big companies or multinationals as foreign direct investors

Without any doubt one the most negative impacts on any positive development of the SMEs in many CEEC countries has been the different attitude and approach to the SMEs on the one hand and on the other hand towards the foreign multinationals and other foreign direct investors. In the case of the SME as we have presented it in the previous parts of this paper there has been only a very little of any kind of support or incentives to be offered to them and/or that finally reach them. That all in spite of the fact that as everywhere in the world the SMEs also in the CEEC represent by themselves one of the main engines of the overall macroeconomic development regarding the creation of the new jobs and/or their share on the GDP creation (EG, 2016). Generally, as we have also presented that in the previous parts of this paper, they are not supported as they would deserve for their positive impact on the overall macroeconomic development. But in oposite, on contrary as we have presented it above, they are directly or indirectly discriminated in various ways and means like e.g. regarding the complicated and ever more complex legislation, still growing taxation and other payments duties, no or very complex access to the sources of financing, etc. This negative fact of ongoing discrimination is even more evident if we compare the unfavorable situation in the SME sector e.g. in Slovakia with the situation regarding the foreign direct investors where the state support and various forms of state aid in many cases are on the verge or beyond the limits of state aid as stipulated and limited by the EU legislation. For example in the Slovak Republic foreign direct investors are enjoying the whole range of special financial incentives, tax holidays, special payments for every job they are creating, reduced payments for energies, etc.

An extra special category of state aid is directly or indirectly as so-called support to the „regional“ development are offered to the top executives and managers of the foreign investors that are covering such special personal benefits and perks like subsidized housing specially built for them, schools and kindergartens for their children, air transport from the sites of their foreign investments to their newly built residences in the capital or regional main city, etc.

In general the state aid in the Slovak Republic to the foreign investors has in years 2007 through 2016 achieved almost 4 billion Euro of what more than half has been from the state budget of the Slovak Republic and the rest from the EU funds (Vlachovsky, 2013). Annually, during this period it has been on the level between 295.80 mil. Euro in year 2012 up to 454.83 mil. Euro in year 2010. In the last year i.e. 2016 it has been still on the over 440.65 mil. Euro. In average annually the foreign direct investors have been receiving around 400 mil. Euro (1). If we analyze this state aid offered to the foreign direct investors from the point of view of the one of the most welcome effects from the FDI i.e. the creation of the new jobs we could get the following results. During the period of years 2007 to 2015, the average state aid on creation of one job has been 30,504 Euro. The overall tendency is that it has growing amounts with the lowest one in year 2008 when it was 19,403 per one created job and the highest one was in year 2014 when it has achieved the level of record 61,281 Euro per a new job.(Vlachovsky, 2012). Since that record high amount it has gone a little down but it has still represented a relatively high amount of funding especially in comparison with support that is going to support new jobs in the SME sector If we take into account that the average salary or wage in the SR is even now still only around 800 Euro per month we could say that in average foreign investors receive in the case of the current state aid on one job 50,245 Euro.

It means that practically for more than five years the foreign investors have every new employee working for them practically absolutely for free! Under such conditions it is then not a surprise that many foreign investors after five to six years when most of these and/or other stimuli from the state aid are finished they are leaving from the Slovak Republic and moving to another country that is offering them new similar or more favorable conditions, stimuli, etc.

As for the tax holidays, this stimuli in the Slovak Republic has been up to 20 per cent of the overall tax to be paid from the income of the legal persons. And if we realize that this is a stimuli especially for the big multinationals then it is clear that in the terms of total amounts it is going about tens and hundreds of millions that are not going to the state budget but in addition to other stimuli they remain at disposal to foreign investors and for their business activities. And these stimuli are still not the end of the state aid offered to foreign investors.

For example in the case of most big multinationals investing into so preferred car industry in the Slovak Republic, the state is in addition providing for them new roads and access ways to the nearest highways, railway access, environmental protection systems, regulation of rivers, preparation of the ground for construction sites, etc.

If we compare all these and various other stimuli, incentives, support, benefits and various other evident visible and also invisible perks to the foreign investors and also to their families with e.g. the so-called "tax licence" that have to pay SMEs even in case if they do not have any income or are not producing any profit and are thus in the economic loss or "red figures" then it is clear that this situation is not creating any attraction for establishing or operating a SMEs in the Slovak republic.

Conclusion

In conclusion we could only state that the situation of the SMEs in the Slovak Republic is still less than favorable. It is then no surprise that many SMEs under the existing situation and in view of the above comparison with the state aid to the foreign investors are not interested to continue in their business activities and are finishing their small and medium businesses. If we take into account some data as produced by the SBA – Slovak Business Agency (SBA, 2016) on the development trends in the number of SMEs in the Slovak Republic the comparison of the year 2008 with the year 2015 is showing the following declining trends in the number of all types of the SMEs. If we take the year of 2008 as a basis representing 100 then mainly it is the fact regarding the small SME (10-49 employees) as their number during that period declined from 100 to 40. In the case of the micro SMEs the trend is neutral as after some growth in the years .2009 to 2014 then it declined again to the level in the starting year 2008. In the case of middle SMEs (50 – 249) the decline in year 2008 to 2015 has been to current 90. This development trend is just confirming our previous statement that the conditions for the SMEs in Slovakia are still not so favorable as this sector would deserve due to its positive effect on the overall macroeconomic development.

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**TOURISM AND NATURAL ATTRACTORS: CONSERVATION AS A NEW
SOURCE OF COMPETITIVE ADVANTAGE. THE CASE HISTORY OF THE
PROTECTED AREA OF TAVOLA PUNTA CODA CAVALLO**

Federico Niccolini, Augusto Navone, Antonio Usai

Abstract (Conservazione, turismo e sviluppo sostenibile: un percorso sinergico)

Le condizioni ecologiche di eccellenza possono divenire un fattore di Porteriana (1985) unicità nel panorama delle strategie di differenziazione turistica, rivolte a quei segmenti di domanda capaci di apprezzare queste unicità. Tali forme di turismo sostenibile possono a loro volta fungere da volano per un percorso di sviluppo socio-economico che si ponga in sinergia e non in contrapposizione con la missione conservativa delle Aree Marine Protette.

Le risorse naturali in ottimo stato di conservazione possono svolgere, infatti, l'importante ruolo di attrattore per differenti segmenti di domanda turistica.

Le considerazioni sopra esposte fanno capire come sia possibile per un'Area Marina Protetta funzionare come motore dell'economia locale, anche se, con le esigue risorse a disposizione, non è certo in grado di trainare l'intero sistema produttivo. E' però in grado di attivare meccanismi sinergici tra la conservazione degli ecosistemi e un'economia diversa: un'economia che migliora di anno in anno le potenzialità dell'area di produrre reddito, che arricchisce e impreziosisce il mare e le coste, che crea posti di lavoro con investimenti inferiori a quelli necessari nel settore industriale. Un'economia, in altri termini, che migliora realmente la qualità della vita.

Il presente studio, con il case history proposto, ha lo scopo di mettere in luce il valore realmente attivato dalle strategie di conservazione e di sviluppo ecoturistico dell'area marina protetta, andando a stimare con rigorose metodologie statistiche utilizzate a livello internazionale il valore economico indotto.

THE ROLE OF COLLECTIVE BRAND IN INTERNATIONALIZATION STRATEGIES OF ITALIAN AGRI-FOOD SMALL-MEDIUM SIZED FIRMS

Giovanna Galli^{1*}, Marcello Tedeschi^{2*}, Maria Cristiana Martini^{3*}

Abstract

Internationalization process of Italian small-medium sized firms, if not 'born global', often follows an incremental approach, with mainly indirect entry strategies adoption and limited geographical spread of international actions. In particular, reaching cultural and geographically distant markets is an object small-medium sized enterprises often can hardly reach because of the huge tangible and un-tangible assets they need to overcome knowledge, economic and institutional barriers (Doole, Lowe, 2001; Cateora, 2008).

The paper aims to investigate the role collective brands can play in supporting high-commitment international strategies towards trans-continental and emerging markets (Lee, Shenkar, 2008). Internationalization strategies of 466 small-medium sized enterprises of the Italian agri-food industry has been investigated in order to describe their market/channel portfolios and to understand if and how collective brands, that certify origin and quality of their products, can enhance cultural and geographically distant markets penetration and international competitiveness strengthening.

Internationalization strategies of agri-food firms significantly differs, depending on the products characterizing their portfolios: wine producers have a more spreading and committed approach to international markets if compared with meat or fruit producers. Still with these differences, when firms can rely on collective brands they adopt more sophisticated international strategies and are able to reach more distant markets with multi-channel entry modes. Collective brand help, in firms' opinion, to reinforce brand image and reputation, product quality perception and bargaining power with foreign distribution channels (Hilmersson, 2014).

Keywords

Agri-food industry; internationalization strategies; collective brand.

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COMPLAINING THROUGH SOCIAL MEDIA: A STUDY OF THE ONLINE TOURIST'S COMPLAINING BEHAVIOR

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Abstract

Tourists' complaints are critical issues faced and dealt with by the tourism industry every day, and with the increasing demands on the service level of consumers and the strengthening of self-protection consciousness, more and more guests will complain about their negative experiences. Complaints are a way of expressing dissatisfaction with a service experience. Consumer's complaining can be divided into three categories: no longer to patronize a service or product, to express dissatisfaction directly with each other, to create a negative reputation (Singh, 1990). In general, face-to-face direct complaint is widely adopted as the most common way, because guests can express his/her dissatisfaction directly to the service providers and get immediate feedback. Although the study by Albrecht and Zemke (2005) pointed out that less than 5% of the guests complained directly, others left with dissatisfaction and negative communication. The impact of this negative word-of-mouth was enormous. Usually a disgruntled guest will tell his 20 acquaintances about his/her negative experience.

Walker (2011) found that consumers often pass through the word-of-mouth to tell others about his negative experiences. However, with the development of science and technology, the emergence of social media is providing consumers with a new complaint platform (Brown, 2016). Social Media is a tool and platform for people to share ideas, insights, experiences, and ideas with each other, including social networking sites, blogs, forums, online communities, etc. (Wikipedia, 2011). Social media can be considered an extension of word of mouth, but it has a more powerful spreading effect. Because users can easily write their comments and express their opinions on these platforms, these comments can be shared with millions of internet users. Complaints through social media have a rather strong negative effect, even affect corporate reputation. However, it seems that many tourism companies have not noticed the powerful impact of this new type of complaint platform, nor have they taken positive and feasible measures. It is because of the immeasurable impact of social media complaints, tourism enterprises should actively take measures to establish a proper process to deal with this new type of complaint, so as to better solve the problem of guests, improve customer satisfaction and loyalty.

On the basis of questionnaire survey and interview, this paper tries to explore the influence of social media as a new complaint platform on tourism. Through the empirical market research, the authors collected first-hand data. On the basis of the data analysis, the authors conducted interviews and case studies with 10 tourism enterprises. Finally, it tries to give some advice and suggestions for the tourism industry to deal with the complaints on social media, so as to provide reference for the improvement of the service quality of tourism enterprises.

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FINANCING FOR WATER AND SANITATION SECTOR IN BRAZIL: AN ANALYSIS UNDER PRIVATE EQUITY FUNDS PERSPECTIVE

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Abstract

This paper discusses the issue of the long term financing for water and sanitation sector under private equity perspective as a complementary resource, considering the prosperous brazilian infrastructure market. Recently, Brazil has taken a leading position as one of the most attractive emerging markets for the private equity and venture capital investments in projects related to infrastructure. The large volume of investments required and the high involved risks have motivated the search for alternatives structuring in order to build up projects funding. Project finance emerged as one of the most promising long term financing, even though it had transaction costs higher than conventional, corporate finance. Besides this traditional credit granted by development banks, mainly Caixa Econômica Federal, the sector can already access new sources such as capital markets and infrastructure debenture. One of the major short term structural challenges for water and sanitation sector is the need to attract investments. Frequently, private equity and venture capital funds are indicated as a potential infrastructure investor. From this point of view and taking into account the successful experience reached by the related infrastructure projects, we note that in the long run private equity can be advantageous as a complementary financing recourse.

Keywords

Water and sanitation sector; long term financing; development banks; private equity and venture capital; Brazil.

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Introduction

The most relevant public health problem worldwide is the lack of basic sanitation. In Brazil, the situation is not adherent to its economic condition as an emerging market. The country has an investment deficit easily seen in the statistics: 2.5 million households without sanitary facilities, more than half of the population does not access the systems for sewage collection (2,744 municipalities do not have sewage system) and just 42,67% of the collected sewage collected (SNIS, 2015, ABCON and SINDCON, 2017).

Among other initiatives, to reverse this situation in Brazil, it is essential to allow broad access to financing sources in order to satisfactorily sustain all the necessary negotiations for the universalization of services. In fact, when structural issues have been overcome within the decision reach of the service owners and these choices have been respected in the light of the Sanitation Law 11.445/2007, there are various arrangements for the feasibility of investments in water and sanitation, lacking financial solutions and long term sources capable to support them.

It should be noted that private investors have the potential to promote infrastructure investment in regions that have not yet been served. For this purpose it is fundamental the regulatory stability, the subsidies for serving the low income populations and the adequate capital return guarantees to the private sector.

In recent years, Brazil has stood out as one of the most attractive countries for of Private Equity (PE) and Venture Capital (VC) investments fulfillment. The Emerging Markets Private Equity Association survey indicates that Brazil is the third place for the return of investment among the emerging BRICS (Brazil, Russia, India, China and South Africa). Investors which answered the survey are planning to increase PE investments in emerging markets over the next two years (EMPEA, 2015).

According to the Latin American Private Equity and Venture Capital Association's publication, in the last three years PE investments in infrastructure have accounted for almost half of the total amount invested in Latin America - US\$ 6.5 billion, dominated by transactions in the oil and gas, energy, among others. In addition, bold international investors are envisioning an extraordinary opportunity to establish presence in the Brazilian market at an attractive price due to its current scenario of economic recession, currency devaluation and political crisis (LAVCA, 2016).

Moreover, corroborating with EMPEA's survey, according to KPMG and Associação Brasileira de Private Equity & Venture Capital, in 2015 the investments into PE sector achieved a level of 18,5 billion real, which represented an increase of 39% compared to 2014 (KPMG; ABVCAP, 2016).

Another relevant issue is the exhaustion of subsidized public resources to finance infrastructure projects in Brazil. In this context, the PE investment may perform as a complementary source since the need to attract capital to sector, enabling the challenging projects the water and sanitation. Nowadays, the Ministry of Cities represents the official financial system via public banks: the main sponsor is Caixa Econômica Federal (CEF) followed by Banco Nacional de Desenvolvimento Econômico e Social (BNDES).

Long term financing in water and sanitation

Considering the emerging markets water and sanitation infrastructure demand, private investment in this sector still needs to be improved. Usually, the private investors ask for government several subsidies such as grants, guarantees, tax incentives, and debt or equity contributions.

The long term infrastructure financing, in Brazil and in other emerging markets, is highly concentrated in sources provided by government incentives. Such as for example, according to Sabatini (2012), the development institutions, especially the BNDES and Banco do Brasil, represent the main individual creditors for the investment in electric energy in Brazil. In Brazilian water and sanitation projects, CEF represents almost the totality of the expensive resources available to investments in the sector.

Furthermore, water and sanitation sector long term financing in Brazil can be affected by companies' legal nature: municipal, state (mixed capital private management or mixed capital public management) or private. More broadly, the long term financing conditions for water and sanitation sector in Brazil are characterized in table 1.

Table 1. Main characteristics of long term financing

Companies	Key characteristics
Municipal	The funding is subject to the limitation rules and control of public debt. Many municipalities do not have financial conditions to afford the guarantees required in the operations or even possible cost increases for supported investments.
State (Mixed capital private management or Mixed capital public management)	The State companies (Mixed capital private management or Mixed capital public management) have better operational performance and generate cash flow able to honor its commitments, make investments and distribute dividends to its shareholders. These companies depends on government approval for financial transactions. Due to this result, the credit risk perception for these companies by the financial institutions that support the sector and by the market in general is low. These companies are able to access long term financing contracts (mainly CEF) and capital market.
Private	The Private companies are not subject to the limitations of public debt. This fact allow customized financing operations for each arrangement. In general, the financial structure applied is the Project finance with risk allocation between the special purpose company and its shareholders / involved agents.

Source: BNDES & Ministério do Desenvolvimento, Indústria e Comércio Exterior (2011)

The federal government have established models which point out to a higher private sector participation in the provision of water and sanitation services in Brazil. The public concessions (Law 8.987/1995) and public-private partnerships (Law 11.079/2004) have been disseminated and becoming a relevant model in order to achieve the objective of the Law 11.445/2007, which represents the entire population access to basic water and sanitation services.

In addition, it's important to highlight the federal government initiatives in order to promote additional long term financial resources for water and sanitation sector into the capital market. In 2011 the government created the Law 12.431 aiming at broadening the alternatives for financing the economy and promoting the capital market as a complementary source of long term resources, especially for infrastructure projects.

Private Equity and Venture Capital

The PE and VC concepts are based on the provision of capital and management know-how to companies in the stage of expansion, restructuring or consolidation, providing positive changes for the investee company. Among other particularities, Metrick and Yasuda (2010) show that defined deadline for the realized investment exit should be highlighted. The focus on financial gain and the exit time of the investment positively impact the company's results.

The European Commission (2006, p.9) define PE and VC as "the provision of capital and management expertise to companies in order to create value and subsequently, with a clear view to an exit, generate capital gains after a medium to long holding period." It means, PE and VC are the capital and management experience provision for companies, have a deadline set for exit from the investment made and generate financial returns in the medium and long term.

Baeyens and Manigart (2003) confirm that PE and VC presence allow companies to access additional financing sources. These investments represent an alternative for companies with growth potential and profitability to raise funds to finance their projects, a business expansion plan, or even the acquisition of other companies (Gompers and Lerner 2000; EVCA, 2007).

Das et al. (2003), Kaplan and Schoar (2005), Sorensen (2007) researches of point to evidence for the performance of the funds and the determinants of the success of the PE and VC industry. The probability of PE investments success depends on company segment and the round of financing company's stage. Companies with more experienced PE funds are more likely to succeed.

The PE funds' performance in the United States achieves net returns of management fees that, on average, exceed the Standard & Poor's 500 Index. These returns are consistent and PE funds add significantly higher value than the premium paid on the occasion of the investment. In addition, the performance of the investee may have a positive correlation with the PE fund size (Kaplan and Schoar, 2005; Sorensen, 2007).

The supply and demand of PE and VC investments in Brazil can be explained by the variables evaluated by Ramalho (2016). His research showed that the interest rate, the stock market return, the level of IPO activity, the regulatory issues and taxation are decisive in the supply and demand of PE investments in a country. The conclusions of this study corroborate with the achieved results by several researchers around the world (Gompers and Lerner 1999; Groh et al., 2010; Bonini and Alkan 2011).

There is a consensus that PE and VC investments are recognized by the market as a high risk investment. The types of risks most exploited in the literature are the lack of liquidity, environments characterized by a high degree of uncertainty and the asymmetry of information.

According to Franzoni et al. (2012), the apparently high performance of PE investments can be justified as a compensation for several risk factors to which returns are exposed. Liquidity risk on equity means an important portion of this risk premium since investors will only have liquidity and return after the fund closing.

The uncertain environment and the inevitable degree of information asymmetry have required continuous monitoring by PE and VC funds managers to minimize agency conflicts between the parties. Continuous monitoring by fund managers has contributed to the improvement of corporate governance practices and the quality of accounting information, and progressively sophisticated operational and contractual instruments to operate in this environment (Sahlman, 1990).

Regarding the investment structuring, Talmor and Vasvari (2011) indicate that PE and VC investments are established through funds with a specific purpose. These funds constitute investment vehicles for various types of companies, ranging from start-up businesses to large companies and mature markets.

In the Brazilian context, the Comissão de Valores Mobiliários (CVM) passed a new regulatory framework in 2003 and created the Instrução Normativa 391, which provides for the constitution, administration and operation of Fundo de Investimento em Participação (FIP). This fund is a PE vehicle, organized as a closed condominium, for the shares or debentures acquisition, warranties or exchangeable in shares issued by publicly or privately held companies.

A great FIP's advantage is that it effectively participates in the strategic policy and in the management of the company, which is done through the appointment of members of the board of directors. The main FIP's objective is to obtain revenue through the valuation of the assets that make up its portfolio and the receipt of dividends from its equity interest in investees.

The FIPs can be aimed at different areas such as real estate developments, emerging companies and infrastructure projects, among others. In 2011, the Federal Law 12.431 established the Fundo de Investimento em Participações em Infraestrutura (FIP-IE), which invests businesses related to energy, transportation, water, sanitation and irrigation projects.

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The FIP-IE are the gateway to private capital raise for projects in the areas like energy, transportation, water and sanitation. These FIP-IE demand large money amounts and returns from medium to long terms, with low liquidity. Then, the traditional funds quota holders could be the nation pension funds and international organizations, banks, conglomerates, family investment groups, development banks as CEF and BNDES.

Methodology

This research was methodologically backed in bibliographic sources. For PE and VC topic: Gompers and Lerner (1999; 2000), Baeyens and Manigart (2003), Das et al. (2003), Kaplan and Schoar (2005), Sorensen (2007), Groh et al. (2010), Talmor and Vasvari (2011), Bonini and Alkan (2011), Franzoni et al. (2012), Cresciulo and Minardi (2012), Ramalho (2016).

The theoretical articulation is complemented with documentary research that supports the reflection focused on the objective of this article. In this article we have, for example, papers published by main PE and VC Latin America associations, such as: Associação Brasileira de Private Equity & Venture Capital (ABVCAP), Emerging Markets Private Equity Association (EMPEA) and Latin American Private Equity and Venture Capital Association (LAVCA).

We mentioned a relevant document published in 2011 by BNDES and Ministério do Desenvolvimento, Indústria e Comércio Exterior entitled: Financing structures applicable to the basic Sanitation sector.

Also, we explore PE funds regulation (Instrução Normativa 391/2003) and capital market infrastructure legislation (Fundo de Investimento em Participações em Infraestrutura, FIP-IE, Law 12.431 /2011) as well as public concessions Law 8.987/1995, public-private partnerships Law 11.079/2004 and Sanitation Law 11.445/2007.

For statistical and main references regarding water and sanitation coverage in Brazil, we use the Sistema Nacional de Informações sobre Saneamento (SNIS). The SNIS is the largest and most important information system in the sanitation sector in Brazil, based on a database which contains the following information: institutional, administrative, operational, managerial, economic-financial, accounting and quality on the provision of water services, sewage and solid urban waste management.

Discussion and Results

The federal government have settle down models which point out to a higher private sector participation in the provision of water and sanitation services in Brazil. The public concessions (Law 8.987/1995) and public-private partnerships (Law 11.079/2004) have been disseminated and becoming a relevant model in order to achieve the objective of the Law 11.445/2007, which represents the entire population access to basic water and sanitation services.

The central challenge of the official long term financial system is that the Ministry of Cities is to work in a more flexible and agile way, through public banks CEF and BNDES. Nowadays, various municipal and state companies have great difficulty in taking these federal expensive resources.

Another challenge is that "money borrowers" have no ability to take debt. They are municipal or state companies with political management, some that are not even under a regulatory agency. The agency may be municipal, state or consortium, but in Brazil many were not created. Almost totality of sector's funding comes from the federal non-expensive resources (more widespread), together with the credit granted by CEF and BNDES resources via ministries.

The main short term structural challenges for water and sanitation sector development is the need to attract investments. The water and sanitation sector can already access new sources for long term financing into the capital market. We note that despite Law 12.431/2011 aiming at broadening the alternatives for promoting the capital market as a complementary source of long term resources for infrastructure projects, the water and sanitation sector still failing to gain the competitiveness.

According to BNDES and Ministério do Desenvolvimento, Indústria e Comércio Exterior (2011), the water and sanitation sector carried out just one issuance of infrastructure debentures for one private company better known as "Saneatins", sum a gross amount of 190 million.

However, it is important to note that several companies in the water and sanitation sector had issuance of debentures throughout the period as of 2011, which means that at least some of them have a risk profile acceptable to the market. We found into ANBIMA's database the issuances of debentures occurred between 2011 and 2015, those with maturities of over 48 months, including the following companies: Distribuidora de Águas Camaçari, Águas Guariroba, Cab Ambiental, Cedae, Sabesp, Sanepar, Copasa, Prolagos, Saneamento de Goiás, sum a gross amount of 3.5 billion reais.

The main reasons which could explain the water and sanitation sector delay in its insertion in the market of infrastructure debentures, BNDES and Ministério do Desenvolvimento, Indústria e Comércio Exterior (2011) mention: (1) relevant supply of low cost funding by public banks; (2) prohibition of the Ministry of Cities to use the funds raised to finance the granting procedure; (3) some companies present size and profile not compatible with the private investors disposition for investments in the sector.

Besides this traditional credit granted by development banks such as CEF and BNDES, the infrastructure debenture, it is relevant to stress that Law 12.431/2011 also promote the FIP-IE, which directs businesses specifically in infrastructure business. We do not identified any water and sanitation company including the FIP-IE that correspond with PE and VC structures. It should be noted that frequently PE and VC funds are indicated as a potential investor in infrastructure projects.

Despite the findings above, this is an ongoing paper which demands additional research and analysis. We expect that SGBED Symposium indicates suggestions and comments on topics of investigation in order to enrich the quality of the article for future publication in an International Journal.

Final Considerations

The Brazil since 1990s has started experimenting with the public concessions and public-private partnerships models in the water and sanitation sector. The country is facing with significant water and sanitation infrastructure deficits and governments at all levels are more and more pondering the use of private investment participation to leverage public infrastructure projects.

Although the great investment demand and the availability of private capital to leverage the water and sanitation projects, many have failed due to government's constraints and Ministry of Cities excessive bureaucracy. It is relevant to highlight that governments have not been able to meet this demand due to limited fiscal revenue.

The paper recommends that governments improve the business environment going forward as more involvement will be required as the water and sanitation projects develop. The paper also recommends that in the long run private equity can be advantageous as a complementary recourse into Project finance structures, taking into account the successful experience reached by related infrastructure projects.

In short, overcoming the detailed challenges in water and sanitation sector there are various suitable arrangements to promote the investments funding feasibility, and is no lack of financial solutions and long term sources capable of supporting them.

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ENTREPRENEURSHIP AND INNOVATION IN EMERGING MARKETS: A SYSTEM GOVERNANCE APPROACH FOR ENHANCING SMEs VIABILITY

Extended abstract

M.V. Ciasullo, O. Troisi, C. Sirianni, M. Grimaldi

Purpose

In contemporary globalized markets, organizations should adopt flexible layouts based on the redefinition of traditional governance and power structures.

The issue of environmental complexity seems to be particularly relevant in emerging markets, in which the features of “newness” and uncertainty are particularly emphasized. Despite this urgency, in extant research on emerging economies the changing role of entrepreneurship (Sheth, 2011) and its ability to challenge contextual turbulence has not been until now adequately explored.

Among the numerous theories introduced in current service era, *Viable systems approach* (VSA, Barile, 2000; Golinelli, 2000) stands out thanks to the proposition of a general system approach for understanding markets. The perspective does not focus merely on service (at a micro-interactive level) but it can be viewed as a meta-model providing new interpretative schemes at a macro- level for qualifying organizations as systems (Barile and Polese, 2010). By observing the capacity of system’s survival over time (Barile and Saviano, 2011) and the mechanisms promoting knowledge exchange for gaining competitive advantage, VSA appears to suitable for the study of dynamic and variable businesses such as emerging market’s SMEs.

Therefore, the work aims at employing Viable Systems Approach (VSA) for rereading the organizational models of emerging economies SMEs in line with the need to embrace a holistic approach to entrepreneurship. This integration can exploit the strength points of the theory (the combination of interpretative schemes deriving from current service research with the need to pinpoint long-term strategies for viability), which appear to be adequate for addressing emerging market’s main issues.

Methodology / approach

The work firstly proposes an overview on the most relevant (unresolved) issues in literature on developing countries SMEs and then analyses VSA key concepts in order to show how this theory owns the right schemes for rereading traditional organizational layouts in emerging markets. In particular, the main underlying dimensions of VSA are identified and then reinterpreted as key drivers for SMEs viability. Lastly, a conceptual model pinpointing the main strategies for guiding managers to the attainment of competitiveness, innovation and viability in the long run is elaborated (entrepreneurial cycle).

Overview on SMEs in emerging markets

In literature observing SMEs in emerging countries the imbalance between the studies investigating large-scale organizations in western countries and the studies exploring small and business organizations in developing markets is well recognized (Keskin, 2006). In fact, there is a shortage of theoretical and empirical research on the strategies for acquiring viability over time (Aldrich and Martinez, 2002; Reynolds, 1994) and for promoting innovation (Bruton et al., 2008; Sheth, 2011).

In detail, SMEs in developing countries face particular problems in the formulation of innovation strategies with reference to four main issues:

Relations with a small numbers of stakeholders (Keskin, 2006) leading o organizational closure, due to the high political influences and to the narrowness of context;

Lack of studies rereading SMEs in emerging countries as learning organizations targeted at developing knowledge and ability to understand and anticipate customer needs (Badger et al., 2001);

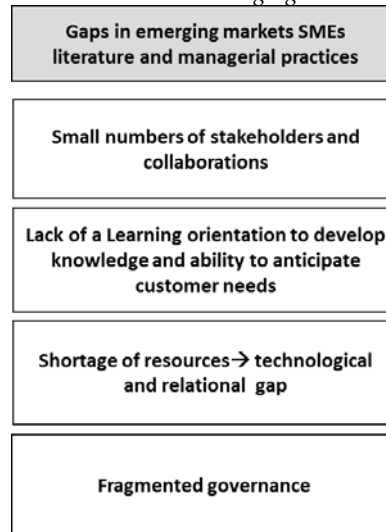
Shortage of resources and technological competencies preventing innovation (Keskin, 2006) and creating a technological, so a disequilibrium between developing and developed nations;

The fragemented governance, negatively conditioned by political influence of their owners/managers, (Sheth, 2011) and the absence of a cohesive culture which can helps to challenge context complexity.

So, as syntehsized in figure 1, this brief overview reveals the existence of four main gaps in emerging markets' SMEs research (and subsequently in real managerial practices).

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Figure 1. Main issues in emerging markets SMEs



Overview on VSA key drivers for viability

As discussed before, the issue of inadequate entrepreneurship models in emerging economies SMEs can be addressed through the adoption of VSA, since the theory provides general schemes and strategies for entrepreneurship and innovation. VSA main assumptions (Barile, 2000; Golinelli, 2000; Barile and Polese, 2009; Polese and Di Nauta, 2013) can be synthesized in 4 macro-areas (depicted in Figure 2), which can be intended potentially as 4 steps or drivers for gaining viability in the long run:

Stakeholder's selection: each system lies at a L level and can pinpoint supra-systems (L+1) and sub-systems (L-1) for establishing relationships;

System's openness degree: the openness of the systems and the establishment of flexible boundaries is essential for ensuring resources exchange and for developing the ability to adapt to external context;

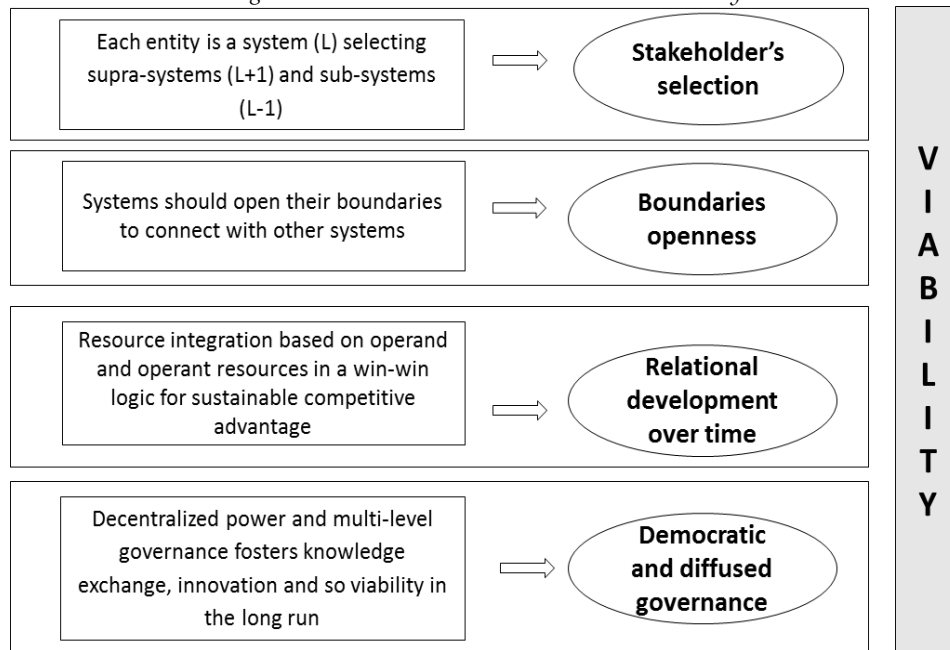
Relational development over time: VSA identifies the strategies for maintaining relationships and developing synergy by managing the fit between a static and dynamic level;

Diffused governance: organ of governance plays a leading role in challenging environmental turbulences through democratic diffusion of power and on stakeholder's inclusion in decision-making in a process- based and system vision.

So, Oog of viable systems should select actors based on relevance criterion and on their strategic capability to collaborate over time, open system's boundaries and establishing openness degree based on changing system's and environmental conditions, manage relationships through static and dynamic level and harmonize system's goal for acquiring viability through participatory governance.

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Figure 2. VSA main dimensions toward viability



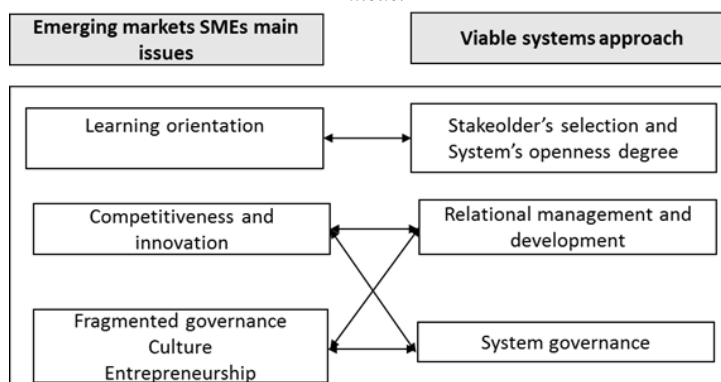
Findings

The classification of VSA main assumptions into four macro- areas (actors, openness degree, relationship development and system governance) is the starting point for the application of these principles to SMEs main gaps which seem to be naturally addressed through VSA main topics.

The theory seems to address managers to develop system's ability to identify stakeholders and to open the systems strategically for developing resonance and trust over time in order to establish sustainable collaboration by adhering to a participatory governance.

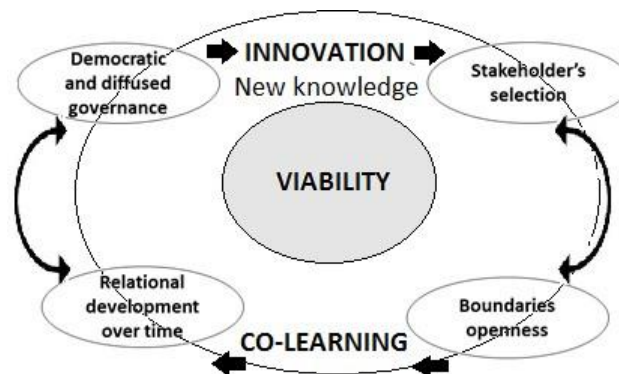
Ttherefore, as Figure 3shows, VSA takes into account step-by-step the issues arisen in SMEs literature.

Figure 3. Rereading entrepreneurship in emerging markets' SMEs through VSA main assumptions - Toward an integrated model



From the overlapping of SMEs main issues and VSA key concept, an integrated model can be proposed. As shown in figure 4, this entrepreneurial cycle can be intended as an evolutionary and dynamic path in which resources integration and the development of co-learning appears to be the common thread of the main four steps for viability discussed above. Entrepreneurship enhances relationships, knowledge exchange and value co-creation (Vargo and Lusch, 2004, 2008) in the short term which can give birth and foster the emersion of innovation in the long run. Overall, the continuous production of new knowledge through co-learning acts as a key lever for guaranteeing the establishment and the renewal of innovation over time (Figure 4).

Figure 4. The entrepreneurial cycle for viability



Stakeholder's selection and Organizational boundaries openness

In line with VSA focus on knowledge exchange and resource integration, strategic stakeholder's selection is essential for pinpointing the most adequate subjects to establish sustainable relationships and co-evolve in the long run. In this system perspective, grounded on multi-stakeholder engagement, the goal is to acquire trust and reputation and to make relationships sustainable (win-win).

This multi-level standpoint involves direct and indirect stakeholders through a redistributed maximization of value among: investors (profits), employees (teamwork, salary), for users (in service quality, transparency and business ethics), for suppliers (procurement policies). By mediating thorough a total openness and total closure, strategic and flexible boundaries should be able to vary depending on environmental changes (Pellicano and Ciasullo, 2010; Crespo-Garrido et al., 2017).

This assumption perfectly fits with the need to adopt a work-place focused on active learning emphasised in emerging SMEs literature. In this view, existing knowledge can enhance efficiency (Badger et al., 2001; Chaston et al., 2001) and innovativeness (Sadler-Smith et al., 2001) through the establishment of commitment, shared vision and knowledge exchange that lead to the development of adaptive behaviors which generate in turn innovation (Farrell, 2000; Slater and Narver, 1995).

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Relational development and value co-creation management

Parallel to VSA considerations on knowledge as a key lever for gaining competitiveness and innovation, literature analyzing emerging markets SMEs shows that firm learning-orientation positively influences firm innovativeness (Keskin, 2006)

The mounting hypercompetition and markets variety and variability forced organizations to embrace innovation as an essential part of their strategies: so, competitiveness and innovation are strictly related issues.

Regarding competitiveness, literature on emerging countries SMEs highlights the need to adopt marketing and relational- orientation and thus a strategic view for managing customer information transmission and developing plans for optimizing it and to respond to customer needs (Keskin, 2006). Moreover, since emerging markets are new kind of markets not until now formalized and in continuous redefinition, it can be stated that “new markets” require “new” kind of governance mainly focused on a continuous tension between competitiveness and innovation.

Entrepreneurs in emerging organizations should own competence-destroying innovations, since they should operate in situations with few precedents (Katz and Gartner, 1988; Aldrich and Martinez, 2002).

What is more, according to VSA, after stakeholder’s selection and the consequent establishment of boundaries openness degree, system organizations should be able to maintain and develop relationships over time. So, relations can be intended as a key lever for increasing knowledge and so innovation in the long run. The ability to identify stakeholders and manage relationships with them through harmonization of information and resources exchange (Barile and Polese, 2010; Pellicano and Ciasullo, 2010a) can create value co-creation that fosters competitiveness and viability as a whole.

Establishment of a democratic and diffused governance

An ideal management of the three steps analyzed until now (stakeholder’s selection; boundaries openness; relationship management) requires informal and system governance. The long term orientation introduced in VSA can be able to address the issue of fragmented governance arisen from extant research on emerging countries SMEs

Emerging markets, highly influenced by sociopolitical institutions (from local community to government) lacks of a cohesive corporate culture and of an efficient governance (Sheth, 2011). Moreover, being decision-making mechanisms inadequate, firm innovativeness, the part of a firm’s culture that promotes and supports novel ideas, experimentation, and openness to new ideas (Calantone et al., 2002), is not sufficiently promoted by governance and managers.

With reference to organizational culture, emerging countries SMEs should constantly mediate between the strengthening of local culture (identity)- without suffering political influences- and the adhesion to globalization (in order to be competitive).

This call can be addressed through system governance, that can be defined as an organizational layout based on diffused and decentralized power, distributed among stakeholder through informal mechanisms. Multi-level governance involves the participation of a multiplicity of private and public at different level (macro-, micro-, meso- environment) and engaged in organizations at different degree (in terms of trust and relational patterns).

In entrepreneurial cycle based-view, governance has a mediating role and common decision-making centered on synergic cooperation and the collaboration lead to a general improvement of system's well-being in terms of: 1) knowledge exchanges which generate co- learning processes, new knowledge and service innovation (Pellicano et al., 2010; Singer and Sirianni, 2013); 2) value co- creation which produces co- evolution in dynamic environment; 3) competitiveness which ensures viability; 4) users' engagement which fosters citizenship and social consensus.

Theoretical/ managerial implications and limitations

By revealing the drivers for innovative entrepreneurship, the work can aid managers to better elaborate strategies for: managing and optimizing relationships in order to challenge complexity; stimulating actor's engagement; optimizing knowledge exchanges and information flows in the whole process.

From a theoretical point of view, The adoption of an all-encompassing (viable) system (approach) view entails

Regarding managerial standpoint, revealing the drivers for viability in SMEs can aid managers to better elaborate strategies for stimulating actor's engagement in order to challenge complexity and user's demands variability (Pastore and Lumaca, 2003). The categorizations herein introduced can guide managers to elaborate new strategies and practical actions to stimulate the involvement of users in each stage in order to influence the emersion of innovation by instantly solving eventual problems or undertaking actions for challenging the appearance of complexity.

Originality / value

The elaboration of the entrepreneurial cycle demonstrates that the establishment of diffused governance in emerging markets SMEs according to a system view could be evaluated through four dimensions. This could determine an advancement in management research analysing emerging countries, especially if it is considered that there is little research in general in this field on governance and on the practical application of governance models to VSA principles. Moreover, also the qualification of the key drivers for viability has not been until now explored.

The work espouses an innovative holistic perspective on emerging market's SMEs governance; however, its main limitation lies in its theoretical nature. It can be intended as a starting point for further empirical studies, since it suggests interesting research areas for the development of an integrated framework of governance models and system theories in general. Moreover, the study provides future research with a theoretical basis for investigating through a case study: 1) real co-creation practices and co- learning in specific developing nations; 2) how these practices are shaped depending on the kind of actor, on the relational degree and on the involvement degree. Lastly, the work can be broadened by observing the potential organizational strategies of mediation between the consolidation of corporate identity and personality (at a local-structure level of organizational culture) and the research of reputation and competitiveness (at a global-system level, through the openness to the external).

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CUSTOMER RELATIONSHIP MANAGEMENT IN SMALL BUSINESS: STATE OF THE ART AND NEW PERSPECTIVES

Dessì Cinzia^{1*}, Floris Michela^{2*}

Abstract

The aim of this paper is an in-depth analysis of Customer Relationship Management (CRM) and Electronic Customer Relationship Management (eCRM) systems among SMEs. The literature review shows that SMEs undervalue the relevance of CRM and eCRM tools as relational resources and that CRM and eCRM architectures are often only planned for large firms. The results and implications of these findings are twofold. For academics, potential new fields of CRM and eCRM research are explained, and for practitioners, new perspectives on CRM and eCRM applications are hypothesized.

Keywords

eCRM, CRM, SMEs.

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SOCIAL TRUST AND ECONOMIC GROWTH IN CROATIA

Radman-Funarić Mirjana¹, Pisker, Barbara², Radman Mateo Ivan³

Summary

Social trust as one of the dimensions of social capital is one of the determinants that have a positive value for the economic and social development of the community. The paper gives a definition of social trust, in some works called generalized trust. Furthermore, it outlines the research that links social trust and economic activity, an overview of social trust in the transitional period of Croatia, and the relationship between social trust and the economic growth of society. The paper is focused on some important features of social trust and the usual assumption that the lack of social trust has negative effects on society as a whole. It is considered that the foundation of trust between economic and institutional stakeholders, together with the appreciated and recognized co-operation allows for long-term community progress.

The paper is based on a research of the level of social trust among the citizens of the Republic of Croatia since 1995, when World Values Surveys for the first time included Croatia in the research, until the survey conducted in 2012. The paper is focused on six time-points showing changes in the level of social trust. The ultimate question of this work is how the lack of social trust can be a barrier to economic and social development.

Key words

Social Capital, Economic Growth

Introduction

In explaining the role of social capital, the goal is to present social capital as a capital of value and significance such as human and physical capital. Previous papers gave special attention to social trust as one of the dimensions of social capital. The greatest significance of trust as a dimension of social capital was given by Fukuyama who considers that social capital is a capability derived from the degree of trust. Fukuyama (1995) defines trust as the expectation that arises within a community of regular, honest and cooperative behaviour which is based on commonly shared moral norms and benefits. Putnam et al. (1993) emphasize the importance of confidence in economic growth, quoting the words of Genovesi (1803), who believes that in the absence of trust, there cannot be security in terms of contracts and hence there is no legal constraint. This paper presents the level of social trust in research conducted in Croatia at six time points from 1995 to 2012, computed by regression analysis with GDP and GDP per capita data in Croatia to determine whether there is a link between social trust and economic growth.

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Social Trust and Economic Performances

Social capital is defined as a feature of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit (Putnam, 1993). In the OECD document (2005: 42), social capital has been identified as an integral component of social and economic development on both macro and micro level. At the macro level, Putman et al. (1993), Fukuyama (1995) Helliwell (1996) and Knowles (2011) found that social capital indicators, at a regional level, positively correlate with various indicators of economic activity.

These conclusions were partially confirmed and partially contradictory in the research carried out by Cooke and Clifton (2002) in Denmark, Ireland and Wales. The results of the research have shown that social capital is linked to the level of activity in society, the level of innovation and intensity of knowledge and that the most competitive regions are indeed the most prominent beneficiaries of social capital. Employees of companies with more innovative capacity have shown more trust in their associates, greater understanding of information beyond their usual business connections, more ranking of external information, strategic contacts, and cooperation. The results of research conducted by Zhang, W, Xie, F. and Zhang, B. (UNSW Business School, 2017) utilized data from a large international sample of 10205 industry-year observations across 43 countries during the period from 1990 to 2008 show that the level of social trust in a country is positively related to the innovation output, and this relationship is both economically and statistically significant. In other words, a 15% increase in a country's social trust leads to a 59% increase in the number of patents and a 55% increase in the number of citations. The study also identifies the specific channels through which social trust has such a positive effect on innovation: the collaboration channel, the tolerance channel and the funding channel. The effect of trust on innovation is more pronounced in countries with a lower contract enforceability or poorer intellectual property protection suggests that social trust, as an effective informal contract mechanism, enhances innovators' collaboration and thus spurs innovation. Social trust plays a more important role in spurring innovation in countries with weaker legal protections for innovators because as a tolerance mechanism it promotes firms' 'innovation by reducing innovators' concern about the consequence of innovation failure. In terms of funding, the study finds that the impact of social trust on innovation is stronger for countries with weaker auditing and accounting standards, or lower financial information transparency. The research finds that social trust has a positive effect on the industry's value-added growth as the total growth and the growth of total factor productivity in the industry, mainly through enhancing the innovation output in innovative industries.

At the micro level, Paldam and Svendsen (2000) argue that social capital can be important for the production of a factor of production in parallel with physical and human capital, as a determinant of transaction costs, and as a determinant of monitoring costs. According to this economic rationale, entrepreneurs would make the rational choice to maximise their personal profit by deciding to interact and invest in social relations.

Fukuyama (1995), together with Knack and Keefer (1997), Norris (2002) and Peiró-Palomino and Forte Deltell (2013) believes that social (generalized) trust is one of the main determinants of the country's economic performance as opposed to research conducted in transition countries which came from Raiser et al. (2001) and Radman-Funarić (2013).

Social Trust in Transition Economies

Štulhofer (1999) points out the inadequacy of the inclusion of socio-cultural aspects of transitional reality in the then works analyzing the economic reality of transitional countries, or the socio-cultural aspects of development (1999: 1) are treated as "scenography" - a reflection of social costs of transition. According to Štulhofer (1999), the literature on transitional countries in the vast majority of cases include only the economic and political dimensions of transformation. Štulhofer, examines the perception of Croatian citizens about the state of the economy through the perception of the privatization process as a necessary element of transition, says (1999: 25) "bearing in mind that socio-cultural barriers have a significant influence on the direction and reach of economic activities (Feige 1997; North, 1990), the observed situation-induced reactions - in particular, mistrust in economic institutions - point to the need for a series of social measures aimed at encouraging civilization. This approach implies the treatment of socio-cultural capital as a national resource (Putnam et al, 1995), whereby its growth becomes an integral part of economic development. "If Štulhofer (1999: 25) fails to fight corruption, he states "the direct negative effects of corruption on economic activity which are the growth of the gray economy, the reduction of the efficiency of investments and the inflow of foreign capital", and as an indirect negative effect it says (1999: 24) that the so-called Climate of cynicism that can overcome the economic potential of the country in the long run.

Unlike aforementioned papers, Raiser et al. (2001) conducted a research using WVS data in 1995 and found that the deterioration of the economy, which has been present since 1990-1995 in the post-communist transition countries, is strongly linked to the lower rates of citizen's association but is not related to social trust. The results of Radman-Funarić (2013) show that there is a statistically significant negative correlation between the generalized trust of the citizens and the economic development of the county of Croatia, which is consistent with the results of the research carried out by Helliwell (1996) using WVS data, which showed, that generalized trust is significantly and negatively related to productivity growth in a sample of the OECD seventeen.

Štulhofer (2003: 83) claims that social capital is a key factor in economic, social and political development and that it derives from the association of citizens who exercise their interests for which the state cannot afford enough funds. A society that is abundant with social capital has no need for a ubiquitous and oppressive state. For example, such a community does not mark the important level of crime and the corresponding social costs. A well-connected and self-organized community is excellent control and corrective power. Building social capital is a very slow process, and accelerating this process can contribute to a more positive engagement of public authority.

According to research conducted by Cooper et al. (2005), the link between economic status and social capital in Croatia has been found. Although the analysis blurs the direction of causality in this relationship so we are unable to determine what causes what. Štulhofer (2003: 83) also shows the possibility and by argumentum of statistically significant connection, $r = 0,61$ in-between percentage of examinees in national samples of 43 countries of the world stating how "the majority of people can be trusted" and Gross national product states how "the direction of influences could be both sided. It is possible that after the achievement of a certain value GDP starts "producing" trust. Higher existential security (better material conditions) means a decrease in costs of frustrate trust. Similar results state other authors: North (1990), Putnam (1995), Feige (1997), Norris (2002), Peiró-Palomino & Forte Deltell (2013).

They include two other dimensions of social capital in their analysis, merging and respecting norms, but they led to different results. The results from Peiró-Palomino and Forte Deltell (2013: 16-17) show that higher level of trust and respect norms can lead to intensive economic development with probabilities over 81% and 84%. However, there is a weak support to a standpoint that higher level of active participation in civil associations has a positive increase to economic growth.

The results show how regions of middle and east Europe show a decrease in levels of social capital, as Paldam and Svendsen (2002) and Fidrmuc and Gërxhani (2008) have shown. People in those regions show higher affinity to single benefit than a higher level of cooperation and behaviour aimed to public benefit.

The Results of Research of Social Trust the GDP Data for the Republic of Croatia

According to Norris (2002: 9), this work and many previous works have made it possible to compare the measure of affiliation with voluntary organizations and civil associations, and the direct measurement of personal trust at the heart of social capital theory and several standard indicators of political participation and civic engagement as dependent variables.

All the current social capital analysis is based on examining the level of social trust by asking the question "Generally speaking, do you think that most people can trust or hold that in relationships with people one should be cautious?" Rosenberg (1956). The usual measure of social trust is the percentage of respondents who choose the answer that most people can trust (Šalaj, 2007). World Social Survey Researches were conducted in six research waves under World Values Surveys 1981-1984, 1990-1994, 1995-1998, 1999-2004, 2005-2009, and 2010-2014 and European Values in the four waves, European Values Study 1981-1983, 1989-1993, 1999-2001 and 2008-2010. Many scientific studies in the field of economics, sociology and other sciences are based on the results of such studies, such as Helliwell (1996), Knack and Keefer (1997), Raiser et al. (2001), Norris (2002), Fuchs and Klingemann (2002), Beugelsdijk and Van Schaik (2005), Paldam (2007), Peiró-Palomino and Forte Deltell (2013). Also, Croatian scholars who tackled this problem were Štulhofer (1995, 2004), Štulhofer and Rimac (2002), Rimac and Štulhofer (2004), Šalaj (2007, 2011), Zhang, W, Xie, F. and Zhang, B. (2017).

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Croatia was first involved in the third WVS 1995-1998 study, which was conducted in late 1995, encompassing 1196 respondents, and the European Values Study (EVS) - Croatia 1999 project, which included 1003 respondents.

In addition to these two time points in which the social trust in Croatia has been investigated, the third time point has been secured from two surveys, both conducted in 2003 by the South East European Social Survey, which included 1250 citizens of Croatia older than 20 years, and research within the scientific Research project of the Faculty of Political Science in Zagreb, Elections, parties and parliament in Croatia 2000-2010, Elections 2003, with 1153 Croatian adult citizens examined (Čular, 2005). According to the research of social trust in the Republic of Croatia, conducted in 1995, 1999 and 2003, the level of social confidence ranged from 23% in 1995, 20% in 1999 to 9% in 2003 (Elections, 2003), respectively 24% (SEES 2003). Comparing the average results of these surveys with the average results of the same research in other countries, it is visible that the social trust of citizens in Croatia, 17%, is significantly below the countries of the European Union; Norway 64%, Sweden 58%, Denmark 66%, Austria 31%, Germany 30%, United Kingdom 29%, but also above social trust in some countries that have joined the European Union as; Portugal 14%, Poland 16%, Romania 10%, Slovakia 15% (Šalaj, 2007).

In the research project "Izbori, stranke i parlament u Hrvatskoj 2000-2010.", 2007 survey of the elections was conducted on a representative sample of 1081 adult citizens of Croatia. The survey examined generalized trust by asking the question "Generally speaking, do you consider that most people can be trusted or held to be cautious in relationships with people?" The results of the research in Šalaj (2011: 62) have shown that 14% of respondents show confidence in other people.

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A survey of the generalized trust of citizens of the Republic of Croatia conducted in 2012 (Radman-Funarić, 2013) on a deliberate sample of 1761 citizens showed that 22.22% of citizens believe that most people can be trusted. For the same work, a survey was conducted in 2009 on a deliberate sample of 1013 citizens, according to which 26% of respondents stated that most people can be trusted. In both researches, generalized trust investigated in terms of issues Do you think most people can trust you. The survey was conducted on the basis of snowball. Although the analysis of the results obtained is different due to differences in the methodological approaches used in the research, it is possible to give a brief picture of the level of social capital in the Republic of Croatia, Table 1.

Table 1. Percentage of persons considering most people can be trusted

Year	1995 ¹	1999 ²	2003	2007 ⁵	2009 ⁶	2012 ⁶
%	23,6	20	24 (SEESS) ³ 9 (Elections, 2003) ⁴	14	26	22,22

Source:

¹World Values Surveys 1981-2008

²EVS (2012): EVS - European Values Study 1999 – Croatia

³Štulhofer (2004)

⁴Čular (2005)

⁵Šalaj (2011)

⁶Radman-Funarić (2013)

Research has shown that overall social confidence in the period from 1995 to 2012 is at a very low level, unlike the developed European countries (Ortiz-Ospina and Roser, 2016), which is in line with the higher GDP in these countries.

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Data on Gross Domestic Product (GDP) for the Republic of Croatia were collected mostly from published Croatian Bureau of Statistics (2009) and supplemented by other sources (Table 2).

Table 2. GDP for Republic of Croatia 1995-2012

Year	GDP, market prices (current), mln units of national currency (HRK)	GDP, market prices (current), mln EUR	Population, mid- year estimate, '000	GDP per capita, EUR
1995	115.699	17.122	4.669	3.667
1996	127.052	18.669	4.494	4.154
1997	145.394	20.888	4.572	4.569
1998	160.603	22.496	4.501	4.998
1999	164.054	21.638	4.554	4.751
2000	176.690	23.146	4.426	5.229
2001	190.796	25.538	4.440	5.752
2002	208.223	28.112	4.440	6.331
2003	227.012	30.011	4.440	6.759
2004	245.550	32.759	4.439	7.380
2005	264.367	35.725	4.312	8.468
2006	294.437	40.208	4.313	9.322
2007	322.310	43.935	4.313	10.187
2008	347.685	48.134	4.311	11.166
2009	330.966	45.093	4.306	10.471
2010	328.041	45.022	4.296	10.479
2011	332.587	44.737	4.283	10.446
2012	330.456	43.959	4.269	10.297

Source: Croatian Bureau of Statistics (2009; 2015) GDP 1995-2005; Eurostat (2017) GDP 2007-2012 in HRK.

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Results and Discussion

Based on the results of the research and the realized GDP in Croatia, a regression analysis was performed to determine the correlation between the displayed variables (Table 3).

Table 3. Estimated regression model parameters ANOVA, $df = 5$

a) A regression model with estimated parameters: $y_i = \alpha + \beta x_i + \epsilon_i, i = 1,2, \dots, n$		Source of variation	D F	Sum of squares	Mean squares	Empi r. F-ratio
		Interpreted by model	1	23.887.507,64	23.887.507,64	0,127
y_i = GDP market prices (current), mln EUR	α 44.779,17	Non-interpreted (residual) deviation	4	749.813.335,69	187453333,92	–
x_i = Social trust in %	β -516,34	Total	5	773.700.843,33	–	–
Std Dev σ 11.178,95						
V 33,25%						
r^2 0,030874346						
r 0,175710973						
b) A regression model with estimated parameters: $y_i = \alpha + \beta x_i + \epsilon_i, i = 1,2, \dots, n$		Source of variation	D F	Sum of squares	Mean squares	Empi r. F-ratio
		Interpreted by model	1	897.745,93	897.745,93	0,079
y_i = GDP/per capita market prices (current), mln EUR	α 9.866,43	Non-interpreted (residual) deviation	4	45.556.673,40	11.389.168,35	–
x_i = Social trust in %	β -101,29	Total	5	46.454.419,33	–	–
Std Dev σ 2.755,50						
V 35,84%						
r^2 0,019325307						
r 0,139015493						

In Table 3 a) the estimated parameters show that by increasing the trust of citizens to other persons by 1%, GDP is reduced by EUR 516.34 billion, however, since the empirical F ratio is smaller than the theoretical value of the F distribution for the mentioned degrees of freedom, level of significance of 5%, $F(0,127) < F(1; 4) = 7.71$, linear regression model is not representative. Estimated parameters in Table 3 b) with the same degree of freedom is also non-representative at the level of significance of 5% ($F(0.079) < F(1; 4) = 7.71$).

This also shows the value of the coefficient of determination r^2 , i.e. the ratio of the calculated sum of squares in the total number of squares of the deviation is insufficient, and in this sense the model is non-representative, whereas the coefficient of correlation shows that there is no link between social trust and GDP and social confidence and GDP per capita Republic of Croatia.

The results of the analysis are consistent with the results of the research carried out by Raiser et al. (2001) that have shown that there is no correlation between generalized trust and economic performance in transition countries to the extent that it is expressed in mature market economies. The results, although not statistically significant, according to which the increase of the overall confidence is related to the reduction of GDP and GDP per capita, are in line with the results of Radman-Funarić (2013) research that there is statistically significant negative correlation between the generalized trust of citizens and the economic development of countries. Croatian and Helliwell (1996) research results displayed that confidence in the public is statistically significant and negatively related to productivity growth.

The results obtained may also be the result of inadequate measurements of social capital in the time series presented, but may also be linked to Grootaert (1998), who states that the results of studies conducted to investigate the effect of social integration and disintegration on economic performance are mostly inductive and in search of meaningful correlation.

The results obtained are in contrast to the results of Peiró-Palomino and Forte Deltell (2013) suggesting that a higher level of confidence can lead to more intensive economic growth and Knack and Keefer (1997), which have the effect of confidence in economic growth in the poorer countries.

Conclusion

In previous works dealing with the development of theory and research of social capital, there are no harmonized views on the dimensions of social capital. With association, respect for norms and trust in institutions, scientists in social capital research social trust has been given special attention. The WVS results were used as grounds for the research. The reason for this is the possibility of a simpler measurement of social confidence in relation to other dimensions, but also of the view that trust in the relationships between people is the most important dimension. There are also reverse views that social trust can be the result of other individuals' activities and the appropriate institutional environment that ultimately lead to greater trust. The reason for this is that it is commonly believed that trust is present within a community in which fair and cooperative behaviour prevails, based on rules and norms that have been determined and adopted by community members. Such an assumption has led to a survey that examined the connection of generalized trust, measured by the percentage of those who believe other people, with economic results and the overall socio-economic development of the country. According to most studies, this connection is significant and powerful but there are also some contradictory results that the correlation does not exist, is not significant, or there is a significant negative link between generalized trust and economic performance.

Measuring social confidence at certain intervals is usually carried out in developed, mostly European countries, but is spreading to other countries outside of Europe. In Croatia, overall confidence measurement was conducted three times in the framework of the world or European research, while other measurements are the result of the work of individual researchers within Croatia. According to the works produced on the basis of these surveys, as in other countries, the comparison of the overall confidence with economic performance in Croatia has given contradictory results, which may be the result of the use of different economic performance indicators but also of the consequences of using different statistical methods.

In this paper, the analysis of the level of confidence levels and the realized annual GDP and GDP per capita showed that there is a statistically significant negative correlation between total trust and economic performance across the country, which means that the economic results are greater than the trust between the people. Such a result contrasts with most developed countries but is similar to some transition countries. Reasons for such results may be sought in the political environment, the grey economy and generally the institutional environment of Croatian citizens, which is a stimulus for further research.

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HOW TO FOSTER TECHNO-ENTREPRENEURSHIP WITHIN A REGIONAL ECOSYSTEM

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Abstract

Objectives. The aim of the research is to deepen the relationship between actors in a regional ecosystem through the lens of a business incubator and a start-up, and specifically the ways in which they interact to foster the development of techno-entrepreneurship at regional level. **Methodology.** Given the explorative nature of this work, the study adopts a qualitative methodology through a multiple case study method focusing on The Net Value incubator and the start-up IntendiMe to investigate how their interactions facilitate the development of techno-entrepreneurship within a regional ecosystem of Sardinia.

Findings. Through our case studies, we show the interactions among the actors of a regional ecosystem from the perspective of a business incubator and a start-up. Furthermore, we display how the business incubator facilitates these interactions to foster technoentrepreneurship.

Research limitations. This research represents a first attempt to understand how the interactions between techno-entrepreneurial actors, represented by the incubator and a startup, encourage techno-entrepreneurship within a regional context, but such research will require further theoretical and empirical contributions.

Practical implications. This study might be an interesting framework for technoentrepreneurs to understand the strategic advantages from the relationships with multiple actors to foster the development of techno-entrepreneurship within a regional ecosystem.

Originality of the study. Until now, the studies on techno-entrepreneurship poorly focused on the building process of entrepreneurial ecosystems. Accordingly, the interactions between a business incubator and a start-up in an entrepreneurial system represents a runner-up topic.

Key words

Multiple case study; business incubator; start-ups; regional ecosystem; technoentrepreneurship.

Introduction

Last decades have been marked by the huge spread of studies towards the topic of entrepreneurship, which involves several areas of interest such as technology, from which it was conceived a new stream of research called “techno-entrepreneurship”. According to the literature, techno-entrepreneurship represents “an investment in a project that assembles and deploys specialized individuals and heterogeneous assets that are intricately related to advances in scientific and technological knowledge for the purpose of creating and capturing value for a firm” (Bailetti, 2012; p. 9). It is strictly related to digital technologies, which constitute new tools used by firms to manage data, information and knowledge (Dougherty and Dunne, 2012; Fitzgerald et al., 2014). Digital technologies have also influenced the broader ecosystem in terms of individuals’ interaction and sharing knowledge both inside and outside firms (Dahlander et al., 2014; Salter et al., 2014), the management of knowledge flows (Nambisan and Baron, 2013), and broadly speaking the ways through which firms innovate and handle knowledge with the cooperation of other actors belonging to the ecosystem (Borgh et al., 2012; Rayna and Striukova, 2015; Adner and Kapoor, 2010; Etzkowitz and Leydesdorff, 2000). This climate of change and dynamism has radically changed how firms perform in current markets, leading to new challenges particularly for incumbent firms and start-ups.

Even though this topic is gaining particular attention by scholars, it still lacks of accurate empirical studies which explore how firms manage these entrepreneurial ecosystems to create their competitive advantage and new value creation opportunities. For this reason, the aim of this work is to deepen the relationships between actors of a regional ecosystem through the double lens of a technology-specialized incubator and start-ups, in order to better understand the ways in which they interact to foster the development of techno-entrepreneurship at regional level. Specifically, we will try to answer to the following research question: how do the incubator and start-ups interact to foster the development of techno-entrepreneurship within a regional ecosystem?

The New Era of Techno-entrepreneurship

Last decades have seen the development of new high-tech information technologies as strategic resources to innovate and achieve a sustainable competitive advantage in technologically driven, highly internationalized and competitive markets (Kelley and Rice, 2002).

Techno-entrepreneurship represents the new direction taken by entrepreneurship, and is a combination of, on the one hand, people with specific skills and expertise, such as networking skills, entrepreneurial attitude and the ability to capture market needs (Kenway et al. 2004), and on the other hand, the exploitation of technologies to develop the firm’s business and value propositions (Bailetti, 2012).

Furthermore, it also deals with the management of multiple business fields: marketing, human resource management, networking, technical and business management skills, strong motivation etc. (Oakey, 2003).

Techno-entrepreneurship is also a key driver for regional development, since those economies with unemployment issues leverage on innovation to encourage growth and regional development. In this context, the role played by digital start-ups and technoentrepreneurs is crucial to commercialize these technologies, despite the critical issues of producing economic returns, commercializing their innovative ideas (Gans and Stern, 2003), and steadily performing in high competitive markets together with long-lasting firms. To foster their organizational growth and success, they need to pursue effective strategies facilitated by digital technologies, which represent new tools to manage the entrepreneurial “uncertainty” (Nambisan and Baron, 2013).

The traditional concept of entrepreneurship has been radically changed by the spread of digitization in several ways, such as with new applications and digital products or services, digital platforms and digital tools and systems like cloud computing, data analytics etc. (Nambisan and Baron, 2013).

The Role of Business Incubators in a Regional Ecosystem.

More than larger firms, start-ups need more help in terms of flexibility, customized service offerings, access to diversity, collaboration and knowledge (Battistella et al., 2015) in order to perform in dynamic environments. Consequently, during last decades business incubators were born to foster the development of regional ecosystems (Lamine et al., 2016) through the implementation of innovative initiatives (Mian et al., 2012) which incentive job creation and employment growth (Ferguson and Olofsson, 2004), the commercialization of new technologies, products and services (Yee, 2009; Schwartz and Hornych, 2010), and the companies’ survival and growth rates (Ratinho and Henriques, 2010). Actually, when starting their business, start-ups often look for support from entities with longer business experience (Guzmán-Cuevas et al., 2009) like business incubators, which constitute new forms of nurturing that provide several business services like advising, launching and monitoring the growth of new businesses, business training, marketing plans, team management, assistance services like accounting, financial and legal ones (Albort-Morant and Oghazi, 2016; Bøllingtoft and Ulhøi, 2005; Chan and Lau, 2005), and also office space, logistic facilities, networking opportunities (Aernoudt, 2004; Bergek and Norrman, 2008; Kramer and Porter, (2011), which enable to reduce start-ups’ shortage of resources (Albort-Morant and Oghazi, 2016). They can differ each other (Aernoudt, 2004) according to their strategic role, service package offered (Carayannis and Von Zedtwitz, 2005), the way in which services are provided (Vanderstraeten and Matthyssens, 2012) and, broadly speaking, the flexibility and customized relationship related to companies’ needs (Rice, 2002; Mian et al., 2012).

Business incubators strongly foster knowledge-based technology innovation and economic growth (Khorsheed et al., 2014), as well as the successful development of start-ups and incumbent enterprises (Colombo and Delmastro, 2002; Lesakova, 2012; Mas-Verdú, et al., 2015) by improving skills and supporting innovation-to-collaboration processes (Soetanto, 2006). At regional level, they play a crucial role since they foster job creation and local wealth (Lagos and Kutsikos, 2011; Abetti, 2004; Oakey, 2012) by providing all those services, office activities, physical and financial resources (Zedtwitz, 2003; Carayannis and Von Zedtwitz, 2005; Hansen et al., 2000) to early-stage firms.

However, according to the literature on business incubation process (Mian et al., 2016), there are many factors to consider when developing an innovative entrepreneurial ecosystem (Lamine et al., 2016), such as a favorable regional context, with a strong entrepreneurial culture, and professional people etc. (Lamine et al., 2016; Pauwels et al., 2016). By collaborating with other stakeholders involved in the regional ecosystem (industrial clusters, academic institutions, research labs, investors etc.) business incubators shape the entrepreneurial value chain at regional level (Phan et al., 2005; Smith and Zhang, 2012) by promoting technology spread (Etzkowitz and Klofsten, 2005; Audretsch, 2007; Link and Siegel, 2007), technology management education (Phan et al., 2009), entrepreneurship education (Fayolle, 2013), technology commercialization etc. (Barr et al., 2009; Nelson and Monsen, 2014; Jansen et al., 2015; Levie, 2014).

Start-ups in a regional ecosystem

The emergence of new start-ups strongly depends on the regional context in terms of how developed the entrepreneurial ecosystem is, and also other related factors, like the university environment, the presence of supporting structures (like business incubators) and investors, and the external context (policies, institutions etc.) (Wright et al., 2017). Actually, according to the literature (Acs et al., 2017) an entrepreneurial ecosystem can be analyzed in terms of regional development and strategy literature: the regional development concerns the presence of industrial districts, regional industrial clusters, regional innovation systems, and the way in which they contribute to increase regional performance, innovativeness and productivity (Terjesen et al., 2017); strategy literature concerns business ecosystems, where a wider range of actors and partners are involved, and firms should be able to coordinate this web of actors in order to organize their activity and value propositions in the marketplace (Adner, 2017; Adner et al., 2013).

Start-ups are conceived as sources of “knowledge spillover”, which foster entrepreneurship ecosystems and value to the regional economy (Belitski et al., 2017). To create sustainable ecosystems, it is important to leverage on a well coordination and collaboration of huge web of entrepreneurs, firms, investors, start-ups, public policies etc. (Schaeffer and Matt, 2016; Usman et al., 2017).

Since new firms drive economic development (Schumpeter, 1934), digital start-ups are crucial for innovation, job creation, competition etc. (Eftekhari and Bogers, 2015), and the so called “creative destruction (Criscuolo et al., 2012). However, in order to increase the startups’ survival, there are some factors to monitor like ecosystem collaboration, user involvement and open environment (Eftekhari and Bogers, 2015).

Methodology

To carry out our research, we adopted an exploratory multiple case study design (Yin, 1994). Multiple case study methodology supports the theoretical explanation and it also allows to verify the arguments in different empirical environments. Furthermore, multiple cases also enable comparisons that clarify whether an emergent finding is simply idiosyncratic to a single case or consistently replicated by several cases (Yin, 1994).

Case selection

For the case selection step, we followed the criteria of: 1) transparency; 2) access to key informants; 3) a good background knowledge of the ecosystem; 4) long-running ecosystem; 5) wide regional network of contacts; 6) specialization in digital technologies. Accordingly, we choose the Sardinian ecosystem composed by the incubator The Net Value and one of its start-up IntendiMe.

The Net Value is the most popular Sardinian start-ups incubator, mainly focused on digital technologies, whose mission is “to sustain emerging companies taking the first steps in the entrepreneurial path”. The incubator has a long business experience and skills in developing business models, go-to-market strategies, and investor pitch, and supports new firms with ad hoc mentors who provide their skills to improve the start-ups’ business idea, and also by providing workplace. IntendiMe is the start-up that improves the lives of people with hearing problems, making them feel more independent and safe. It offers a practical and innovative system which detects the home sounds and alerts deaf through a smartwatch.

Data source and data analysis process

Primary data of the research consist of participant, non-participant observation and indepth interviews. For participant observation, we had accessed to strategic information on both the incubator and the start-up for six months. Furthermore, five non-participant observations were performed when we observed how incubator’s actors (employees, start-ups, customers, researchers etc.) were interacting. Moreover, we conducted two long interviews with the CEO of The Net Value and IntendiMe in order to provide both the incubator and the start-up’s points of view by using a semi-structured interview protocol composed by twelve open-ended questions and two additional bullet questions. By following McCracken’s (1988) procedure for long interviews, we conducted two interviews which lasted 84 and 92 minutes, and we transcribed them immediately. Secondary data of the research included many sources as background information, workshop reports, emails, websites’ contents of both the incubator and the start-up.

We coded the interviews using Nvivo 10 as data analysis software. The data analysis was organized dividing the emerging concepts into first- and second-order (Gioia et al. 2013). First, we started the coding process of primary and secondary data by analyzing each line to identify an initial set of first-order concepts. Both the first and second part of the analysis process was conducted autonomously by the authors. Then, we compared the lists of concepts to pinpoint similarities and differences. We went through a negotiation process and refined a final list of first-order concepts. The same procedure was followed during the second stage of the data analysis. Finally, reliability was checked and found satisfactory (coefficient K was above 0.75).

Findings

Interaction dynamics among the actors of the regional ecosystem

The interactions between the business incubator and the other actors of the regional ecosystem often take place when potential new techno-entrepreneurs are interested in starting a digital enterprise. Potential techno-entrepreneurs usually belong to organizations where the research aspect is very important such as Universities and research centers. For example, the incubator needs to interact with the University, which in turn trains potential future entrepreneurs like professors, students and researchers. This aspect clearly emerged in the interview with the IntendiMe CEO who claimed: "If my co-founder and I did not go to the University and attended the Contamination Lab, none of us would ever think of starting a star-up.". Therefore, the business incubator needs to be an active interlocutor to identify potential business opportunities: "Last week, I held same classes in a University's entrepreneurial program for researchers. The Net Value is also a co-designer of a

University's entrepreneurial program for students called Contamination Lab", The Net Value CEO stated.

As emphasized by The Net Value CEO, the key element which allows to develop the interactions with all actors involved in the regional ecosystem is the quality of the personal relationships, which is based on trust and personal credibility built over time: "in this industry, the human component is really important. The credibility of people is a primary element to run a business together. I built my credibility in 25 years of experience in the digital industry". From the start-up's point of view, the credibility is built through the solution they provide to a customer problem. In our case, IntendiMe is bounding important relationships with several ecosystem actors, such as investors, the local government and organizations which help deaf people, since they are going to provide a device that, by helping them to capture sounds, also encourages their social inclusion: "the local office of the deaf organization had helped us in the very first phase of shaping the business idea. Then, it tested the prototype and, in the future, it could be a distribution channel for the finished product.".

The relevance of interactions and personal relationships was confirmed also by the participant observation, thanks to an environment of trust and credibility both inside and outside the incubator and the start-up offices, which is essential for the successful development of the regional ecosystem, and the network of contacts that both the incubator and the start-up continuously create with their work and approach with people.

The role of the incubator and the start-ups in the regional ecosystem

According to our analysis, the incubator plays two functions: 1) it examines local start-ups to find the most promising ones; and 2) together with the other actors, it attracts start-ups belonging to other ecosystems. Regarding the first one, the incubator invests in start-ups with a strong digital component, a world-wide ambition, and the capacity to sell products or services in the global market: “the aim of the incubator is not to invoice the start-ups for their services, but the incubator has to sift through the regional start-ups to identify those where to invest money and time to help techno-entrepreneurs to become global entrepreneurs”. About the second one, the incubator aims to make the regional ecosystem “attractive” for the startups external to the regional ecosystem. It can be achieved when the incubator exploits the collaboration with other actors involved in the ecosystem like University, local government, chamber of commerce, investors etc. According to the experience of The Net Value: “a startup from Milan received financial support by a venture capital with the obligation of establishing its headquarter in Southern Italy or the islands. The entrepreneur did a tour of the major Southern Italy cities and when the entrepreneur came to visit the incubator and met the other representatives of the ecosystem, he decided to locate his start-up in Sardinia”.

With reference to the start-up, it plays a central role. In fact, several actors of the regional ecosystem invest in the start-up’s activities for several reasons. For example, the incubator invests in them to obtain profit or resell the stocks: “the incubator invested in us providing services such as free access to offices in its headquarter and different kinds of consultancy services. For these services, we paid a percentage of our company.” said IntendiMe CEO. The University invested in terms of knowledge provided to the start-up members, or connections with potential financial investors: “a few weeks ago, the university organized a meeting between the start-ups that emerged from its entrepreneurship program and foreign investors. Now, the university supports a second meeting in investors’ country.”.

This “absorptive” capacity within the incubator was perceived also from the perspective of the participant observation: the work of the incubator is not limited to capturing the best startups, but conversely, it is dynamic and open to external people with strong professional skills, in order to foster entrepreneurial “contamination” and the multiple interactions of the regional ecosystem.

Conclusion

Since the purpose of this research is to deeply explore the relationships between the members of a regional ecosystem from the point of view of a digital technology-specialized incubator and a star-up, this work tried to fill the literature gap by providing empirical evidence to the following research question: how do the incubator and start-ups interact to foster the development of techno-entrepreneurship within a regional ecosystem?

Summarizing the main findings, we can claim that both the business incubator and the start-ups are involved in a cross interactional process with most of the actors belonging to the regional ecosystem. Through the thick network of interactions, these actors are able to foster techno-entrepreneurship in the following ways: 1) following the literature, the business incubator supports emerging techno-enterprise throughout the specific creation process of innovative start-ups (Ratinho and Henriques, 2010), and also offers office space, administrative services, business advices, networking opportunities to early-stage enterprises (Aernoudt, 2004; Bergek and Norrman, 2008); in fact, 2) the start-up exploits the creation of a regional, national and international network of investors; 3) the findings of this research also confirm previous studies in claiming that even though start-ups are key actors for technoentrepreneurship development, these firms face the challenge of converting their digital business into real economic returns, namely, the commercialization of their innovative ideas, services and products (Gans and Stern, 2003), since also our study showed that the start-ups are helped from other actors of the ecosystem in defining the idea of enterprise and overcome the difficulties of the first years of their activities; 4) the results of our work support previous researches which claim that the members of the ecosystem contributes to create a connection between start-ups and investors (Kramer and Porter, 2011), since the start-ups are facilitated in accessing to private funding (Albort-Morant and Oghazi, 2016); 5) finally, the regional context, like the University environment, the presence of supporting structures (like business incubators) and investors, and the external context (policies, institutions etc.), foster the development of new start-ups (Wright et al., 2017).

Despite the awareness of the limits of this qualitative and exploratory research, the emerging conceptual themes proposed in our work may represent a useful tool for researchers to improve the scientific knowledge about techno-entrepreneurship, regional ecosystem and the interactions between the business incubator, start-ups and the other actors.

Future research can complement this study by analyzing the regional ecosystem from the point of view of other actors, such as Research Centers, Universities and Local Governments.

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MANAGEMENT COMPETENCE :A CRITICAL DIMENSION OF CUSTOMER PERCEIVED VALUE IN B2B CONTEXT IN EMERGING MARKET

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Abstract

So far, much of the work modeling customer perceived value have been undertaken in a consumer and/or retailing context (Baker 1990; Dodds and Monroe 1985; Dodd et al. 1991; Sweeney 1994), very little empirical work has explored into a long-term B2B relationship setting to understand how organizational buyers assess perceived value. This study incorporates a customer participation perspective to understand how value interacts with other key variables in the broader nomological network of relationship marketing and addressed the need to study both antecedents and consequences of CPV in the business marketing context (Lapierre et al. 1999).

The differences between various conceptualization of value (Holbrook 1994; Sheth et al. 1991; Woodruff 1997; Zeithmal 1988) often lie in what they include in the benefits component of value (Kumar and Grisaffe 2004). Confusion arises, however, because the same construct name has very different meanings (Baxter 2009). For instance, in case of development of a measurement scale for “relationship value”, Walter et al. (2001) and Ulaga and Eggert (2003) used historical formative measures to assess received value, in contrast with Baxter and Matear (2006) who used intangible, future-oriented reflective measures to account for desirable value.

The service-dominant (S-D) logic (Vargo and Lusch 2004) suggests “there is no value until an offering is used – experience and perception are essential to value determination” (Vargo and Lusch 2006, p.44). The value-in-use notion suggests that value is always co-created, jointly and reciprocally. The S-D logic’s fundamental premise that “the customer is always a co-creator of value” turns out to converge with many of pioneering thoughts of business-to-business marketing (Vargo and Lusch 2008). If value co-creation is at the heart of many types of industrial goods/services, what exactly are the processes involved in value co-creation? What measures should be included to capture this unique value co-creation behavior? How would value co-creation behavior affect customer perceived value? These important questions have not been investigated yet. Fortunately, the customer participation perspective provides a valuable theoretical approach to capture value co-creation behavior.

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Instead of being merely passive buyers of components, industrial buyers play an active role in creating value nowadays (Prahalad and Ramaswamy 2000). Supportive empirical evidence reveals that new product value is positively affected by customer participation in the form of information sharing and coordination activities (Fang, Palmatier, and Evans 2008). The significance of customer participation on value creation can be highly context dependent (Lapierre et al 1999) in that while it makes sense for consulting engineering services that incur high monetary costs, it remains an empirical issue to ascertain whether this approach works in professional services context involving much less money like courier services. This calls for additional research effort to examine the predictor effect of customer participation on value creation in other business markets.

To further extend the conception of value driver from value-in-use to value-in-context (Vargo et al. 2009), variations on customer value theory are needed to help understand how customers perceive value in different contexts. For instance, *how buyer firms in emerging markets like China perceive value when purchasing technology from supplier firms from developed countries raises an important context question.*

Given China's rise to become the most important importer of capital goods now, the country represents a critical research context to identify how, in an emerging country market, firms utilizing foreign products which embody foreign technologies evaluate value. As an emerging market, China has always put emphasis on a key aspect of its modernization program: the country's infrastructure. Today, the country strives to invest itself out of the financial tsunami by pouring tremendous amounts of resources into further infrastructure development. As an important part of China's infrastructure, the telecommunication industry stands out as a critical industry context. Hence, the present study focuses on the telecommunication equipment market in China. It examines telecommunication equipment buyers' perceptions of value provided by suppliers. The current research questions consisted of: What customer values are perceived on the part of telecommunication equipment buyers in China when purchasing, using and disposing such equipment? In what ways do buyers of telecommunication equipment participate in suppliers' service delivery processes? To what extent does customer participation affect customer perceived value? To what extent customer perceived value mediates the effect of customer participation over customer relationship quality? The current research objectives are threefold: (1) to identify CPV under the context of the telecommunication equipment industry in China, (2) to examine the predictor impact of customer participation on the CPV, and (3) to substantiate the mediator role of the CPV over the customer participation-relationship quality linkage with research evidence.

We collected data from a sample of 236 executives to test the hypothetical relationships amongst the constructs in Diagram 1. The findings indicate that customer perceived value is found to be comprised of four key components. A component previously not considered in prior studies is the benefit of learning how to use the product or service in a way that enhances management competencies. In emerging economies, buyers often expect to receive an upgrade in managerial know-how in parallel with technology transfer. Access to resources and learning from suppliers facilitates the firm to enhance competencies and therefore their competitive advantage.

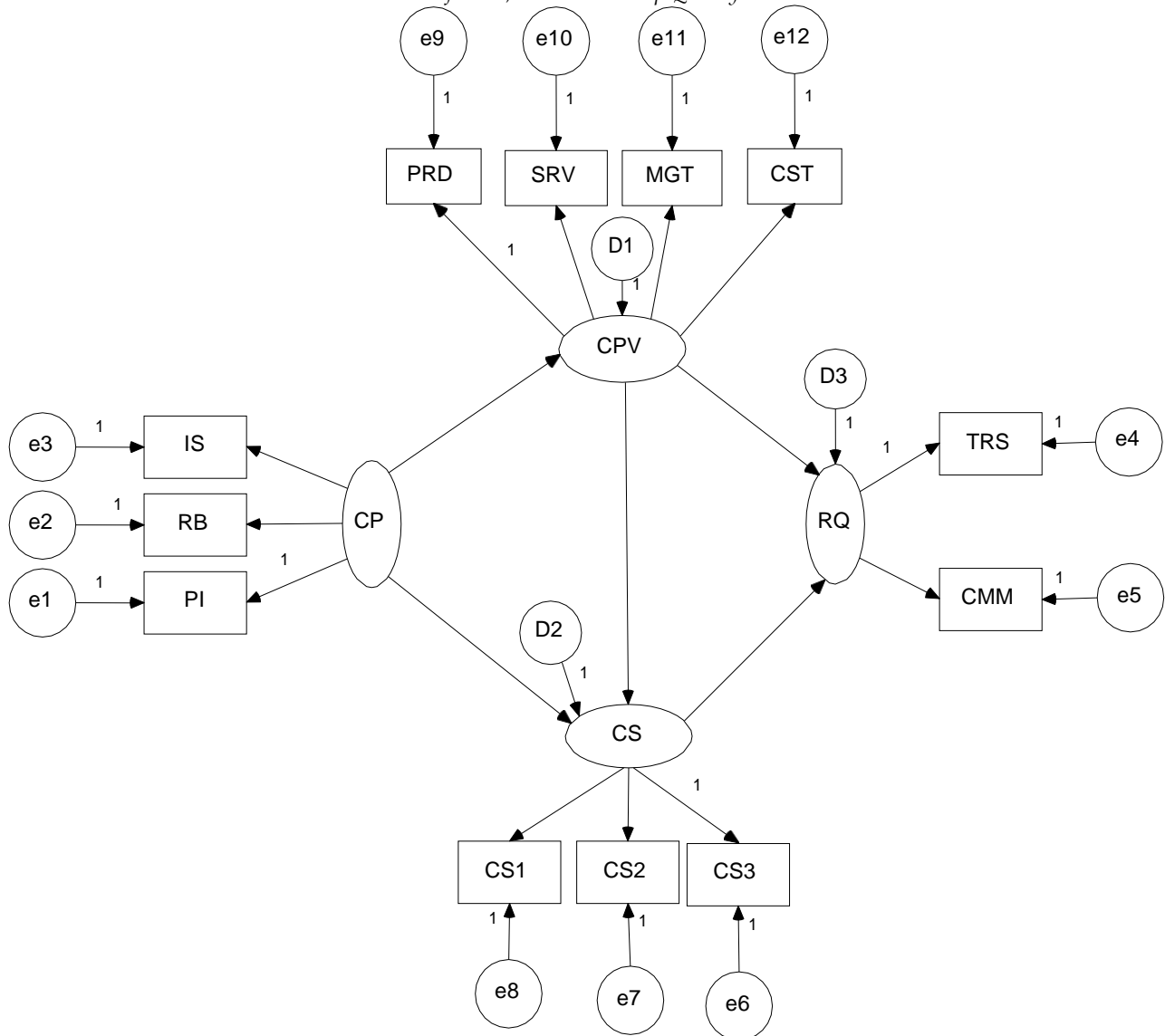
Although, suppliers with strong managerial and technical capabilities provide the firm in the emerging market with opportunities for knowledge transfer, equally essential is for the firm to possess an appropriate learning capacity, therefore suppliers need to be able to make special efforts to help such firms acquire these capabilities (Hitt et al. 2000). The results show this component to be equally as important as the product itself.

Results also suggest that the impact of customer participation on relationship quality is mediated by customer perceived value. It appears plausible that buyers form some cognitive assessment of the impact of their participative behavior in terms of their benefits and sacrifices prior to forming intentions concerning trust and commitment towards the supplier. The findings also shed light on the positive relationship between customer participation and customer perceived value even though prior research has considered the impact of participation on specific components of value such as service quality or costs. By participating, the buyer effectively lowers the risk of misspecified products and services (Menon, Homburg and Beutin, 2005). Working together with the supplier helps to reduce costs as a result of sharing knowledge and reducing the need for costly corrective actions (Anderson and Narus 1990). Co-production reduces risk by giving the buyer some degree of control over the production process (Etgar 2008). Although extant literature has closely examined the impact of customer participation on issues such as productivity, satisfaction and loyalty, this study clearly highlights its importance as an antecedent of customer perceived value.

In line with previous studies, customer participation is found to have a positive impact on customer satisfaction; however, its impact on customer perceived value is greater, suggesting that perhaps its effects on customer satisfaction are mostly mediated by customer perceived value. Another key finding of the research highlights the potential benefits of customer perceived value leading to greater relationship quality between the buyer and the seller. Relationship quality is also shown to be impacted by customer satisfaction directly only when customer perceived value is also captured. Customer perceived value exerts a greater effect on relationship quality than customer satisfaction, thereby reinforcing the importance to consider value in addition to satisfaction as key determinants of relationship quality.

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Diagram (1): Conceptual Model on the Relationships amongst Value Co-Creation Behavior, Customer Perceived value, Customer Satisfaction, and Relationship Quality



IS: Information Sharing

RB: Responsible Behavior

PI: Interaction

CS1: Customer Satisfaction Measurement Item 1

CS2: Customer Satisfaction Measurement Item 2

CS3: Customer Satisfaction Measurement Item 3

CMM: Commitment

TRS: Trust

PRD: Product Function

SRV: Service Function

MGT: Management Competence Improvement

CST: Cost

CP: Customer Participation

CS: Customer Satisfaction

RQ: Relationship Quality

CPV: Customer Perceived Value

IDENTIFYING THE KEY FACTORS OF SUCCESS OF MICRO FAMILY ENTERPRISES IN THE REPUBLIC OF CROATIA

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Abstract

Micro-enterprises are of exceptional importance for local, regional and economic development of the entire country. Due to their growing contribution to the Croatian economy, the fact that a large number of them operates at a loss, and that so far no studies have been conducted on factors of success of family micro-enterprises, this paper explores the factors of success of family micro-enterprises. Given that in the Republic of Croatia there are no quantified researches on the number and proportion of family micro-enterprises in the overall number of enterprises, one of the goals of this paper is to determine the share of family micro-enterprises in the selected sample of micro-enterprises. In order to prove the hypotheses, empirical research was conducted on a sample of 112 micro-enterprises from Slavonia and Baranja region. Research results show that 99.1% of micro-enterprises in the surveyed sample are family enterprises. The key factors of success have been identified, which are: quality of products and services, human resources and employee satisfaction and innovations. Furthermore, with the use of Somers' D correlation coefficient it has been determined that there is a statistically significant correlation between the factors of success (continuous investment in research and development, innovations, application of modern technologies in business processes) and business performance of family micro-enterprises. In addition, as a statistically significant negative correlation has been established between the factors of success (clustering and other forms of associations, and family influence) and business performance of micro-enterprises. The results presented in this paper contribute to the literature in the field of family micro-enterprises.

Keywords

Family micro-enterprises, factors of success, business performance

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Introduction

The purpose of this paper is to investigate the ownership structure of micro-enterprises in the Republic of Croatia and determine the proportion of family enterprises in the selected sample of micro-enterprises. Furthermore, the purpose is to identify the factors of success of micro-enterprises in the Republic of Croatia and to establish a statistically significant correlation between factors of business success with achieved business success of micro-enterprises.

Micro-enterprises are an integral part of the notion of small and medium enterprises which defined differently in different geographical areas. The European Commission has in 1996 defined SMEs using quantitative and qualitative criteria: number of employees, total annual turnover, total value of balance sheet and the percentage of ownership interest of entrepreneur (European Commission, 1996). The criteria for classifying entrepreneurs in the Republic of Croatia are defined by the Act on Encouraging Small Business Development (Official Gazette no. 29/02, 63/07, 53/12, 56/13) and the Act on Accounting (Official Gazette no. 78/15, 134 / 15) which came into force on 1st of January 2016. The amendments to the Act on Encouraging Small Business Development in 2012 harmonized categorization of entrepreneurs' size with the criteria applicable in the European Union (Table 1). European legislation (EU Commission, 2003: 39) uses the same criteria for the classification of business entities. The recommendation 3003/361 of the European Commission lists the categories shown in Table 1.

Table 1: Classification criteria for small entrepreneurship in the Republic of Croatia and the European Union

Business entity category	Number of employees in the EU / Croatia	Annual revenue in mil. of Euros EU / Croatia	or	Assets / fixed assets in millions of Euros EU / Croatia
Micro	0-9	≤ 2	≤ 2	
Small	10 - 49	≤ 10	≤ 10	
Medium	50-249	≤ 50	≤ 43	

Source: Act on Encouraging Small Business Development, Official Gazette no. 29/02, 63/07, 53/12, 56/13, European Commission, 2015:11

Micro enterprises have their advantages and disadvantages compared to small, medium and large enterprises. They are independent, more flexible, apply new skills quickly, have great local significance, and allow the employment of family members, distribution of profit within the family and the transfer of experience and dedication to work allow the creation of family business tradition. Kružić (2004) states that small family businesses emphasize quality in order to preserve tradition with existing customers and in managing the emphasis is on togetherness. With these and other advantages, there are disadvantages of micro-enterprises, such as: lack of adequate financial resources, underdeveloped management and greater risk and the level of investment return volatility (Vujić, 2010: 93).

The importance of micro-enterprises for Croatian economy is reflected in the following (Štavlić, 2016b):

- They have a growing share in the total number of enterprises in the Republic of Croatia (83.7% in 2013, 89.28% in 2014)
- In 2014, they employed 202,402 people, which represents 24.38% of the total number of employees in small, medium and large businesses,
- In 2014 they have achieved a positive trade balance due to the increasing export orientation after Croatian accession to the European Union (EU), and
- In 2014 they have recorded a negative consolidated financial result in the amount of HRK 2,421,971,000.00.

Family businesses are the basis of European and world economies and the drivers of economic prosperity, especially in employment and creation of new jobs. In the Republic of Croatia, there is no quantified research on the number and share of family businesses in the overall number of enterprises, and their impact on the national economy. Family businesses dominate in European companies. Bakotić et al. (2016) in their book *Obiteljsko poduzetništvo* (Family Entrepreneurship) report the estimated share of family businesses in the following European countries: Sweden (90%), Spain (80%), Switzerland (85% - 90%), Portugal (70%), Germany (80%), Italy (75% - 90%) and Finland 80% - 86%). One can assume a similar proportion of family businesses in the Republic of Croatia, therefore the first hypothesis is focused on checking whether more than 90% of micro-enterprises in the Republic of Croatia is family-owned.

Micro-enterprises feature different organizational and ownership structure in relation to small, medium and large enterprises. As for the owner, entrepreneurs and a decision maker in micro-enterprises it can be said that he/she should have the qualities, skills and knowledge necessary for active decision making and implementation of business processes that affect the final result of the business, i.e. the business performance. In order for micro-entrepreneurs to successfully lead the business processes and achieve successful business, it is necessary to identify the factors of success and their relation to business results.

The main contribution of this research and its results is in detecting and understanding the key factors that represent the strength and the potential for successful operation of micro-enterprises, in findings of empirical research on the factors of success of micro-enterprises, and in assessing the share of family enterprises in the overall number of micro-enterprises in the Republic of Croatia. The results of this study bridge the perceived gap in the literature on success factors of family micro-enterprises. In theoretical sense, expected scientific contribution is reflected in the development of scientific thought on success factors of micro-enterprises, as well as the contribution to family enterprises researchers.

Literature review

Entrepreneurship and business success are the result of integration and interaction between entrepreneurial behaviour and internal and external factors of entrepreneurial environment. Previous studies on success factors of micro-enterprises in the Republic of Croatia and other European and world countries are rare and have shown that there are different approaches to the study of this subject matter. Most research on the potential of the enterprises and factors of entrepreneurial performance have been conducted on a sample of small and medium-sized enterprises, and it possible to only partially consider the share of micro-enterprises in those researches based on described samples in results of those researches. Because of this it can be assumed that the results of research are also partially applicable to micro-enterprises and therefore, according to the results of previous research on factors of entrepreneurial performance, hypothesis in this paper have been set, in order to identify the key factors of success and verify connectivity of these factors to performance of micro-enterprises. Since this study examines the share of family enterprises (in %) in the number of surveyed micro- enterprises in the Republic of Croatia, a literature review was not based only on studies on family businesses.

In economic theory there are different theories and approaches to understanding entrepreneurial operations, growth and development of enterprises and the success of an enterprise. Common to all theories and approaches is that they all view resources the enterprise has as the basis of enterprises' operations and examine how enterprises utilize these resources in order to achieve growth and ultimately success. Gibb and Davies (1990) associate success with the growth of enterprises, and have classified studies on the growth and development of enterprises into four main approaches:

- Approach of influence of entrepreneur's characteristics on growth of the enterprise,
- Approach of influence of strategic factors on growth of the enterprise,
- Approach of market leadership and expansion as growth factors of the enterprise and
- Approach to organizational improvement and development as factors of growth of the enterprise.
- Watson et al. (1998) have identified the following factors of growth of enterprises:
- Internal environment: characteristics of the founder and of the enterprise, and
- External environment: business infrastructure and business partners and customers.

It is obvious that the authors of the proposed models and approaches have classified growth factors of enterprises into two groups: internal and external factors. These factors of growth are similar to success factors, and further literature review and research will be based on internal factors, but will be the basis for setting up an empirical study.

Establishing internal success factors is based on determining internal resources of an enterprise whose efficient use ensures a successful business conduct. According to Hisrich et al. (2008: 465-466) under the enterprise's resources we mean overall input into production process, such as equipment, machinery and techniques, financial capital and professional staff. The same authors believe that all resources should be comprehensively analysed in the package, not each resource individually, and that in order for the package of resources to become the cornerstone of a successful enterprise, resources must be "valuable, rare and with no possibility of imitation" (Hisrich et al., 2008: 466). To create such an enterprise package of resources one needs knowledge of the market and the technologies and employee experience. All this is only a basis that can lead to innovative business and creation of new value by using existing resources, which are formed into something new, valuable, rare and irreplaceable.

Daraboš (2015) in her book *Evolucija konkurentske prednosti* (The Evolution of Competitive Advantage) has given an overview of the development of the resource theory in which she lists a number of authors who have contributed to the definition of enterprise resource and their importance for the competitiveness and success of enterprises (Daft, 1983; Penrose, 1995; Griffin, 1997; Barney, 2002; Grant, 2013). Daraboš emphasizes defining the resource (according to Daft, 1983) and productive parts available from the resources (according to Penrose, 1995). Thus, under the term resource the author states that Daft means "assets, capabilities, organizational processes, characteristics, information, knowledge, etc., which the company uses in the formulation and implementation of strategies to increase the efficiency and effectiveness" (Daraboš (2015: 34). Enterprise's resources were the subject of research in several doctoral dissertations. So Davidsson, Delmar, Wiklund (2006) in their book *Entrepreneurship and the Growth of Firms* represent the results of their dissertation, and state that Wiklund (1998) in the results of his research came to the conclusion that the resources controlled by small enterprises or the resources they have access to are important for their growth opportunities and business success. According to Dollinger (1995) resources of family enterprises are: financial resources, organizational resources, human resources and resources of respectability and reputation.

In addition to determining factors of business success, based on the above theories and approaches, other authors on the basis of the research have identified the various factors of business success of micro and small enterprises. Kay (1996) lists reputation, innovation and strategic resources as the basic sources of success factors. Furthermore, some authors (Kay (1996), Hamel and Prahalad (1990), Porter (1998)) point out the exceptional importance of innovation as a success factor. Peters and Waterman (1992) point out that the possibility of achieving success is associated with "soft" management elements, which are:

- Managerial styles,
- Motivation,
- Employee attitudes and values,
- Employee competences and
- Organizational culture.

Furthermore, Kay (2001) emphasizes the connection between success and strategy used by an enterprise, though the strategy does not necessarily lead to economic success of an enterprise. The author also points to other dimensions of success, not only the economic dimension.

Since the micro-entrepreneurs are the holders of all activities in micro-enterprises, the emphasis in this paper is on the importance of human resources and innovation as factors of success. Human resources (Karić, 2005: 173) "are human resources, i.e. the knowledge, skills and creative abilities of employees in the company." The importance of human resources, as internal factors for business success, have been the subject of numerous studies. Sahin, Nijkamp and Stough (2011) described human capital as an individual human resources which an enterprise owns, giving emphasis on the education, professional experience, management experience and other knowledge and skills of entrepreneurs, such as motivation, leadership style, focus and the ability to control. Bates (1994), has shown in the results of his research that there is a positive correlation between human resources and business longevity and business success.

Hawkins (2013) in his study mentions a research by Envick (2004) and Murphy et al. (2007) according to which the internal factors that influence the behaviour of an entrepreneur and ultimately business success are: human capital, social capital, psychological capital and professional capital. Entrepreneurs can control the above listed internal factors and can control them, and to connect the influence and significance of human resources with the business success it is necessary to be able to measure and evaluate human capital. Hawkins (2013) states that all the elements of human capital cannot be measured, while some authors believe that human capital can be measured through connections with financial income (Bruns et al., 2008) and through the impact on economic growth (Gohmann et al. 2008).

Lončarević (2006) in a study conducted on a sample of 400 most successful Croatian enterprises, came to the result that the human resources are the most important factor of success, while other factors include continuous development and innovation, and non-financial factors: customer satisfaction, enterprise's reputation and brand strength. Netahli (2008) believes that the problem of enterprise's performance lies in a number of professional people who participate in the work and decisions. Furthermore, he believes that entrepreneurs are often also the owners, who are often disorganized and ineffective in the process of management, innovation and performance measurement since more tasks and functions are being performed by a single person.

In the literature, there are different approaches to defining the concept of innovation. Innovation (Ger. Innovation, Neuerung) is "any realization of new ideas into concrete product, or goods, services, with the aim of solving certain problems. It is also the creation and implementation of change, development and implementation of new solutions, processes, procedures, products, services etc. The result is creativity, i.e. practical, productive and commercial application of innovation" (Jurković, ed., 1995: 192). According to the European Commission, innovation occurs when a company introduces a new or significantly improved product, service, process, marketing strategies or organizational method. Innovation can be developed by the company itself or can be originally developed by other enterprises or society (European Commission, 2015: 7). According to the Eurostat, innovation is the market introduction of new or significantly improved products or services or the introduction of new or significantly improved production process within the enterprise. This definition emphasizes the fact that the new products or services are not considered innovations if they are not introduced to the market (Eurostat, 2015). The link between innovation and the success of an enterprise has been investigated by Berkham et al. (1996) and they came up with the observation that enterprises which undertake innovative activities are not necessarily successful. On the other hand, enterprises that first offer a new product on the market generate more operating income in the period while competitors fail to do so (Joyce et al., 1996). In addition to product innovation, process innovations are also present in production enterprises. Studies have shown that enterprises that introduced process innovations achieve greater productivity, improved product quality and lower average production costs (Berkham et al., 1996, Joyce et al., 1996). However, there are also understanding that innovation is not essential for the success of SMEs. Bill Aulet believes that for business success, growth and competitive advantage of small and medium enterprises, especially small enterprises, innovation is not necessary (Aulet, 2015: 7).

According to the results described in previous studies it can be concluded that business success depends on many factors and their relation to each other, and success factors should be considered in the context of individual enterprises and individuals managing their business conduct. For this reason special emphasis in this paper is on human resources as a factor of business success and the holder of an innovative, creative and strategic management in each enterprise, and the holder of technological, organizational, financial and other knowledge and skills necessary for achieving successful business results. In addition to human resources, emphasis is placed on innovation as factors of business success and the basis for the creation of quality and sustainable innovation system in a given economy.

It can be assumed that they are similar to the previously mentioned factors of business success and business performance in micro-enterprises in the Republic of Croatia. In most of listed previous studies key success factors for enterprises are internal non-financial factors, with an emphasis on the quality of human resources which is the holder of strategic orientation and innovation (new technologies, new products).

Research question and hypotheses

The research matter and research question are defined on the assumption that current scientific research and expert analysis in the Republic of Croatia on the operations of Croatian micro-enterprises have not wholly identified all the factors, causes and reasons of successful business conduct of micro-enterprises. In order for micro-entrepreneurs to operate efficiently, they need to be aware of their internal and external obstacles and constraints in which they operate, and their strengths and potential, i.e. internal factors of business success. Therefore, the emphasis in this paper is on the internal resources of micro-enterprises and identifying the internal factors of business success with a focus on human resources as the holders of all activities, and innovation as a source of competitiveness. The basic research question is: What makes a successful micro-enterprises, and are micro-enterprises in the Republic of Croatia mainly family-owned enterprises? The research matter of this paper are factors of business success of family micro-enterprises in the Republic of Croatia, and the main objective is to explore and analyse the factors of business success of micro-enterprises, and to determine whether the micro-enterprises in the Republic of Croatia are mainly family-owned enterprises. In accordance with the subject matter and objective of the investigation following hypotheses are set:

H1. More than 90% of micro-enterprises in the Republic of Croatia are family-owned enterprises.

H2. Key factors of the success of family micro-enterprises are human resources and innovation.

H3. There is a statistically significant relationship between the key factors of business success of family micro-enterprises and business success.

Methodology

Sample and data collection

In the empirical part of the research, method used was survey using highly structured questionnaire on a sample of the target population of micro-enterprises in the Republic of Croatia from three activities: processing industry, agriculture, forestry and fishing and construction industry, whose business headquarters are in the area of five counties that make up the region of Slavonia and Baranja, which are: Požega-Slavonia County, Osijek-Baranja County, Brod-Posavina County, Vukovar-Srijem County and Virovitica County. The sample consisted of 1,295 micro-enterprises that are active, have submitted annual financial report for 2015 and in accordance with the Encouraging Small Business Development (Official Gazette no. 29/02, 63/07, 53/12, 56/13) belong to the category of micro-entities of small economy. The classification of businesses in the category of micro enterprises was carried out according to the criteria: assets, total income and average number of employees. A total of 112 companies has been surveyed (of a total of 1295, 660 companies were contacted and the response rate was 16.96%), of which 43.3% are unsuccessful enterprises, while 56.7% are successful enterprises. The criterion for determining whether an enterprise is successful and unsuccessful was based on financial data on the operations of enterprises available through service Fininfo of the Finance Agency. For the purpose of selecting a representative sample, the following criteria was used:

- In the category of successful enterprises were listed and ranked micro-enterprises that during 2013, 2014 and 2015 have achieved a positive financial result (profit), growth in operating income, a positive EBITDA margin and positive ROE in at least two of the three years of analysed period.
- In the category of unsuccessful enterprises were listed and ranked micro-enterprises that during 2013, 2014 and 2015 have achieved a negative financial result (loss), decline in operating income, a negative EBITDA margin and negative ROE in at least two of the three years of analysed period.

According to these criteria, micro-enterprises were ranked from 0 to 12 (0 least successful, 12 the most successful).

The study was prepared in the period from December 2015 to May 2016, and was conducted from early June to mid-July 2016. Research began in June in order for the publication of financial information for entrepreneurs for 2015 to be published. The questionnaire was intended for owners of micro-enterprises and entrepreneurs / managers in micro-enterprises, since these persons are most familiar with enterprise's business operations, especially when it comes to micro-enterprises with one or two employees.

Statistical analysis

When processing data collected by survey research, we used descriptive and inferential statistics procedures. Details of the sample and the responses to individual questions are described by means of response frequency, and for the questions that were asked on a scale of five categories of answers (questions that sought the agreement or indication of the intensity or frequency of certain actions) averages are also listed (arithmetic means).

In order to determine the type of statistical analysis that is possible on certain variables, using the Kolmogorov-Smirnov test we checked whether these variables were distributed by the normal distribution or have deviate from it. Kolmogorov-Smirnov test (known for short as the KS test) determines whether the cumulative distributions of normal distribution and the distribution that we are testing different, where obtained p-value less than some critical value indicates a statistically significant difference, i.e. a deviation from normality of tested distribution (Ruppert 2004: 66). With this test as with other tests used in this paper we used the critical significance level of 0.05, and the degree of reliability of 95%.

Given that in all cases of correlation calculations variables have deviated from a normal distribution, or they were ordinal variables, the so-called. Somers' D correlation coefficient (association) used. This coefficient is chosen because it is directed, i.e. it differs independent and dependent variable, and in the case of this study, i.e. when testing the third hypothesis, there is a difference between independent and dependent variables. Somers' D ratio value varies from -1 (the maximum possible negative correlation) to 1 (maximum possible positive correlation).

Table 2 shows the descriptive statistics of the survey sample. After completing the survey 112 responses were collected from micro-enterprises from five Croatian counties. The share of micro-enterprises surveyed by the county is presented in Table 2. In order to gain insight into the regional specifics of micro-enterprise's business performance. a sample was made up of micro-enterprises from five counties that make up the region of Slavonia and Baranja. It can be observed that the distribution of micro-entrepreneurs who responded to the survey according to individual counties is evenly distributed, particularly when taking into account the data on the number of enterprises in these counties in 2014. According to these data, the proportion of the number of micro-entrepreneurs in Brod-Posavina County in the overall number of entrepreneurs in the region of Slavonia and Baranja is 17.04%, for Osijek-Baranja County that share is 48.86%, for Požega-Slavonia 7.95%, Virovitica-Podravina 9.09% and Vukovar-Srijem 17.04%. (Štavlić, 2016). The majority of responses were collected from micro-enterprises from the processing industry, a total of 63 companies (56.3%), almost a third of those surveyed micro-enterprises are from the construction industry, 37 of them (33%), while enterprises involved in agriculture, forestry and fisheries have the smaller share, i.e. 12 participants (10.7%).

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Table 2. Descriptive statistics

Variables	Number of micro-enterprises	Share (in %)
County		
Brod-Posavina	27	24.1
Osijek-Baranja	28	25
Poega-Slavonia	10	8.9
Virovitica-Podravina	21	18.8
Vukovar-Srijem	26	23.2
Total	112	100

Activities		
Agriculture, forestry and fisheries	12	10.7
Manufacturing	63	56.3
Construction	37	33
Total	112	100

Source: Data processed by the author according to the results of empirical research

Results

H1. More than 90% of micro-enterprises in the Republic of Croatia are family-owned enterprises.

The questionnaire was answered by, mainly, the owners and founders, 93 of them, while only 19 people said they are managers without ownership stake (usually it was owner's family member). Lastly, micro-enterprises are mostly owned by one person or are family-owned (91.1%), while 8% of enterprises are owned by more than one person (family-owned). Only one enterprise had some other form of ownership structure (0.9%).

Table 3: Ownership structure of micro-enterprises

Ownership	Percentage
One owner (family-owned)	91.10%
More owners (family-owned)	8%
Other form	0.90%

Source: Data processed by the author according to the results of empirical research

According to research results, 99.1% of surveyed micro-enterprises are family-owned, which confirms the hypothesis H1.

H2. Key factors of the success of family micro-enterprises are human resources and innovation.

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In the questionnaire, micro-entrepreneurs were asked to rate the importance and influence of several factors on the current operations of their enterprise (1 - the least important / the least impact on success, 5 – the most important / the biggest impact on success). Table 4 resents the frequency of certain answers, as well as their arithmetic means.

Table 4: The importance and influence of individual factors on business operations

Factor	1	2	3	4	5	\bar{X}
Continuous investment in research and development	0 0.0%	5 4.5%	17 15.3%	30 27.0%	59 53.2%	4.29
Innovations	0 0.0%	3 2.7%	16 14.4%	27 24.3%	65 58.6%	4.39
Human resources and employee satisfaction	0 0.0%	2 1.8%	6 5.4%	17 15.3%	86 77.5%	4.68
Modern management methods	2 1.8%	2 1.8%	40 36.4%	33 30.0%	33 30.0%	3.85
The quality of products and services	0 0.0%	0 0.0%	3 2.7%	7 6.3%	101 91.0%	4.88
Formal and informal employee education and training	1 0.9%	2 1.8%	29 26.1%	27 24.3%	52 46.8%	4.14
Application of modern technologies in business processes	1 0.9%	3 2.7%	15 13.5%	34 30.6%	58 52.3%	4.31
Financing investment from own sources	3 2.7%	4 3.6%	18 16.2%	21 18.9%	65 58.6%	4.27
Clustering and other forms of association	59 53.2%	19 17.1%	20 18.0%	11 9.9%	2 1.8%	1.90
Family impact	12 10.8%	8 7.2%	27 24.3%	33 29.7%	31 27.9%	3.57
Other	81 87.1%	5 5.4%	4 4.3%	0 0.00%	3 3.2%	1.27

Source: Data processed by the author according to the results of empirical research

From the data in Table 4 it can be seen that the quality of products and services is considered the most important factor affecting the enterprise's business success. In fact, almost all respondents (97.3%) rated this factor with 4 or 5, thus the arithmetic mean is as high as 4.88. This is followed by human resources and employee satisfaction and innovation as the next key factors of success of micro-enterprises. As much as 92.8% (mean value of 4.68) of respondents considered that the human resources and employee satisfaction had the greatest impact on the current three-year business results of their enterprises, while 82.9% of respondents rated innovation with scores of 4 or 5 as a key factor for micro-enterprises (mean value of 4.39). Other factors whose arithmetic mean is above 4.00 are: continuous investment in research and development, formal and informal employee education and training, application of modern technologies in business processes and financial investments from own resources. As less important and influential for the business success were rated modern management methods ($\bar{X} = 3.85$) and family impact ($\bar{X} = 3.57$). The least important factor is considered to be clustering and other forms of association. This factor was rated by 70.3% of respondents with grades 1 or 2 and the arithmetic mean is 1.90. In addition to these, micro-entrepreneurs have listed other factors as well (1.27%). According to the data presented it can be concluded that the hypothesis H2 is confirmed.

H3. There is a statistically significant positive correlation between the key factors of business success of family micro-enterprises and business performance.

In order to determine whether there is a connection between the assessment of the impact of certain factors on business performance and the actual business performance measured by the indicator of success (which ranges from 0 to 12), we have calculated the nonparametric measure of correlation of variables - the so-called Somers' D coefficient. Assessing the importance of individual factors in this case is taken as an independent, and the success of micro-enterprises as a dependent variable. Factor "other" is not included in this test, since the respondents did not specify what they meant when they chose it.

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Table 5: Relationship between the factors of business success and actual success of micro-enterprises (Somers' D)

Factor (independent variable)	Efficacy (0-12)	p value
Continuous investment in research and development	0.18	0.04
Innovations	0.20	0.03
Human resources and employee satisfaction	0.10	0.46
Modern management methods	0.14	0.11
The quality of products and services	0.02	0.78
Formal and informal employee education and training	0.08	0.36
The application of modern technologies in business processes	0.18	0.04
Financing investment from own resources	0.10	0.28
Clustering and other forms of association	-0.17	0.04
Family impact	-0.21	0.01

Source: Data processed by the author according to the results of empirical research

From Table 5 it can be seen that there is a statistically significant correlation between estimates of the importance of continued investment in research and development, innovation and the application of modern technologies in business processes and business performance of micro-enterprises. Thus, the success of an enterprise is higher as more people believe in the importance and impact of these factors on business performance. On the other hand, there is a statistically significant negative correlation between the estimates of the importance of clustering and other forms of association, and the importance of family for the success of an enterprise. In other words, people who believe more in the importance of these two factors come from micro-enterprises that are less successful according to 0-12 success indicator. Based on the results it can be concluded that the H3 hypothesis is confirmed.

Discussion

Conclusions

The results of this study confirmed the hypothesis that in the Republic of Croatia micro-enterprises are mainly family enterprises. The results show that the share of family enterprises in the number of surveyed micro-enterprises was 99.1%. This result is slightly higher than the previously mentioned estimates in other European countries.

According to the data presented in Table 4, which confirm the hypothesis H2, it can be concluded that surveyed micro-entrepreneurs believe that the greatest impact and importance for their current business and success was the quality of products and services, followed by the importance of human resources and employee satisfaction, innovation, application of modern technology and investment in research and development. The least important factor was clustering and other forms of association. At the same time these results also confirm the assumption based on analysed previous research on factors of business success which list human resources and innovation as key factors of success. The results are in line with the initial assumptions that: quality (Kružić, 2014), innovation (Kay (1996), Hamel and Prahalad (1990), Porter (1998), Joyce et al. (1996)), and human resources are key factors of business success for micro-enterprises (Sahin, Nijkamp and Stough (2011), Bates (1994), Lussier, Pfeifer (2000), Hawkins (2013)).

Within the frame of testing hypothesis H3, which assumed that there is a statistically significant relationship between the key factors of business success of family micro-enterprises and business success, nonparametric test discovered that:

There is a statistically significant correlation between estimates of the importance of innovation for business success and actual business success,

There is a statistically significant correlation between estimates of the importance of continued investment in research and development for business performance and actual business success,

There is a statistically significant correlation between estimates of the importance of application of modern technologies in business processes for business success and actual business success,

There is a statistically significant negative correlation between business success and clustering and other forms of association,

There is a statistically significant negative correlation between business success and the impact of family.

For other factors, no significant correlation with business success of micro-enterprises has been determined. It is important for unsuccessful micro-enterprises to focus further activities and investments into business segments that are statistically positively related to performance, in order to open up the possibility of improving their business success. On the other hand, statistically significant negative correlation has been established between performance and the following factors: clustering and other forms of association and the influence of family. This points to the need for future research into reasons behind unsuccessfulness of association and clustering, and the reasons and impact of family connections on unsuccessful business operations.

Contributions and limitations

This study provides a theoretical contribution to the development of scientific thought on the specifics of family micro-enterprises, the development of scientific thought on success factors for family micro-enterprises, to identifying the specific characteristics of successful micro-enterprises, to understanding the importance of innovation and human factors for business success, detecting and understanding the key factors representing the strength and potential for successful business operations of micro-enterprises, findings of empirical research on the factors of success of micro-enterprises. In particular, it highlights the contribution of quantifying the share of family enterprises in the total number of micro-enterprises in the selected sample of micro-enterprises. In the applicative sense, the expected contribution of this study to the science of economics arises from the possibility of applying the results of empirical research on the factors of business success of family micro-enterprises in the Republic of Croatia in order to improve the operations of existing micro-enterprises.

The limitation of this study is that the sample included micro-enterprises from one region and from three sectors. The results can be the basis for future research which would include micro-enterprises from all over the Republic of Croatia and from a number of sectors, which would allow more accurate estimates of the proportion of family micro-enterprises and their factors of success.

Further research on the operations of micro-enterprises can focus on the entire territory of the Republic of Croatia and on all sectors in order to investigate whether there are any specifics in the business operations of micro-entrepreneurs in individual counties, certain regions in the Republic of Croatia and in individual sectors. This research identified the key factors of business success of micro-enterprise in Slavonia and Baranja region.

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IN SEARCH FOR SIGNALING OF BIOTECH ENTREPRENEURSHIP IN FINANCIAL CRISIS: APPLYING BAYESIAN MCMC ANALYSIS.

Takao Fujiwara¹

Abstract

Background:

While large pharmaceutical companies are also recovering the stock prices until the standard before the Lehman shock, those of pioneering biotech start-ups have shown stronger resilience to the shock.

Keywords

Biotech Start-up, Real Options, Bayesian MCMC

Research questions

Why could some biotech start-ups continue the Research and Development (R & D) investments in the middle of the financial crisis even if they had negative profits?

Why is their average increase ratio of R & D investment bigger than that of the large pharmaceutical companies with abundant resources?

Why is their increase rate in shareholders' equity value higher compared with the pharmaceutical companies susceptible to shareholders?

Data: This paper uses Main financial indices of biotech start-ups and large pharmaceutical firms in FY2009 and FY2016 from database, Edger.

Methodology

This study applies Real Options Analysis and Bayesian Markov chain Monte Carlo (McMC) analysis.

Objective

This paper wishes to confirm the validity of following assumptions or hypotheses:

Biotech start-ups' investment in R&D can be continued even in the negative profits by enough cash and cash equivalents from potential evaluation if regarding positive stockholders' equity value as a call option.

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They can specialize in the product development with higher added value than just the size of market, then their average profit margin against sales is higher than that of pharmaceutical companies.

They can make R & D investment in more diverse projects compared with large pharmaceutical firms, since fluctuation of stockholders' equity value is wide.

ORGANIZATIONAL RESILIENCE: SPIN-OFFS SAYS THAT...

Rocco Reina¹, Walter Vesperi², Anna Maria Melina³

Structured Abstract

Purpose

The knowledge based economic system is characterised actually by surprising, uncertain and adverse changes. Academic literature defines organizational resilience as the organization's ability to maintain a positive attitude under challenging conditions in time of crisis. So, the resilient organization emerges from those changes strengthened and more resourceful.

This work currently has dual aims. Firstly, it wants to offer a point of analysis about the concept of resilience in the organizations. Secondly, it wants to understand the impact and the effect of organizational resilience in the specific situation of the Academic Spin-Offs (ASOs).

Design/methodology/approach

We use an approach based on two steps. Firstly, we proceed to analyse a brief review of the literature in order to understand the phenomenon of resilience in the organizations and the specific factors that characterize resilience.

After we try to understand, through the analysis of specific database of Italian ASOs, what factors about resilience are present in ASOs, in order to suggest possible ways able to support the ASOs in own life cycle.

Originality/value

The value is to focus on theme that impact particularly on territory – the growth of new firms and employment – by using the new concept of resilience, that could offer new paths and modes to support the economic development.

Practical implications

The outcomes of this research have different implications. Firstly it's possible to understand if particular factors of resilience exist able to support the development and growth of ASOs (and/or in case of their lack the possible failure effects); so, in addition, it's possible to suggest to Academic Management the best ways to avoid ASOs' failure and improve their development.

Keywords

Organizational Resilience, Spin-off, ASOs, economic development

Paper type

Academic Research Paper

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1. Introduction

The rapid changes in the economic system, such as globalization, internalization and technological innovation introduced new competitive logics. Organizations are increasingly called upon to deal with difficult situations and to navigate in an uncertain environment, in change and in crisis. Especially in recent years, the ability to survive and to emerge stronger than before are fundamental aspects of organizational success. Existing studies shows how organisations, markets, technologies and territories evolve together in an open and unstable economic climate (Swanstrom, 2008; MacKinnon, et al., 2009; Pike, et al., 2010, Hassink, 2010). In recent years, organisations have increasingly focused on their ability to respond to crises; however, they often struggle to prioritise and allocate resources to building resilience, given the difficulty of demonstrating progress or success. For these organizations, the resilience is seen as a decisive aspect to create advantages over less adaptive competitors. As reported by Van der Vegt et al. (2015), the phenomenon of resilience can be considered as an intrinsic feature of many human communities, all different (families, societies, organizations, etc.), which are compared. As Mitchell (2013) says about bamboo roots that bend under the strongest winds and under the heavy snow cover but they do not break and in the spring season, they are stronger than before. In fact, firms often need to be able to go beyond their ability to survive and thrive in environments that are becoming increasingly complicated, uncertain and menacing. Unstable environments create frequent challenges and even relatively stable markets experience occasional shocks or undergo revolutionary periodic shifts. Often these events are seen negatively, but as Sutcliffe and Vogus (2003) explain, resilient organizations are able to maintain positive adjustments under these difficult conditions. Resilient firms actually prosper and become better in part because they faced and overcame serious challenges, while the challenging of economic system generates new entrepreneurial opportunities and new products improved. For example, the modern economic system consider knowledge like a strategic asset and resource.

Along this line is possible to observe the growth of new forms of entrepreneurship, based on knowledge, represented by Spin-Offs, like a very complex forms of new entrepreneurship. These new form of organization are set up based on a new idea, incorporating and applying new knowledge into products. The topic of Academic Entrepreneurship has become an important field of study. In this field of research, an important current of analysis focus its attention on the result of research used to create new firms (Academic Spinoffs). In recent years, the scholars focused their attention on various aspects of the spin-off, but some aspects remain not fully analysed and still unexplored. Several studies focused on the motivations that prompted a researcher to initiate a spin-off, knowledge transfer mechanisms, internal rules at university, etc.... Particularly, the concept of resilience and its effects on Spin-Offs are not fully analysed. The interest in Academic Spin-Off reflects the increasing important of organizational resilience as a strategic resource for the growth of organization. On these basis, this paper aims to select and organize the current literature on organizational resilience on Academic Spin-Offs. The authors are concerned with how organizational resilience impact on survival rate of ASOs in order to create value for the spin-off and the ecosystem in which the organisation operates.

We present the study as follows. After the introduction, in the section 2 shows the methodology used. The Section 3 we analyse the academic literature on organizational resilience and spin-off. Section 4 describes the results of the analysis and the connections between organizational resilience and spin-off. Finally, section 5 draws the main conclusions, limits and suggestions for future research.

2. Methodology

This paper is based on the use of mixed methodology: qualitative and quantitative tools. The article has been divided into two ideal parts. In the first step, using a qualitative methodology and it presents the results of a fast review of the literature to understand the main characteristics of the phenomenon of organizational resilience. The central part of this technique identifies factors and common elements among the different definitions given by the scholars in the academic debate. This part shows the intellectual origins of the topic and the structure of the literature. For this reason, in the second phase of the study, using a quantitative methodology, which will include the re-processing of data from a database¹ created from the collaboration between the Center for Entrepreneurship and Innovation at the Polytechnic University of Marche, Netval and Institute of Management of the Scuola Superiore Sant'Anna, which collects all the spin-offs Italian.

The data have been observed until the date of 08/09/2017 (mm/dd/yyyy). At this date, the spin-offs appear to be no. 1387. The large number of samples being analysed has allowed highlighting different aspects of the phenomenon. Through cross-analysis of the spin-off database and the data of Italian universities has been made of the elaborations, are designed to highlight the effects of organizational resilience. In addition, the data analysis will highlight the system of spin-offs in Italy.

¹ Available on <http://www.spinoffricerca.it>

3. Theoretical framework

3.1 Organizational resilience

In the modern economic system, the organizations operate in a dynamic environment characterized by new threats and opportunities. As the environment is quite turbulent requiring organizational adaptation. In according to this consideration the surviving organizations need to address threats and exploit knowledge-based opportunities (Nonaka, 2007). The organization adapts to a rather dynamic environment with knowledge. This adaptation makes the organization resilient. As Mafabi et al. (2012), emphasize, the phenomenon of resilience is the ability to respond to threats and opportunities in the environment to prevent decay and disuse. In according with Pike et al, the concept of resilience can to capture the differential ability of organizations and places to react and respond to uncertain, volatile and rapid change (Pike et al., 2010). Currently resilience is an enormous, multifaceted and multidimensional concept (Ponomarov, Holcomb 2009), that is a contemporary issue in various scientific fields. Several authors have studied the determinants of resilience. For example, Bristow (2010) explains that resilience depends on elements such as diversity of activities, the power dispersed among numerous actors, interdependent companies and economic activities integrated into local social networks. For other authors, however, the phenomenon of resilience depends on the existence, in a territory, of a large number of small innovative companies that are part of networks, as underlined by Grabher (2009). Suire & Vicente (2009) see resilience as well as the need to rebuild knowledge to go beyond traditional technological fields and develop new ones, thus opening up more and more development.

In organizational theory, the phenomenon of resilience and theirs effect is studied in different field of management: crisis and disaster management, high-reliability organizations and positive organizational scholarship literatures.

Over the years, there have been several definitions of organizational resilience.

The phenomenon of organizational resilience become increasingly important to all organizations and argue that organization theory currently does not reflect its importance. The importance of resilience in organizations is amplified in the knowledge economy. Indeed, the current economic system, resilience is the lever for survival and growth of firms.

The resilience perspective is a new way to analyse the firms and make them more efficient. The Table 1 shows the main definitions found in the literature review and consistent with the aim of paper.

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Table 1: definition of organizational resilience and keywords/possible indicator

No	Author(s)	Definition	Keywords/Possible indicator
1	Horne and Orr (1998)	... is the fundamental quality to respond productively to significant change that disrupts the expected pattern of event without introducing an extended period of regressive behaviour	Quality of organization
2	Weick and Sutcliffe, (2001)	R. organizations often proactively seek out evidence to test their assumptions about risk and the overall health of the system	Roles and responsibilities
3	Vogus and Sutcliffe (2002)	...the maintenance of positive adjustment conditions such that the organization emerges from those conditions strengthened and more resourceful.	Internal and external situation
4	Dynes (2003)	R. is associates with a sense of emergent behaviour that is improvised and adaptive	Internal and external situation
5	Vogus and Sutcliffe, (2003)	R. also relies upon processes , structures , and practices that promote competence, restore efficacy and encourage growth endow organizations with capabilities to mediate jolts and increased strain	Roles and responsibilities
6	Hamel & Välikangas, (2003)	"resilience is the ability to dynamically reinvent business models and strategies as circumstances change Organisational resilience refers to a capacity for continuous reconstruction. It requires innovation with respect to those organisational values, processes and behaviours that systematically favour perpetuation over innovation"	Internal and external situation
7	Mitroff, (2005)	Organizational resilience is a continuously moving target that contributes to performance during business as usual and crisis situations	Internal and external situation
8	Luthans et al. (2006; 2010); Avey et al. (2009)	R. O. is the ability , when beset by problems and adversity, to bounce back and even beyond to attain success .	Quality of organization
9	McDonald (2006)	R. conveys the properties of being able to adapt to the requirements of the environment and being able to manage the environments variability	Quality of organization
10	McManus, et al., (2008)	organisational resilience is a function of an organisation's overall situation awareness, keystone vulnerability and adaptive capacity in a complex, dynamic and interdependent system".	Roles and responsibilities
11	Altinas and Royer (2009)	resilience is the " capacity of an organisation to maintain or return to a dynamic stable state which allows it to continue its operations during and after a major incident or in the presence of a continuous stress"	Quality of organization
12	Pike et al., (2010)	Organizational Resilience is a notion seeking to capture the differential ability of places to react and respond to uncertain, volatile and rapid change.	Internal and external situation
13	Alberts (2011)	Resilience provides an entity with the ability to repair, replace, patch, or otherwise reconstitute lost capability or performance (and hence effectiveness),at least in part and overtime, from misfortune, damage or a destabilizing perturbation in the environment"	Roles and responsibilities
14	Hollngel (2011)	R. is an organization's ability to adjust to harmful influences rather than to shun or resist them	Roles and responsibilities
15	Pettit et al. (2013)	The capacity for an enterprise to survive, adapts, and grows in the face of change and uncertainty	Quality of organization

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16	Gilly et al. (2014)	First, a reactive capacity of the company to resist an external event; second a more active capacity to anticipate and thus open new development pathways	Internal and external situation
17	Winston (2014)	An ability not just to recover from hits but to avoid problems altogether	Quality of organization
18	Quendler E., 2015	resilience is about ensuring that an organisation is still able to achieve its core objectives in the face of adversity, before and after	Quality of organization
19	Woods (2015)	Four dimensions of the concept of resilience are identified: "(1) resilience as rebound from trauma and return to equilibrium; (2) resilience as a synonym for robustness; (3) resilience as the opposite of brittleness, i.e., as graceful extensibility when surprise challenges boundaries; (4) resilience as network architectures that can sustain the ability to adapt to future surprises as conditions evolve"	Internal and external situation
20	Khan, (2016)	Organizational resilience is defined as the organization's ability to absorb strain and preserve or improve functioning despite the presence of adversity	Quality of organization

Table 1 shows the main definitions present on reading about the organizational resilience phenomenon. From the analysis of the definitions, we tried to bring the main aspects into three areas: quality of organization, roles and responsibilities, internal and external situation.

3.2 The Italian context of Spin-off

A predominant perspective of analysis of spinoff assumes the role of member of spinoff in the academic environment (Chiesa and Piccalunga, 2000). Therefore, several studies distinguish the role of member of spinoff in Faculty members (professor, research, phd and student with high level of education) and administration staff or student without degree. The presence of people with academic knowledge and skills is clearly an important part of competitive advantage of spin-off (Lockett et al., 2005; Walter et al., 2006). Several authors (Fontes, 2005; Erdös and Varga, 2012) argue by empirical observation that the role of academic scientists as entrepreneurs is hardly considered.

In the current article, "spinoff" is defined as a company established by an academic scientists, or patents based. As same time, in this study we use all terms (spin-off, spinoff, academic spinoff, etc...) as synonyms. From the perspective of useful analysis to the attainment of the objective of this article, it is possible to pay attention on the process of growth phase and identify the impact of organizational resilience in the post crisis phase.

In the knowledge economy the growth and survival of spinoffs depends on the generation and exploitation of academic knowledge. Smith (2002) states that there are different views in the understanding knowledge economy. In according to this, a first viewpoint considers knowledge as an input, qualitatively and quantitatively more important than before. Therefore, the effect is the increase of the investment in R&D, education and information technologies. However, one of the main problems of research in this topic is the complexity of Spin-Offs and its intangible assets.

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This study is based on descriptive statistics of the Italian system of academic spin-off.

It is possible to observe the situation of spin-off in Italy to the Table 2 below.

Table 2: The panorama of Spinoff in Italy

Description	Number	%
Total No. Of Spinoffs	1387	100,00
Spinoff in business	1192	85,94
Spinoff out of business	138	9,95
Spinoff in liquidation	16	1,15
Spinoff in startup phase	41	2,96

At that date, the spin-offs appear to be no. 1389. The large number of sample being analysed has allowed highlighting how organizational resilience impacts on spin-offs. The main goal of the paper is to analyze failed spin-offs and to understand how resilience has influenced their lack of survival and growth. The status of spin-offs that are out of business or in liquidation is shown in the table below

Table 3: Mean age of spinoff

Description	Value (in Years)
Mean age of spinoff out of business	5,85
Mean age of spinoff in liquidation	3,06

From the table above emerges that the spinoffs have a relatively long average age compared to other companies without parent organization. Hirakawa et al. (2010) have demonstrated in their work that spinoff firms are characterized by a greater initial size and lower exit rates compared to firms that do not come from a parent organization.

At the same time, the presence of high human capital and people with higher education since the early stages of the creation of an academic spin-off positively influence (Vesperi et al., 2015) the process; in fact the human capital plays a strategic role in life cycles of spinoff (Audretsch et al., 2005; Autio et al., 2014).

These enterprises represent important business processes in the technologically advanced industry, with the goal of economically exploiting the results of academic research.

In additional, Colombo and Grilli (2010) the human capital is one of the main drivers of growth for new firms and the main obstacle to failure. In the study of spinoffs, it is necessary to distinguish human capital in two types. The first type is the scientific human capital (capable of managing and developing the academic research results) generally held by academics. The second type of human capital is entrepreneurial human capital (able to identify new economic opportunities) generally held by people outside the university. Similarly, several studies in literature (Gompers et al., 2006; Van de Vrande et al., 2009; Kaplan, 2012) have shown, in a managerial perspective that the neo-entrepreneurs who previously played the role of top managers in the same industry and who have better access to information show better performance (Cooper et al., 1994; Vivarelli 2004)

Credit constraints, university regulation, and market imperfections could limit revenue rates for new businesses, in their likelihood of survival and their growth rates (Fini et al. 2010). Michelacci and Silva (2007), in their empirical evidence shows that firms established by local entrepreneurs are larger, more capital-intensive and better funded than non-local entrepreneurs. The authors interpret this evidence by the fact that local entrepreneurs are average more able to exploit the economic and financial opportunities available in the region they live.

First results and conclusions

This study is a preliminary study of a multi steps study. The main aim of this study was to understand the central aspects of organizational resilience and the characteristics of spin-off in Italy.

Over the years, despite the resilience phenomenon has been analysed from many sides are still many and any one of several question marks on what could be analysed in the near future to make sure that you go to identify in more detail what the factors might be the key to this rather absurd phenomenon called organizational resilience. Being resilient to an organization becomes a goal to grow and prosper over the years by adopting best-proven practices and realizing business growth by consolidating skills. Beyond the resilience, the factors that may influence the development or failure of spin-off are different.

Some factors are expectation of demand and profit, rate of innovation, human capital, relationships with environment, previous work experience up to psychological factors (such as affect, self-confidence and locus of control) or economic pessimistic wage expectations or even escape from unemployment (Baum and Locke, 2004). Also, from the brief review of literature emerge that Lettieri et al. (2009) suggest a “contraposition” in the literature between two concepts: resilience and resistance. Resilience they argue focuses on after-crisis activities, while resistance focuses on before-crisis activities.

At the same time, the ASOs are holding a high human capital and education, motivations to innovate and earlier experience in managerial roles and/or business.

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Lastly, it should be pointed out that spinoffs are often economically encouraged by parent universities. Similarly, local entrepreneurs may be motivated to create a spinoff from economic incentives. Therefore, universities should replace the current funding system with a system able to identify potential beneficiaries to stimulate demand and create new innovative businesses with their own ability to stay in competitive markets.

Understanding the factors and impact of resilience can help develop the theory of organizational resilience. The paper's objectives have been partially achieved. In fact, it was not possible to understand the real effects of resilience in spin-offs. At the same time, however, goals that were not originally envisaged in the paper were achieved. In particular, It was found that the spin-off system in Italy has very low failure rate. The next step of this study is to identify the items of indicators for the three identified areas (quality of organization, roles and responsibilities, internal and external situation) and weight.

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USING MICRO-BLOG AS A LEISURE BEHAVIOR: A STUDY OF THE PSYCHOLOGICAL MECHANISMANALYSIS

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Abstract

This paper aims to takes Weibo as one kind of leisure behaviors, and studied space-time distribution law of residents' leisure behavior and the inner mental mechanism of leisure from the perspective of cognitive theory. Firstly, the author analyzed and explored the spatial and temporal distributions of the residents' leisure behavior and its variation regularity of the distribution in SongLing Town of Suzhou city, with the data collected from Weibo. Then on the basis of knowing hotspots of citizens' leisure behavior, the author did the questionnaire research about the leisure behavior habits and local citizens' emotion on which. After that, the study analyzed data with the help of SPSS20.0, and then revised the research model and hypothesis. The relationship between interviewee' leisure behavior and perception and behavior intention had been verified through independent sample T test and ANOVA. Generally, the temporal distribution of Songlin Town residents behavior showed a inverted "N" type trend. Specifically, Monday, Tuesday and Wednesday showed a downward trend, whereas, Thursday started to go up, and to the peak till Saturday and Sunday. The law within a day is basically in line with the general law of normal biological clock. From the perspective of space, the distribution of Weibo release is mainly matched to the local specific functional zoning and business layout with the formation of a center and a deputy center, in which the central area is mainly in Parkson business center, while the deputy center is at the junction of the two traffic arteries. The users' cognition of Weibo as a leisure way includes interpersonal cognition, information acquisition cognition, self-expression cognition and psychological satisfaction cognition, all of which will significantly affect the user's emotional state. At the same time, the user's emotion state will also affect the user's behavior, including two aspects, cognitive absorption and depth structure usage. In addition, the user's cognition will indirectly affect the user's leisure behavior. This empirical result verifies the assumptions and models of this paper. This paper has a significant importance in theory research since it uses the temporal geography theory to analyze the leisure behavior. What's more, it also provides empirical support for relative enterprises to develop effective production and marketing strategy and reference basis for management departments at all levels to develop a reasonable plan, further optimize the leisure space construction, and build urban leisure space system to meet the needs of the residents. On the one hand, this paper regarded the behavior of residents using Weibo as one kind of leisure choices, and analyzed the regularity behind it. On the other hand, the study conducted the research from the perspective of social media analysis with the use of temporal geography theory, which provides a new perspective for the study of residents' leisure behavior.

Keywords

Social Media; Residents in Towns ; Leisure Behavior; Temporal and Spatial Distribution; Behavior Intention.

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A STUDY ON CONSUMER ATTITUDES TOWARDS TOURISM ADVERTISING: THE INFLUENCE OF EMOTION AND MOTIVATION

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Abstract

This study explores the influence of emotion and motivation on attitudes of tourism advertisements from the 'Resource Matching' perspective. The results indicate that only when 'resource allocated' goes parallel to 'resource required' can a positive attitude towards a tourism advertisement be produced.

Keywords

Emotion; motivation; the resource matching perspective; attitude

Introduction

In sites such as high-street travel agents, OTA websites, underground stations, etc., there are frequently advertisements of various tourism products. Some may highlight practical information to attract customers with a good price; some may emphasise emotional appeal to stimulate viewers' intense emotional experience. Considering different levels of consumers' motivation in different areas, tourism enterprises are required to advertise distinctively under different circumstances to improve evaluation on ads and then drive viewers to take the product into consideration and get the best advertising effect. This study will start with this and use behavioural experiments to explore the type of advertisements that make the best impression on consumers at different motivational levels.

In the abstract process of consumers dealing with advertising information, cognitive resource is employed. What we called cognition is an 'intellectual process' (such as perception, memory, thought and language) through which people can obtain, transform, save, extract and use information. The 'Resource Matching Theory' proposed by Anand Punam & Brian Sternthal in 1989 indicates, when resource allocated (RA) during information processing equates to resource required (RR), then the information's persuasion is the strongest. However, there was no unified and available operational definition of RA and RR when the theory was first suggested, therefore, later researchers all use different experimental designs to prove it. This study refers to previous variable selections, experimental scene designs and scales, then designs and conducts an experiment, proving the theory from the perspective of tourism advertising.

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Literature review

According to the fundamental assumption of the 'Resource Constraints Theory' on attention raised by Kahnmann in 1973, people need to make use of psychological resources in order to complete each task. Although it is possible to share psychological resources when several tasks are operated, in the meantime one's total resources are limited. Consequently, it is the first priority of designing and running tourism advertisements that people's limited cognitive resources must be used effectively and produce positive attitudes towards the advertisement. According to Anand and Sternthal's research in 1989, marketing practitioners can adjust the level of tourism advertisements' RR to consumers' different levels of RA in different circumstances and make them equate, so that positive advertising attitudes can be produced.

Anand & Sternthal not only proposed the Resource Matching Theory in 1989's article, but also pointed out two situations that might lead to resource mismatching: the first one is that RR is beyond RA during information processing; the second one is that people are not well-motivated and, as a result, there is only slight RA. Between them, the second situation mentions the influence of the factor, motivation, on information's persuasion. The subsequent experiments also proved the conclusion and interpreted it as: low-motivated participants will not think over so that they cannot understand the advertising information deeply and they develop their attitudes toward advertisements depending on superficial and heuristic clues; on the other hand, highly-motivated ones will consider the information delivered by advertisements fully and make a rational judgment by it.

Keith S. Coulter & Girish N. Punj used experimental instructions to control participants' motivation in 2004. Through controlling different circumstances to stimulate motivation of different levels, they can regulate the level of RA. The instruction given to the low-motivated group was to imagine that they were sitting in their living room, relaxing; the medium-motivated group was asked to imagine that they were in a shopping mall while the high-motivated one needed to imagine that they were not only in a shopping mall, but also ought to buy a product and complete a mission at the end of the experiment. Those highly-motivated participants have more RA while low-motivated ones have relatively less.

Then in 2009, Lorraine Lau-Gesk & Joan Meyers-Levy attempted to manipulate participants' motivation by giving experimental background information of different correlation: the highly-motivated group, which consisted of local undergraduates, was told that the target audience of the advertisement was exactly youngsters in this area and their feedback would be valued for they were important test subjects; however, the low-motivated ones were informed that their suggestions were just reference because the advertisement's target audience was not in the region, therefore, they only needed to provide feedback following their 'gut instinct', and their comments would be averaged and fully synthesized.

This study will use the experimental method above for reference and experimental instructions as a carrier to change participants' motivation, after reading different instructions and thereby creating different levels of RA.

Chingching Chang studied the influence of the number of Diagnostic Product Information (DPI)'s kinds in advertisements on consumers of different needs for cognition in 2007. In the research, the difference of cognitive needs among individuals was measured by NFC Scale, a need for cognition scale measuring individual participation and tendency of enjoyment thinking in psychology. In addition, a higher scale score meant a higher level of RA. The study implied that the number of DPI's kinds represented the level of RR and the more kinds of DPI the advertisement included, the higher the level of RR was and the more attractive the advertisement would be to consumers of a high scale score. Therefore, the 'Resource Matching Theory' in this research was proved.

In 2009, Loraine Lau-Gesk & Joan Meyers-Levy studied emotion's occupation of cognitive resource. They operated three experiments, exploring influence of motivation, memory load tasks and emotion types on attitudes respectively. The first experiment started with Dual Process Theory, proving that the low-motivated usually develop their attitudes depending on heuristic clues, such as valence in advertisements: they will feel happiness when the model in the advertisement shows a happy smile, which will result in a positive attitude. Whereas the highly-motivated ones can understand information fully, combine it with their own consumption experience and form a dependable judgment. Therefore, in the process of highly-motivated consumers developing their attitudes, huge amounts of cognitive resource will be invested in, that is to say, high-motivation means a high level of RA.

On the basis of the first experiment, the second one assigned the participants an additional memory task which would occupy their cognitive resource allocated. The experiment shows that the less RA the participants have, the more positive attitude they will adopt towards those advertisements with simple emotion. Explained by the 'Resource Matching Theory,' the reason is that the RR's level of the advertisements with simple emotion is low compared with those with complicated feelings and when it is well-matched with the level of RA, a positive attitude will be produced.

The third experiment took emotion as an argument and divided advertisements into two types, with simple emotion and with complicated emotion, according to different valence. Because advertisements with complicated emotion will convey moods like happiness and sorrow at the same time, the level of RR is higher. The physiological basis is that complicated emotion will activate two different emotional memory systems simultaneously. Moreover, brain science research also verified that complicated emotion will activate different parts of brain.

In addition, emotion can be categorized by extent. The experiment proved that cognitive resources required with emotion which can be subdivided are more than those required by emotion which cannot be subdivided. For instance, 'anxiety' can be subdivided into fear, sorrow and anger. When an advertisement provokes such subdividable emotion, its level of RR will be higher.

Emotion can also range in self-consciousness. Compared with emotions which will not raise self-consciousness, such as pleasure, anger, sorrow and so on, emotions that will raise self-consciousness like guilt, embarrassment, pride and shame will take up more cognitive resources, because they stimulate people's tendency to follow their inner standards. From the perspective of the developing histories of individuals, emotions raising self-consciousness will occupy more cognitive resources because such emotions appear in a later stage of child development. They will be gradually formed with children's cognitive ability at about the age of five.

Loraine Lau-Gesk & Joan Meyers-Levy's further experiment in 2009 also proved the applicability of the 'Resource Matching Theory'. When participants are low-motivated, in other words, RA is few, they will have a better attitude toward advertisements with simple emotional valence and intensive type setting. However, emotional valence and layout concentration will have a combined influence on participants' attitudes toward the advertisement when they are highly-motivated, that is to say, when there are numbers of RAs. To be specific, emotion-valence and layout concentration have a cross-effect on attitudes. When the advertisement conveys simple emotion, such as pleasure or sorrow, participants prefer dispersive type setting; but when the advertisement conveys complicated emotion, such as being tragicomic, they prefer intensive type setting.

We can, so far, summarize the influences of RR and RA in charts and graphs according to previous experiments as following:

Figure 1. Factors on Resources Allocated and Resources Required

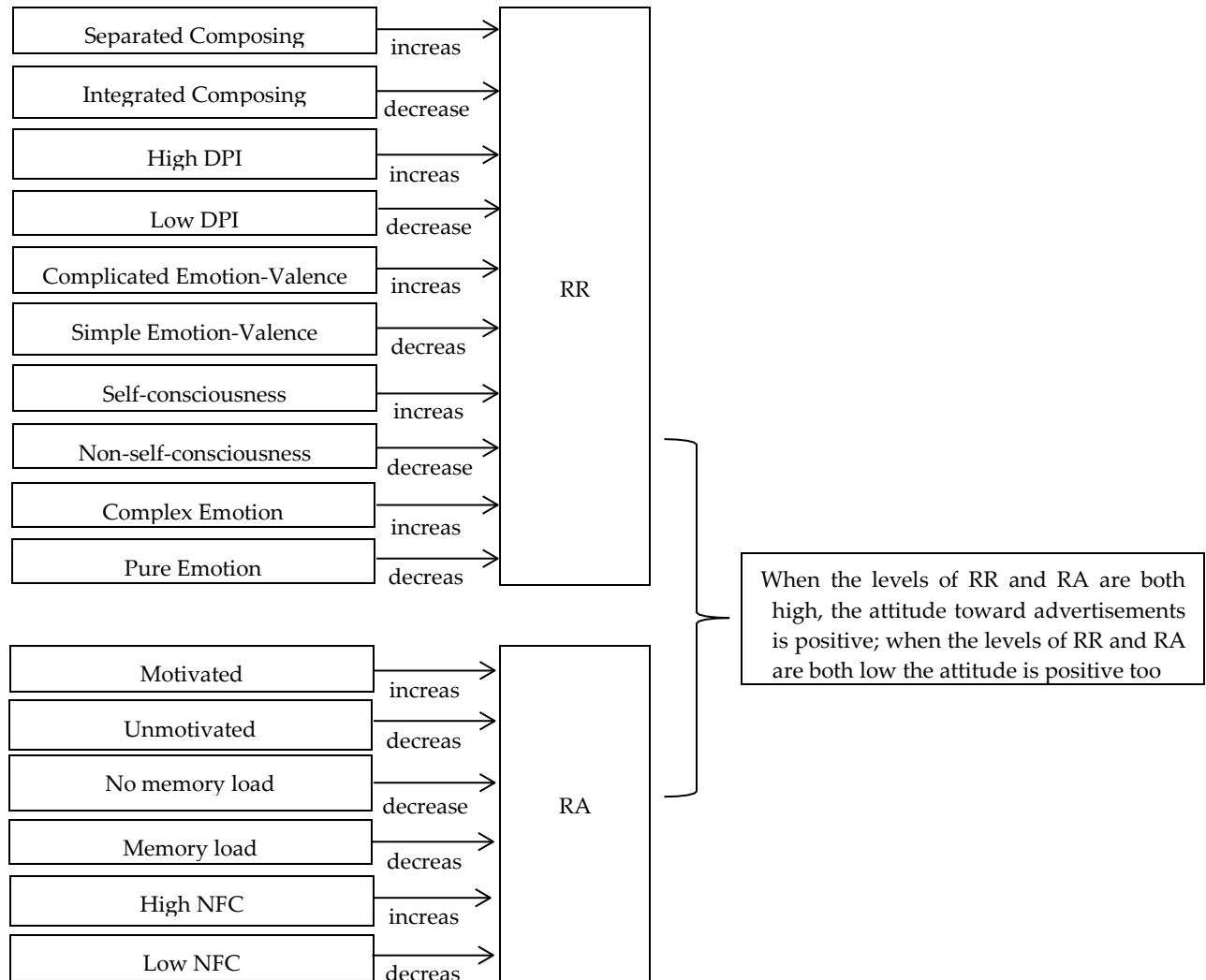


图1 可用认知资源 (RA)、所需认知资源 (RR) 影响因素

In conclusion, we propose the hypotheses below:

H1: The degree of simple emotional valence has an influence on one's attitude toward advertisements.

H2: The emotion self-consciousness has an influence on attitudes toward the advertisement.

H3: In the influence of the degree of simple valence on attitudes toward the advertisement, the participants' motivation plays a role in adjustment.

H3a: When the participant is highly-motivated, a more positive attitude will be developed toward advertisements whose copywriting has a more complicated emotion, therefore the purchase intention will be increased.

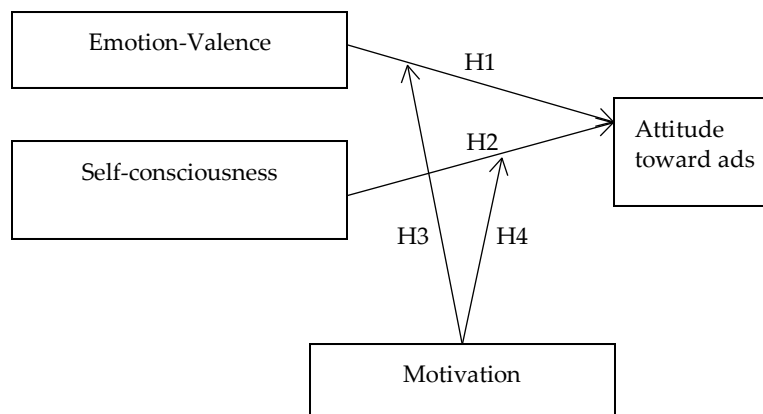
H3b: When the participant is low-motivated, a more positive attitude will be developed toward advertisements whose copywriting has a simpler emotion, therefore the purchase intention will be increased.

H4: In the influence of the emotion of self-consciousness on attitudes towards the advertisement, the participants' motivation plays a role in adjustment.

H4a: When the participant is highly-motivated, a more positive attitude will be developed toward advertisements which can raise self-consciousness, therefore the purchase intention will be increased.

H4b: When the participant is low-motivated, a more positive attitude will be developed toward advertisements which cannot raise self-consciousness, therefore the purchase intention will be increased.

Figure 2. Hypothesis model



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Research Methods

Experimental design

The research includes two 2*2 between-subject experiments. The participants' level of RA is controlled by situation setting through controlling their motivation. In the experimental background introduction text above, two methods are used to improve the participants' motivation at the same time as reading advertising materials: strengthening the relevance between participants and the experiment and giving virtual material rewards.

Table 1 Experiment 1 independent variable design

		RR	
		Emotion-Valence	
		Complicated	Simple
RA	Motivated	situation 1	situation 2
	Unmotivated	situation 3	situation 4

Table 2. Experiment 2 independent variable design

		RR	
		Self-consciousness	
		Self-consciousness	Non self-consciousness
RA	Motivated	situation 1	situation 2
	Unmotivated	situation 3	situation 4

Table 3. Dependent variable scale

Attitude towards the advertisement	Items	Literature
	The advertisement makes me happy.	'Does Attitude toward the Ad Endure The Moderating Effects of Attention and Delay', Amitava Chattopadhyay and Prakash Nedungadi, 1992
	It is a good advertisement.	
	The advertisement is likeable,	
	It is an interesting advertisement.	

Hypothesis testing

Experiment 1 mainly tests hypothesis H3 which can be subdivided into hypothesis H3a and H3b, exploring the influence of the degree of simple emotional valence and motivation on attitudes toward the advertisement.

H3: In the influence of the degree of simple valence on attitudes toward the advertisement, the participants' motivation plays a role in adjustment.

H3a: When the participant is high-motivated, a more positive attitude will be developed towards advertisements whose copywriting has a more complicated emotion, therefore the purchase intention will be increased.

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H3b: When the participant is low-motivated, a more positive attitude will be developed toward advertisements whose copywriting has a simpler emotion, therefore the purchase intention will be increased.

The comparison between average scores of dependent variable in situation 1 and situation 2 is used to test H3a: When the participant is highly-motivated, a more positive attitude will be developed toward advertisements whose copywriting have a more complicated emotion, therefore the purchase intention will be increased. It shows that the influence reaches a significant level($p < 0.05$), therefore H3a is proved.

Table 4. H3a paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	Situation 1 Situation 3	-.346	.227	.093	-.584	-.108	-3.73	5	.014

The comparison between average scores of dependent variables in situation 3 and situation 4 is used to test H3b: When the participant is low-motivated, a more positive attitude will be developed toward advertisements whose copywriting has a simpler emotion, therefore the purchase intention will be increased. It shows that the influence reaches a significant level ($p < 0.05$), therefore H3b is proved.

Table 5. H3b paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	Situation 2 Situation 4	-.383	.087	.036	-.474	-.291	-10.75	5	.00012

Experiment 2 mainly tests hypothesis H4 which can be subdivided into hypothesis H4a and H4b, exploring the interaction between the emotion self-consciousness and motivation on attitudes toward the advertisement.

H4: In the influence of the emotion self-consciousness on attitudes toward the advertisement, the participants' motivation plays a role in adjustment.

H4a: When the participant is highly-motivated, a more positive attitude will be developed towards advertisements which can raise self-consciousness, therefore the purchase intention will be increased.

H4b: When the participant is low-motivated, a more positive attitude will be developed towards advertisements which cannot raise self-consciousness, therefore the purchase intention will be increased.

The comparison between average scores of dependent variables in situation 1 and situation 2 is used to test H4a: When the participant is highly-motivated, a more positive attitude will be developed toward advertisements which can raise one's self-consciousness, therefore the

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purchase intention will be increased. It shows that the influence reaches a significant level ($p < 0.05$), therefore H4a is proved.

Table 6. H4a paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	Situation 1 Situation 3	-.314	.115	.0468	-.434	-.194	-6.71	5	.001

The comparison between average scores of dependent variables in situation 3 and situation 4 is used to test H4b: When the participant is low-motivated, a more positive attitude will be developed toward advertisements which cannot raise one's self-consciousness, therefore the purchase intention will be increased. It shows that the influence reaches a significant level ($p < 0.05$), therefore H4b is proved.

Table 7. H4b paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	Situation 2 Situation 4	-.208	.059	.024	-.270	-.146	-8.65	5	.000

H1: The degree of simple emotional valence has an influence on one's attitude toward advertisements.

We can summarize the data in experiment 1 situation 1 (high-motivation*complicated emotion) and experiment 1 situation 1 (low-motivation*complicated emotion) and average out to represent the situation when the copywriting of the advertisement has a complicated emotion; likewise, the situation when the copywriting of the advertisement has a simple emotion can be represented by summarizing the data in experiment 1 situation 2 (high-motivation*simple emotion) and experiment 1 situation 4 (low-motivation*simple emotion) and averaging it. Through comparing two pairs of data after being processed, can informed on the influence of the degree of emotional valence on attitudes toward the advertisement, thus proving or contradicting hypothesis H1. By paired-sample T test using SPSS 22, the influence does not reach a significant level ($p < 0.05$) as shown below, therefore H1 is unconvincing.

Table 8 H1 paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	Situation1+3 Situation2+4	.093	.154	.063	-.069	.254	1.48	5	.199

表8 H1成对样本检定

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H2: The emotion self-consciousness has an influence on attitudes toward the advertisement.

We can summarize the data in experiment 2 situation 1(high-motivation*raising self-consciousness) and experiment 2 situation 3(low-motivation*raising self-consciousness) and average out to represent the situation when the copywriting of the advertisement can raise one's self-consciousness; likewise, the situation when the copywriting of the advertisement cannot raise one's self-consciousness can be represented by summarizing the data in experiment 2 situation 2(high-motivation*not raising self-consciousness) and experiment 2 situation 4(low-motivation*not raising self-consciousness) and averaging it. By comparing two pairs of data after being processed, it is possible to know the influence of the existence of the emotion self-consciousness on attitudes toward the advertisement, thus proving or contradicting hypothesis H2. By paired-sample T test using SPSS 22, the influence does not reach a significant level ($p < 0.05$) as shown below, therefore H2 cannot be well proved.

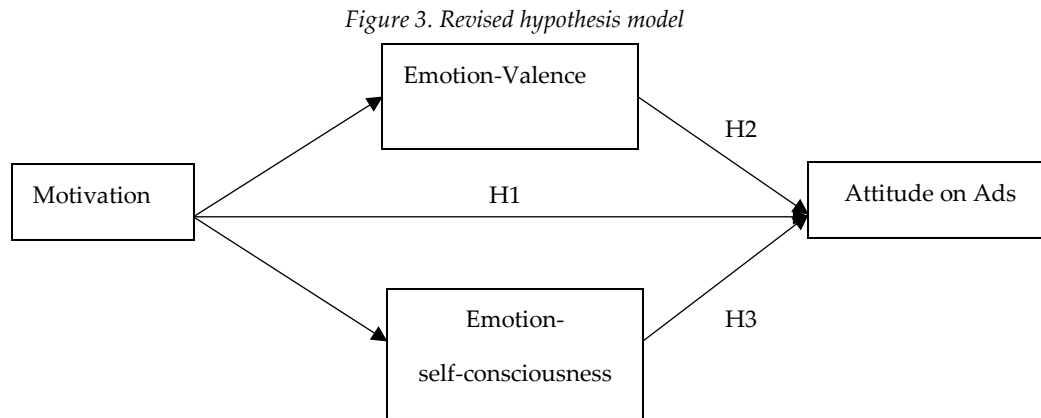
Table 92. H2 paired comparison test

		Paired difference					T	df	Significance(two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	Situation1+3 Situation2+4	-.025	.088	.036	-.117	.067	-.69	5	.521

Research findings

Model updating

When emotional valence or self-consciousness works on attitudes toward the advertisement solely, there is no significant correlation ($p < 0.05$). Only when motivation is involved, the influence can reach a significant level. It shows that motivation is not a moderating variable between emotional valence and self-consciousness, but probably a partial intermediary variable. So far, the hypothesis model can be updated as:



The updated alternative hypotheses are:

H1 Motivation has an influence on attitudes toward the advertisement.

H2 Complicated emotional valence acts as a partial mediator when motivation influences attitudes toward the advertisement.

H3 Self-consciousness acts as a partial mediator when motivation influences attitudes toward the advertisement.

Among them, H1 can be proved by averaging the data from situation 1 and situation 2 in experiment 1 or 2 and comparing it with situation 3 and situation 4. By paired-sample T test using SPSS 22, we can get results below. Therefore, H1 is tenable ($p < 0.05$).

Experiment 1:

Table 10. H1 paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	moti moti	-.364	.125	.051	-.495	-.234	-7.17	5	.0008

Experiment 2:

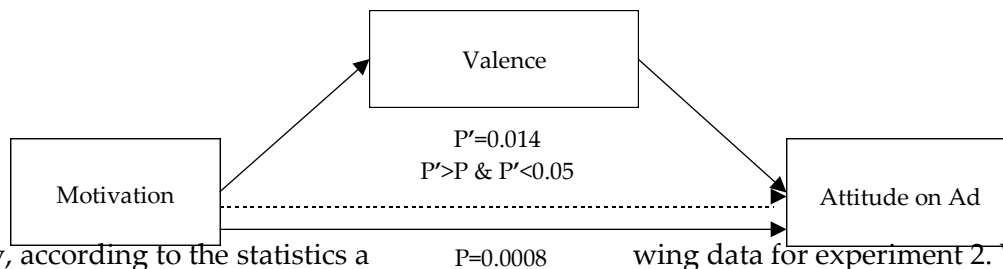
Table 3. H1 paired comparison test

		Paired difference					T	df	Significance (two-tailed)
		Average	Standard deviation	Standard error of mean	95% confidence interval of difference				
					Lower limit	Upper limit			
Pair 1	moti moti	-.261	.080	.033	-.345	-.178	-8.05	5	.00048

由前文数据统计可知，对于实验一，有如下数据。加入复杂的情绪效价时，P'比积极性单独作用时大。因此复杂的情绪效价在积极性对广告态度的影响中，起到部分中介效应。因此H2得证。

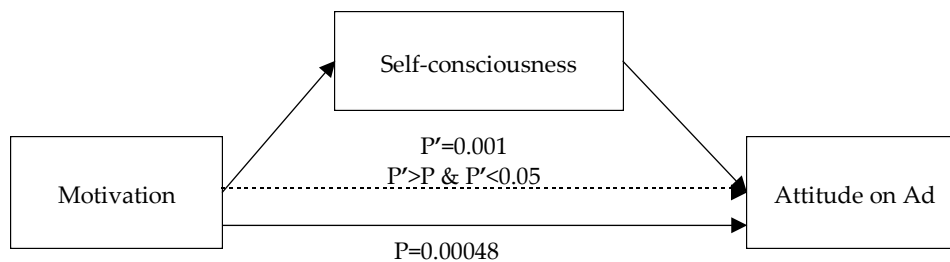
According to the statistics above, there is the following data for experiment 1. When complicated emotional valence is involved, P' is bigger than the circumstance that motivation takes effect solely. Therefore, complicated emotional valence acts as a partial mediator when motivation influences attitudes toward the advertisement. In consequence, H2 is proved.

Figure 4. Emotional valence as partial mediator



Similarly, according to the statistics a wing data for experiment 2. When the emotion-self-consciousness is involved, P' is bigger than the circumstance that motivation takes effect solely. Therefore, self-consciousness acts as a partial mediator when motivation influences attitudes toward the advertisement. In consequence, H3 is proved.

Figure 5. Self-consciousness as partial mediator



So far, the new hypothesis model is proved.

Summary and discussion

The new hypothesis model can be explained by the Resource Matching Theory.

Motivation (representing RA) has a significant effect on attitudes toward the advertisement, however, the complexity degree of emotional valence and self-consciousness (representing RR) does not influence attitudes significantly. In addition, attitudes will deteriorate if audiences are highly-motivated because of the complex degree of emotional valence and self-consciousness are involved; vice versa. Furthermore, when complicated emotional valence is involved, though motivation still has a significant influence on attitudes toward the advertisement, its significance will reduce; while the significance is not obvious when simple emotional valence is involved. This phenomenon indicates that the impacts of self-consciousness itself turn out to be small, and it only has a significant influence by the cross-effect with motivation. Therefore, attitude changes cannot be predicted exactly only by RR, namely the complexity degree of emotional valence and self-consciousness; and only when RA, namely motivation, is involved, the attitude can be predicted according to Resource Matching Theory. In other words, only in the condition that RR is equal to RA, the attitude can be influenced significantly.

The research proves the applicability of the 'Resource Matching Theory' in cruise tourism advertising by operating experiments. Only when consumers are exposed to appropriate advertisements under the appropriate circumstances, positive attitudes toward the advertisement can be developed.

Moreover, the significant influence of motivation is mentionable. Advertisement designers can consider information that matters to consumers and to deliver pertinent content to improve motivation so that advertising effects can be optimized.

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