

# ADVANCES IN BUSINESS-RELATED SCIENTIFIC RESEARCH JOURNAL



ISSN 1855-931X

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## VOLUME 5 (2014), NUMBER 1

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<p>ABSRJ - mednarodna znanstvena revija  ADVANCES IN BUSINESS RELATED SCIENTIFIC  RESEARCH JOURNAL</p> <p>ISSN 1855-931X</p>	<p><i>Copyrights: GEA College – Faculty of  Entrepreneurship</i>  <i>Editor: Bostjan Antoncic</i>  <i>Issued and published by: GEA College – Faculty  of Entrepreneurship, Kidricevo nabrezje 2, SI-  6330 Piran, Slovenia</i>  <i>Volume (Year): 5 (2014)</i>  <i>Number: 1</i>  <i>Electronic publication:  www.absrc.org</i>  <i>Number of issued CDs: 200</i></p>
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ISSN 1855-931X

## ENVIRONMENTAL UNCERTAINTY, MARKET-ORIENTATION STRATEGY, AND ORGANIZATIONAL STRUCTURE IN CHINA'S APPAREL RETAIL STORES

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### Abstract

The research purpose was to examine relationships among Chinese apparel retail stores' market-orientation (MO) strategies, organizational structure, and environmental uncertainty as perceived by the managers. A total of 227 store managers completed a questionnaire. Data indicated that Chinese apparel retailers have implemented MO strategies to some extent under organizational structures that are fairly formalized and centralized and even more specialized. After factor analysis, we tested three hypotheses using structural equation modeling. We found that two aspects of environmental uncertainty significantly affect all four MO strategies and, in three of the four tested cases, structural specialization and formalization. We also found significant effects of formalization on one MO strategy and of specialization on three MO strategies.

**Keywords:** Market orientation, Organizational structure, Apparel retailing, China

**Topic Groups:** Industry, area or region specific studies, Business strategy, Change management and organizational development

**JEL Classification:** M30, L81, M10

## INTRODUCTION

Business managers today make decisions under environmental uncertainty arising from changes such as rapid globalization, volatile customer expectations, and escalating competition. The winds of change are strong in China, whose dynamic economy is opening progressively to foreign competition, posting fast expanding consumer incomes, and transforming from a command economy to a market economy with firms pushed to reconfigure their organizations and develop new skills, especially in marketing, to meet market demands (Kshetri, 2009). This raises questions about relationships among environmental uncertainty, organizational structure, and market orientation in Chinese companies. The present exploratory study addresses those questions with respect to Chinese apparel retailers. Our objectives were to determine (a) the effects of environmental uncertainty on such retailers' organizational structure and market-orientation strategies; and (b) effects of the organizational structure on the market-orientation strategies. Previous research on these issues primarily concerns Western non-retail businesses.

Market orientation (MO) can help firms achieve superior performance through understanding and responding to customer needs (Kirca et al., 2005). Despondé and Webster (1989) defined MO as an organizational culture with shared values and beliefs that put customers first in business planning. Kohli and Jaworski (1990) identified the basic behavioral MO strategies: generation of market intelligence relevant to current and future customer needs; organization-wide dissemination of the intelligence; and the design and implementation of responses to the intelligence. Kohli and Jaworski also proposed factors (e.g., organizational structure, market turbulence, competitive intensity) that may influence MO and relationships with other variables.

MO research is extensive (Kirca et al., 2005). Manufacturers have dominated the samples, but retailers have received increasing attention. Most studies exclude apparel retailers or include them in broad retail samples without reporting product-specific results (e.g., Elg, 2003; Harris, 2000). Elg (2007) argued that MO is more complex in retailing than manufacturing because (a) retailers consider product ranges, services, and facilities in deciding offerings; (b) store design and operation incorporate numerous variables such as product presentation and checkout service; (c) store location affects visibility and relationships with local markets; and (d) retailer-supplier relationships affect the quality, prices, timeliness, and brand image of retailers' products. Azuma (2004) emphasized MO uniqueness in fashion retailing: The currently prevalent short product cycles cause short-term MO horizons, and competitive advantage in the turbulent, fiercely competitive fashion market depends on innovatively monitoring and copying competitors. Such fierce competition exists in apparel retailing in China today (Guild & Hu, 2011).

The samples in MO research on retailing represent large to small firms and various countries. Many issues are examined. Some involve internal MO (the use of marketing techniques to align organizational services with customer needs) and effects on financial performance and customer satisfaction (e.g., Lings & Greenley, 2010). Others involving firms' inner workings relative to MO include organizational size, structure (e.g., centralization), systems (e.g., manager, employee behavior), and innovation (e.g., Harris, 2000; Sternquist et al., 2010). Scholars have also analyzed retailer-supplier MO relationships (e.g., Chang et al., 2011; Elg, 2003, 2007; Sternquist et al., 2010) as well as MO effects on financial performance, customer retention, and product quality and success (e.g., Hwang & Norton, 2010; Medina & Rufin, 2009). Only the work on relationships between MO and organizational structure directly relates to our study. The studies of Chinese retailing (Chang et al., 2011; Sternquist

et al., 2000, 2010) indicate MO adoption, but address neither apparel retailing nor relationships examined in our study.

With China's retail market opening steadily to global competition and its increasing emphasis on domestic consumption, Chinese retailers realize the need to modernize, innovate, and raise standards. Although Chinese companies have quickly learned MO from foreign firms (Cao & Hansen, 2006), they tend to be weak in marketing and MO (Kshetri, 2009).

## **THEORETICAL FRAMEWORK**

Our theoretical framework for examining relationships among environmental uncertainty, organizational structure, and MO strategies in Chinese apparel retailing (see Figure 1) is based on contingency theory and the resource-based view in strategic management theory, a theory combination Pertusa-Ortega et al. (2010) found useful in analyzing environment–structure–strategy relationships. Contingency theory holds that contingency factors determine the characteristics of organizational structure (Pertusa-Ortega et al., 2010). Contingency factors also influence the strategies chosen. Organizational structure refers to a firm's conceptual and functional framework and its resource configuration; strategy refers to the firm's vital missions, goals to be achieved, and principal uses of its resources (Hall & Saias, 1980). The focal strategies in our study are the previously indicated behavioral MO strategies.

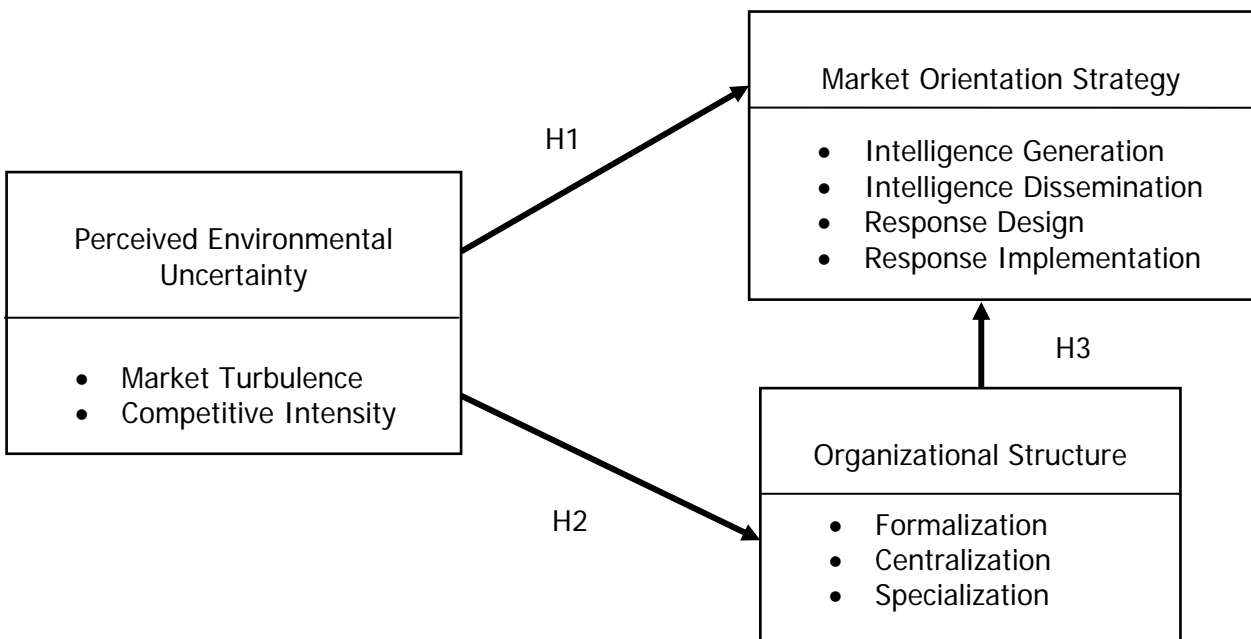
Theorists (e.g., Kohli & Jaworski, 1990) have posited associations between MO and three dimensions of organizational structure: formalization, centralization, and specialization. Formalization is the extent to which rules define authority relations, communication, norms, sanctions, and procedures (Hall et al., 1967). Centralization involves the degree of delegation of decision-making authority within an organization (Aiken & Hage, 1968). Specialization, or departmentalization, refers to the number of departments into which organizational activities are separated (Jaworski & Kohli, 1993). Scholars have also delineated mechanistic and organic structures. The former has vertical hierarchies and interaction, limited decentralization, many departments, procedures, and rules, and considerable formalization. Rich horizontal integration and less rigidly defined methods, duties, and power describe organic structure (Marsden et al., 1994). Chinese firms reportedly have hierarchical, or mechanistic, cultures (Kirca & Hult, 2009). Contingency factors that affect organizational structure and strategy include the complex of conditions in the external environment. Those we consider are competitive intensity and market turbulence in Chinese apparel retailing. Environmental uncertainty from these two factors influences MO and relationships with other variables (Kohli & Jaworski, 1990).

## **LITERATURE REVIEW AND HYPOTHESES**

To remain competitive in uncertain and dynamic environments, firms must anticipate changes in their external marketing environments and stand ready to adapt business activities accordingly (Johnston et al., 2008). Davis et al. (1991) found that perceived environmental turbulence is positively related to a firm's MO level. Kohli and Jaworski (1990) noted that the more competitive a firm's operating environment, the more likely the firm will be market oriented. Diamantopoulos and Hart (1993) found competitive intensity to be a key environmental variable because customers in highly competitive business environments have several options for satisfying their needs and wants. In such environments, firms tend to increase their sensitivity and responsiveness to customer needs (Lusch & Laczniak, 1987). Pelham and Wilson (1996) found, however, that market dynamism and competitive intensity

do not affect the degree of MO in small firms, implying that MO is not critical under some conditions. In addition, factors acting as antecedents to MO in one country may neither facilitate nor inhibit a firm's MO in others (Burgess & Nyajeka, 2006). On the basis of the literature, we hypothesized (H1) positive effects of perceived market turbulence and competitive intensity on each behavioral MO strategy (i.e., intelligence generation and dissemination and response design and implementation), partly due to the argument by Davis et al. (1991) that environmental changes not only create need for entrepreneurial and market orientations, but also drive them.

**Figure 1:** Theoretical Framework



Researchers investigating organizational adaptation from a contingency perspective have found that the external environment has considerable influence on organizational structure. (e.g., see Hrebiniak & Snow, 1980). Several studies (e.g., Huber & Daft, 1987) have shown that environmental uncertainty affects organizational structure and processes. The level of environmental turbulence is critical to firms' survival and growth. Unfavorable and hostile environments challenge even those firms with flexible structures and responsiveness to environmental changes (Covin & Slevin, 1989). On the basis of the literature, we hypothesized (H2) that perceived market turbulence and competitive intensity has positive effects on each dimension of organizational structure (i.e., formalization, centralization, and specialization).

Kohli and Jaworski (1990) found that centralization deters MO, but formalization and departmentalization have no impact on MO. Burgess and Nyaheka's (2006) research showed no effect of formalization, departmentalization, or centralization on MO. Harris (2000) found a negative relationship between MO and centralization in retailing. Matsuno et al. (2002) found a negative effect of departmentalization, but no effect of formalization and centralization, on MO. Deshpandé and Zaltman (1982) posited an inverse relation between utilization of market intelligence and both formalization and centralization. Stampfl (1978) proposed that both formalization and centralization are inversely related to a firm's responsiveness. Drawing on numerous studies, Zaltman et al. (1973) argued that

formalization, specialization, and centralization may all be inversely related to intelligence generation and dissemination as well as response design, but positively related to response implementation. On the basis of the literature, we hypothesized (H3) that each of the three dimensions of organizational structure (i.e., formalization, centralization, and specialization) negatively affects the intelligence generation and dissemination and response design MO behavioral strategies, but positively affects response implementation.

### **SAMPLING AND DATA COLLECTION**

Primary data collection was accomplished with a self-administered questionnaire sent to top managers of apparel retail stores in five major cities in China: Beijing, Guangzhou, Qingdao, Shenzhen, and Tianjin. We obtained permission for research with human subjects from the institutional review board at one of our universities before any data collection. A minimum of about 200 respondents was needed for the structural equation model technique used in data analysis. On the basis of previous research (e.g., Crawford-Welsch, 1990), we expected a response rate of 20-25%, a rate requiring a target sample of about 500. We sent the questionnaire and a cover letter to 500 stores drawn randomly from the China Business Directory, China Yellow Pages, White and Yellow Pages China, and China Chain Store and Franchise Association.

The questionnaire and cover letter were written in English, translated into Chinese, and back translated into English to avoid loss of meaning. The questionnaire and cover letter were sent by e-mail or by mail with postage-paid return envelopes to stores without e-mail addresses. Questionnaires could be returned by e-mail or mail. Dillman's (1978) total design method was used to increase the response rate. Two weeks after the initial mailing, a reminder postcard was sent to each store, followed by re-mailing the entire package to store managers who did not respond within two weeks of the initial mailing. The questionnaire contained scales to measure the research variables and request demographic information on respondents and their stores.

### **RESEARCH METHODOLOGY AND CONSTRUCT DEVELOPMENT**

Two scales with four and five items respectively were used to measure perceived market turbulence and competitive intensity, with response from strongly disagree (1) to strongly agree (5). The market-turbulence items, adapted from Jaworski and Kohli (1993), addressed the perceived degree of change over time in a store's customers and their preferences or purchase criteria. The competitive-intensity items, adapted from Khandwalla (1977), addressed the perceived degree of competition in Chinese apparel retailing. Lawrence and Lorsch (1967) argued that perception of competition, not the actual level of competition, influences managers' decisions in response to their firms' operating environment. Other questionnaire items measured three dimensions of organizational structure and four MO strategies. Specialization was measured with four items adapted from Khandwalla (1974) and Pugh and Hickson (1976), each with a 5-point scale between two polar statements to complete the phrase "In general, the management philosophy in my store favors." Formalization and centralization were each measured with three items adapted from scales developed by Aiken and Hage (1968) and Ferrell and Skinner (1988), with response from strongly disagree (1) to strongly agree (5). The following MO strategies were measured with items adapted from Jaworski and Kohli (1993): intelligence generation (3 items), intelligence dissemination (5 items), and response design and implementation (3 items each), with response from strongly disagree (1) to strongly agree (5).



The preliminary questionnaire was pilot tested with 10 Chinese apparel retail store managers, 2 faculty members at a Chinese university, and 1 faculty member at a U.S. university who recommended changes to it. The changes were made before primary data collection. The data analysis and results are described in the Results section that follows.

## RESULTS

### Sample, Mean Scores for the Variables, and Assessment of Common Method Bias and Reliability and Validity

We received 227 completed questionnaires (45.4% response rate), mainly from presidents (53.3%), assistant managers (26.0%), and managers (20.7%). Many of the stores (50%) opened over 2007-2009, the others over 2000-2006. Most stores (67%) had less than 10 employees. The overall mean score for perceived market turbulence is 3.72; that for perceived competitive intensity is 3.91. The overall mean score for the intelligence-generation MO strategy is 3.44, that for intelligence dissemination is 3.85, that for response design is 3.88, and that for response implementation is 4.22. For organizational structure, the overall means for formalization ( $m = 2.89$ ), centralization ( $m = 2.75$ ), and specialization ( $m = 3.54$ ) suggest that the structures of respondents' stores are fairly formalized and centralized and even more specialized. This picture fits the reputation of hierarchical, mechanistic structures in Chinese businesses.

Because our data are from one respondent per store, we tested for common method bias following Podsakoff and Organ (1986). Results from correlation and principal components factor analyses showed no evidence of such bias. To assess reliability, we first calculated Cronbach alpha unidimensional reliability scores for each measurement scale. Cronbach alpha value of .70 is a commonly used threshold value for acceptable reliability, although not an absolute standard; values below .70 are considered acceptable in exploratory research like ours (Fornell & Larcker, 1981). We found Cronbach alphas of 0.79, 0.85, and 0.67, respectively, for the environmental-uncertainty, MO, and organizational-structure scales, indicating reasonably good reliability.

Composite reliability (CR) and convergent and discriminant validity (CV, DV) were assessed following Fornell and Larcker (1981). CR values above .60 indicate acceptable reliability. The CR values we found for the MO, organizational-structure, market-turbulence, and competitive-intensity scales ranged from .62 to .95, indicating acceptable composite reliability. Average variance extracted (AVE) was used to assess CV and DV. AVE value of .50 or more indicates convergent validity. AVE values we found for the four scales ranged from .55 to .71, indicating convergent validity. DV was assessed by comparing the square root of AVE to the correlation between constructs. Discriminant validity is indicated when the square root of AVE exceeds the correlation between constructs. Results indicated discriminant validity for each of the four scales.

### Factor Analysis

Exploratory factor analysis with varimax rotation was performed on the data for the two aspects of perceived environmental uncertainty, the three dimensions of organizational structure, and the four MO strategies to extract the relevant latent variables. Factor analysis was found appropriate with KMO values of .662 for environmental uncertainty, .679 for organizational structure, and .703 for MO, along with statistical significance ( $p = .001$ ) of

each value in Bartlett's test of sphericity. Eigen value of 1 or more was the criterion for selecting extracted factors.

Results revealed two environmental-uncertainty factors. Factor 1 (competitive intensity) includes four items with Cronbach alpha of .88, 38.1% of the variance explained, and loadings from .71 to .95. Factor 2 (market turbulence) includes four items with Cronbach alpha of .68, 26.1% of the variance explained, and loadings from .50 to .94. These results are partly due to moving three items between factors and deleting one item. Four MO factors were found. Factor 1 (intelligence generation) includes two items with Cronbach alpha of .79, 13.6% of the variance explained, and loadings from .67 to .85. Factor 2 (intelligence dissemination) includes six items with Cronbach alpha of .89, 30.5% of the variance explained, and loadings from .71 to .86. Factor 3 (response design) includes three items with Cronbach alpha of .78, 15.7% of the variance explained, and loadings from .63 to .88. Factor 4 (response implementation) includes two items with Cronbach alpha of .63, 12.4% of the variance explained, and loadings from .61 to .93. These results are partly due to moving two items between factors and deleting one item.

Three organizational-structure factors were found. Factor 1 (formalization) includes four items with Cronbach alpha of .91, 39.5% of the variance explained, and loadings from .74 to .92. Factor 2 (specialization) includes three items with Cronbach alpha of .71, 18.2% of the variance explained, and loadings from .68 to .86. Factor 3 (centralization) includes only one item with 16.9% of the variance explained; thus it was no longer considered. These results are partly due to moving three items between factors and deleting two items.

### **Overall Fit of the Measurement Model**

The overall fit of our measurement model was assessed by six absolute goodness-of-fit measures (chi square, chi square/degrees of freedom ratio, standardized root mean square residual, root mean square error of approximation, goodness-of-fit index, and goodness-of-fit index adjusted for the degrees of freedom); three incremental fit measures (normed, comparative, and incremental fit indices); and three parsimonious fit measures (parsimony goodness-of-fit, relative fit, and parsimony normed fit indices). Values found for those measures indicated that the model fits the data well and is a reasonably close approximation of the sample data. Space limitations preclude presentation of the detailed results here. The detailed results are available from the first author upon request.

### **Hypothesis Testing and Discussion of Results**

The three hypotheses were tested using structural equation modeling (SEM) and the data as modified according to the factor analysis. SEM allows simultaneous testing of the effects of exogenous constructs on endogenous constructs and of endogenous constructs on each other, as well as relationships among exogenous constructs. Our study includes two exogenous variables, the two aspects of perceived environmental uncertainty (market turbulence, competitive intensity); six endogenous variables, the four MO strategies (intelligence generation and dissemination, response design and implementation); and two dimensions of organizational structure (formalization, specialization). The correlation matrix for all the variables indicated that 24 of the 28 correlations between the constructs were statistically significant at  $p < 0.01$  or  $p < 0.05$ , fulfilling a pre-condition for SEM. Collinearity among the independent variables was assessed through variance inflation factors (VIF) and condition indices. The condition index for each independent variable is below 33, indicating

little or no collinearity. VIF for each independent variable is below the standard comparison score of 10, indicating no serious multicollinearity.

**Table 1:** Results of SEM estimation for hypothesis testing

Dependent variables	Independent variables	Estimate	Standard error	Critical ratio	$p$ value
<b><i>Market-orientation strategies</i></b>	<b><i>Environmental uncertainty</i></b>				
Intelligence generation	Market turbulence	.769*	.127	6.049	.001
Intelligence dissemination	Market turbulence	.654*	.087	7.482	.001
Response design	Market turbulence	.328*	.086	3.815	.001
Response implementation	Market turbulence	.500*	.108	4.642	.001
Intelligence generation	Competitive intensity	-.503*	.108	-4.669	.001
Intelligence dissemination	Competitive intensity	-.345*	.074	-4.658	.001
Response design	Competitive intensity	.363*	.073	4.980	.001
Response implementation	Competitive intensity	.866*	.091	9.486	.001
<b><i>Organizational-structure dimensions</i></b>	<b><i>Environmental uncertainty</i></b>				
Formalization	Market turbulence	-.161	.062	-2.586	.010
Specialization	Market turbulence	.880*	.057	15.515	.001
Formalization	Competitive intensity	-.853*	.048	-17.944	.001
Specialization	Competitive intensity	.253*	.043	5.849	.001
<b><i>Market-orientation strategies</i></b>	<b><i>Organizational-structure dimensions</i></b>				
Intelligence generation	Formalization	-.269	.094	-2.868	.004
Intelligence dissemination	Formalization	.102	.065	1.586	.113
Response design	Formalization	.092	.063	1.451	.147
Response implementation	Formalization	.325*	.080	4.087	.001
Intelligence generation	Specialization	-.450*	.103	-4.372	.001
Intelligence dissemination	Specialization	.037	.071	.524	.601
Response design	Specialization	-.254*	.070	-3.646	.001
Response implementation	Specialization	-.417*	.087	-4.781	.001

\*Significant at  $p < .001$ .

SEM results do not support hypothesis 1 as stated, but each aspect of perceived environmental uncertainty had significant effects on all four MO strategies. These include the hypothesized positive effects of competitive intensity on response design and implementation, indicating that the more (less) the perceived competitive intensity, the more (less) managers designed and implemented responses to market intelligence. However, competitive intensity negatively affected intelligence generation and dissemination; thus the more (less) the perceived competitive intensity, the less (more) managers gathered market intelligence and disseminated it in their stores. Market turbulence had positive effects on each of the four market-orientation strategies as hypothesized; thus, consistent with findings of Davis et al. (1991), the more (less) the perceived market turbulence, the more (less) the managers generated and disseminated market intelligence and designed and implemented responses to it (see Table 1).

SEM results do not support hypothesis 2 as stated, but perceived environmental uncertainty had significant effects on dimensions of organizational structure in three of the tested cases.

Both market turbulence and competitive intensity significantly and positively affected the degree of specialization as hypothesized, indicating that the more (less) the perceived market turbulence and competitive intensity, the more (less) the specialization within the stores. However, competitive intensity negatively affected formalization, indicating that the more (less) the perceived competitive intensity, the less (more) the formalization of authority lines. Market turbulence did not significantly affect the degree of formalization. Most of these findings agree with those of Hrebiniak and Snow (1980) and Huber and Daft (1987) in indicating significant influence of the external environment on organizational structure (see Table 1).

SEM results do not support hypothesis 3 as stated, but some significant effects of organizational- structure dimensions on MO strategies are evident. Although formalization did not significantly affect intelligence generation, intelligence dissemination, or response design, it significantly and positively affected response implementation. Thus, as hypothesized, the more (less) formal a store's structure, the more (less) the managers implement responses to market intelligence, a result consistent with the argument by Zaltman et al. (1973) that these variables are positively related. In addition, the degree of specialization had significant, negative effects on intelligence generation and response design and implementation as hypothesized in the first two cases, but had no significant effect on intelligence dissemination; thus the more (less) the departmentalization, the less (more) the intelligence generation and response design and implementation. These results agree with the finding by Matsuno et al. (2002) that specialization negatively affects MO and with the argument by Zaltman et al. (1973) that specialization is inversely related to intelligence generation and response design (see Table 1).

## **CONCLUSIONS, CONTRIBUTIONS, AND IMPLICATIONS**

Surveyed store managers perceived fairly high turbulence and competitive intensity in apparel retailing. This is not surprising given the booming growth and rising competition, including from foreign firms, in Chinese apparel retailing. In addition, surveyed managers have implemented MO strategies to some extent, perhaps reflecting Cao and Hansen's (2006) finding that Chinese firms have quickly learned MO strategies. The largely mid-range mean scores we found for MO strategies may suggest that surveyed managers are in transition toward increased MO levels, an advisable strategy under the intense competition in China's apparel retail market.

Past research on the relationships we examined has mainly focused on Western manufacturers, making it striking that our results largely agree with those in past studies. Examples are the mostly positive effects of environmental uncertainty on MO, implying increased MO activity in response to the uncertainty. Also striking is that the MO activity seems to occur under more mechanistic than organic organizational structures. The pattern found in extant research is that organic structure is most amenable to MO. This pattern may pertain more to Western businesses than to counterparts in Eastern countries like China where hierarchical structure is culturally embedded.

Although we found positive effects of competitive intensity and market turbulence on structural specialization, we found a negative or no effect of competitive intensity and market turbulence respectively on formalization. These results may imply that environmental uncertainty leads apparel store managers in China to, on one hand, increase specialization in their stores, perhaps to afford a finely grained view of market elements, and on the other

hand, loosen communication lines in their stores in the face of intense competition but maintain existing authority lines in the face of market turbulence, perhaps to ease dissemination of information that will help employees understand and respond to the competition but to provide stability as they deal with market changes. Our results also show that specialization negatively affects intelligence generation and the design and implementation of responses to the intelligence, but formalization positively affects the implementation of responses to the intelligence. These relationships may imply that isolation from spreading responsibility across departments makes it difficult to gather market intelligence and formulate and put into practice responses to the intelligence, but that well defined authority lines in a store facilitate the implementation of responses to market intelligence.

Implications of this research relate to the possibility that many apparel store managers in China are practicing market-orientation strategies under traditional mechanistic organizational structures. The increasing complexity and rapid change in China's apparel retail market may bring ever more challenges to traditional management systems. Managers of apparel retail stores in China may need to increase the flexibility of their organizations to raise the level of their market-orientation activity to be able to respond well to environmental changes in China's apparel retail market. Those who conduct future research on Chinese apparel retailing should examine this issue and look further into the implementation of market-oriented strategies and the relationship to their organizational structures.

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ISSN 1855-931X

## ENTREPRENEURSHIP, SOCIAL WELFARE, AND CULTURAL VALUES: YOUNG PEOPLE'S SOCIAL ATTITUDES IN FINLAND

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### **Abstract**

In this study, we analyze young people's attitudes toward entrepreneurship and social welfare in the Helsinki-Uusimaa region of Finland. The theoretical framework of this study is first linked to attitude research, in particular, Ajzen's (1991) theory of planned behavior. The second perspective of the study derives from the theory of cultural values. Third, the analysis is based on discussions of the welfare state and social values. We ask, what social psychological and societal factors explain young people's entrepreneurial intentions? Survey data (N=725) was collected in electronic format from high schools and vocational schools. The questions were mainly multiple-choice Likert-scale questions, and the analysis was performed using statistical methods. The results show that the relationship among welfare attitudes, cultural values, and entrepreneurial intention is complex in the Finnish context. The results are mainly consistent with the theory of planned behavior.

**Keywords:** Entrepreneurial attitudes, Entrepreneurial intention, Scandinavian welfare state, Theory of planned behavior

**Topic Groups:** Entrepreneurship

**JEL Classification:** L26, M13, I30



## 1 INTRODUCTION

In recent years, entrepreneurship has been highlighted at the national and regional level in Finland as well as in many other countries. According to the Flash Eurobarometer 283 (2009) survey and the Global Entrepreneurship Monitor survey (Stenholm et al., 2011), entrepreneurship among the Finnish population is lower than in many other European countries. Why is this so?

This article analyzes two possible theoretical explanations for low entrepreneurial willingness in Finland. First, we assume the reason may be associated with cultural values. In this study, cultural values are examined based on Triandis and Gelfand's (1998) individualism and collectivism studies. The second explanation is connected to the Finnish welfare state and its societal values. We will examine from the perspective of entrepreneurial orientation whether the welfare state also has possible negative psychological consequences.

The key concept of this study is entrepreneurial intention, which means a person's intention to work as an entrepreneur in the future. Intent is connected not only to the desire to work as an entrepreneur but also to aspiration toward entrepreneurship. This study examined entrepreneurial intention from a theoretical attitude and theoretical value approach. One starting point is Ajzen's (1991) theory of planned behavior. However, attitudes and values were as societal concepts.

## 2 THE FINNISH WELFARE STATE AS A COMBINATION OF INDIVIDUALISM AND COMMON RESPONSIBILITY

Since the Second World War, Finnish governments have emphasized a welfare policy that is based on the linchpin role of the state. In practice, Finland has produced an institutionalized societal system, called the "Nordic Welfare State" (Ervasti et al., 2008). The term "Nordic Welfare State" refers to a broad social political system where the state has a central role as the producer of welfare (Esping-Andersen, 1990; Alestalo et al., 2009). The state strives to achieve a good society by providing everyone equal opportunities for education and health care among other things, regardless of people's geographical or social reference group.

The Nordic Welfare State is grounded in the notion of universal welfare services (Anttonen and Sipilä, 2012). The Nordic Welfare States are high-trust countries, where collective actions are seen as favorable (Nannestad, 2008). Kumlin and Rothstein (2005) claim that the correlation between the collective trust and the welfare state is causal in the sense that the welfare state produces mutual trust among people. However, Bergh and Bjørnskov (2011) argue that the high level of generalized trust is the element that enables the creation of the welfare states. However, in both theories, the idea of common responsibility is seen as the key factor in explaining the creation of welfare states. In that sense, it may be assumed that Nordic Welfare States are based on collective values.

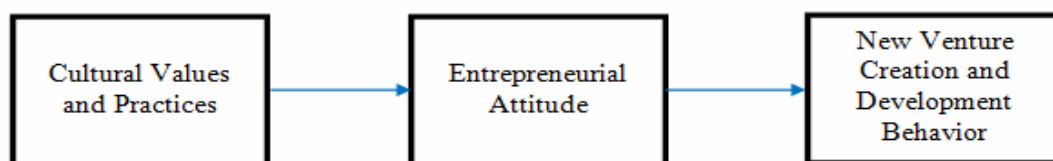
In spite of the Finnish tendency to collective trust, Finland is seen an individualistic culture. That can be explained by Triandis and Gelfand (1998), who distinguish between two forms of individualism. Horizontal individualism includes the conception of an autonomous individual and an emphasis on equality while vertical individualism accepts inequality and competition between individuals. Triandis and Gelfand argue that Nordic countries are typical samples of horizontal individualism. Consistent with this, according to the Hofstede Centre's measurement (2013), Finland is an individualistic country.

Overall, Nordic social values are a compromise between collectivism and individualism (Patomäki, 2007). From that perspective, the issue of entrepreneurship is approached in this paper. The relation between cultural values and entrepreneurial intention is complex. Some researchers (e.g. Mueller and Thomas, 2000; Lindsay, 2005) argue that there is a positive dependence between individualism and entrepreneurial orientation. However, Kreiser et al. (2001), for instance, have shown that too strong individualism is a reduction factor for entrepreneurship. It can also be assumed that the entrepreneurial orientation is associated especially with vertical individualism. In this study, we ask what the relationship is in the Finnish context.

### 3 ATTITUDES AS A RESEARCH OBJECT

In this study, entrepreneurial intention is approached not only from the perspective of cultural values but also in terms of attitude. According to Lindsay's (2005) model, cultural values affect entrepreneurial attitudes, and further, attitudes affect entrepreneurial behavior (see Figure 1).

**Figure 1:** Cultural model of entrepreneurial attitude and entrepreneurial behavior (Lindsay 2005)



Attitude can be understood in different ways; however, almost all definitions of attitude highlight that an attitude always has a target that is valued in some dimension (Eagly and Chaiken, 1993). Attitude is often understood as a personal trait or behavioral tendency. It may also be seen as a social and contextual concept (de Rosa, 1993).

There are also different ways to understand entrepreneurship attitude. In this study, entrepreneurship attitude means attitude whose target is entrepreneurship as a general mind. Traditionally, attitude research has specifically examined general attitudes. However, several social psychological studies have shown that there is only minor correspondence between attitudes and external behavior. General attitudes do not explain behavior in specific situations. Ajzen and Fishbein (2000) argue that specific attitudes explain and predict behavior much better than general attitudes.

According to the theory of planned behavior, behavioral intention is affected by three components: attitude toward one's own behavior, subjective norm, and perceived behavioral control (Ajzen, 1991). Thus, young people's entrepreneurial intention is influenced by their personal appreciations of entrepreneurship, the expectations of their closest circle, and a person's own perception of his or her capacity as an entrepreneur. Subjective norm means a belief in how people in one's closest circle evaluate the acceptability of certain behavior. In the case of young people, social norms mean mainly normative expectations of parents, peer groups, and the professional field.

A perceived behavioral control is connected with how a young person estimates his or her own personal capacity to endure the different duties and responsibilities associated with

entrepreneurial activities and setting up an enterprise. The concept is based on Bandura's (1982) perceived self-efficacy. In addition, Bandura uses outcome expectation, which means how firmly young people believe they can succeed as an entrepreneur. According to Liñán and Chen (2009) the relative effect of attitude and perceived behavioral control on entrepreneurial intention differs by country. The effect of attitude is stronger in the individualistic countries, while the effect of perceived behavioral control is stronger in the less individualistic countries.

In addition to entrepreneurship attitudes, we analyze social welfare attitudes, which in this analysis refers to the attitudes that target social welfare: society's responsibility, people's own responsibility for their income and well-being, social services, customer relationship in social services, or some other object related to social welfare. Social welfare attitudes have been studied only a little. According to Muuri's (2008) attitude research, the Nordic welfare state system is still firmly supported by citizens in Finland.

#### **4 RESEARCH OBJECTIVE, RESEARCH QUESTIONS, AND HYPOTHESES**

This study targeted the Helsinki-Uusimaa region in Southern Finland. Geographically, Uusimaa covers only 3% of Finland's land surface but, from a population and industrial production viewpoint, represents about a third of Finland. The Uusimaa region consists of the Helsinki Metropolitan Area as well as smaller cities and rural areas. This study asked the following: How attractive do young people find the option of entrepreneurship? What social psychological factors explain young people's entrepreneurial intentions in Finnish society? Especially attitudes toward entrepreneurship and social welfare as well as cultural values were studied: What is the connection between entrepreneurial intention and social attitudes? Is there dependence between entrepreneurial intention and cultural values? Based on the theory of planned behavior, the following was asked: Can an entrepreneurial intention be explained on a subjective norm and a perceived control?

We tested the following hypotheses:

H1: *Entrepreneurial intention depends on entrepreneurship attitude, subjective norms, and perceived control.*

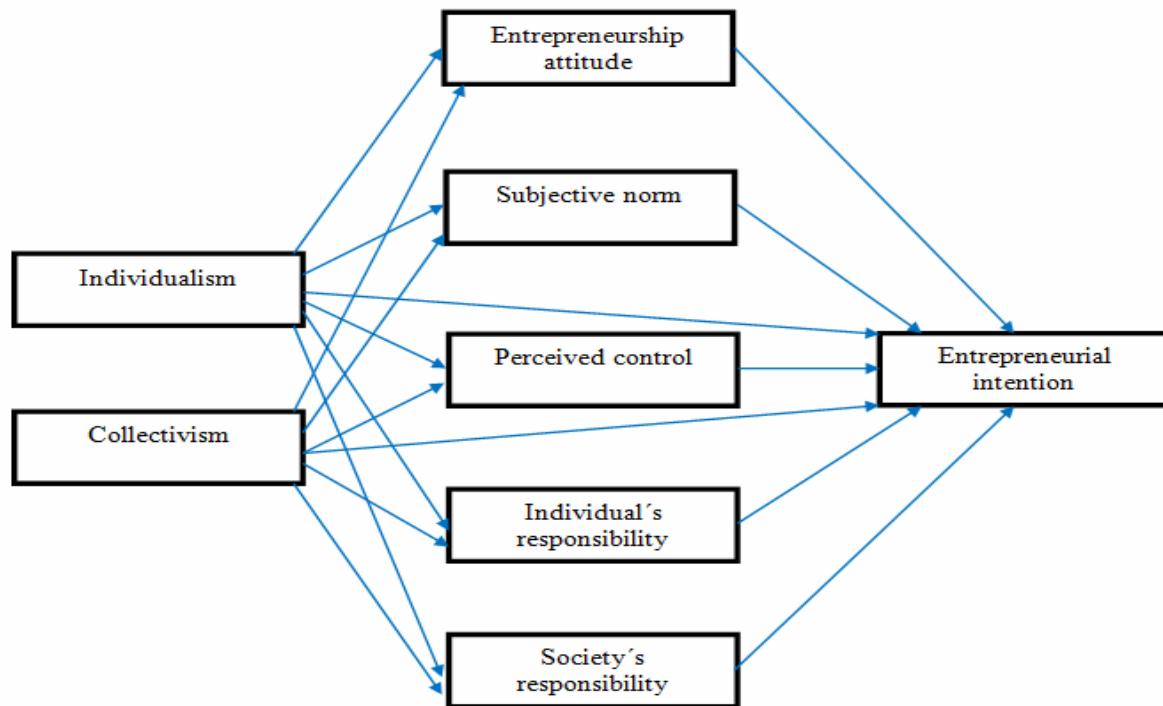
H2: *Entrepreneurial intention depends on cultural values, in particular individualistic and collectivistic values.*

H3: *Entrepreneurial intention depends on attitudes toward social welfare.*

H4: *The factors of entrepreneurial intention depend on cultural values, in particular individualistic and collectivistic values.*

We examined two kinds of social welfare attitudes: Attitudes relating to the emphasis on society's responsibility for social problems, and the other hand, attitudes relating to the emphasis on individual responsibility. The research design of the study is in accordance with Figure 2. In hypothesis 4, "the factors of entrepreneurial intention" refer to variables with a significant association with intention.

**Figure 2:** The research design in this study



## 5 SAMPLE, METHODS, AND VARIABLES

We collected data by using an electronic questionnaire in the Uusimaa region located in the southern part of Finland in January to February 2013. The respondents (N=725) were second-grade students in high schools and vocational schools. Most of the students were 17-18 years old. The questionnaire contained a total of 89 questions, the majority of which were Likert-type scale items (1= Strongly disagree,..., 5= Strongly agree). The questions were related to entrepreneurial intention, conceptions concerning entrepreneurship, entrepreneurship attitudes, social welfare attitudes, cultural values, subjective norm, perceived behavioral control, outcome expectation, etc.

The results were statistically analyzed. The sum variables were formed by using factor analysis (Generalized Least Squares, Varimax with Kaiser Normalization). The reliabilities of the sum variables were calculated using Cronbach's alpha, and the normality of the distributions was examined by using the Kolmogorov-Smirnov test. In calculating the correlations, we used Spearman's rank correlation coefficient and the mean scores were examined by using a t-test. The effect relationships were analyzed with regression analysis.

The reliabilities of the constructed variables were quite good (see Table 1), but all distributions were not quite normal.

**Table 1: Variables**

	N	Items	Cronbach's alpha	Mean	SD
Entrepreneurial intention	723	4	.899	2.73	1.00
Entrepreneurship attitude	722	4	.705	3.61	0.63
Subjective norm	723	5	.820	2.91	0.82
Perceived control	723	7	.933	3.30	0.94
Individualism	724	8	.719	3.45	0.59
Collectivism	724	8	.796	4.04	0.59
Individual's responsibility	720	8	.835	2.63	0.73
Society's responsibility	721	8	.705	3.55	0.55

The representativeness of the survey turned out to be quite good: 68.4% of the respondents come from the Helsinki Metropolitan Area (68.4% in the population), and the rest from other areas of the Uusimaa region. The share of Swedish-speaking respondents was 9.1% (8.6% in the population). In this data, the share of vocational school students is 40.1%, which is less than the national proportion (45.2%) but larger than in the big cities in the Helsinki Metropolitan Area. (e.g. Helsingin kaupungin tilastokeskus 2009; Statistics Finland.)

## 6 RESULTS

### 6.1 Entrepreneurial intention

Sum variable entrepreneurial intention is formed of four questions that were connected not only to the actual entrepreneurial willingness but also to how likely a career choice entrepreneurship is considered by a young person. These issues and the distribution of their responses are shown in Table 2.

**Table 2: Entrepreneurial intention**

Questions	N	Agree % (4 or 5)	Disagree % (1 or 2)	Mean	SD
68. If I could freely choose, I'd rather be an entrepreneur than an employee	723	38.7	31.7	3.08	1.20
72. My aim is to become an entrepreneur in the future	722	23.3	40.0	2.70	1.15
76. I am going to make a living as an entrepreneur	721	15.7	44.0	2.52	1.10
80. For me, entrepreneurship is a probable career choice	723	19.9	41.9	2.62	1.11

The results show that the proportion of potential entrepreneurs depends essentially on the question. The question that compared entrepreneurship and employment as career choices received a larger proportion of those who agreed than those who disagreed, which contradicts the Flash Eurobarometer 283 (2009) survey. A comparison with previous results (Rantanen and Toikko, 2012) shows that young people's entrepreneurial appetite has significantly increased.

## 6.2 The independent variables

According to Ajzen (1991, 2001), entrepreneurial intention depends on the attitude, the subjective norm, and the perceived behavioral control. Thus, first we analyzed these variables. Bandura distinguished between two forms of perceived control. However, in our data the correlation between perceived behavioral control and outcome expectation is very strong ( $R=0.881$ ). Therefore, we look at perceived control, which contains issues related to coping with the entrepreneur's tasks as well as issues related to success as an entrepreneur.

According to the results, Finnish young people have a quite positive attitude toward entrepreneurship. For example, 37.7% of respondents agreed with the statement "entrepreneurs are ideal citizens," and 12.2% disagreed. In contrast, the subjective norm is relatively low. Only 26.8% of respondents agreed with the statement "my close environment encourages me toward entrepreneurship," and 36.8% disagreed. Young people's trust in their own ability to work and succeed as an entrepreneur was a little stronger than the subjective norm. (See Table 1.)

Next, we analyzed the cultural values, in particular individualism and collectivism. Triandis et al.'s (1998) original model distinguishes between two different forms of individualism as well as two forms of collectivism. However, in our data, horizontal and vertical collectivism correlate strongly with each other ( $R=-0.492$ ;  $p=0.000$ ). Similarly, there is a high correlation between horizontal and vertical individualism ( $R=0.320$ ;  $p=0.000$ ). Thus, we look at only individualism and collectivism, not different forms of them. The correlation between individualism and collectivism is not significant ( $R=0.013$ ;  $p=0.733$ ). Therefore, they are two different dimensions of cultural values. This is a contradictory result with the Hofstede (1980) model, which assumes that they are two extremes of the same dimension.

We argue that the cultural values among Finnish young people are quite collective. For example, 91.7% of respondents agreed with the statement "the well-being of my friend is important to me." Similarly 75.6% of respondents thought that "family members should stick together, no matter what sacrifices are required." The result is surprising, because according to Hofstede (the Hofstede Centre, 2013), Finland is clearly an individualistic country.

Third, we analyzed social welfare attitudes. Consistently with Muuri's (2008) results, Finns' trust in society and social services is very strong. For example, 61% of respondents agreed with the statement "it is the government's responsibility to ensure all people in our country have a good quality of life," and only 10% disagreed. Overall, the respondents emphasized society's responsibility more than individual responsibility.

## 6.3 Regression model of entrepreneurial intention

Next, we performed a linear regression analysis, where all seven of these variables are independent and entrepreneurial intention is the dependent variable (see Table 3). The share explanation of this regression analysis is quite good (63.6%).

**Table 3:** Regression analysis. Dependent variable: Entrepreneurial intention (N=716)

	B	SD	Beta (standardized)	t	sign	VIF
(constant)	.139	0.254	-	0.549	.583	-
Entrepreneurial attitude	-.081	0.042	-.051	-1.94	.053	1.36
Subjective norm	.666	0.038	<b>.545</b>	<b>17.48</b>	<b>.000</b>	1.89
Perceived control	.349	0.034	<b>.329</b>	<b>10.43</b>	<b>.000</b>	1.93
Individualism	.063	0.043	.037	1.47	.142	1.22
Collectivism	.005	0.042	.003	0.114	.909	1.19
Individual responsibility	.055	0.034	.040	1.63	.103	1.18
Society's responsibility	-.167	0.045	<b>-.092</b>	<b>-3.68</b>	<b>.000</b>	1.22

The analysis shows that the subjective norms and perceived control explain entrepreneurial intention very well. In the case of entrepreneurial attitude, the t-value is not significant. Thus, an attitude alone does not predict the desire to become an entrepreneur. From the perspective of attitude theory, this result is not unexpected. Previous studies have shown that general attitudes cannot predict the behavior of the individual (Ajzen and Fishbein, 2000).

In contrast, there is a significant negative dependence between society's responsibility and entrepreneurial intention. The result itself is not a surprise; however, it could have been assumed that collectivism had been in negative dependence with entrepreneurial intention. Similarly, it could have been assumed that individual's responsibility and individualism had been in significant positive dependence with entrepreneurial intention. In this phase, it is not possible to assume the reasons for these variations; it requires further analysis.

#### 6.4 What is the significance of cultural values?

Based on our analysis, three of the variables were significantly connected with the entrepreneurial intention. Thus, hypothesis 4 is divided into three sub-hypotheses:

*H4a: The subjective norm depends on individualistic and collectivistic values.*

*H4b: Perceived control depends on individualistic and collectivistic values.*

*H4c: Attitudes relating to the emphasis on society's responsibility for social problems depends on individualistic and collectivistic values.*

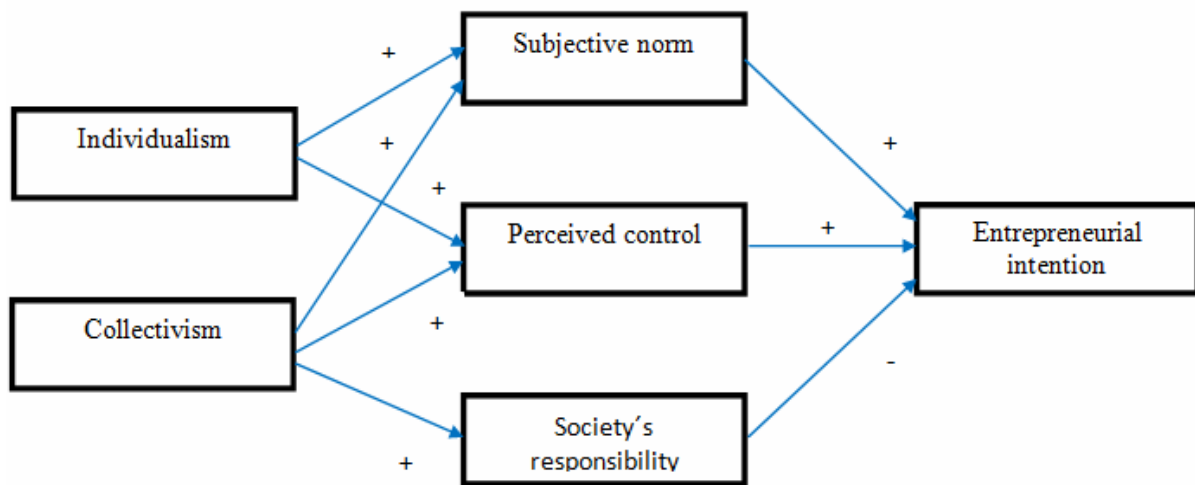
We examined these hypotheses by using regression analysis. We first looked at the relationship between cultural values and subjective norm. Regression analysis shows that dependence between individualism and subjective norm (stand.beta=0.258, t=7.28; p=0.000) as well as dependence between collectivism and subjective norm (stand.beta=0.177, t=4.99; p=0.000) is significant. Thus, hypothesis 4a is valid. However, the model explains only about 10% of the variation of the subjective norm variable (F(719, 2)=38.6; p=0.000).

The regression model, in which cultural values are independent variables, explains 14.8% of the perceived control variation (F(719, 2)=62.5; p=0.000). According to the model, perceived control depends on individualism (stand.beta=0.320; t=9.31; p=0.000) and collectivism (stand.beta=0.217; t=6.30; p=0.000). Thus, hypothesis 4b is valid. In contrast, hypothesis 4c is only partially valid. According to the regression model (F(717, 2)=30.8; p=0.000; R<sup>2</sup>=0.079), dependence between society's responsibility and collectivism is

significant (stand.beta=0.279; t=7.78; p=0.000), but society's responsibility does not depend significantly on individualistic values (stad.beta=0.041; t=1.14; p=0.257).

The results are accordance with previous studies. The data is a positive connection between individualism and entrepreneurial intention. However, the connection is not direct, and cultural values explain only minor variations in other variables. More surprising is that there is a positive dependence between collectivism and subjective norm as well as collectivism and perceived control. (See Figure 3.)

**Figure 3:** Results of the study



## 7 CONCLUSION

In this study, young people's social attitudes and entrepreneurial intention were examined. According to the study, four main results should be emphasized. First, Finnish young people's entrepreneurial willingness is higher than expected. Previous studies argue that Finnish entrepreneurial willingness is low. According to the *Flash Eurobarometer 283* (2009) research and our early attitude survey (Rantanen and Toikko, 2012), most Finns would rather be employees than entrepreneurs. However, this study shows that most young people would prefer being an entrepreneur than an employee. Thus, young people's entrepreneurial willingness has been increasing in Finland. The reason for this change requires further analysis. One part of the explanation may be the *European Entrepreneurial Region 2012* year with diverse events to promote entrepreneurship in the Helsinki-Uusimaa region in 2012 (Rantanen et al. 2013). Of course, many of the social and political factors play an important role from the perspective of entrepreneurial willingness.

Second, the results are consistent with the theory of planned behavior. Perceived control and the subjective norm explain entrepreneurial intention very well. In contrast, entrepreneurial attitude does not significantly explain entrepreneurial intention since this study focused on general attitudes, and according to Ajzen (1991), general attitudes do not explain external behavior in a specific situation.

Third, many researchers (e.g. Lindsay, 2005) have assumed that individualism explains entrepreneurial orientation. However, in this study, there is no direct correlation between cultural values and entrepreneurial intention. Similarly, an indirect effect of cultural values is



only weak. This can be explained by the theories of welfare states, which say that social values are a compromise between collectivism and individualism (e.g., Patomäki 2007). This might mean that there is no clear border between collectivism and individualism; but this assumption needs further analysis.

Fourth, there is a negative dependence between attitudes relating to the emphasis on society's responsibility and entrepreneurial intention. The Nordic Welfare States are high-trust countries, where collective actions are seen as favorable (Nannestad 2008). From that perspective, it can be assumed that social responsibility is seen as a value, which includes counter components in individualism. The negative dependence can be understood, because individualism is seen as a base for entrepreneurial intentions. Overall, however, the negative dependence between society's responsibility and entrepreneurial intention requires further analysis.

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ISSN 1855-931X

## **BETWEEN INDIVIDUALISATION AND COLLECTIVISATION: ILLUSTRATION OF CHANGES IN WORKING AND EMPLOYMENT CONDITIONS IN THE NORTH AMERICAN CONTEXT**

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### **Abstract**

The importance of knowledge as a source of growth in the current economy and of innovation in the context of intense global competition is prompting organisations to review their objectives and promote greater flexibility. Thus, with the ever-increasing use of knowledge workers, forms of work organisation and the modes of employment regulation relating to them are being reviewed in order to increase this flexibility. As a result, the traditional work and employment model relating to knowledge workers has been replaced by new models. The present study examines the way forms of work organisation are combined with modes of employment regulation in the new economy, in particular, with regard to knowledge workers. It is based on a qualitative methodology involving the comparative study of two cases, namely, a company in the high-technology sector and a company in the energy sector. The analysis of the organisational and institutional dimensions of the companies under study brought out a series of work and employment models relating to knowledge workers. These models are based on an individualisation or collectivisation of each of the dimensions examined. The observed models fluctuate between flexibility and stability, thus between new approaches and traditional approaches.

**Keywords:** work organisation; employment regulation; working and employment conditions

**Topic groups:** human resource management

**JEL Classification:** M51, M50, O15

## 1 INTRODUCTION

The transition from an economic development model centred on industrial mass production to a model in which the economy, work and firms are conceived in a different way has been widely observed both in writings aimed at the general public and in the academic literature. This emerging economy, a technical-productive paradigm initiating a new cycle of growth driven by information and communication technology, is based, among other things, on knowledge (Gordon, 2001; Freeman and Soete, 1994) and the capacity to manage information and innovate, rather than on the quantity of working time or material capital (Sapsed et al., 2002). Highly skilled workers thus become particularly important in this changing model of economic development. As pillars of firms in the new economy, these workers are more specifically characterised as *knowledge workers* (Drucker, 1959; Osberg et al., 1989; OCDE, 1995; Lavoie et al., 2003). They design and develop new products and identify and solve problems, in particular in the field of science and technology.

In this context, the new economy calls into question the main dimensions of the work and employment of these knowledge workers (Beaudry, 2008). Thus, knowledge work is being profoundly renewed and different models relating to knowledge workers are emerging. These models are characterised by forms of work organization and modes of defining and regulating employment conditions that are different from traditional ones. The present study focuses specifically on the different models relating to knowledge workers under changing forms of work organisation. It also examines the modes of employment regulation relating to these workers in the new economy. These forms and modes will first be described and then used to construct a typology of work and employment models among knowledge workers. This article is based on qualitative research involving a comparative case study conducted in two companies: one operating in the energy sector and the other a multinational company operating in the information and communication technology manufacturing sector.

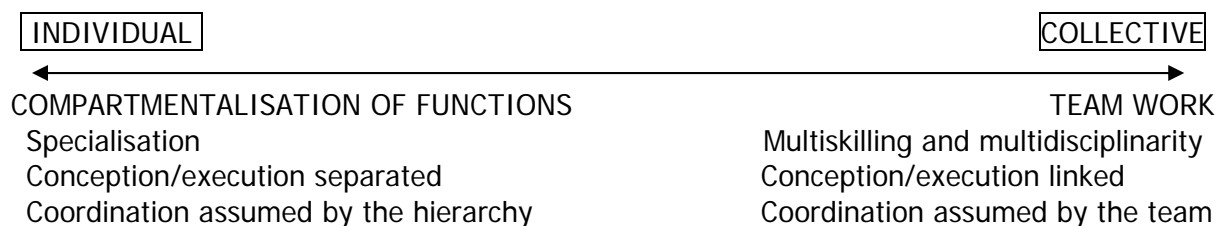
## 2 THEORETICAL FRAMEWORK

Based on French regulation theory, some organisational sociologists (Bélanger et al., 2002) have put forward a framework for distinguishing organisational aspects from institutional aspects in the macro spaces (the production system) and micro spaces (the firm) in which changes in the world of work take place. Based on an understanding of the production system as relying on coherence between the mode of regulation, regime of accumulation and model of work organisation (Bélanger et al., 2002), organisational sociology breaks down the organisation into the institutional and organisational dimensions which define its specific structural configurations. In the regulationist literature (Boyer, 2002), the organisational sociology literature (Bélanger et al., 2002), and studies stemming from organisation theories (Roy and Audet, 2003; Mintzberg, 1979), the organisational dimension is defined as including the forms of division and the principles of coordination of work. The organisational dimension refers to both the technical organisation of work, or degree of task specialisation (Bélanger, 2000), and the social organisation of work, that is, the links between conception and execution functions (De Terssac, 1992) and the type of supervision favoured (Bélanger et al., 2002; Bélanger, 2000). As for the institutional dimension, its definition also draws on regulation theory and organisational sociology, in addition to institutional approaches (Benner, 2002; Lam, 2000), and denotes the contractual relations between workers and the employer. The institutional dimension thus refers to both how employment conditions are determined and the employment conditions themselves, such as those relating to social protection, employment status, remuneration and training (Beaudry, 2008).

We constructed a typology of work and employment models based on these two dimensions, each being placed along a continuum forming an axis. The poles of each of these axes correspond to whether the work organisation (organisational dimension) and employment regulation (institutional dimension) can be characterised as individual or collective. This process of identifying the poles of axes is based precisely on the literature on the new economy and on knowledge workers, which reveals that the approaches to work organisation appear to be evolving from an individual model to a collective model whereas the approaches to employment regulation, on the contrary, appear to be evolving from common and shared modes to individualised modes (Hesketh, 2003; Benner, 2002; DeFillippi, 2002; Capelli, 1999; Carnoy et al., 1997). Thus, the organisational dimension, as illustrated in Figure 1, is characterised as individual when occupations and tasks are compartmentalised. In this context, “the generalisation of the labour process [...] extends the logic of work organisation inherited from Taylorism” (Boyer and Juillard, 2002: 378; trans.). According to this logic, a worker cannot both plan and conceive the work and execute the work that has been planned and conceived (Taylor, 1911). Consequently, the functions of knowledge workers only involve conception since execution is reserved for other categories of workers (Meiksins, 1982). This division between conception and execution particularly encourages the specialisation of knowledge workers (Derber, 1982; Meiksins, 1982). In this context, the autonomy of knowledge workers becomes relatively limited since the fragmented conception tasks are prescribed by management and their execution is also stipulated through set procedures, standards and rules (Meiksins, 1982).

On the other hand, work is characterised as collective when it is performed within a team. Workers are required to perform a great number of tasks and participate collectively in innovation (Lindkvist, 2004; De Fillippi, 2002; Keller, 2001; Hobday, 2000). In this context, knowledge is mobilised and interactions and communication within the group facilitate knowledge exchange (Amherdt et al., 2000). This knowledge is then shared among the knowledge workers themselves and with other categories of workers, thus fostering innovation and problem solving (Le Boterf, 2001; Winslow and Bramer, 1994). The distinction between conception and execution thus diminishes. Moreover, when work organisation is collective, the knowledge workers organise their work themselves and thus enjoy a degree of autonomy within the teams (Cordery, 2005; Lindkvist, 2005; Sydow et al., 2004).

**Figure 1:** The organisational dimension



With regard to the institutional dimension, as illustrated in Figure 2, employment regulation can also be characterised as either collective or individual. It is collective when it takes place mainly within the internal labour market (Lam, 2000) whose rules protect workers from competition in the external market. In this case, employment conditions can be determined according to two possible options: they can either result from collective bargaining within the establishment or be set unilaterally by the employer and apply to all workers. Standard forms of employment are favoured, that is, those involving a subordinate employment relationship of indefinite duration, for a single employer within a single firm. As regards the modes of

training and social protection, these are covered by the employer and are the same for all members of the same certification unit, for unionised workers, or within the same job classification for non-unionised workers. Remuneration is stable and fixed on the basis of seniority. All workers are thus subject to the same rules of wage progression.

On the other hand, employment regulation can be said to be individual when it is carried out in external labour markets and thus operates according to market forces (Lam, 2000). Workers are thus less inclined to organise collectively since, in North America, collective representation takes place in an internal market, i.e. at establishment level. Workers negotiate their working conditions individually (Bacon and Storey, 1993) and assume a number of responsibilities traditionally covered by employers (social protection and training) (Dany et al., 2003; Hesketh, 2003; Low, 2002; Reich, 2001). In this context, human resource management practices are individualised and flexible. Non-standard forms of work prevail since firms hire workers only on the basis of specific needs or resort to subcontracting (Dean, 2001; Carnoy et al., 1997). Moreover, under the remuneration systems favoured, the pay of knowledge workers fluctuates in relation to their performance and skills (Shih, 2004; Reich, 2001). This type of remuneration leads to an individualisation of the employment relationship since it personalises the conditions of employment (Bacon and Storey, 1993).

**Figure 2:** The institutional dimension



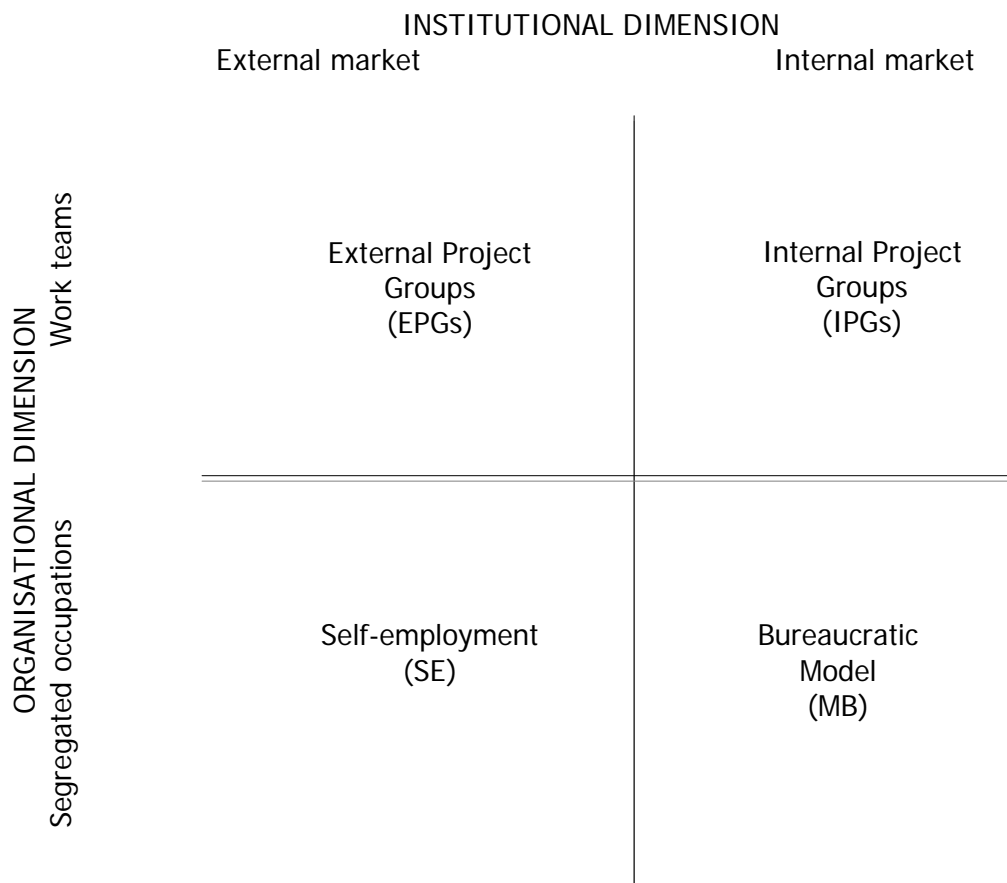
As illustrated in Figure 3, a deductively constructed typology of general work and employment models emerges when these two axes are crossed. Only the ends of each continuum are examined here, but an entire series of intermediate situations could appear along these axes, combining both individual and collective elements for each dimension.

Four quadrants emerge from the combination of the two axes. At the far corners of these quadrants are ideal-types that correspond to a total individualisation or collectivisation of the institutional and organisational dimensions. First, the *bureaucratic model* (BM) corresponds to a traditional model of work and employment inherited from the Fordist production paradigm. In this model, individual work organisation is combined with collective employment regulation. Thus, tasks are compartmentalised according to traditional occupational distinctions. Knowledge workers are assigned to conception tasks only. This segmented work fosters narrow specialisation among knowledge workers (Meiksins, 1982). Within the conception tasks, the work tends to be broken down into the specialisations that are specific to each occupation or job. Since job-related tasks are clearly identified, supervision is tight. Thus, within the bureaucratic model, conception tasks are assigned by management, with “the functions [being] defined therein on the basis of organisational needs rather than by the people holding these functions” (Briand and Bellemare, 2006: 163;

<sup>1</sup> SP: social protection

trans.). Moreover, although management grants a degree of autonomy to knowledge workers, the division of work at both the technical and social levels hampers personal initiative (Mills, 1966). This form of control generally aims to ensure tight planning and coordination of the production process (Bélanger et al., 2002). This type of work organisation is combined with collective employment regulation. Working conditions are most often negotiated collectively and job-related risks are assumed by the employer (Goldenberg, 1968). When no collective representation exists, internal market rules prevail and conditions are the same for all workers in the same category. Standard forms of employment are implemented, characterised by an employment relationship of indefinite duration for the same employer and within the employer's firm (Bernier et al., 2003), thus facilitating the programming and coordination of the production process while ensuring a stable and regular workforce. Lastly, remuneration is stable and fixed on the basis of seniority.

**Figure 3:** Typology of knowledge workers: work and employment models



However, this traditional model of work and employment is weakening and being replaced by new trends: the intensification of collective models of work (Lindkvist, 2005; Sydow et al., 2004; Le Bortef, 2001; Amherdt et al., 2000; Wittorski 1997) on the one hand, and the individualisation of the employment relationship (Benner, 2002; Bacon and Storey, 1993) on the other hand. These two trends are developing separately or are combining to form different work and employment models.

Thus, the *self-employment* (SE) model combines individual work and individual employment. As in the traditional model, occupations remain segregated, with each worker performing



specific conception tasks, based on their own expertise which they are not required to share. On the other hand, and contrary to the bureaucratic model, employment regulation takes place in the external labour market. Thus, workers negotiate their employment conditions individually, based on their personal contribution to the firm (Oiry and Iribarne, 2001). Employment conditions are also determined by the situation in the external markets, according to the economic situation prevailing at the time the contract is signed (Vendramin and Guffens, 2005). Employment conditions thus vary from one individual to the next and job-related risks are sometimes assumed by the workers themselves. In fact, knowledge workers respond to the specific needs of firms, which may involve significant inter-organisational mobility (Wallace, 2004; DeFillippi, 2002), making collective representation more difficult. They are required to develop their employability and seek training on the basis of labour market needs (Boltanski and Chiapello, 1999). Furthermore, their remuneration is generally variable and depends on their ability to rapidly and accurately solve the problem or problems presented to them (Shih, 2004; Reich, 2001).

In contrast with this model, *internal project groups* (IPGs) combine collective work with collective employment relations. As in the bureaucratic model, employment regulation takes place within the internal labour market. However, work is performed within multidisciplinary teams, which has the effect of desegregating the occupations. Each worker contributes to the team's success, using his/her knowledge and sharing it with other team members and other types of workers (Lindkvist, 2004; DeFillippi, 2002; Keller, 2001; Hobday, 2000). In this context, knowledge workers enjoy a great deal of autonomy and coordinate their work themselves (Cordery, 2005; Legault, 2004; Benner, 2002). Since employment regulation takes place within internal markets, employees participate collectively, through their union, in determining their employment conditions within the firm. When employees are not unionised, the conditions are set unilaterally by the employer and apply to all knowledge workers in the same job category. Standard forms of work are used and contracts are open ended. Teams are thus composed of workers employed by the firm, which can facilitate collective representation.

The last model, involving *external project groups* (EPGs), combines the two new trends: collective work organisation and individual employment regulation. It is thus at opposite poles from the traditional bureaucratic model. Like internal project groups, external project groups organise their work themselves in autonomous multidisciplinary teams. Occupational desegregation is promoted. Moreover, knowledge workers participate in creating new products or solving problems with other workers. In this case, however, the teams are composed of external experts brought together for the duration of a specific project. Team members can, on the one hand, be hired for a single project or series of specific projects or, on the other hand, be employed by a subcontracting firm involved in the project (Benner, 2002; Carnoy et al., 1997). Once the project is completed, the team is dissolved (Sydow et al., 2004; Gann et al., 2000). In these cases, employment regulation takes place within occupational markets rather than internal markets. Individual negotiation of working conditions is favoured and the workers assume some job-related risks. As regards workers in the subcontracting firm, their conditions are set by this firm rather than by the user company. Thus, for the same project, the employment conditions of knowledge workers can vary from one employer to another, over time and for each worker. In both cases, employment conditions depend not only on individual negotiation but also on the prevailing economic situation.

These four models contribute to characterising work organisation and employment regulation. However, they represent ideal-types. Thus, the preliminary interpretive proposition proposed is that there are several ways in which the main components of the firm in the new economy can be configured, thus giving rise to the existence of different models. More specifically, two secondary propositions are examined. First, companies in traditional economic sectors implement work and employment models that are characterised by a combination of new approaches and traditional approaches inherited from the bureaucratic model. Second, companies in the new sectors which are typical of the new economy (biotechnology, multimedia, telecommunications, and scientific and technological services) mainly rely on work and employment models that aim at collective work organisation and individual employment regulation, that is, approaches that are characteristic of the knowledge economy. These propositions are based on various studies on the new economy (Lindkvist, 2005; Sydow et al., 2004; Benner, 2002).

### 3 METHODOLOGY

The methodology we chose involved qualitative research based on a comparative case study. This methodology helped to enrich and qualify the deductively constructed typology and to bring out the four work and employment models presented in Figure 3. Based on the preliminary and secondary interpretive propositions, we compared two cases: a company operating in a traditional sector and a company operating in a sector that is typical of the new economy. The first case study involved unionised knowledge workers in a large company in the energy sector, while the second involved non-unionised knowledge workers in a multinational company in the information and communication technology (ICT) manufacturing sector. Knowledge workers represented 19% of employees in the energy company and 30% of employees in the ICT manufacturing company. We sought to provide a rich and nuanced description of the work and employment models characterising the knowledge workers in each of the two cases.

In comparing the two cases, for data triangulation, we used two data collection methods that involved (1) conducting semi-structured interviews and (2) analysing official documentary sources. Interviews were conducted with various actors: knowledge workers, union representatives (if applicable), group leaders, human resource management personnel and trainers. We thus had access to a diversity of viewpoints. Thirty-two interviews were conducted with actors from the two companies – 20 interviews in the energy company and 12 interviews in the ICT manufacturing company.<sup>2</sup> The number of interviews conducted was fixed according to the principle of theoretical saturation, that is, the data collection ended when the addition of new data no longer enhanced the understanding of the phenomenon investigated (Yin, 2009). On average, these interviews lasted 90 minutes. Moreover, the human resource management personnel and the union representatives provided us with the relevant documentary material. We thus had access to corporate documents providing information on the profile of each of the companies under study and their current and future directions as well as internal documents relating, in particular, to policies, regulations and

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<sup>2</sup> The number of interviews differed in the two companies because one company had a much more complex organisational structure than the other. More specifically, the ICT manufacturing company had a simple organisational structure composed of four hierarchical levels, whereas the energy company had more than 10 hierarchical levels. Moreover, the work and employment of the knowledge workers in the ICT manufacturing company were much more homogenous than was the case in the energy company.

practices. These multiple sources of information allowed us to present an accurate picture of the phenomenon investigated.

Data were collected using an interview schedule constructed by operationalising the two concepts examined, with questions provided for each of the concepts, dimensions and indicators included in our typology. Each of the recorded interviews was transcribed in full in a computer medium. The data were then coded using a grid including all the indicators proposed. The same grid was used for both cases, but the coding was done separately. This coding was then used in the content analysis and comparison of the two cases.

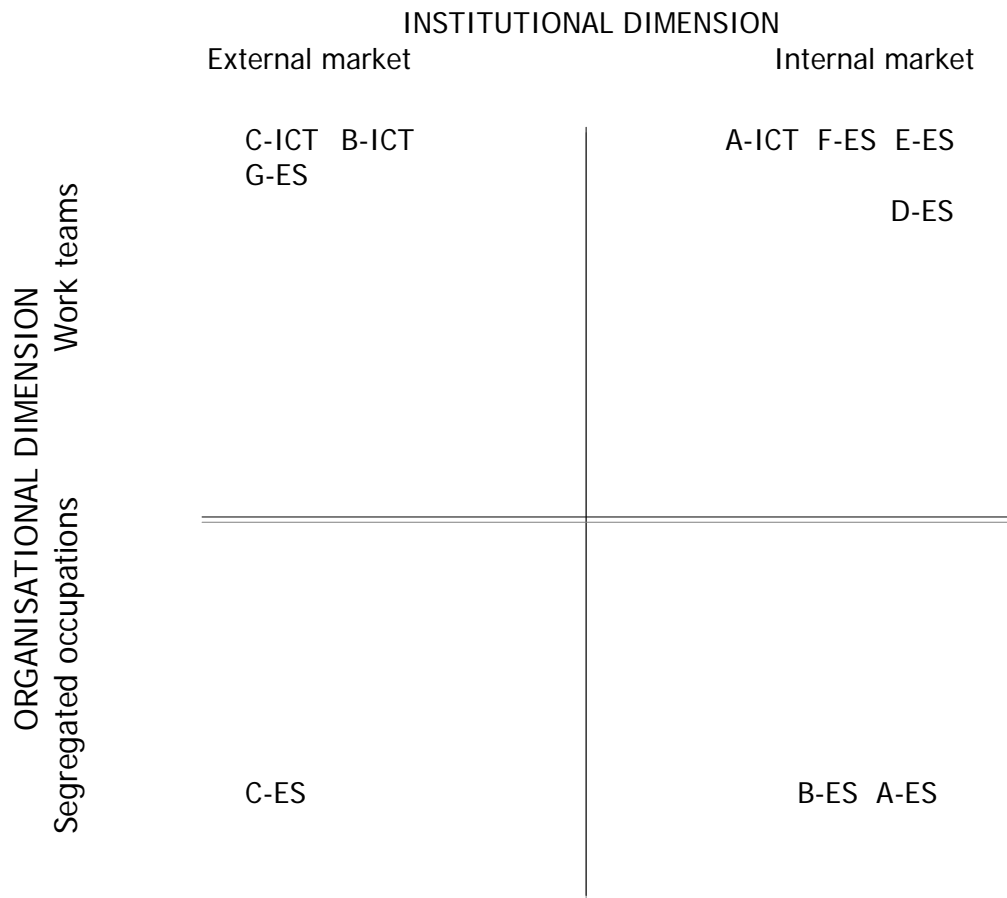
## **4 RESULTS AND DISCUSSION**

### **4.1 Description of observed work and employment models**

Different models relating to knowledge workers figured in the two cases studied. First of all, with regard to the organisational dimension, in both organisations, the technical and social organisation of work among knowledge workers was increasingly based on the principles of collective work, self-organisation and communication. However, these approaches were seen to a greater extent in the ICT manufacturing company since the energy company still relied on some traditional forms of work organisation. Moreover, with regard to the institutional dimension, the companies studied differed greatly in terms of the modes of employment regulation favoured. While in the ICT manufacturing company, an increasingly individualised approach to employment regulation appeared to prevail, in the energy company, the approach used remained largely collective. Figure 4 shows the different work and employment models that characterised the knowledge workers in the ICT manufacturing company (ICT) and the energy company (ES). The combination of various forms of work organisation and modes of employment regulation produced a series of models that were either unique to each company or shared by both companies.

Differences were most striking with regard to the organisational dimension. In fact, while the ICT manufacturing company was clearly positioned at one end of this continuum, having opted for collective forms of work organisation centred on multiskilling, knowledge sharing and autonomy, the energy company covered a wider spectrum and was positioned at different places on the axis. The latter favoured collective work for some categories of knowledge workers, but also maintained individual forms of work organisation. Thus, the models implemented in the energy company were more varied in terms of work organisation than those found in the ICT manufacturing company. These models involved traditional approaches inherited from the Fordist production paradigm as well as approaches that are characteristic of the new economy. However, it should be noted that, in the energy company, the knowledge workers were most often found within models referring to the traditional approaches to work organisation (models A-ES and B-ES) whereas in the ICT manufacturing company, the models implemented were instead based on approaches characterising the new economy.

**Figure 4:** Work and employment models identified in each company



With regard to the institutional dimension, the models implemented in both companies were positioned all along the axis, involving both collective and individual regulation modes. In fact, in both cases, the institutional dimension was characterised by both new approaches and approaches inherited from the Fordist production paradigm. It should nevertheless be mentioned that, in the energy company, the knowledge workers were most often integrated into models that relied on a collective institutional dimension, and were thus quite traditional (models A-ES and B-ES). In the ICT manufacturing company, the situation was more ambiguous, with most knowledge workers operating within a model that fluctuated between new and traditional approaches, although stability was promoted (Model A-ICT).

While the ICT manufacturing company focused on only one form of work organisation, the energy company adopted several forms and thus presented a greater variety of models than the ICT manufacturing company. As mentioned above, despite this greater diversity, in the energy company, most knowledge workers were concentrated within models that generally favoured individual work and a collective employment relationship (A-ES and B-ES). In the ICT manufacturing company, the majority of knowledge workers were concentrated within the model that combined collective work organisation with both collective and individual employment regulation, but encouraged workforce stability (Model A-ICT).

#### **4.1.1 First case: Company in the energy sector**

Model A of the energy company (A-ES) was very similar to the bureaucratic model insofar as collaboration between executives and designers was rather rare and the degree of task specialisation was high. A technologist explained the situation as follows:

"It has become so specialised. Before, 15 years ago, everybody did everything. We could work on any equipment. Of course, some people specialised a bit more because they worked in a given area more often. Some people performed better in some systems than others. But technology has evolved so much that the technologies are more and more specialised. It has become unthinkable these days to... [...] So, nowadays, you have people who are specialised just in telephony."

However, this model deviated from the bureaucratic model insofar as work was generally coordinated by the workers, either as a team or individually. With regard to the institutional dimension, this model also resembled the bureaucratic model since employment conditions were negotiated collectively. Moreover, this model was characterised by standard forms of employment. Furthermore, the employer was responsible for social protection and training. As regards remuneration, the negotiated systems were generally collective although individualised modes were sometimes used, in particular, remuneration based on individual performance. To sum up, with regard to the institutional dimension, this model was similar to the bureaucratic model. Model B of this same company (B-ES) corresponded in all respects to the preceding model in terms of work organisation. However, some modes of employment regulation were individual since the employer used fixed-term work contracts and the remuneration system could be individualised, bringing it closer to the self-employment model. However, this model deviated from the self-employment model with regard to a fundamental aspect since employment conditions were generally negotiated collectively. Moreover, social protection and training were covered by the employer, although to a lesser extent for the knowledge workers pertaining to this model (Model B) compared to the workers in Model A. Employment regulation generally took place within the internal market. Thus, Model B remained quite similar to the traditional model. Model C of the energy company (C-ES) resembled the model of self-employment. Work organisation in Model C was identical to that in the other two models (A-ES and B-ES). On the other hand, with regard to the institutional dimension, all the indicators were individual. Workers were not collectively represented in the workplace where they performed their functions, i.e. the energy company itself. Non-standard forms of employment were used since the employment relationship was tripartite. Thus, the company did not cover the workers' training, social protection or remuneration.

Model D of the energy company (D-ES) corresponded, in some respects, to internal project groups. In fact, with regard to the organisational dimension, work was coordinated by the team members. Moreover, links were created between designers and executives. For example, the link between coworkers in research and development and tradeworkers was explained by a technologist as follows:

"Those guys are more involved in the mechanics or assembly part. If our control system acts on their mechanics and things don't go as they should, we test it together. We go see them."

However, Model D deviated from internal project groups insofar as task specialisation was sometimes high even though the work was "team based." With regard to the institutional dimension, the modes of employment regulation were identical to those in Model A (A-ES) and were thus collective. The same was true for Model E of the energy company (E-ES) with

regard to the institutional dimension. The organisational dimension was also clearly collective. Model E thus was very similar to internal project groups. In terms of work organisation, models F and G of the energy company (F-ES and G-ES) possessed the same characteristics as Model E (E-ES). In models F and G, the organisational dimension was clearly collective, but employment tended to be regulated on an individual basis. In fact, Model G was identical to external project groups since all the indicators were individual, as in Model C of the same company (C-ES). Conditions depended entirely on the external market. As for Model F, although non-standard forms of employment were used and remuneration was individualised in part, employment conditions were negotiated collectively and assumed by the employer, and were thus set based on the internal market.

#### ***4.1.2 Second case: Company in the ICT manufacturing sector***

With regard to the second company under study, the ICT manufacturing company, Model A (A-ICT), resembled internal project groups. In fact, work organisation was clearly collective and multidisciplinary. A participant described the composition of work teams as follows:

"It's a bit like an onion; there are several layers. There's a layer or a team in R&D that really works to develop the product. There's a manufacturing engineering team that specialises more in the production of the device. [...] There's a marketing person who takes care of all the market analysis and the marketing of the product. There are also people in the technical writing team who specialise in writing user guides, handbooks and those types of things."

Collective work organisation, moreover, applied to all the models implemented in this company. However, in terms of employment regulation, some aspects were less collective. In fact, although standard forms of work were used, employment conditions were not negotiated collectively by the knowledge workers and, in general, were managed on an individual basis. In fact, rules were set by the employer and, although they were written down in an employee handbook, they appeared to be rather vague, and individual negotiation of working conditions was possible. Moreover, although social protection and training-related expenses were covered by the employer, the workers were nevertheless responsible for developing their own skills and qualifications. Furthermore, remuneration tended to be individualised, in particular because of the systems related to individual performance. In Model B of this company (B-ICT), work was organised collectively while the modes of employment regulation were generally individualised. As regards employment conditions, the situation was thus the same as in Model A, except for non-standard forms of employment. Conditions generally depended on the external market. With regard to all these aspects, Model B resembled external project groups, but was not identical to them. Lastly, Model C of this company (C-ICT) corresponded to an external project group, since work was clearly organised collectively whereas the modes of employment regulation were all individualised.

#### **4.2 Contrasting work and employment models: findings and analysis**

The two cases studied thus confirmed our initial interpretive propositions. We first suggested that there are several ways in which the main components of the firm in the new economy can be configured, thus giving rise to the existence of different models. This was true for both organisations examined, with one presenting seven different work and employment models while the other presented three models. Two secondary propositions were formulated based on this finding.

First, companies in traditional economic sectors implement work and employment models that are characterised by a combination of new approaches and traditional approaches inherited from the Fordist model. This was true of the company in the traditional energy sector. In fact, the different models implemented in this company were based as much on collective as individual organisational and institutional dimensions. Thus, while traditional approaches were maintained, the company was also moving towards new practices. This situation can be explained by the fact that the company was founded during the industrial period and some of the practices adopted then had been maintained up to the present. On the other hand, with the computerisation of systems and the need to constantly innovate, the energy company had also had to ensure a degree of flexibility and shift towards practices promoting this flexibility.

Second, companies operating in sectors that are typical of the new economy, including the ICT manufacturing company, are mainly based on work and employment models that are shifting towards collective work organisation and individual employment regulation, i.e. the trends that are specific to the new economy (Lindkvist, 2005; Sydow et al., 2004; Benner, 2002), and are thus moving away from traditional models. This was true for the ICT manufacturing company which had adopted both new approaches.

However, this situation was more evident with regard to the organisational dimension. In fact, while the ICT manufacturing company had adopted approaches pertaining to the institutional dimension that are characteristic of the new economy, it had also opted for traditional practices in this area. Although no model presented entirely collective employment regulation, the dominant model, Model A-ICT, was nevertheless partly based on traditional practices. To sum up, new approaches existed in the ICT manufacturing company, with regard to both dimensions. Our interpretive proposition should however be qualified by pointing out that, as regards the employment relationship, regulation also corresponded to collective, thus traditional, practices. This situation can be explained, among other things, by the fact that, at the time of the study, skilled labour was scarce in the region investigated. The ICT manufacturing company had therefore adopted traditional employment regulation practices in order to retain hard-to-find expertise. On the other hand, the need to constantly innovate ensured that organisational practices were fairly flexible and that approaches that are specific to the new economy were adopted in this regard.

Results from the energy company and the ICT manufacturing company show that the characteristics of work organisation and modes of employment regulation were varied. They corresponded to traditional approaches, new approaches, or both types at the same time. The combination of these various forms and modes thus produced a series of models relating to knowledge workers that were identical to or different from the four pre-established models. Our results show more specifically that the forms of work organisation relating to the knowledge workers generally favoured a high degree of autonomy. In fact, in all the models, the knowledge workers could organise their work themselves. On the other hand, in each model, this autonomy was accompanied by some forms of control from the hierarchy. Therefore, it cannot be concluded that there was total self-regulation by the workers. However, the knowledge workers enjoyed a high degree of autonomy with regard to task execution and work planning. Supervision was flexible and the knowledge workers were subject to controlled autonomy (Ughetto, 2001). For example, an ICT company participant described a control tool used by the managers as follows:

"The project is defined in the Time Control tool. Then, there are a whole bunch of tasks [...]. So, people put their time down in the right places. Project

management, meetings... Did I spend an hour in that meeting? The hours are put down in the right places because this tool allows the project manager to see how much money has been spent."

For some knowledge workers, in particular those pertaining to models A and B of the energy company (models A-ES and B-ES), control appeared to be tighter. This control did not come from the hierarchy but rather from peers. The work of these knowledge workers had thus evolved in the opposite direction from that of the new economy. In fact, in their interviews, these knowledge workers revealed that they felt controlled by their coworkers, in particular through technology. As stated by one participant: "In some sense, I feel like they have, how can I put it, it's like they have authority over me. Yet, they're just coworkers like me." Nevertheless, despite the way work had evolved, the latter asserted that they enjoyed a degree of autonomy in planning their work.

Our results also show that the traditional separation between designers and executants has tended to diminish. Although in some models, relations between these two categories of workers were quite rare, collaboration was nevertheless possible, in particular when there were problems. Most often, this collaboration involved real exchanges since the executants could suggest improvements to the knowledge workers or work with them. Only models A-ES, B-ES and C-ES corresponded to the traditional approaches insofar as the designers were required to lead the executants or had absolutely no contact with them. Otherwise, in the other models, two-way exchanges were possible. Our results also indicate that the tasks performed by the knowledge workers were not always enriched. A deskilling of the work performed by some knowledge workers (models A-ES and B-ES) was indeed observed. These knowledge workers had had some tasks (diagnosis, problem solving and monitoring of operations), which required specific skills, withdrawn from them. Their functions had become more and more like those of executants even though they held all the qualifications required to perform more intellectual and abstract work corresponding to the functions of designers. The use of technology appeared, in part, to be the source of the problem. These knowledge workers could not exercise their skills because the tasks of identifying and solving problems had been appropriated by other workers who diagnosed these problems through technology. The organisation of work and the ensuing use of technology, much more than the technology itself, were at the source of this deskilling. This was how one participant explained it:

"Gradually, I'd say where there was a big change is really when remote management came in. I would have needed, as I said, whenever I intervened, I would have needed the normal rights to the system, passwords... Well, passwords more or less, but being able to unlock the system. It's me taking my place. I'll call you back when... Let me test some things. Let me... It's not a loss for the company to let me have an extra hour or two. I'll do that task this morning. I'll get to the end of the task and I'll learn more from it. I'll get fully into it. When I'm finished, I'll call the person in charge and tell him/her what I've done. That's more or less what I would suggest. But that's not how it works."

On the other hand, when organisational practices were based on multidisciplinary, task enrichment was observed. In fact, the multidisciplinary teams stimulated collaboration among the experts who were brought together to participate collectively in the innovation. Tasks were defragmented and reconstructed to make this collaboration possible. Team members had to mobilise and pool together their work in order to complete a final product. Contacts with other workers forced the knowledge workers to develop diverse skills and get



involved in a series of conceptual stages. In brief, task enrichment is thus not systematic in the new economy. The knowledge workers studied were as likely to be subject to a high degree of task specialisation as multiskilling.

As regards employment regulation, four observations can be made based on the different models relating to knowledge workers identified. First, our research results show that employment relations were shifting towards greater flexibility. In fact, in both companies, the use of non-standard work, in particular the tripartite employment relationship, was a growing trend, although it did not affect most of the knowledge workers in our study. However, North American legislation is unable to regulate these non-standard employment relations. Thus, the knowledge workers subject to these relations generally experienced a degree of insecurity and usually had less favourable employment conditions than permanent full-time workers. Our second observation follows from the first. The employers tended to assume fewer and fewer responsibilities towards the knowledge workers. The non-standard workers had access to poorer social protection. The other workers were also affected by this trend towards individualisation. They were responsible for their own training and were remunerated on the basis of their performance. However, this individualisation was not generalised since the employers still assumed several responsibilities with regard to the knowledge workers.

Our third observation is also related to the first. The work collective appeared to be weakened by the recourse to non-standard work and, more specifically, to the tripartite employment relationship. The employees of a subcontracting firm cannot join the certification unit of the user company. Thus, the more an organisation uses intermediaries, the more the number of potential members of the certified unions within the organisation decreases. Yet a larger trade union is generally associated with greater employee power, whereas a small number of members is associated with more limited power (Keser et al., 2004). In the energy company, the still limited but nevertheless increasing use of subcontracting thus resulted in a decrease in the number of potential members for the union representing the knowledge workers. The standards governing those working in the company were not all set jointly between the union and management, since some workers were subject to the standards set by their real employer, namely the subcontracting firm that had hired them. Similarly, although the employees of the subcontracting firms were represented collectively within another organisation, union power was divided since different trade unions represented the same category of employees working in the same organisation, but hired by different companies. Employment regulation thus remained collective, but the strength of the collective was threatened by subcontracting (Jalette and Warrian, 2002). Moreover, this break up of employment status raises the issue of fairness for individuals who perform the same work under different employment conditions (Bourhis and Wils, 2001).

Our fourth and last observation relates to the ICT manufacturing company. This company pertained to a sector that is characteristic of the new economy. Companies that are typical of the new economy are often described as organisations that innovate, particularly in the area of employment regulation. These innovations generally aim at flexibility in workforce allocation and entail an individualisation of the employment relationship. Personalised human resource management practices (Mercure, 2001) and an individual negotiation of employment conditions (Bacon and Storey, 1993) make it possible to meet the various needs and fulfill the aspirations of individual knowledge workers while fostering greater flexibility for organisations that must continuously innovate in a competitive market where technology evolves rapidly. However, the ICT manufacturing company appeared to have adopted this

approach only partly in dealing with the employment relationship. Although its human resource management practices appeared to be innovative, in particular as regards training and remuneration, its process of determining employment conditions remained largely traditional. In fact, the employment conditions of the knowledge workers in this company were determined unilaterally by the employer, and the workers did not participate collectively in determining them. They were represented neither by a trade union, from a traditional perspective, nor by an association, group or committee, from a more innovative perspective. It was possible for them to individually negotiate their conditions, but this situation was rare, even marginal. As stated by a team leader:

“We think that perhaps in some cases, it could happen, I know it's been done in the past, giving recruitment premiums, things like that. It could happen, really, if it's the last element that makes somebody hesitate. [...] It rarely happens.”

As a result, the great majority of workers were subject to an autocratic regime. Moreover, in addition to being autocratic, the regime to which the employees were subject was somewhat ambiguous. In fact, the conditions that had been pre-established by management were put down in an employee handbook. The various rules relating to employment conditions were indicated in this handbook. However, some of these rules were applied differently by management or were not understood or known by employees. To sum up, the model implemented by the ICT manufacturing company relating to employment regulation was quite far removed from innovative practices based on individual negotiation and was very similar to the traditional model in which conditions are determined unilaterally by the employer. It nevertheless also differed from the traditional model insofar as the rules were rather vague and depended on the prevailing economic situation and the state of the market at the time of hiring.

## 5 CONCLUSION

Finally, the different models relating to knowledge workers all differed to some extent and in some respects from the bureaucratic model. However, the new approaches were most often combined with more traditional approaches. Based on these findings, some unexplored research avenues could be investigated in depth since the results of this study cannot be generalised to all knowledge workers. Thus, it would be pertinent to complete this study with a quantitative survey using a statistically representative sample. Moreover, since the sector-based dynamics of the two companies under study most certainly influenced the results, the analysis of cases in other sectors is essential to bring out a more complete typology. It would also be useful for future research to examine the employers' motivations for adopting the different models, and their effects on social and economic performance. In fact, these issues have been overlooked here since our study results are limited to the development of structural configurations. It would also be relevant to conduct a follow-up study of the two cases examined in this research in order to report on the progress of the adopted approaches to work organisation and the employment relationship. Despite these limitations, this article contributes to drawing a detailed portrait of the work and employment models that characterise knowledge workers.

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ISSN 1855-931X

## **SOCIAL MARKETING IN CREATING COMPETITIVE ADVANTAGE OF COMPANIES IN THE REPUBLIC OF SERBIA**

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### **Abstract**

The new marketing environment of companies, based on integrated approach in holistic marketing, is targeted at value creation. One of its segments relates to socially responsible marketing, termed social marketing by Philip Kotler in the 1970s, which encompasses comprehension of broader interests (both internal and external), and also the ethical, environmental, legal and social aspects of marketing activities and programs. Their aim is to enhance the environment for all consumers and companies. Thus, the causes and consequences of marketing are extended beyond companies and consumers, to society as a whole. Balancing the social and ethical aspects of companies marketing practices is often faced with conflicting criteria of company profit as opposed to satisfying consumers' and general public's wishes and interests.

In such a context, apart from consumer knowledge, the changes in responsibility to consumers are targeted to understanding, whereby social marketing tends to infiltrate into

all aspects of business activities relevant to contemporary companies, and are manifested in providing the competitive advantage of companies.

The aim of this research concentrates on examining priorities and the importance of the determinants of socially responsible target marketing relevant to the competitive advantage of companies and consumer expectations in a transition environment such as the Republic of Serbia.

**Keywords:** corporate social responsibility, social marketing, image, consumer, competition

**JEL Classification:** M31, M30, M14

## **INTRODUCTION**

Under the modern-day conditions, one of most important aspects of socially responsible marketing is sustainable development. Until recently, the priority for companies was their economic sustainability, which is manifested in profits; social and environmental sustainability, however, gain importance along with it. The problem of sustainable development has been gaining significance after the era of traditional (mass) marketing (based on the marketing mix instruments) in relationship marketing, which is based on relationship management, interactions and networking in the so-called holistic marketing. Besides relationship marketing (with customers, partners, marketing channels and other stakeholders), it also includes integrated marketing (marketing instruments integrated into marketing mix), internal marketing (industrial relations on all in-company levels), socially responsible marketing (ethics, law, public, environment, etc), and social marketing, where the latter plays an increasingly important role in achieving competitive advantages among companies. The result of such marketing relations is establishment of unique marketing assets, i.e. marketing network. Companies build marketing networks with their consumers and supporting stakeholders, with whom they build and realize mutually profitable relations.

The competition, which until recently existed among the companies, now occurs among networks, and the effects emerge in companies which have successfully developed relations among established marketing networks.

It is a fact that the corporate social responsibility as a new management paradigm is still not a clearly defined, sufficiently researched, operationalised and measured phenomenon. However, the sustainable development can be identified with corporate social responsibility. It is a business concept referring to voluntary integration into a company's own business, development and maintenance of relations with partners and concern for the social and ecological aspects of the company's own actions.

The goal of this paper is focused on examining the extent to which social marketing is present in domestic companies, whether it strengthens the competitive advantage of the company and its products among the consumers and the environment, i.e. whether it contributes to developing and maintaining the company's positive image (i.e. its communication goal) and profit (i.e. its economic goal).

The hypothesis that this article aims to confirm by combining the scientific methods of desk research and experience-based method is:

H<sub>0</sub>: The application of social marketing contributes to the growth in companies' competitive advantage and positive image.

## Literature review

Corporate social responsibility is a concept according to which companies that adopt it voluntarily and in multiple ways contribute to a better healthier and more progressive society in the broadest sense of the word, as well as preserving a clean environment. Being a socially responsible corporation does not merely mean meeting legal obligations; it also implies exceeding mandatory obligations, towards meeting the communal needs, investing in care for a healthy, progressive and modern society environment and finally developing relations with all social categories.

At the same time, corporate social responsibility is one of the key solutions to sustainable development, representing an active contribution to harmonising relations between the business sector as the key holder and generator of development on the one hand, and society at large on the other, whose needs must not be neglected. The concept of corporate social responsibility graphically represented as a pyramid (Subotić, 2009, p. 49) is shown in Figure 1.

**Figure 1:** The corporate social responsibility pyramid



The reasons for a growing need for applying corporate social responsibility can be found in the perception of the company's fundamental goals, i.e. production and delivery of products and services meeting the demands of the market, and thus gaining the highest possible profit for its stakeholders (Karaibrahimoglu, 2010, p. 383)

One of the first interpretations of what corporate responsibility means in reality is given by Milton Friedman (1970, p. 32), who argues that there is a sole type of corporate social responsibility, which is to use resource and conduct activities in such a way as to achieve maximum profit growth for a maximum possible period of time, within defined legal rules of market competition – free competition without breaking laws and fraud.



Various authors, with their differing views of corporate social responsibility (CSR) highlight the following (Souto, 2009, p. 39):

- CSR implies the participation of different actors – individuals and/or institutions – named stakeholders;
- CSR has implications to business strategy and decision making in companies;
- CSR is driven by international initiatives by different institutions;
- CSR must be shaped and adapted to the technological, cultural, social, corporate and environmental particularities of each enterprise, geographic area and each country.
- CSR is applicable in all types of organisations, regardless of their size or ownership structure.

Social marketing stems from corporate social responsibility. Actually, research into social marketing conducted so far and described in literature are associated with terms and notions viewed differently by different authors. The reason for this is the understanding of modern-day holistic marketing of its four segments, including socially responsible marketing (Kotler & Keller, 2006, p. 18), which is complex and inseparable from others. In other words, holistic marketing includes socially responsible marketing and the understanding of the broader interests of ethical code, environmental context, legal and social context of marketing activities and programmes. The cause and consequences of marketing extend beyond the company and consumers to society at large. Social responsibility also implies that marketers must carefully consider the role they have and can have in terms of social welfare.

Such an approach highlighted the need for a new term that would extend the concept of marketing, and Kotler (Kotler & Keller, 2006, p. 22) termed this concept "social marketing", whereby he advocated the idea of establishing the needs, wishes and interests of target markets, and meeting these needs more effectively and efficiently than competitor, safeguarding and advancing the welfare of consumer and society at large. The marketer's task is to consider the social and ethical aspect of marketing practice through balancing the frequently conflicting criteria of corporate profit, consumer satisfaction and public interest. The concept of social marketing includes the following types: corporate social marketing, cause marketing or cause-related marketing, philanthropy, corporate community involvement, and socially responsible business practices.

In another approach, Kotler and his co-authors (Kotler, Vong, Sonders & Armstrong, 2007, p. 191-195) identify business activities aimed at socially responsible marketing in consumer-driven marketing, commitment marketing, innovation-based marketing, value-driven marketing, and social marketing.

Serbian academic and professional literature (Subotić, 2009, p. 34) argues that corporate social responsibility has undergone four historical periods in its development:

- the profit maximisation period – the longest period, from the industrial revolution to the 1930s, with maximum profit in the forefront
- the trust based management period – emerged in the 1930s, during the Great Depression, and is associated for corporate concern for the employees, consumers and society as long as the owners' interests are protected
- the activism period begins in the early 1960s, and is characterised by asking questions about employment opportunities, environmental protection consumerism etc.
- the social sensitivity period – the highest degree of social responsibility and sensitivity to the community's needs, the point being that companies develop a decision making

process anticipating the environment's response and appreciating social and communal values.

Economic literature identifies numerous benefits drawn by companies from applying corporate social responsibility (Souto, 2009, p. 40):

- building a positive image and reputation resulting in increasing consumer trust, increased revenue, business partners and investors
- growth in the company's competitiveness;
- improving the quality of the company's value change;
- improving working climate, thus increasing employee permanence, motivation and productivity;
- reducing legal conflicts on complying with regulatory requirements;
- improving relationships with the local community;
- positive environmental impact; etc.

It is certainly clear that effective application of corporate social responsibility, including social marketing contributes to a company's growing value and social reputation. A company's consumer value and value for prospects is one of corporate marketing objectives. The current economic crisis and preceding financial scandals in highly developed mature economies only intensified the interest of scholars and practitioners in researching the needs and effects of applying corporate social responsibility.

### **The scope of the social marketing issue**

Social marketing is a global phenomenon which has been present latently for a long time, and explicitly since the last decade. It is a complex phenomenon which manifests itself differently in various environments, and in multiple aspects as well. Social marketing is associated with companies' obligations and their decisions made in order to increase their positive environmental impact and reduce their negative effects on consumers and society. It is becoming increasingly apparent that it is of far greater importance for a company to survive and achieve competitive advantages, to operate in a socially responsible manner in the long run, instead of focusing on short-term operations directed by costs.

In pursuit of this goal, the companies must keep track of changes and trends in societal values in their particular milieu. Therefore, for example, food producers tend to produce and market healthy food because of the consumers' rising concern for their health. Companies cannot satisfy the needs of all consumer segments. Furthermore, in an effort to satisfy the wants and needs of a particular consumer segment, companies may disappoint others. The society is comprised of highly differentiated segments of people and therefore it is very hard, if not impossible, to determine what the society as a whole wants. Besides that, with a multitude of society's diverse demands, there emerges a problem of establishing balance between supply and production costs on one side, and fabrication and packaging which meet the demands for preserving the environment on the other. The problem also appears in companies' efforts to estimate customers' willingness to pay the price for the product which includes information acquisition costs.

The expressions *ethics* and *social responsibility* are often equated in marketing. Ethics, however, is a segment of social marketing, since it refers to individual's moral evaluations and their views on what is right and what is wrong in a particular situations regarding decision making or action. Social responsibility refers to the overall consequences of marketing decisions to society. As stated above, social responsibility is a corporate

endeavour to increase its positive effect on society. Social responsibility concerns the overall consequences of marketing decisions on society. Therefore, both operate in parallel, for a company that builds and supports the corporate culture based on socially acceptable ethical philosophies and individuals who act ethically is likely to make decisions with a positive impact on society.<sup>1</sup> Social marketing faces many problems; from consumer movements (the main social concerns being: the right to safety, the right to information, the right to choice and the right to be heard), to relations in community (the issue of equality, safety and health, challenged members, education and general welfare) and green marketing (preserving the environment and combating water, soil and air pollution) and companies' philanthropic activities (positive attitude towards employees, consumers, suppliers, distributors, competitors and other organizations and institutions in society).

### **STRATEGIES FOR SOLVING SOCIAL MARKETING ISSUES**

In the application of strategies, socially responsible marketing requires the implementation of activities from three types of behaviour: legal, ethical and socially responsible. Legal – operations and conduct based on regulations and adherence to all relevant laws. Ethical – the company builds a tradition of ethical behaviour and forms the employees' responsibility to follow legal and ethical guidelines. Socially responsible behaviour is based on involving social conscience in dealing with the consumers and other stakeholders of interest. These actions of a company are a basis on which the consumer makes a decision the purchase decision-making process. They are the fundamental elements that shape the reputation of the company and its products.

The business practice raises complex dilemmas on how to resolve the emerging issues in relations between the company and the environment. Out of a series of strategies, the most often mentioned are the four basic ones used for solving problems of social marketing. One of them is the **reaction strategy**, which implies resolving consequences caused by a problem and continuing operations as if nothing had happened in the given environment. This strategy allows the existence of unresolved circumstances or potential problems for as long as the public are unaware of them. Next is the **defence strategy**, which is based on endeavours to reduce or avoid additional obligations. This strategy often relies on lobbying for the purpose of avoiding government regulations or laws. The **adaptation strategy** is a corporate enterprise to include responsibility for its actions into its existence. Fourth, the **active strategy** is a strategy where the company assumes responsibility for its actions and responds to the charges made against it without outer influences, threats, governmental or other interventions. Companies implement this strategy in common interest.

### **SOCIAL MARKETING IN THE REPUBLIC OF SERBIA**

The social marketing concept does not have a long tradition in Serbia, perhaps a decade long, since the foreign companies, the leaders in business trends on this market, started contributing to the changes in business setting prevailing in the society. The local companies are ready to rapidly adopt the innovations introduced by foreign businesses, especially in the public relations area, as reaching the general public results in the greatest overall effect.

Corporate social responsibility is perceived in Serbia as an instrument used for improving a company's reputation in the society, government, media, and especially among business partners and consumers. It is therefore perceived as one of the marketing instruments of

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<sup>1</sup> Dibb, Simkin, Pride, & Feffell: *Marketing*. Mate, Zagreb, 1995, p. 658.

social marketing. This concept still does not incorporate concerns such as improving the quality and conditions of labour (employee rights and standards, education), nor does it provide satisfactory cooperation with consumers, trade unions, suppliers and other stakeholders.

In addition, the concept of socially responsible corporate conduct is principally viewed upon as philanthropy, in the form of donations and sponsorships. It is so perceived because it builds upon the national culture and the tradition of benefaction and endowment.

The introduction and adoption of socially responsible marketing is predisposed by multiple factors, some of which are: competitive and administrative pressure, the establishment of better relations with stakeholders, consumer pressure, government's financial incentive policies, environmental protection, legislation and so on. The factors causing the underdevelopment of social responsibility concept in Serbia, according to the following survey, are: insufficient support from the government, poor understanding of the concept, development of the market economy, inadequate promotion and education on the concept, weak multisectoral communication and cooperation, and participants (stakeholders) in the concept's promotion.<sup>2</sup>

Based on a research into the importance of factors for employing socially responsible business and marketing conducted on respondents from the business sector, the factors were ranked by significance. According to the research outcomes, increasing the company's reputation was identified as the most significant reason for introducing the concept of socially responsible marketing and its implementation. The significance of particular factors included in the conducted research is given in the table below:

**Table 1:** Results of the research into factor significance

Rank	Factor	Significance
1	Increasing the company's reputation	4.22
2	Government's financial incentives	3.88
3	Environmental preservation	3.77
4	Legal duties/governmental rulings	3.55
5	Shareholder or holding company pressure	3.44
6	Local/international competitiveness	3.44
7	Superior market position	3.44
8	Attracting the best and the smartest employees	3.11
9	Fighting corruption	3.00
10	Risk management	2.77
11	Cost reduction	2.88
12	Supply chain enhancement	2.55
13	Customer requirements	2.55

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<sup>2</sup> UNDP CSR Baseline research in Serbia, Živić M., Savić M., "Baseline Study on the Social Responsibility of Serbian Companies", UNDP and the Center for Monitoring and Evaluation <http://www.cme.org.yu> (29.12.2009), page 21,22.

(taken from the Business Case Study on SCR consciousness<sup>3</sup>)

Competitiveness and expansion on the local and international market lags behind the increase in reputation, environmental protection and management requirements. This highlights the importance of competitiveness in marketing and in social marketing as one of its segments. Marketing and public relations are still the most prominent directions of the socially responsible corporate conduct. However, customer requirements are ranked relatively low, although the companies lately recognize them as increasingly important. The reason for this is the difference in interpretation of customer requirements among the respondents. Cost reduction is ranked even lower, probably because of insufficient awareness of the effects on business and cost savings.

The combination of the above mentioned factors leads to a conclusion about the existence of three issues: social, the impact of social value chain and competitiveness. The social issue is of definite importance to society, but is not caused by companies' operations or their long-term competitiveness. The impact of social value chain is under the influence of companies' activities. The social aspect of competitiveness incorporates the factors influenced by competitiveness in the external environments where companies operate.

As well as in many other countries, social responsibility in Serbia does not incorporate the unique defining features of the business ethics concept itself, as a specific domain of responsibility. It is most usually defined by the following constituents: economic, legal, ethical and philanthropic, which act conjointly and shape the company's competitive position and reputation among the consumers, potential consumers and all sectors of the general public.

The still incomplete process of transition, economic crisis and its consequences manifesting themselves in all segments of the economy and peoples' lives, place Serbia among markets burdened with a series of problems: unemployment, low standard of living, and the economy evolving from the level attained at the end of the 1980's. However, even in such circumstances, introduction of social responsibility in most companies is in the process of accepting values and ethical standards which are already well established in adjacent environments (developed market economies). Building and maintaining the reputations of companies and their products is a conscious process taken seriously by the companies. Marketing activities aimed at the consumers and general public are carefully executed. Companies increasingly contribute to the community and its comprising segments and individuals as a part of operations. These activities are executed in the so-called third sector, i.e. the non-profit sector of the economy, and their influence extends to the fields of education, healthcare, social aid to the marginal population strata, supporting cultural events etc. In this perspective, local companies are willing to engage in philanthropic activities, particularly those concerning the children consumer segment, the sick and those who live on the border of subsistence minimum.

The legal aspect of domestic companies' social responsibility exists as a series of laws and acts in the process of drafting, instituting and implementation. The main problem concerns the executive bodies of certain regulations, i.e. the law clearly and unambiguously defines

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<sup>3</sup> UNDP CSR Baseline research in Serbia, Živić M., Savić M., „Baseline Study on the Social Responsibility of Serbian Companies“, UNDP and the Center for Monitoring and Evaluation <http://www.cme.org.yu> (29.12.2009), page 21,22.

specific actions and consequences; however, the regulation and self-regulation is most often left to the companies themselves.

The issues of ethical standards and business ethics reach all areas of business of every company and society. The existence of codes of conduct within the companies has become more a rule than an exception. The ethics of subsistence are directed by a series of suppositions which will ensure the reinforcement of personal integrity and civility on the market, in a variable competitive setting present in most areas of business. It is therefore necessary to ensure more space for general morality and ethical codes in business philosophy, as well as to build a sense of self-worth in a business milieu.

### **MANAGING COMPETITION IN SOCIAL MARKETING**

The application of the concept of social responsibility in Serbia progresses daily. It is a course to which the non-governmental organizations and foreign investors (companies) contribute most intensively, whereas the domestic companies are becoming increasingly aware that investing in social development (donations to the underprivileged segments of population, respecting employee rights, consumer protection, moral rules of the market) extending beyond the regulated business conduct (legislation) is becoming a powerful apparatus for increasing the company's reputation, i.e. building and maintaining a positive image, which is a communication goal for every company, and also a strong instrument for improving competitiveness.

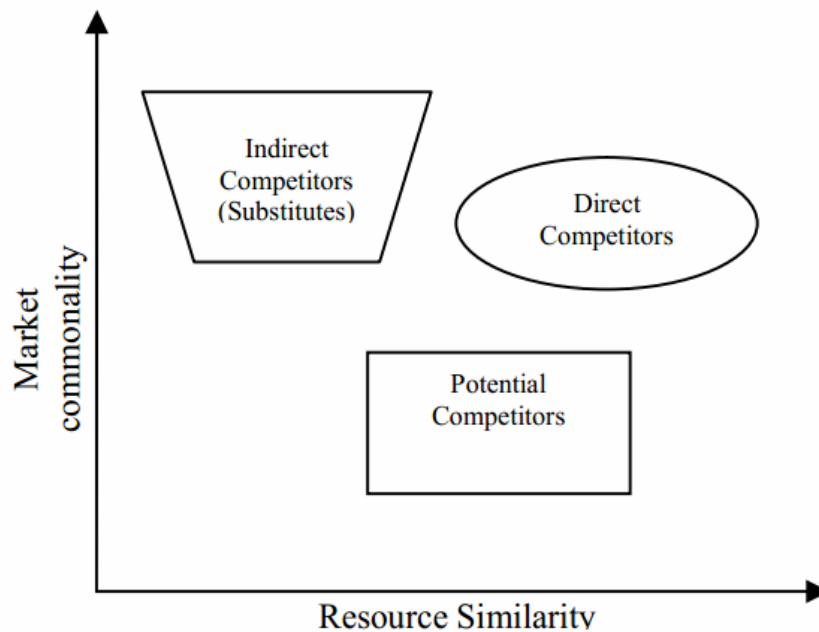
Changes in the market (among consumers, competition, in products, services and demand) require a new way of thinking and the application of innovative competitive marketing strategies. The traditional concept of competitiveness based on the market structure (product differentiation, supply concentration and barriers to entry) and company characteristics (size and sources), the later underlined necessity of researching the behaviour of strategic groups delimited according to the basic criterion of employed technology, next, the extent of vertical integration and the degree and variances in product differentiation constitute the four stages in the evolution of competitiveness. The initially employed strategies were: internal growth – developing own potentials to combine resources and make use of the organizational processes for the purpose of developing and selling final products; external – buying other companies; at present, connecting with partners (consumers, stakeholders and competitors) is used in order to build and develop relations based on trust; and time dimension – company's ability to learn based on experience, to define future courses of action, to be innovative and respond to the dynamic changes in the environment.<sup>4</sup> Today, the competition is increasingly built and maintained by the application of key competences. The application of social marketing includes identification and classification of the competition and competitive environment. Relevant relations in this context are shown in the following picture.<sup>5</sup>

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<sup>4</sup> Stanković: *Međuzavisni marketing*, Faculty of Economics, Niš, 2002, page 165

<sup>5</sup> Bergen & Peteraf: Competitor Identification and Competitor Analysis: A Broad-Based Managerial Approach, *Managerial and Decision Economics* 23, 2002, page 160.

**Figure 2:** Mapping the competitive terrain



The two dimensions used in this analysis are the level of market and market segments commonality (y-axis) and resource similarity (x-axis). The concept of market and market segments commonality requires classification of the competitors based on the extent to which they target the same or similar consumer wants or needs. The similarity of resources is associated with the level of similarity in provision and usage of all types of company's resources (capital, people, raw materials, know-how). This implies that some companies may be perceived as competitors even if they do not target the same markets or market segments, or even have the same technological platform, which makes the analysis of the competitive setting more complex and the importance of practicing social marketing even greater. Therefore, in essence, competitive advantage stands for marketing advantage, which represents the unique marketing assets of a company operating in a socially responsible manor, i.e. social marketing.

## CONCLUSION

Social Marketing is associated with the companies' obligations and decisions to increase their positive environmental impact and reduce their negative effect on the consumers and society. It is becoming increasingly apparent that it is of far greater importance for a company's survival and achievement of competitive advantage to operate in a socially responsible manner in the long run, instead of focusing on short-term cost-driven operations. Until recently, the priority for the companies was their economic sustainability, manifesting itself in profits, but along with it, social and environmental sustainability gain importance. By utilizing the concept of social responsibility, the company tends to increase its positive influence on the society as a whole and all of its segments.

Social marketing faces many problems; from consumer movements (the main social concerns being the right to safety, the right to information, the right to choice and the right to be heard), over the relations in community (the issue of equality, safety and health,

challenged members, education and general welfare) to green marketing (preserving the environment and combating water, soil and air pollution) and companies' philanthropic activities (positive attitude towards employees, consumers, suppliers, distributors, competitors and other organizations and institutions in society).

The competition that until recently prevailed among the companies now occurs among networks, and the effects emerge in companies which have successfully developed relations among established marketing networks.

### **Implications for theory and practise**

Domestic companies are becoming increasingly aware that investing in social development (donations to the marginalised population strata, respecting employee rights, consumer protection, moral rules of the market) extending beyond the regulated business conduct (i.e. legislation) is becoming a powerful apparatus for increasing the company's reputation, i.e. building and maintaining a positive image, which is a potent instrument for improving competitiveness.

In the application of strategies, socially responsible marketing requires the implementation of activities from three types of behaviour: legal, ethical and socially responsible. Today, the competition is to a greater extent built and maintained by the application of key competences.

In Serbia, the corporate social responsibility is perceived as an instrument to improve a company's reputation in the society, government, media, and especially among business partners and consumers. It is therefore perceived as one of the marketing instruments of social marketing. This concept still does not incorporate concerns such as improving the quality and conditions of labour (employee rights and standards, education), nor does it provide satisfactory cooperation with consumers, trade unions, suppliers and other stakeholders.

In Serbia, the concept of socially responsible corporate conduct is still viewed upon as philanthropy, in the form of donations and sponsorships. So it is perceived, since it builds upon the domestic culture and the tradition of benefaction and endowment. It is so perceived because it builds upon the national culture and the tradition of benefaction and endowment.

### **Contribution to science**

International marketing literature analyses and explains in detail the contemporary approach to the concepts of corporate social responsibility and marketing in social marketing. Using various terms for the essence of social responsibility and one of its segments related to marketing, marketers conceive it as adapting and conducting one of its segments related to marketing, marketers interpret it as adapting and conducting marketing activities in practice, with achieving corporate profit, consumer satisfaction and various interests of the environment, i.e. public.

The academic and professional marketing literature in Serbia is oriented to accepting and applying new marketing concepts, with appropriate adaptation to the domestic market, taking into account all the specific features of the local consumers and environment. A



growing body of research and scientific articles deal with this issue, leading to its practical implementation.

The need for corporate social responsibility and application of social marketing has become clearly defined in the Republic of Serbia over the past ten years. The practice is increasingly seeing the apparent awareness of the impact of socially responsible corporate programmes and activities, which, coupled with overall marketing activities, contribute to a positive and clear image of companies and their products and services – reputation (rated the first in the conducted research) and competitiveness (rated as the sixth at the local and international level). Positive and clear image undoubtedly contribute to a company's economic performance, i.e. profit, which further results in and influences the growth in the competitiveness of companies and their products and services. On a broader scale, implications reflect and are manifested on the image and competitiveness of the country at large.

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ISSN 1855-931X

## **RENEWABLE ENERGY INVESTMENT: APPLYING A MOTIVATION, OPPORTUNITY, AND ABILITY FRAMEWORK IN EVALUATING INVESTMENT BEHAVIOUR**

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### **Abstract**

In view of the recent intensified focus on renewable energy, different policies and support schemes have been extensively employed and implemented to promote the use of such by governments around the world. Previous research has focused on various technical and socio-economic challenges and solutions to renewable energy investment. But it is also important to identify and develop a multidimensional perspective of such barriers in order to increase investment.

In this paper a model has been proposed to examine the investment behaviour in renewable energy which relies upon the Motivation-Opportunity-Ability framework illustrating how different barriers may associate with motivational, contextual and situational factors affecting investment behaviour. In addition to traditional investment rules, firms' investment behaviour is determined by a number of other cognitive factors. Investment behavior is further conceptualized incorporating different barriers, and a model has been proposed to test how the behavior of investors' could be influenced by such barriers.

**Keywords:** Motivation-Opportunity-Ability (MOA) framework, Investment behavior, Renewable energy, Barriers

**Topic Groups:** Social sciences and business; Industry, area or region specific study

**JEL Classification:** Q20, O13, Q42

## **1 INTRODUCTION**

In order to support the Renewable Energy development initiatives, a lot of investment efforts have been made by governments around the world. For addressing this issue, public policies in many countries such as Sweden, UK, USA, Netherlands, Ireland, Spain, and China allocate significant amounts of money (Andreea, 2009). Different policies and support schemes were extensively employed and implemented to promote the use of renewable energy. They are namely pricing laws, quota requirements, production incentives, tax credits and trading systems. Two support schemes, feed-in tariffs and renewable energy certificate trading are mostly common to encourage the investments in renewable energy sources for electricity production (Lipp, 2007; Boomsma, Meade & Fleten 2012).

In light of the renewed focus and policy and technology developments, companies now have extraordinary opportunities to develop their businesses in the renewable energy sector. Governments in various countries are looking for huge levels of new investment in renewable energy sources and it is quite challenging for infrastructure investment (Lewis and Wiser, 2007). In order to encourage private investments in renewable energy sector, energy sectors was restructured by governments around the world (Stone, 2002). Even though there is an enormous body of research focusing on normative perception, less empirical work was conducted to see what the main driving factors are switching from traditional energy sources to renewable sources (Marques et al. 2010). Considerable attentions were given in past research on issues related to various social, technical, and economic challenges and solutions to renewable energy investment. But it is also important to identify multidimensional perspectives of those barriers and there is a pressing need to identify the most significant barriers to renewable energy project implementation in order to increase investment in this sector (Richards, Noble & Belcher, 2012).

Behavioural factors have an important influence on decision making process to invest in renewable energy sector. Investors' beliefs, their attitude regarding the technological challenges, preference related to economic policy instrument have an influence on their willingness to invest (Masini and Menichetti, 2012). Thus, conducting a study on investor's perception and attitude regarding the risk perception and assessing how much they are relevant to making investment decisions is crucial. (Wustenhagen & Menichetti 2012).

In this paper, the model have been proposed to examine the investment behavior in renewable energy sources for electricity production from the investors' perspective. The main purpose is to propose a model to test investment behavior under different barriers associated with renewable energy development. From previous literature investment behavior is conceptualized and the different barriers associated with it in the renewable energy sector.

## **2 THEORETICAL BACKGROUND**

### **2.1 Factors influencing behavior choice and investment behaviour**

Theory of Reasoned Action (Ajzen & Fishbein, 1980) and Theory of Planned Behaviour (Ajzen, 1991) have both dealt with choice of behavior, where there have been reasons behind the choices made (East, 1993). IN Theory of Reasoned (TRA), Ajzen and Fishbein's

assumption was people engaged in rational behavior and weighed the consequences of any action they might take or choice they make. The subsequent Theory of Planned Behaviour (TPB) proposed frameworks to investigate the different factors behind behavioural choices in varied areas. In the TRA model, behavior is anteceded by intention to perform the behavior. Such intention again is pointed out to be a result of two components, which are subjective norms and attitude towards a certain behavior. The model predicts that the attitude will be determined by salient beliefs held by the subject regarding whether performance of the behavior will result in a desired or given outcome. Subjective norm is defined as normative beliefs arising out of subject's referents' advices. It also includes subject motivation or degree of willingness to take into account such advice as a moderating variable.

The theory of reasoned action and the theory of planned behaviour have been empirically tested to evaluate decision making behaviour of individuals and small to medium sized enterprises in the areas of financial decision making, strategic decision making and professional decision making (Southey, 2011). Cordano & Frieze (2000), applied the theory of planned behavior in environmentally sensitive decision process. They have identified the manager attitude, beliefs and perceptions regarding the environmentally sensitive decisions. Marquardt & Hoeger (2009), has used the theory of planned behaviour along with the implicit attitude measures in order to test the effect of implicit moral attitudes on Managerial Decision-Making. The theory of reasoned action and planned behavior were tested to investor's investment behavior (East, 1993).

The evaluation of financial decision making is an area of concern which has involved a variety of methods and theories to research the behaviour of individuals. For the most part research has been focused on the economic theory of rational decision making. From the previous research it was found that most of the focus had been given on economic theory of rational decision making in order to evaluate the individual's behavior of financial decision making, and limited attention was given behavioural theories (Southey, 2011). According to behavioral finance, if we consider the investment from a behavior perspective then perception is an important consideration which is related to risk and return. Since human beings are making the investment decisions, their decisions are influenced by some reasoning or cognitive factors (McFadden, 2001). Hofmann, Hoelzl & Kirchler (2008) suggested that both financial and moral considerations have an influence on investment decisions. In their study they have tested the applicability of theory of planned behavior along with other behavioral models in the context of investment decisions. The results of the study described invest decision to be influenced by participants' utility of morality, by intention to invest, and by moral intensity of the investment which is directing towards profit.

Thus in case of investment decisions risk and return are important considerations. In order to increase the investment in renewable sectors, policy makers should take initiatives to reduce risk and ensure acceptable returns. Providing this kind of policy framework also considers perception since things are happening under bounded rationality. Different investors have different perceptions and investment choices under the same investment opportunity. Within the same conditionalities, some investors may perceive investment in renewable energy to be too risky and some of them may perceive it as a good opportunity. So it is important to consider behavioural factors to investigate investor's perception and attitude and how they influence their investment decision making process. (Wustenhagen & Menichetti, 2012).

## **2.2 The Motivation – Opportunity – Ability (MOA) Framework in determining behavior**

Consumer behavior researchers first proposed the Motivation-Opportunity-Ability (MOA) framework in the context of information processing theory to explain consumers' information processing behavior in advertisement effectiveness (MacInnis and Jaworski, 1989; MacInnis, Moorman, and Jaworski, 1991). They developed this model and this model has been well established and widely used in a wide number of studies (Clark et al. 2005; Hung et al. 2011; Andrew 1988; Batra and Ray, 1986; Heer & poiesz 1988; putrevu & Lord 2003; Johar and Simmons, 2000). According to the MOA Model (MacInnis and Jaworski, 1989) antecedents, processing, and consequences are the three components of information processing. In the context of brand information processing, motivation and opportunity are described as an antecedent. Motivation is an important factor to achieve the desire goal. The realization of the difference between the present situation and the desired situation is the starting point of information processing. The model proposed that when consumers are motivated, they have the ability and opportunity to process information and it is at that time they will process information from an advertisement.

Hughes (2007) used the MOA (motivation, opportunity, ability) framework which is well suited to the investigation of behaviors. Hughes mentioned that it is motivation that provides impetus toward a certain desired behavior, and additionally contextual and situational factors also have an important influence on behavior. They have hypothesized relationships where behavior is directly influenced by motivation; Ability and Opportunity as moderating influences on the link between Motivation and Behavior. Motivation is defined as the rationale and desire to act toward a behavior; Ability describes skills and capabilities necessary to the enactment of a behavior; and Opportunity is the contextual and situational controls related to the performance of the Behavior.

Clark, Abela, Ambler (2005) used the MOA framework for investigating organizational motivation, opportunity and the ability to measure processing of marketing performance information. They had conducted a survey among 66 senior managers at large corporations to examine the organizations' motivation, ability and opportunity and their intention regarding the marketing performance measurement system. They had used MOA as a theoretical model to link the managerial behavior in processing marketing performance information. The influence of motivation, opportunity and ability to process marketing performance information on managerial behavior was tested in their study.

Hung et al. (2011) have developed a community participation behavior general framework in tourism development. They applied the MOA model to test the efficacy of an integrative model for community participation behavior in tourism. From their study, they found public's motivation for participation, their ability and their opportunity to participate are the three necessary antecedents of community participation; and they also found that the situational factors affect level of participation. In the Social marketing context, this Motivation, ability and opportunity (MOA) framework was applied by Rothschild (1999) to measure expected behavior. According to their study, segmentation in social marketing was done based on motivation, ability and opportunity whereas 'wish to act' was defined as motivation, skills or expertise was defined as ability and the lack of environmental barriers to action was identified as opportunity in the position of behaving in the expected way. Olander & Thøgersen (1995) identified the determinant of consumer behavior with an environmental impact by using Motivation, ability and opportunity framework. In their study, motivation

ability and opportunity was included as the three main determinants of performing environmental friendly behavior of individuals.

The motivation, ability, opportunity model is founded on the principle that a lack of motivation, ability, or opportunity could be responsible for perceived barriers in people's action (Wiggins, 2004). Following this argument in the next section will discuss the perceived barriers in renewable energy sector.

### **2.3 Barriers in the renewable energy sector**

Several studies have analyzed renewable energy development barriers in the past. Based on the previous literature, several barriers associated with renewable energy development around the world will be discussed.

Previous research identified several barriers that have prevented penetration of renewable energy technology to a broader scale; which include technical barriers, cost effectiveness, institutional, political and regulatory barriers, social environmental barriers, and market barriers such as inconsistent pricing structure. These barriers may be specific to a country or region, or in some cases they are related to technology related challenges (Painuly, 2001). Painuly (2001) conducted studies in the renewable energy sector and categorized major barriers as Market Failure/imperfection, Market Distortions, Economic and Financial, Institutional, Technical, Social, Cultural and Behavioural.

Richards et al. (2012) reviewed previous literature in the field and conducted study in wind energy development to identify the challenges associated with necessary investment in renewable energy. They mentioned high capital involvement and maintenance costs of renewable energy projects, disagreements over the balance between investment in the environment and economy, contradictory knowledge about the benefits of wind energy, conflicting faith in technology to accommodate high levels of wind energy, economic barriers, lack of social interest in and support for wind energy, political barriers to be responsible for improvement of renewable energy.

Martin & Rice (2012) conducted a qualitative study and examined the barriers to renewable energy implementation in the Australian state of Queensland from a firms and stakeholder organizations perspective. A range of financial, infrastructure, technical, regulatory, economic, and information barriers were identified for the firms and stakeholder organizations. In their study they mentioned the most noticeable barrier for RES supply in Queensland was finance related issues. For large scales renewable energy projects, in isolated regions high capital costs reduce the potential investment. Insufficient financial incentives, Project finance availability and the inability to negotiate profitable long-term (25-30 year) Power Purchase Agreements (PPAs) with government businesses and private power companies are other factors identified as major financial barriers in renewable energy development. Technical storage and replacement mechanisms to support the occasional operation and control of power delivery to the grid and ability to maintain a skilled technical workforce under the country's current economic conditions were identified as technical barriers. Insufficient network capacity and Remote grid connections and access were identified as infrastructure related barriers. Regulatory barriers mentioned in their study are complex zoning and planning, multi-tiered government approvals, land access and use. Economic barriers were related to abundant fossil fuel resources and cheap coal fired power. Information, education, and awareness regarding renewable energy were also identified as barriers in their study.

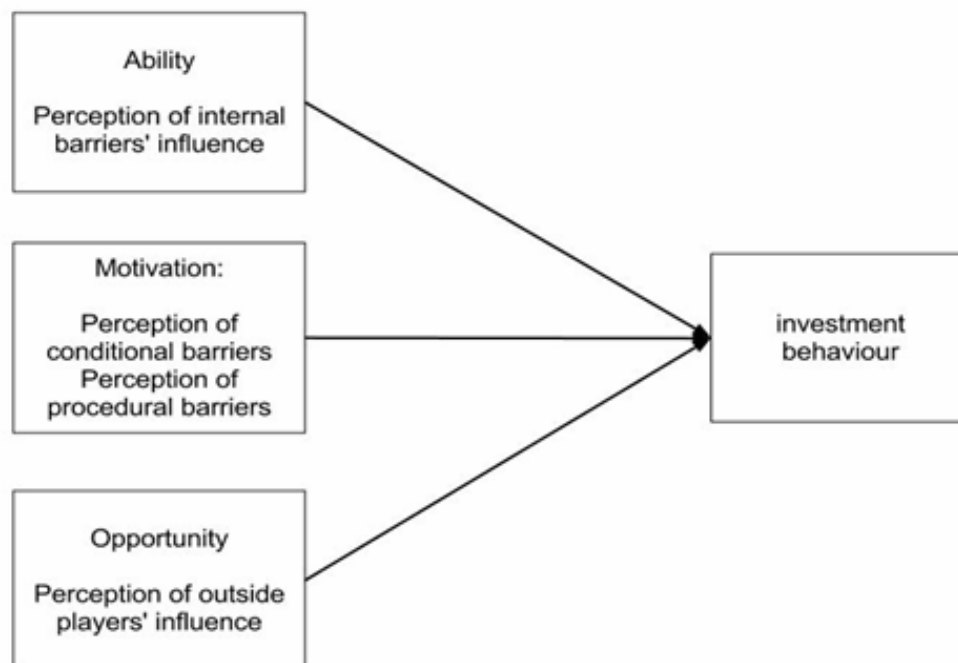
Oikonomou et al. (2009), conducted a case study in barriers to wind project financing in Australia and mentioned that it is essential to identify the importance of those barriers, who he classified into five major categories: (a) technological; (b) environmental; (c) social/public opinion; (d) economic and (e) regulatory, administrative and legislative. Limitation of network and absence of balance between demand and the offer of the energy were identified as technological barriers. Environmental barriers include effects on the ecosystems, effects on the landscape and change of land use. Social/public opinion barriers are related to Optical harmful effect and Insufficient sources of information. Marketing obstacles, market distortion and competition, indirect distortion of the kWh costs were associated with economic barriers. Regulatory legislative and administrative barriers focused on lack of rules and laws imposing the respect, lack of investment and development structures, lack of rules and laws imposing the respect of the environmental rules and terms, lack of an installation planning policy, legislative limitation regarding the load factor of the turbines.

Kaldellis (2007) conducted a detailed review of the existing situation in small hydro power electricity generation in Greece. Their main focuses were Technical and economic concerns associated with small hydropower plants. They identify administrative bureaucracy as a major drawback in small hydropower stations since investors had to wait a long time to get their final license. They also pointed out the absence of an integrated national water management plan by the State, limited social-economic influence at the local and national levels, lack of essential expertise and the technical equipment to optimize the plants, low water volume rate available and the operational restrictions imposed by the hydro turbines of the installation as challenges in small hydropower development projects. Denault, Dupuis & Couture-Cardinal (2009) have also identified that risk related to water inflows shortage and the variations in the inflow over the time are two of the main factors of project profitability. Uncertainty related to future electricity prices and variations in water inflow over the years are important challenges to assess small hydropower plant (Bøckman, Fleten, Juliussen & Langhammer, 2008).

### **3 PROPOSED RESEARCH MODEL AND FURTHER RESEARCH SUGGESTIONS**

After reviewing the work done in past research efforts, in the proposed research model, the barriers has been categorized within three top level constructs: Ability, motivation and opportunity, which has are then hypothesized to have an influence of investors' Investment behaviour. From previous studies (Hughes, 2007; Rothschild, 1999) in motivation, ability and opportunity model, motivation is the desire to act; ability is the absence of individual barriers in action and the situational barriers in action was identified as an opportunity. Investment behavior is not always dependent upon a pure cost-benefit analysis alone, but as identified before, may take into account a number of external and internal environmental and contextual factors, as well as the decision makers' psychographics. The previously identified explicit factors were included; and categorized them within the broader contexts by linking with the MOA model. This helps us to both achieve the granularity and the broader perspective needed to evaluate the factors in an overall decision making process context, rather than treating each factor in isolation. It is hoped this will provide a more holistic explanation of the behavior and the decision process

**Figure 1:** Proposed model for the study



### **3.1 Conceptualizations of the variables and proposed hypotheses to test the research model for future research**

In the proposed model the three factors motivation, ability and opportunity include multiple barriers to investment participation. In this paper Investment Behaviour is defined as “how likely it is that the investors intend to invest in renewable energy projects”.

When applied to expected investment behavior, motivation can be defined as the desire or willingness to invest. Based on the motivation defined in the previous research motivation is conceptualized as private investor’s incentives towards investment in renewable energy projects. Barriers that influence the willingness to invest are included to measure motivation. In other words, if the perceived barriers are less, the motivation will be high to invest. Motivation could be measured by perception of conditional barriers and perception of procedural barriers which might increase or decrease the willingness to invest. Procedural barriers are related to consultation process, during the licensing process, technical planning development stage and the construction stage. Conditional barriers can be related to high taxes, high investment cost, low electricity price, delay in obtaining services, delay in obtaining components, problem with net access, delay in obtaining fund, overall project risk. According to Painuly et al. (2001), market imperfection may lead to a lack of investments in RETs since it increases uncertainty, and hence costs. These barriers may increase cost of product to the consumer and also acts as an entry barrier for entrepreneurs.

Several factors work as economic policy actors towards formation of public policy, including several types of incentives. Such as, grant or low interest loans that may work as investment incentives, taxes and other incentive tariffs such as feed-in tariffs, incentives in research and development etc. Other notable factors can be setting mandatory renewable energy targets such as production quotas, implementation of tradable certificates etc (Van Rooijen and van Wees, 2006; Wang, 2006). The discussion of motivation in renewable energy investment can be tested with the following hypothesis:



*Hypothesis 1: The expected investment behavior in renewable energy is positively influenced by the desire or willingness to investment. The greater the perceived desire, the higher the investment.*

Based on the previous discussion, opportunity is defined as the absence of situational barriers to invest. Opportunity / external barriers are outside an investor's control and affect the possibility to invest. Based on the previous research we conceptualized opportunity as "contextual and situational constraints which are not in investor's control and relevant to the performance of the investment Behavior". Investment opportunities are naturally evaluated by investors based on potential returns after adjustments for any risk involved. However, in case of renewable energies, external environmental factors have a larger impact on chances of return compared to conventional energy projects. As a result, investment decisions in renewables are also influenced to a larger degree due to such factors (Wustenhagen & Menichetti, 2012). In this study perception of outside actor's influence was considered as external factors/barriers related to opportunity of the investment.

A long time waiting for obtaining the final license due to the environmental rules imposed by the authority and administrative bureaucracy proves one of the major obstacles for renewable energy investment. Conflict with different external groups such as private sector (eg. tourism), organized opposition groups, the municipal administration, the municipal council, county council, National Health Screening, media, neighbor's / representatives from the community, Local people living near to the power plant, landowners resulting in delays in investment.

The discussion of opportunity in renewable energy investment can be tested with the following hypothesis:

*Hypothesis 2: The expected investment behaviour is negatively influenced by the situational barriers. The greater the situational barriers, the lower the potential for investment in renewable energy.*

Based on previous research 'Ability' is conceptualized as an investor's own skills and capabilities required for the implementation of an investment in renewable energy project. Ability can be defined as the lack of company exclusive individual barriers to invest (such as lack of funding, lack of technical knowhow, lack of access to grid connections, lack of company's internal resources). Ability / Internal barriers include all barriers that influence the investors own ability to carry through with the investment. Management/ Organization's internal barriers were selected criteria for this study to measure ability or internal barriers. Management/ Organization's internal barriers involve Conflicts within the owner group, Lack of competence, Problems with securing adequate equity funding, Lack of capacity to prioritize project management, Internal resistance towards change or the project itself.

The discussion of ability in renewable energy investment can be tested with the following hypothesis:

*Hypothesis 3: The expected investment behavior is positively related to the companies' ability to invest: the greater the ability, the higher the level of investment in renewable energy.*

#### 4 RESEARCH IMPLICATIONS AND CONCLUSION

This paper proposes a model to investigate the challenges associated with the implementation of renewable energy development projects, and investigate how these challenges are related to the investor's investment behavior which may have an impact on preventing such projects from being implemented. It is hoped that further findings from this research work will drive a longer discussion of the barriers related to procedural steps, perception of internal and external factors, perception of conditional factors, influence of outside players could delay or prevent the investment in renewable energy. The model will also explore how these barriers are related to investors' motivation, ability and opportunity to invest which factors are more responsible to delay or prevent the investment.

The potential contribution of this study is therefore twofold. Firstly, the factors taken in the study help us to combine several areas of research, taking into account economic, political, environmental, and marketing related issues that can work against a smooth implementation of renewable energy projects. A decision process does not occur in a vacuum, and thus relying on literature from one discipline or analyzing from one paradigm could perhaps leave out or fail to identify some crucial issues that could still have a major adverse impact on investment decisions.

Secondly, based on previous research a set of variables has been identified and conceptualized for further testing. Since the identification and conceptualization have been developed involving social, political, economic, and marketing considerations, this would provide a useful tool to quantify risk assessment related to external macro and micro environmental factors. Based on the previous research that focused on different social, political, environmental, economic, procedural and marketing related barriers, group of barriers in renewable energy has been emerged for further testing.

Finally, a research model is being proposed depicting relationships between the factors, both independent and dependent. A set of hypotheses have been proposed for testing to assess the strength of relationships between the factors within the relational model. The strength of the relationships would help us identify the key factors responsible.

**Acknowledgement:** The Authors thank Dr. Kristin Linnerud for her helpful comments in this paper.

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ISSN 1855-931X

## EMPOWERMENT IN THE GREEK PUBLIC SECTOR: EVIDENCE FROM TOP MANAGEMENT EXECUTIVES

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### Abstract

“Empowerment takes more than a minute...” - K. Blanchard

The present paper examines empowerment as a resource based view strategy for the development of Greek public sector. Empowered organizations are expected to become the norm in the postmodern age, to gain commercial advantages and to be in a position to create and maintain a sustainable competitive advantage. However, it is widely believed that traditional command and control structures disempower organizational members, especially in the public sector. Within this context, our research uses the well-known Whetten and Cameron (1995) questionnaire for empowerment on a survey conducted among top management executives serving in four major Greek public sector organizations. Principal component factor analysis within a sample of 165 top-management public sector executives reveals the five empowerment dimensions, namely meaning, self-efficacy, self-determination, trust and personal control. After the discussion of the findings, a number of tactics and policies about the enhancement of executives' empowerment conclude the paper.

**Keywords:** empowerment, Greece, public sector, top management executives

**JEL Classification:** H83, M12, M54

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## 1 INTRODUCTION

Workforce empowerment tends to be one of the most important managerial issues in the present decade as it is considered central to an effective strategy development (Whetten & Cameron, 2005). Senge *et al.*, (1999, p.11) by introducing the term "*...age of empowerment...*" claim that empowering has become a key rhetoric during the last decades of the twentieth century. However, little consensus has been agreed upon its definition (Thomas & Velthouse, 1990). In this respect, empowerment constitutes an end and an internally defined mean of achieving goals and influencing other valued outcomes in many ways (Blanchard *et al.*, 1996). Thus, scientists with different research background use empowerment in a variety of contexts and intentions.

Employee empowerment, as a management approach, has been introduced since the 1990's, in both private and public sector organizations, with the aim to improve performance, responsiveness, and innovation. As far as empowerment in the public sector is concerned, it is argued that the weaknesses of governments' machinery are not due to lazy or incompetent public employees, but due to the rigid and predetermined governmental rules and regulations that discourage employees' innovation and creativity (Carroll, 1995; Gore, 1993; Kettl, 1994; Thompson, 2000). Peters (1996, p.51) concludes that in countries where new public management reforms have been undertaken (i.e. United Kingdom, Canada, Australia and France), "*...more empowered workers should be willing to work harder, share more ideas with management, and treat their clients more humanely since they are themselves being treated better...*".

Within this context, our study is based on Spreitzer's definition, where empowerment is approached from a psychological perspective as "*...an active (rather than a passive) orientation in which an individual wishes and feels able to shape his or her work role and context...*"(1995, p.1444). In the first part of the paper we trace empowerment insights out of a literature review. Moreover we examine empowerment as a resource based view strategy for the development of Greek public sector by studying a sample of 165 top-management executives from four major public state organizations. In the second part of the paper we propose a number of tactics and policies about the enhancement of executives' empowerment, taking into consideration the special characteristics of Greek economic environment.

## 2 TRACING EMPOWERMENT INSIGHTS

Empowerment refers to the process of increasing the ability of individuals or groups to make choices and transform those choices into preferred actions and outcomes (Langton & Robbins, 2006). Rappoport (1984) points out that it is easy to define empowerment by its absence rather than defining it in action. The concept, although widely used, can be characterized as highly elusive and vague, as there is little, if no, consensus in its exact definition (Thomas & Velthouse, 1990). This may be due to the fact that the term is used across a great range of disciplines (i.e. psychology, philosophy, sociology, education, economics, community development etc.), each one of them bringing different interpretation.

In the management field, emerged two distinct theoretical perspectives, a managerial and a psychological one (Fernandez & Moldogaziev, 2010, p.24). Though completely different approaches, both perspectives suggest that for employees to be empowered and have an ownership mentality, there must be a clear definition of the values and mission of the

organization; the organization must help employees gain the relevant skills; employees need to be supported in their decision making and not criticized when they try to do something extraordinary; and employees need to be recognized for their efforts (Langton & Robbins, 2006).

The managerial perspective is based to the fact that the key element in the concept of empowerment is power, i.e. the *Oxford English Dictionary* defines the verb *empower* as *to invest legally or formally with power: to authorize, license*. Consequently, the managerial perspective views employee empowerment as a construct that explains how people with power (i.e. managers) in an organization share power, authority, information, and rewards with those who do not have power (personnel) (Conger & Kanungo, 1988; Bowen & Lawler, 1992, 1995; Kanter, 1979) to improve organizational outcomes. In more details, managers are learning how to give up control, and employees are learning how to take responsibility for their work and make appropriate decisions (Langton and Robbins, 2006). This point of view, led many scholars to note that managers should distinguish between being *in* authority and being *an* authority (Stewart, 1994).

On the other hand, the psychological perspective, introduced in the late 1980's, considers employee empowerment as a motivational construct increasing task motivation (Thomas & Velthouse, 1990) and fostering feelings of self-efficacy (Conger & Kanungo, 1988). In a more detailed definition, empowerment is asserted to *be a process of enhancing feelings of self-efficacy among organisational members through the identification of conditions that foster powerlessness, and through their removal by both formal organizational practices and informal techniques of providing efficacy information* (Conger & Kanungo, 1988, p. 474). As stated in Fernandez & Moldogaziev's study (2011), this motivational process consists of five stages: a) conditions leading to a psychological state of powerlessness, b) the implementation of empowerment strategies and techniques, c) the removal of conditions leading to powerlessness and the transmission of information that enhances self-efficacy, d) a feeling of empowerment as a result of receiving and processing this information, and e) the behavioral effects of empowerment (i.e. greater effort and persistence). In the same line of argument, Thomas & Velthouse (1990) concluded that empowerment is *a heightened level of intrinsic task motivation or internalized commitment to a task*. The authors also introduced a model according to which, an employee makes personal assessments of four aspects of a task: impact, competence, meaningfulness, and choice (Fernandez and Moldogaziev, 2010, p.25). Spreitzer (1995, p.1444) examines empowerment as *an active (rather than a passive) orientation in which an individual wishes and feels able to shape his or her work role and context*. The author, likewise Conger & Kanungo (1988) and Thomas & Velthouse (1990), also considers empowerment as a motivational construct and acknowledges four procedures: meaning, competence, self-determination, and impact. Another definition framed by Carlzon (1987) suggests that empowerment is *freeing someone from rigorous control by instructions, policies and orders, and giving that person freedom to take responsibility for his/her ideas, decisions, and actions*. According to Johnson (1993, p.32) empowerment is the *realization and actualization of potential and opportunity just waiting to be unleashed*, while other scholars see empowerment as the way of persuading employees to be fully responsible for their own job satisfaction (Senge *et al.*, 1999). Finally, another worth mentioning attempt in defining the field of employee empowerment is that of Bowen & Lawler (1992, 1995) who defined empowerment as *an approach to service delivery*, unveiling four determinants: information, rewards, knowledge, and power. Although Bowen and Lawler have pointed out the role of power in the process of empowerment, they emphasized that programs focused only on power tend to be insufficient for realizing the



benefits of empowerment. Finally, the psychological perspective considers employee empowerment as a *humanistic device to improve the quality of working life for ordinary employees* (Denham Lincoln *et al.*, 2002, p.271).

Within this context, Quinn & Spreitzer (1997), in their research on the characteristics of empowered people (through both in-depth interviews and survey analysis), found four characteristics that most empowered people have in common, a) a sense of self-determination (this means that they are free to choose how to do their work; they are not micromanaged), b) a sense of meaning (they feel that their work is important to them; they care about what they are doing), c) a sense of competence (this means that they are confident about their ability to do their work well; they know they can perform), and d) a sense of impact (this means that people believe they can have influence on their work unit; others listen to their ideas).

If organizations adopt the management process of employees' empowerment they can achieve many effective outcomes. Numerous studies have shown that empowerment may improve organizational effectiveness and productivity (Kirkman & Rosen, 1999; Lawler *et al.*, 1992, 1995; Nielsen & Pedersen, 2003; Spreitzer, 1995); promote the innovation of the personnel (Spreitzer, 1995); reinforce employees' job satisfaction (Kirkman & Rosen, 1999; Lawler *et al.*, 1992, 1995) along with organizational commitment (Guthrie, 2001; Kirkman & Rosen, 1999; Lawler *et al.*, 1992, 1995) and job involvement (Coye & Belohlav, 1995). According to Bowen & Lawler (1992), a benefit of empowerment is that employees will feel better about their jobs and themselves; and this will result to reduced turnover, less absenteeism, and fewer union organizing drives. Within this context, Zemke & Schaaf, (1989), noted that empowerment is a common theme running through many of the most effective service businesses, such as American Airlines, Marriott, American Express, and Federal Express.

However, the implementation of empowerment policies may also entail some disadvantages, since empowerment might impose extra financial and production costs on organizations (Bowen & Lawler, 1995). Further, the paper suggests that a number of problems can arise when organizations decide they want to empower employees: a) some managers do not want empowered employees, because this can take away some of their own base of power, b) some employees have little or no interest in being empowered, and c) empowerment does not work the same way in every workplace.

### **3 AIM AND METHODOLOGY**

The aim of the present study was firstly, to investigate public sector top-management executives' empowerment and, secondly, to propose a number of practices and policies regarding the effective management of empowerment in the public sector field.

The research was conducted in four major Greek public sector organizations, in close cooperation with their administrations and the University of Macedonia, the second semester of 2011. The four organizations operate in the fields of electricity (38% of the sample), telecommunications (29% of the sample), public fixed-route transportations (24% of the sample) and water supply (9% of the sample) respectively. Overall, these organizations employ more than 48.000 people in Greece and are considered as the "Achilles' heel" of the local economic environment. We chose to examine their top-management executives because on the one hand, they are acknowledged as firms' major decision makers (Calori *et*

*al.*, 1994) and on the other hand, their personal characteristics affect strategic decision processes (Peterson *et al.*, 2003) and strategic actions that have implications for firm performance (Nadkarni & Narayanan, 2007).

In more detail, their human resources departments proposed 353 top-management executives to participate in the research as key informants (i.e. in charge of or involved with their organizations' strategic management implementation). Overall, a total of 165 top-management executives replied to the structured questionnaire (74% male and 26% female; response rate 46.74%). The first month we organized a relevant workshop to explain the rationale and significance of the research, along with its goals, supporting objectives and expected results. The next month, we conducted a pilot test to examine the research functionality. Consequently, we send a presentation of our research to all top-management executives along with guidelines for the questionnaire. All through the research period, we provided full support (i.e. personal meetings, phone or e-mail) to the participants. Table 1 summarizes the demographic characteristics of the participants in our research.

**Table 1:** Demographic characteristics of the sample

	<b>Age</b>	<b>Working Experience (years)</b>
N	165	165
Mean	49,02	23,11
Median	50,00	23,00
Std. Deviation	4,725	4,328
Variance	22,329	18,732
Minimum	38	13
Maximum	58	33
	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b> Men	110	66,7
Women	55	33,3
Total	165	100,0
	<b>Frequency</b>	<b>Percent</b>
<b>Education</b> BSc	53	32,1
MSc	87	52,7
PhD	25	15,2
Total	165	100,0

Regarding the measurement of empowerment, we used the well known questionnaire for empowerment developed by Whetten and Cameron (1995). The questionnaire consists of four empowerment dimensions suggested by Spreitzer's (1995) empirical study and another one suggested by Mishra (1992). Thus, it captures five dimensions of empowerment, namely *self-efficacy*, *self-determination*, *personal control*, *meaning* and *trust*. In more detail: a) *Self-efficacy* (competence), which suggests that employees possess a sense of confidence as well as a personal mastery regarding their capabilities; b) *Self-determination* (choice), which suggests that employees feel free to initiate tasks, make independent decisions and try out their ideas; c) *Personal Control* (impact), which suggests that employees believe that they

have the ability to cause a change or produce an outcome in the desired direction, despite the obstacles their external environment, imposes on them, d) *Meaning* (value), which suggests that employees value the purpose, the goals, and the mission of their work. Hence, they are committed, involved, excited and persistent in chasing preferred goals, e) *Trust* (security), which suggests that employees possess a sense of security within their job environment.

#### 4 RESULTS

Principal component factor analysis revealed five dimensions that characterize Greek top-management executives' empowerment. The five dimensions have eigenvalues greater than 1 and explain 66.57% of total variance. In more detail: 1) *Trust* (F1, variance 16.04%): employees want a cooperative, honest and common understanding environment, where they feel confident towards a fair and equal treatment. 2) *Personal control* (F2, variance 13.59%): employees believe they can make a difference, have an impact, and achieve a desired result. 3) *Self-determination* (F3, variance 13.35%): employees experience freedom, discretion, and choice. 4) *Self-efficacy* (F4, variance 12.02%): employees feel capable, confident, and competent about their job. 5) *Meaning* (F5, variance 11.57%): employees sense the value, the purpose and the mission of the activities in which they are engaged.

High reliability also characterizes the five factors. The Cronbach coefficient alpha is 0,91 for the trust factor, 0,82 for the personal factor, 0,81 for the self-determination factor, 0,71 for the self-efficacy factor, and 0,75 for the meaning factor respectively. Mean values for each factor indicate that top-management executives gave greater score to *trust* (mean & SD=6.29 ± .65), *self-efficacy* (mean & SD=5.86 ± .79) and *personal control* (mean & SD=5.23 ± .73) than to *self-determination* (mean & SD =3,17 ± .78) and *meaning* (mean & SD=1.89 ± .69). Table 1 summarizes the results.

**Table 2:** Empowerment Factor analysis results

Questions	Factors				
	Trust	Personal control	Self-determination	Self-efficacy	Meaning
5	.95				
15	.87				
10	.86				
20	.84				
4		.92			
9		.82			
14		.74			
19		.73			
2			.92		
17			.79		
12			.78		
7			.75		
3				.91	
8				.87	
18				.67	
13				.53	
1					.83
16					.75
6					.73
11					.69
<b>Eigenvalue</b>	3.21	2.72	2.67	2.40	2.31
<b>Variance (%)</b>	16.04	13.59	13.35	12.02	11.57
<b>Cronbach a</b>	.91	.82	.81	.71	.75
<b>Mean &amp; SD</b>	6.29 ± .65	5.23 ± .73	3.17 ± .78	5.86 ± .79	1.89 ± .69

Finally, the correlations among the five factors that capture the dimensions of empowerment in the Greek public sector are in general low degree ( $0.017 < r < 0.099^*$ ,  $*p < 0.05$ ) (Table 3).

**Table 3:** Factors correlation

	1	2	3	4	5
<b>Trust</b>		-.099*	.025	-.089*	.075
<b>Personal control</b>			-.009	.049	.052
<b>Self-determination</b>				-.002	.017
<b>Self-efficacy</b>					-.066
<b>Meaning</b>					

*Note: \*p < 0.05; \*\*p < 0.01*

## 5 DISCUSSION AND IMPLICATIONS

### 5.1 Empowering prescriptions

Based on the international literature which suggests that empowerment can enhance decision making, motivation, performance and productivity (e.g, Brymer, 1991; Conger & Kanungo, 1988; Sashkin, 1984, Thomas & Velthouse, 1990; Zimmerman, 1995); and the

above findings, which support Whetten & Cameron's (1995) research; the present paper proposes a number of different management prescriptions that may foster the above five dimensions of top-management executives' empowerment. Moreover, we argue that these prescriptions may facilitate the way public organizations work and also may lead to improved productivity and business performance. In more details:

**Trust:** The high level of *trust* (6.29/7) indicates the need for a consolidation and development strategy in public sector organizations, where managing directors (who represent the organization as a whole) should take advantage of the high level of trust between top-management executives and their job status. Trust has been defined as the willingness of a trustor to be vulnerable to the actions of a trustee based on positive expectations about the trustee's characteristics, behaviors, and intentions (Mayer, *et al.*, 1995). In this respect, when employees trust their colleagues their supervisors and feel secure in their job, they would be prepared to grant them influence over important issues by, for example, disclosing sensitive or personal information (Mayer & Davis, 1999 ; Schoorman, *et al.*, 2007). Therefore, trust as a sense of job security was expected to be rated high in the present survey, as the Greek state provides the right conditions for such an outcome, having legally established the permanency of any kind of public servant job position. Based on the above insights, trust may be advanced through three empowering prescriptions that public organizations may use: 1) modeling of successful behaviors, 2) provision of continuous support, and 3) creation of confidence. In particular:

- 1) Public state organizations by modeling successful behaviors such as past success and experiences of different organizations and people (e.g. managers, leaders, charismatic people, famous organizations, nations' culture etc), empower top-management executives' perceptions about a) their ability to carry out their managerial assignment and b) their capability to successfully deal with tasks and roles present in their organizational context. In addition, modeling of successful behaviors also provides a vigorous motion for others to believe that they can succeed, too. Respectively, in their turn, top-management executives may serve as a role model, emphasize examples of past successes, and demonstrate people who have succeeded in e.g. academic, social or business disciplines, empowering in parallel middle and low level managers.
- 2) The provision of continuous emotional and technical support encourages, approves and reassures tom-management executives' empowerment. Managing directors, therefore, representing as a whole the organizations, in order to empower their managers, may personally try to open communication channels, eulogize their efforts, try to explain and justify their feelings and the way they think, offer regular and fair feedback about their abilities and finally assist them to deal with uncertainties.
- 3) Creation/cultivation of confidence mainly refers to employees' feelings about the trustworthiness of their supervisors and their organizational honorableness. In the same pattern, Martinko & Gardner (1982) suggest, individuals who posses confidence in being able to succeed and being happier with their work opposite those who fear that they may fail. Moreover, individuals under trust are free to experiment, to learn and to contribute without fear of retribution. Consequently organizations, in order to empower *trust* in their employees, should care about the minimization of employees' uncertainty, insecurity, and ambiguity feelings. In this framework, for instance, they may observe top-management executives' relationships and transactions within their external (i.e. market demand, new technology, and social discrimination) and internal environment (i.e. intra and interrelations among employees in different organizational levels).

**Personal control:** The high mean of *personal control* (5.23/7) also denotes the need for taking advantage of the important role of top management executives in their companies. More specifically, Greek public sector is well-known for nonproductive organizations and, in parallel, for the overprotected behavior of state towards its companies. This reality affects in a great deal the overall behavior of management executives and can turn to a weapon if employees exploit their power, or as a “death spiral” situation in case employees are not motivated to use their power, or they use it for other purposes, like self-assertion. Based on the above insights, *personal control* may be advanced through three empowering prescriptions that public organizations may use: 1) encouragement of initiatives, 2) cultivation of innovative attitude, 3) modeling of successful behaviors (*referred also previously*). In more detail:

- 1) Encouragement of initiatives mainly refers to employees’ motivation to perform their tasks in their own entrepreneurial will. Initiatives within an organization must be supported on multiple levels and by multiple interventions. In the ideal case, they would involve a highly supportive organizational culture, advanced training and developmental experiences that heighten one’s sense of competence and involvement in goal setting or, especially, in the means to achieve goals, job designs that are highly meaningful to employees (Locke, 1999).
- 2) Cultivation of innovative attitude refers to organization’s strategy to support and promote the growth of innovative environments among organizational levels. Nowadays organizations, operating at the frontiers of knowledge and technology in business, forming various types of formal networks, need to be aware of the importance of employee perceptions and feelings as well as the value of their technological skills, and must develop innovative attitudes and strategies (Jacobs & Everett, 1988; Locke, 1999). In this respect, we argue that informal networks can help organizations by compensating for weaknesses in formal communication, fostering in parallel innovative attitude (Locke, 1999). The informal network comprises spontaneous, emergent patterns resulting from individual choices. Moreover, informal networks may be applied in the context of brainstorming sessions and knowledge-focused meetings helping top-management executives to unfold their innovative talents.

**Self-determination:** The relevant moderate mean of *self-determination* (3.17/7), indicates that Greek public organizations should move towards improving employees’ competencies in meetings job requirements. Under an epistemological prism, self-determination refers to individuals’ freedom to initiate their own behavioral courses of action (Deci & Ryan, 1985). However, in the context of the present survey and according to Whetten & Cameron’s (1995) research, self-determination seems to acquire the extra characteristics of “job-fit” factor, which defines the adequacy of employees to complete the job tasks they are hired for, or a factor which defines the capability of employees to fit in the specific requirements each job entail. In this framework, it has to be noted that Greeks, in general, indicate a high educational level, as the average of young people who decide to attend university lessons is far beyond the corresponding number met in other European Union countries. Thus, most employees possess a remarkable record of degrees and qualifications, yet without taking advantage of them in the “real” job market. In this respect, a strategic direction towards filling knowledge gaps and in parallel exploiting employees qualifications, may lead to improvement of self-determination dimension. Based on the above insights, *self-determination* may be advanced if the public state companies make use of the three empowering prescriptions: 1) confidence creation (*referred also previously*), 2) job involvement and 3) leadership cultivation. In more detail:

- 1) Increased job involvement may lead to improved self-determination and can be perceived as the extent to which employees participate and get involved in everyday's tasks. Lawler (1969; 1986) defines involvement/participation in terms of four dimensions: power, information, knowledge, and rewards. The degree of participation varies based on the extent to which power, information, knowledge, and rewards are shared by employees at lower levels of the organization. Lawler (1986) described also three levels of participative management in terms of the degree of participation: parallel suggestion involvement, which includes interventions such as survey feedback and quality circles; job involvement, which includes job design and work-teams and high-involvement intervention, which is plant-wide or organization-wide participation intervention (Anderson *et al.*, 2001). In this respect, we argue that job involvement may act as a strong motivation for improving employee's competencies, so that they fit in specific job requirements.
- 2) Leadership cultivation may lead to improved self-determination through increased job involvement, job commitment and self-empowerment. In this framework, we argue that organizations should form an environment that shapes leaders through continuous training and job commitment measures. Those measures might be knowledge-based training programs that aim at identifying employees' inadequacies and at "healing" them by creating virtual situations with hands-on experiences, leaving enough space for employees to foster their core competencies and enhance their leadership profile.

**Self-efficacy:** The high mean of *self-efficacy* (5.86/7) denotes the need for developing a strategy where public state companies should effectively utilize top-management executives' autonomy to perform their tasks the way they prefer to. Moreover, confidence is reflected in self-efficacy and is perceived as the belief or degree of confidence that someone has the ability to successfully perform a task (Locke, 2009). Bandura (1997) and a subsequent analysis by Judge & Bono (2001) point out the central role of self-efficacy in causing high performance through its impact on motivation. Stajkovic & Luthans (1998) also noted that self - efficacy enhances focus, direction, persistence, and intensity of action. In this framework it seems that without self- efficacy only a fraction of everyday actions can take place. Self - efficacy can be conceived as a factor that enhances experimentation and swiftness because both behaviors will only occur when employees are sufficiently confident they can move quickly and successfully (Locke, 2009). Based on the above insights, *self-efficacy* may be advanced through three empowering prescriptions that public companies may use: 1) the fostering of personal mastery experiences, 2) the modeling of successful behaviors (*referred also previously*), and 3) the provision of information. In more detail:

- 1) Fostering personal mastery experiences can help top-management executives to effectively complete a duty or resolve a problem. These eventually lead executives to the achievement of their desirable goals and the development of their self-efficacy. Managing directors or organizations in general, can empower executives' *self-efficacy* by discussing and forming with them the methods to accomplish sequentially more difficult tasks which, in turn, lead them finally to achieving their core goals (small-win tactics). Organizations should also recognize that personal mastery may a) increase employees' freedom to explore new ideas, b) bear up their learning by mistakes, c) improve their critical thinking. Overall, increasing feelings of personal mastery and self-efficacy help sustaining interest in the task, while also facilitate progress towards goal attainment (Anderson *et. al.*, 2001).
- 2) The provision of, uninterruptedly, formal and informal information regarding executives' necessities to complete their everyday managerial tasks may significantly

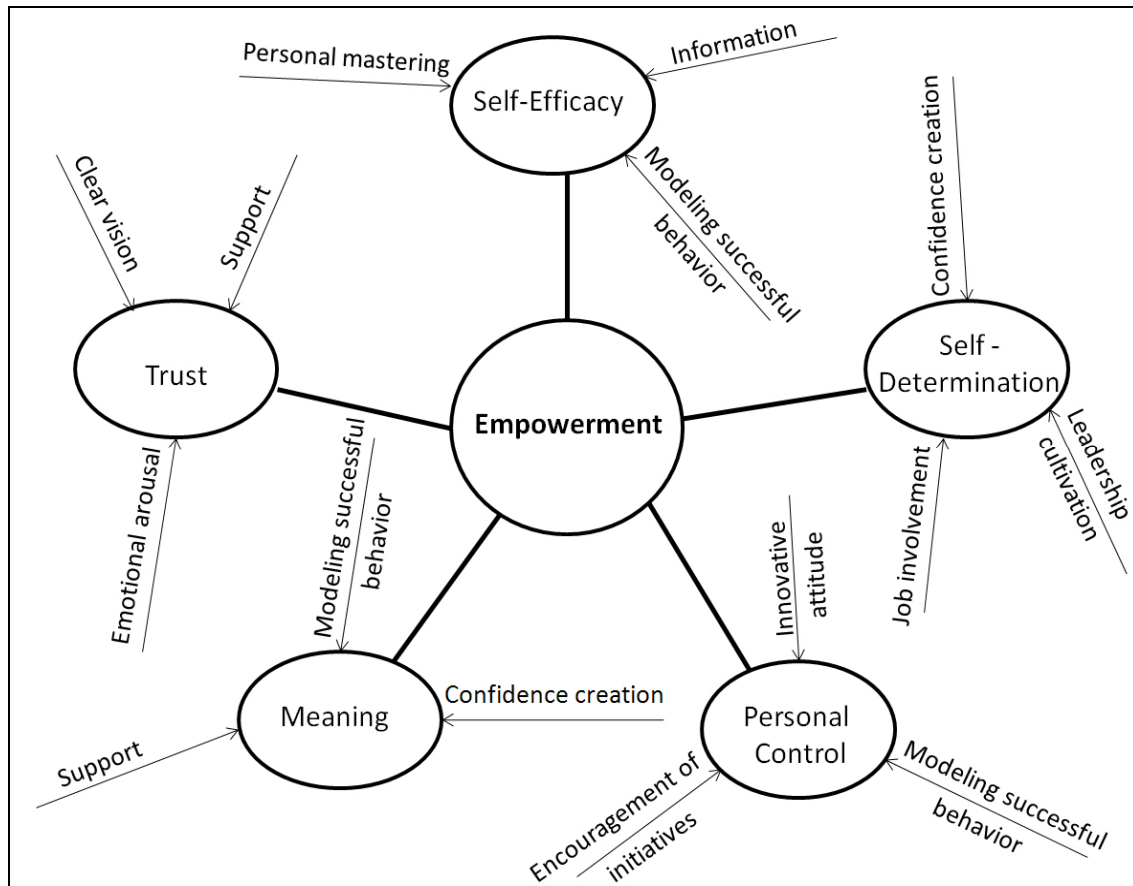
increase executives' *self-efficacy*. In this respect, organizations formed on the basis of information diffusion may 'offer' them a sense of empowerment. Consequently, executives may be more liable to work efficiently, creatively, and in harmony with managing director's guidance. Additionally, they will also be able to communicate and share information about the needs and the ways to improve their tasks.

**Meaning:** As last, the comparatively low mean value of *meaning* (1.89/7) calls for an effective turnaround strategy for the motivation of employees to sense the value, the purpose and the mission of the activities in which they are engaged. From our own experience, it becomes quite clear that Greek public sector constitutes one of the most rigid structures in country. Bureaucracy, old management beliefs, inflexibility and ineffective organizational structures caused deep warps in the way organizations and employees think. In this framework, taking also into consideration the job market difficulties in the last 40 years, Greek citizens perceived working in public sector companies as a rescue board in competing with everyday's battles. This reality seems to have distorted the real meaning of working in public sector and altered the beliefs and motivations of at least three generations. As a sequence, Greek public organizations got eventually overcrowded with employees who considered their job as a life vest with satisfactory salary and job security, rather than a field of creation and evolution. In this respect, the sense of value and mission were unknown concepts, sometimes even for a whole career life. Based on the above insights, *meaning* may be advanced through three empowering prescriptions that public companies may use: 1) clear vision, 2) provision of emotional and technical support (*referred also previously*), and 3) arousal of positive emotions. In more detail:

- 1) The articulation of a clear vision and goals may create an organizational environment where organization and employees are aware of where business is going and how they can contribute to its path. Hence, we argue that public organizations should focus on the establishment of a commonly accepted vision of the organization, by means of organizational commitment strategies. Those strategies, for example, might follow the routes of lifelong training, cultivation of improved relations among employees and use of training programs that provide future perspectives for the organization.
- 2) The arousal of positive emotions may replace top-management executives' negative emotions such as fear and anxiety, with positive emotions such as excitement, passion, or anticipation. Thus, it makes their working environment more attractive. Towards this direction, organizations may use discussion groups that will reveal employees' feelings and make them talk about their fears for the future. In parallel, organizations can use psychologically-driven methods to raise the moral of employees and make them feel important for their organization.



**Figure 1:** The proposed empowering prescriptions



## 5.2 Empowerment policies

As mentioned in the preceding analysis, employee empowerment is a complex management tool that, when applied properly, can be effective in improving performance, productivity and job satisfaction (Sashkin, 1984); and thus, it may become a powerful source within an organization. Certain strategic policies could be applied in order to reinforce the empowerment of the employees in different types of organizations.

To begin with, it is supported that the majority of employees are capable of making good decisions when properly socialized, trained and informed (Bowen & Lawler, 1992, 1995). Consequently, organizations' first aim should be to provide the proper information about the goals and the performance required. Secondly, organizations should introduce a system of rewards based on the performance and the progress towards the predetermined objectives. In addition, a knowledge focused management, providing the personnel with the appropriate training and knowledge programs relating to their work positions, should also be of critical importance; while, providing the opportunity and the discretion to the employees to change the work processes would also have a positive impact on their commitment and involvement in the organization's goals and make them feel more confident of their abilities. All the pre-mentioned practices are concluded to be positively correlated with employees' performance (Bowen & Lawler, 1992, 1995; Fernandez & Moldogaziev, 2010). Further, according to Rose-Asch (2001) organizations should involve the employees in the decision-making process and in the planning process, as it would make them feel directly related to the enterprise (organizational committed).

### 5.3 Limitations

Several limitations regarding this research are worth highlighting as these limitations would be the points to consider in future research of similar interest. The main limitation stems from the selection of the sample. Instead of only examining few major public organizations alone, it is recommended that the investigation needs to be expanded to other Greek public and private organizations. This would certainly give variation to the findings and the study can be further classified and compared based on organizations' size, scope and location. Further, this study focused on top-management executives but the participation of employees at the operational level might give different perspectives to the research. Input from employees would certainly provide insights and valuable information as to how their psychological empowerment influences their emotional and cognitive behavior in the workplace. Additionally, another limitation mainly refers to the possible occurrence of the Hawthorne effect (Franke & Kaul, 1978). That is, the process where human subjects of a research change their behavior, simply because they are being studied. Finally, there are no such earlier studies in order to evaluate the research findings through time.

### 6. CONCLUSION

The analysis of this survey highlights the significance of empowerment management in public sector organizations. Top-management executives' empowerment is crucial for their personal and mental development. Hence governments must realize their role to empowerment's procedure and be familiar with the strategies of empowerment in order to apply them to public sector companies. In this respect, organizations with administrative problems and unmotivated executives may have a chance to change the situation in the future, as they play the role of "handbrake" in the Greek national economy.

### Acknowledgments

We truly thank the administrations of the four public sector organizations that facilitate the research and the top management executives for their participation.

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ISSN 1855-931X

## **POLICY EFFECTIVENESS FOR EMPLOYMENT OF YOUNG PEOPLE WITH PROFESSIONAL EDUCATION IN ALBANIA**

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### **Abstract**

This study aims to provide an overview of legislation and employment policies for young people in Albania, mainly for those who have completed professional education studies. The effectiveness of these policies will be attached special priority in our study. By this work we intend to answer questions such as: How really effective are the employment policies for young people? Which are the factors influencing the effective implementation or not of these policies? Which are the consequences of unemployment of young people with professional education?

Different statistics and data collected from public or private institutions on professional education and employment opportunities for young people will be analyzed in this study. The entire study will be subject to review of literature sources and critical analysis. It aims to promote the awareness of local policy-makers to draft social policies on the labor market, mainly for the employment of young people with professional education, which should be implemented in the context of current state of affairs of Albania, as well as the sensibilization of young people in term of professional education under market requirements.

The study will certainly continue with some conclusions to be introduced at the end, associated with key recommendations from the authors, in order to better address the employment policies for young people oriented to real market demands in Albania.

**Keywords:** effectiveness, employment, employment policies, professional education, young people

**JEL Classification:** M51, M50, J20

## INTRODUCTION

In each country of the world the young people are a vital part of the population. They are the ones who often promote political and social changes. During the period of transition the Albanian youth was that part of population which was mostly affected from poor policies of employment and education, due to negligence and poverty. As a consequence to the foregoing, most of the young population immigrated to more developed countries to build a life with ampler opportunities and options. During recent years, a higher priority is attached to the employment of young people in Albania. The challenges encountered by the young people to enter and remain in the labor market have become too complex and a large number of young people in Albania work under conditions of informal economy.

Notwithstanding the actions undertaken during 2008-2011 in respect of professional education of the young people, Albania still experiences hardships for the development of professional education and above all, for the employment of young people who follow and complete professional education. If we had a look at schools offering high professional education or the ones offering 6-month or 1-year professional courses, we would observe improper working conditions and basically a poor infrastructure.

As referred to in the Sectorial Employment Strategy (2007-2013, p.34) "there is a wide range of issues associated with professional schools not only in terms of infrastructure but also in the context of infrastructure, financial matters, academic staff, human resources etc. The above components are not adequate to cover successfully and effectively the services they provide". Therefore, being out of the standards required for the professional education renders the confrontation with the labor market a major and hard challenge.

The professional education in Albania is not uniformly distributed and is not based on a study about the domestic market needs or requirements. The Statistics Institute, INSTAT, "observed that most of Albanian population lives in rural areas, therefore it remains an agricultural-breedstocking country although during the last ten years", according to the recent data published by INSTAT, the visual and print media have publicized a movement of the population from rural to urban areas, "again, we remain a country with vast population in rural areas". In these circumstances, the development of professional education in this area must be a priority for the professional education policies.

The transformation of the Albanian economy during the last two decades has clearly warranted the need for professional qualifications, where the most required are the ones on agriculture, breedstocking, plumbing, technology, mechanics etc.

Besides the fact that the labor market requires such professionals, on the other hand, the "integration in Europe poses similar needs for development and broader involvement of the professional education of young people" (National Strategy for Development and Education, 2011, p. 64).

All of the above factors cause hardships for the employment of young people who have completed professional education. Probably, this is the reason why during the last years the young people in Albania are prone to attend University studies, with the potential hope of additional employment opportunities but without taking into consideration the quality of education they follow or without being aware of their potential for this type of selected education.

In Albania, the tendency of young people for higher education has become a "trend". "Education and higher studies attended by the young people are rarely balanced with the academic potentials, skills of young persons or employment opportunities caused by the attendance of higher studies in a certain profile" (Ministry of Education and Science, 2008, p.13). Having a "bachelor" diploma in International Relations, Law, Psychology or other diplomas seems to be more important than their academic and professional value in a near future.

All these educational issues in general, either of secondary professional education, general secondary education or higher education, cause difficulties for the young people in choosing proper education and then the employment. Consequently, this work is of special importance for a broader treatment of policies and programs, effectiveness and their practical implementation in Albania. By this work we will aim to raise the awareness of key stakeholders involved in the policy making process and the beneficiaries of these social policies for employment and education.

The Methodology of this study is based on a comparative critical analysis of the employment policies in Albania, in particular the policies for promotion of employment of young people with professional education. A review is made regarding the conditions offered by the labor market in Albania and the causes of low statistics of the employment of young people with professional education.

This study analysis is based on the empirical data of INSTAT, National Employment Service and Vocational Training Center in Albania, which provide a clear overview of the current conditions of employment and professional education of the young people. Apart from local strategies and policies formulated about the employment and professional education, reference is made to foreign authors to provide theories and approaches in the interest of this study, which shall be detailed as below. The study precisely outlines the current conditions of employment of the young people in Albania, either of those serving their sentences in penitentiary institutions and clarifies social and economic issues or challenges caused by the unemployment among young people. Further, selection of education is made only upon current demand and not on the basis of a forecast for market needs in a near-term future.

## **EMPLOYMENT OF YOUNG PEOPLE AND CURRENT POLICIES**

There are data about the labor market, demonstrating that Albania is facing major challenges about the quantity, quality of employment of the young people and duration of their unemployment. Different institutions, either state or private ones, attempted to establish strategies and policies in order to improve the conditions of employment for young people with or without professional education. There are many reasons why the labor market in Albania does not provide employment opportunities to the young people. According to Prof. KostaBarjaba, the mechanism integrating the demand and offer is not always effective and manages to merge these key components of the labor market such as professional education and real need of the local market.

Accordingly, there is a time "gap" between the demand and offer, which may be "filled" through market research process (Barjaba, 2009, p.23) Based on the Diamond analysis on the basis of the researched markets, Mortensen and Pissaride supplied the search theory in their studies about the labor market. According to them the time required for the labor force



researchers, namely, the employers, in order to find and agree with the labor force providers, i.e, the employees, is longer that in any type of other market (Mortensen, Dale and Pissarides, Christopher, 1999, p.261).

Hence, in Albania this phenomenon cannot be overlooked, particularly in a market under transition. The high level of unemployment produced by this typology of economic growth poses an urgent need for the development of visionary employment policies, to ensure an optimal balance between economic growth and production, and employment increase and decrease (Mortense and Christopher, 1994, p. 340).

EU Employment Directives should be a point of reference of this vision. In addition to the orientation of economic development to the sectors generating a larger number of vacancies such as tourism and a balanced distribution of investments of public works in the national territory, it also requires the development of another perspective that would be the priority of vocational training as one of the most effective active measures for the increase of employment. At this point, there are many reservations, especially if we consider that the professional post-qualification employment in Albania is four times lower than the EU indicator, about 17 per cent in comparison to 70 per cent (European Investment Bank, 2011, p.5)

Unemployment increase has also occurred in Albania during this period, according to Mortense, Christopher and Pissarides, given the changes in relative productivity by education implied by observed wage changes, had unemployment compensation and employment protection policies been at European levels. (Mortense, Christopher and Pissarides, 1999, p. 259)

Although EU regulation details minimum standards on employment services, accession countries need to adjust their employment services. In particular, according to EU Directives, the unemployment benefit is paid by the country in which the jobseeker was employed last (World Bank, 2002, p.238).

On the other hand, according to the World Bank, the educational and professional structure and qualifications of the workforce in many sectors of the CEE-10 economies do not reflect the needs of the national economy. To tackle the skills gap, education and training systems need to be modernized, and their links to the workplace strengthened. A significant portion of the youth population is leaving the education system without any professional education (Grabbe, Heather and Kalypso Nicolaidis, 2000, p. 382). Specifically, vocational schools are to be restructured in compliance with the European standards. Curricula and equipment at schools should be updated with the support of EU funds. Adult training, retraining and lifelong education are also a key to improving the quality of labor (Arvo Kuddo, 2002, p.135).

The Action Plan for the Employment of Young People in Albania (2010-2013, p.40) has highlighted "three main areas of policies influencing the employment of young people: 1) macroeconomic and sectorial policies and their impact on the creation of vacancies, 2) education and professional training policies and their harmonization with the labor market demands, 3) labor market policies filling the gap between the labor supply and demand and ensuring the protection of employees".

*The macroeconomic and sectorial policies* identify strategies such as: a) The National Strategy for Development and Integration in October 2007, "underlying the development of the democratic state and rule of law, fight against corruption and integration of the country in Europe and NATO. A higher priority is attached to the role of young people in the Albanian economy". (National Strategy for Development and Integration 2007, p.19) b). The National Strategy for Youth (2007-2013) "is focused on key objectives such as the employment of young people, youth representation and participation, health and social protection"...etc c) In 2007 the Strategy for Regional Development (2007-2012) "identified as a priority the agricultural and rural development. An identified challenge was the transformation of agriculture from a sector of production providing the means of living to a modern, commercial and competitive sector, thus fostering and creating opportunities for alternative incomes for rural employees abandoning this sector. Accordingly, the Agricultural and Rural Development Agency was established in order to ensure the direct support of rural and agricultural zones."

*In educational and professional training policies*, the Ministry of Education and Science started the implementation of the National Strategy for Education (2004-2015) "which was based on five main pillars such as school decentralization and autonomy, improvement of the teaching process, financing for the improvement of cost effectiveness, human resources development and development of a new educational and professional training system." The National Strategy for Pre-university Education (2009-2013) was produced in 2009 and "it identified short term and mid-term objectives and goals for the system and introduced policies about strategic objectives until 2013. This strategy covers the pre-school, elementary and 9-grade education, general and professional secondary education. It also strengthens the Integrated Plan of the Ministry for the year 2010". The Law on Albanian Framework of Qualifications was approved in March 2010 and a new law on professional education and training was adopted by the end of 2011. "The Law No.8872 "On professional education and training in Albania" as amended, contained a new structure for the Vocational Training Agency (VTA) system, role of social partners in the VTA development, autonomy of VTA schools and centers, institutional changes required and implementing structures."

*Labor market policies* are also essential for their strategies and implementing objectives. The Employment Strategy 2007-2013, "is based on the goals of the European Employment Strategy". However, although the formulation of the objectives to be achieved is more tailored to the market needs and with more modern terms, again it remains with almost the same objectives as in 1999, within the Employment Promotion Program. For instance, the Employment Strategy is focused on "1) promotion of an active employment policy through the creation of a modern system of employment services, 2) development of employment programs, 3) improvement of professional education and training, 4) reduction of informal employment, 5) improvement of working conditions and support to social dialogue, 6) improvement of employment services and of professional training system is in the focus of the strategy." Nevertheless, the Employment Strategy Program 2007-2013 remains more realistic and with more clear objectives and more adapted to the market demands.

The employment promotion programs were introduced in Albania in 1999. Indeed, this program set out some targets to achieve employment facilities for the young people but in fact most of them still remain unfulfilled. If we compare the Employment Promotion Program of 1999 with the Employment Strategy 2007 -2013, we will note that the formulation of intervention objectives is similar. This means that for almost many years the established goals were not fully met, therefore the active policies and programs for youth employment

programs and their implementation were stagnated, with the only difference of modernization and their approximation to the EU criteria. Let us see below the formulation of policies and programs for youth employment:

The Employment Promotion Program of 1999 introduced at that time as its main objectives, the seven following items:

" 1) Creation of new vacancies and reduction of unemployment level, 2) professional training of unemployed jobseekers, particularly in those areas where the training capacities are missing, 3) assistance of enterprises for expanding their activity and better selecting the labor force, 4) direct promotion of the trainees' employment, 5) minimization of illegal work, 6) involvement of the unemployed in employment programs, who are beneficiaries of the financial support schemes, for the purpose of reducing the cost of support programs for the unemployed, 7) promotion of young people's employment and of special groups of unemployed persons."

In the worst scenario, some of the young people who work come from families where both parents are unemployed or in the best case, with wages not covering the minimum vital requirements for a family. These young people are usually 15-19 years old. Based on the VTA statistics "the parents of these children are generally uneducated or with professions that do not provide safe employment or sufficient income for the family." According to ILO statistics, "the average age of population in Albania is 31.7 years old. Accordingly, the employment policies for the young people do not include only the 15-19 year old age groups or only the young people with families under a difficult economic situation. If the average age of population is 31.7 years old, then a large part of the population would be the beneficiary of good employment policies. "

However, we have to admit that although there is seemingly a large number of employment and professional education strategies and policies, in fact there is still a need for radical reforms. The professional education and training has a high potential to influence the economic growth and significantly contribute in order to make the people skilled for the labor market. Thus, VTA contributes to the reduction of poverty and acceleration of steps in the road to the European integration.

### **EFFECTIVENESS OF LABOR MARKET POLICIES AND PROGRAMS IN ALBANIA**

In Albania, the Law "On Promotion of Employment" was drafted in 1995 and approved by the Law No. 7995, dated 20.09.1995<sup>\*</sup>. This Law placed special focus to the "employment, information and professional training, National Employment Service and adoption of general active policies in support of full, productive and free choice employment by the individuals" (Promotion of Employment Act 1995.(a.4), Tirana:Albania). This law has been subject to key amendments in 2005, which draft was approved later in July 2006, bringing other improvements in several issues such as: 1) improvement of its definitions and introduction of other adapted definitions, 2) introduction of the orientation and advisory concept for new jobs creation and employment, 3) new provisions related to modifications in the procedures of management of financial funds of professional training, which entered into force as a result of the Law No. 8872 dated 19.03.2002, "On professional education and training in the Republic of Albania".(MLSAEO,2007,p.23)

**Articles 3 and 4** of this Law clearly specify its main goals. Respectively, the "**Article 3** emphasizes that every individual looking for a job shall be addressed for registration as an unemployed person to the National Employment Offices which gives appropriate advice and orientation for the labor market. Foreign citizens, without Albanian citizenship, coming from countries which have or do not have bilateral agreements with Albania can also benefit from this Law. This Law is also beneficial to the foreign citizens married to Albanian citizens who are residents in the Republic of Albania."(Promotion of Employment Act 1995.(a.3,4), Tirana:Albania)

**The Article 4**, in its paragraphs **1** and **2**, emphasizes the measures of national employment policies in support of both the promotion of employment and provision of related financial support. Economic development, employment and development of active state policies for employment are primarily focused on the concept that every citizen looking for a job has the right job, the job has a fruitful performance and the individual can choose the job in accordance with his skills and capabilities.

In Albania, there are also several programs in support of those looking for a job and the market labor offers in the country. Let's have a look ahead on the specifics of these programs which have a common ground in the reduction of the registered unemployed people in the National Employment Offices, and the shift of these individuals from the passive financial support scheme, such as the unemployment financial support and economic support.

The programs currently being applied in Albania are as follows: (MLSAEO,2007,p.22)

**1) Employment promotion program of unemployed people;** "the employers providing temporary employment for unemployed people (3-6 months) shall benefit financial support of their monthly wages up to 100 % of the minimum wage and the expenses for the social security of the beneficiary employed people. If the beneficiary employed people are employed for a period up to 1 year and with regular contracts, the employer shall benefit a financial support equal to a minimum monthly wage and the obligatory contribution to social security for a period up to 5 months. If the beneficiary employed people do not have related professional training skills for the job to be performed, and the employees have the possibility to offer that training, then he can benefit an increase of 10-20 percent of the total fund for each individual employed". (MLSAEO,2007,p.22)

**2) Employment promotion program through on-the-job-training practices;** "this option support the employers conducting specific training programs with the beneficiary unemployed people followed by the creations of jobs for a number of the trained individuals. In this case, employers shall be supported with the wages and social security expenses for the trained unemployed people they employ, provided that the employers offering these training sessions shall at least employ 40% of the trained individuals". (MLSAEO,2007,p.23)

**3) Employment promotion program through institutional training and education;"** the employment offices shall assign and provide appropriate training for the beneficiary unemployed individuals of those companies which: a) guarantee the employment of individuals after the training, or b) show through studies and investigation of the labor market that the training shall be useful for the participants. The beneficiary individuals refusing the participation in these training courses are checked out from the list of unemployed people and their unemployment wage is interrupted." (MLSAEO,2007,p.23)

**4) Employment promotion program for the unemployed individuals of female gender; "this program is focused on the integration in the labor market of marginalized women, such as Roma women, ex-trafficking abused women, elderly and disabled women", and;** (MLSAEO,2007,p.25)

**5) In 2007 for the first time it was applied the employment promotion program for unemployed individuals holding a Bachelor diploma,** "who have completed their studies in or out the country by means of their participation in professional training and education programs in public or private institutions/ enterprises. Public employers are obliged to provide employment for these unemployed individuals engaging them under a free of charge policy, based on the internship status scheme of employment of 1 in 50 personnel of the public administration." (MLSAEO,2007,p.26)

As described above, Albania has in place the appropriate policies and programs but they shall cover and balance the protection of workers as well. It is necessary to develop legal arrangements for the types of contracts including obligations for both employers and employees, as well as other procedures including the removal from job. The basic legislation in Albania is the 'Job Code' with legal effects from 1995 with various key amendments in 2003. "Employment Promotion Legislation (EPL) offers job security for the covered employed individuals, but it can also give undesirable consequences concerning the discouragement of creation of new jobs, especially in the public sector." (WBA,2006,p.6-7)

As a conclusion, Albania has related policies and programs on employment of active labor force, but the key question mark is to the quality of their implementation. Quite often, business and company entrepreneurs are not well-informed on Albanian legislation. Sometimes they are not aware of the forms of financial support provided by the government in cases of employment of young individuals, marginalized women, or regarding the training of unemployed people; not to say that a skeptical view is in place regarding the question of validity and implementation of these employment promotion programs in Albania.

We have examined below some issues of the labor market in Albania, where some causes of domestic unemployment were explored. Lack of effectiveness of the labor market programs only discourages the employers and increases the number of unemployed. According to ILO (International Labor Office) in Albania, many problems are identified in relation to the effectiveness of labor market programs, where some of the most distinguished are: "1) incompliance between the level of professional skills of the jobseekers and professional skills required by the labor market, 2) low demand for the labor force, 3) unemployment period is long for the jobseekers due to the absence of information about job vacancies." (Corbanese and Rosas,2009.p.9-10)

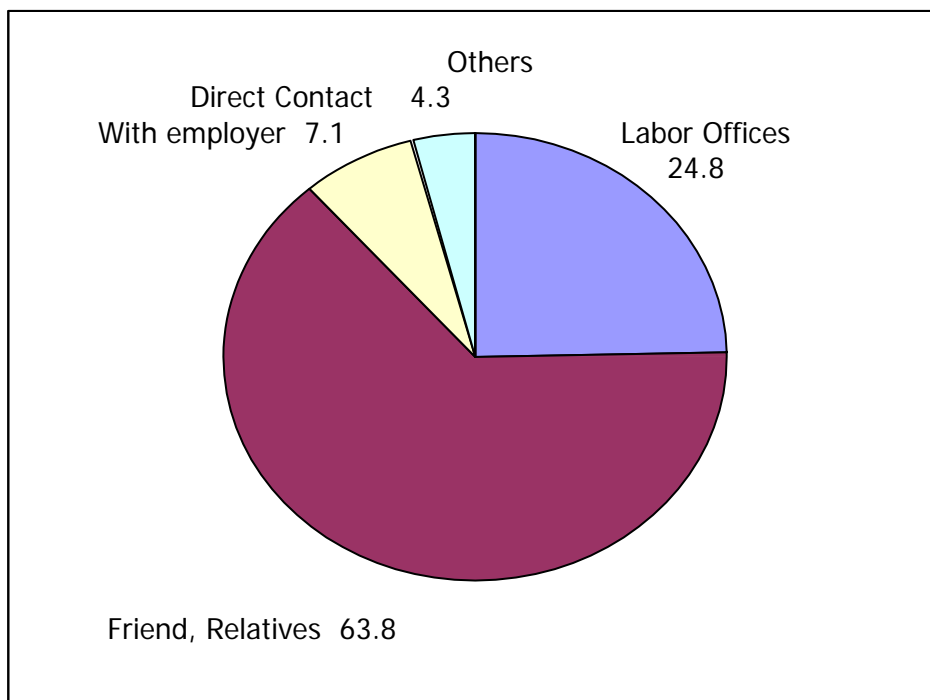
Lack of precise information for finding a job discourages the jobseekers. The shift of unemployed individuals to the labor market is a challenging and chain process, therefore the effective implementation of labor market programs is crucial.

The employment counseling programs are essential and have been assumed as cost-effective programs, enabling the reduction of the number of unemployed. It is critical for these programs to support the unemployed, thus making possible the counseling process adaptation to real needs and potentials of those persons, jointly setting more realistic employment objectives. In Albania, this type of service to the unemployed is fictitious in

most of the cases as the relations between the employment experts and the unemployed are generally short. Consequently no specific forecasts for each unemployed client may be realized. Hence, the provided service is less likely to comply with the client's needs and the type of job he/she is looking for.

On the other hand, another challenging factor is the information of jobseekers about free vacancies. The information of jobseekers via internet has been applied in Albania only during last years as this type of information was generally provided through personal acquaintances of each individual and a limited number of people was informed and could find job through the employment offices. However, not all jobseekers have proper skills to apply for jobs via these websites or be informed of free vacancies.

**Figure 1:** World Bank of Albania 2009 cited in Labor Market Assessment, 2009,p.9



Job training programs developing the professional skills of jobseekers are an objective which, if effectively accomplished, has a major impact on the reduction of unemployment. In Albania, the Vocational Training Centers are extended to the main cities and towns and offer professional training for some of the professions currently required from the labor market. According to the data of PTA (Professional Training Agency), the young people who attend vocational training courses are more oriented to the labor market needs; therefore they have larger employment opportunities in comparison to the young people who follow higher education studies. "Accordingly, only for the first nine months of 2011, 2086 young people have been certified all over the country in different professional profiles and only 460 of them were employed, where 230 are females. The largest number of employed people is reported in Shkodra district for the telemarketing course where 150 young people are employed" (Shoraj and Zenelaj, 2012,p.8-10). We have observed that the professional training at these centers indeed covers the most required professions of the labor market but there are also some challenging issues in these institutions such as shortages of premises which are necessary to exercise the adequate working practice for a specific profession,

unqualified human resources, concentration of training in theoretical aspects rather than practical ones.

In particular, compared to the training sessions conducted only in the teaching environments, the training which combines the classroom learning with on-job learning increases by 30 per cent its chances for positive effects on the labor market and when combined with other employment services; the positive impact probability is increased at 53 per cent. (Fares and Puerto,2008,p.21-25). Also, this program, although proving to be productive for the employment of local jobseekers, is again associated with a series of problems which make it partly effective.

Jobseekers subsidy programs are indeed likely to have a positive impact on the increase of the number of employed. The reduction of labor force costs for the employers is a policy encouraging the latter to increase the number of employees in their enterprises.

However, according to ILO assessment about the effectiveness of labor market policies in Albania, "a series of evaluations carried out for the employment subsidy programs suggest that the latter may increase the chances for the disadvantaged individuals to fill the job vacancies. Alternatively, there are insufficient facts demonstrating that these programs really increase the number of available job vacancies."(Corbanese and Rosas,2009.p.16-17)

In addition to the foregoing, it seems that the subsidy programs for the jobseekers in Albania have no significant impact on the reduction of the number of unemployed. There are two potential causes to produce this type of result. Firstly, similar policies are little implemented in Albania and secondly, not all local enterprises and businesses are realistically informed of the employment promotion programs and policies. Hence, it seems that the system as a whole does not properly function, the lack of cooperation between respective factors and bureaucracy represent a main barrier rendering these programs ineffective.

In the meantime, the employment promotion programs for marginalized women or employment promotion programs for the young Bachelor graduates, are currently more challenging in respect of their implementation. "Over 40% of women have not participated in the labor market. For many women it is hard to find a job and there is a high level of unemployment such as the long-term unemployment. The labor market situation for women is particularly negative and demanding in urban areas where only a little more than one third are employed and the unemployment level is almost 30%." (WBA,2009,p.78-82) However, according to the World Bank, the involvement level of women in the labor market in Albania is very low compared to Europe and shows lower figures in comparison to Turkey, Bosnia-Herzegovina or Macedonia.

Again, numerous difficulties have been encountered in this case for the implementation of this program as a whole. On the other hand, the employment of young Bachelor graduates is a challenge for the policy makers in Albania. "The trends of young people to follow higher education studies, without taking into consideration the real needs of the market for this type of profession they may benefit from such education, has made the market for young Bachelor graduates be oversaturated , generally in branches such as law, international relations, diplomacy, psychology etc." (Shoraj and Zenelaj, 2012,p.8-10)

## PROFESSIONAL EDUCATION AND PREFERENCES OF YOUNG PEOPLE

During the last ten years in Albania it is noted that almost all young people are apt to follow higher education studies although their real opportunities are often not taken into consideration to successfully complete this cycle. Above all, they do not consider the employment opportunities offered by a certain profile of higher education selected by them. This group excludes the young people who, notwithstanding their desire to follow higher education studies, due to different economic, social, physical or health inabilities, cannot follow higher education studies in their potential preferred profiles.

In other countries of Europe "the attendance of studies and professional courses is not a choice of only the group of young people in need as often they make similar choices with the guarantee offered by this type of education for the purposes of employment and generation of incomes. The market demand for certain professions such as mechanics, electro-mechanics, plumbers, cooks, cook assistants, babysitters, tailors, engine-mechanics, estheticians etc, is clear, consequently some of them offer appropriate sustainable employment and incomes". (ILO, 2010, p.43)

"The Vocational Training Centers in Albania operate in the biggest cities of the country, respectively in Durrës, Fier, Vlorë, Gjirokastër, Elbasan, Korçë, Shkodër and Tirana. All these centers provide training courses in different professions, where most of them are followed by the young people from these districts." (Ministry of Education and Science, 2006, p.11) According to the data of these centers, some courses are much more preferred by the young people and this is divided according to gender.

Accordingly, in the "Vocational Training Center No 1 and No 4 in Tirana" the young people prefer the following courses: social assistance, electro-mechanics, plumbing, cooling-heating installations, wiring (electrical installations), babysitting, auto-repair. As noted above, on the basis of their registration and certification, the young people in Tirana prefer the following courses: auto-repair, secretary, INF, sowing, air conditioning repair, plumbing, electro-mechanics, hairdressing, solar panels, babysitting etc."(VTA, 2011, p.6)

Meanwhile, in the main cities of the country where the youth vocational training centers are extended as in Durrës, Fier, Vlorë, Gjirokastër, Elbasan, Korçë and Shkodër, there are different preferences of young people for professional qualifications. The most common preferences of the young people are as follows:

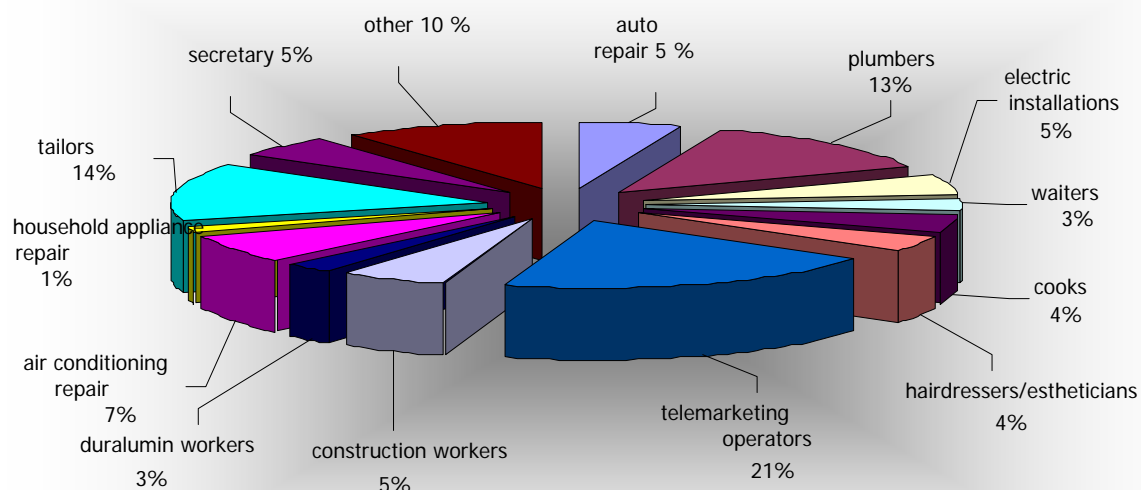
"In Durrës the preferences of young people are focused on the courses of sowing, plumbing, secretary and electrical installations. In Fier, in 2011 it was observed that the most preferred professional courses were: sowing, secretary, network repair and installation, tile-cleaning, auto-repair, cashier etc, where there is an average of 150 certified young people. It is still worth mentioning that in Fier town, none of the youngsters certified during 2011, was employed. In Vlora, a total of 59 young people have attended professional qualifications where 35 of them were employed immediately after the certification. The most preferred courses of young people were: cooking with 22 certified and 15 employed persons and secretary, with the participation of 17 young women and the employment of five of them."(VTA, 2011, p.13)

"In Gjirokastër, the most common preferences of young people to attend courses during 2011 were: sowing with 14 certified young people and the course for tile-cleaning with 7 certified young people but none of them is employed. In Elbasan, the young people have



followed courses such as sowing, cooking, auto-repair, electrical installations, plumbing, duralumin works etc. Even in Elbasan, the number of the employed young people remains limited. In Korca, the number of employed young people seems larger than in Elbasan, Gjirokastër and Fier. 72 young people are certified and 29 of them are employed. The courses for plumbers, social operators and air conditioning repair are the most preferred ones. In Shkodër, the trends of young people for some courses is almost the same except the course of telemarketing operator, where 229 young people were certified and 150 of them were employed only in 2011. As for the other courses where the young people were certified in sowing, secretary, household appliances repair, plumber and hydro-sanitary works, none of the course attendants was employed". (VTA, 2011, p.17)

**Figure 2:** Ministry of Education and Science 2012, cited by VTA 2011, p.21.



Following an overview with all data gathered by VTA, 2086 young people were certified in 2011 in different professional profiles and only 460 of them were employed, where 230 are females. The largest number of the employed is concentrated in Shkoder district in the telemarketing operator course, where 150 young people are employed. Overall, according to the data, out of 2086 certified young people 842 are females. In the meantime, the young people who attended courses at reduced fees are the ones with insufficient family incomes; their number is 1673 where 708 are females. "Meanwhile, the youngsters who attended courses free of charge are the focus groups such as Roma young people, orphans, trafficked females, disabled persons, former prisoners, and returned immigrants, as well as persons serving their sentences in penitentiary institutions" (VTA, 2011, p.18). Another issue to be further explored in this article is the way how the professional or educational courses are provided for the young people who currently serve their sentence in penitentiary institutions.

## **PROFESSIONAL EDUCATION OF YOUNG PEOPLE SERVING THEIR SENTENCE IN ALBANIAN PENITENTIARY INSTITUTIONS**

There are sufficient data from the Albanian Committee of Helsinki about the treatment of young convicts in the Albanian Penitentiary Institutions but in this part of the study we will

attach priority to the right of education and attendance of professional courses by the young people serving their sentence in these institutions.

According to a study carried out by the Committee of Helsinki, the young people under 25-years of age who are serving their sentence prove to have a low level of education, 8-9 grade education and often they have even not completed it. "In Albania, the young people are partly rehabilitated in Vaqarr prison and in Prison No. 313 in Tirana (which is of high security for the pre-trial detention and of ordinary security for the convicts) and this occurs because there are broader opportunities for more specific treatments amounting to the education of this group." (ACH, 2002, p.24)

The educational programs for these institutions are regulated by the Law No.8328, dated 16.04.1998, "On rights and treatment of imprisoned persons". According to article 37 of this Law, the education and cultural and professional training are realized through the organization of school and professional courses. This education and training is compulsory for the persons under 18 years of age. The law is further extended when in its second paragraph it highlights that the attendance of professional studies should be promoted and favored by the use of distant learning courses. (Education, Act 1998, No. 8328, a.37)

In fact this article of the above cited law is a provision which is very little implemented in the practice of the Albanian prisons. "Thus, the compulsory education of juveniles is partly realized and only in Vaqarr prison. Meanwhile, according to the statistics delivered in June 2006, there were 29 juveniles in the Prison 313 and none of them followed compulsory education." (ACH, 2006. p.89) Also, to date there are no convicts to be encouraged to attend distant learning professional courses. "According to law, special importance should be attached to the professional and cultural training of the young people under 25 years of age, representing 1/3 of the convicts of that age in these institutions." (ACH, 2002. p.83) Although it is clear there is a lot of work to be done for the improvement and enhancement of the educational level in these institutions, it is worth mentioning the work of the Professional Training Agency, which offers in these institutions some professional courses, depending on the available resources of Penitentiary Institutions.

According to the most recent data of VTA for the year 2011, professional courses for the convicts were provided in all prisons of Albania. Courses such as those on sowing, secretary, esthetics, hairdressing, embroidery, woodcraft and pottery artistic works, cooking, computer skills, foreign languages such as English, Italian and Spanish, are provided within the possible means and logistics in the prison facilities. Although there are no optimal possibilities and there is a lot of room for changes and improvements, it follows that in 2011 the VTA specialists offered professional courses in all towns where the center is operational. There is a total of 1229 convicts who have attended professional courses, respectively in the institutions of the main cities of the country such as Tirana, Durrës, Fier and Vlora." (VTA, 2012, p.1)

In respect of the education of convicts the Albanian prisons have shared similar experiences in the remote past. If we refer to studies in the field of prison history, "during the period 1917-1933, the issue of young people's education has been carefully explored and implemented within the opportunities provided at that time. The educational programs in Albanian prisons were developed even during the communist regime, although they had a politicized content and were approved by the party in power" (Sulaj, 2000, p.36).

Currently, it is noted a new perception of the educational work and education but in fact, this is mostly made possible due to initiatives of the heads of these institutions. "Heads and education specialists at these institutions shared the concern that in many cases these programs were not restructured or they were not unified with the public school programs or the programs were not successfully completed." (Sufaj, 2008, p.68)

These employees and specialists properly raise the concern about the education of young people in prisons as it is exactly this contingent to really represent a risk for the society and the individuals, if they would not be educated on the basis of each European standard. The education of youth generations either within these institutions or out of them, is a duty of everyone. A safe and better future may be assured only if proper importance and priority is attached to the education of young generations.

## CONCLUSIONS

By the end of this work, we stress out as follows:

This study is instrumental to understand the reality and situation of young people in the labor market. Data in this study and critical analysis provide broad information about the employment negative experience of young people with professional education and is focused on the importance of attending professional studies as a current market requirement. We have used a critical platform and analysis such as to assist the scholars of fields of economy or sociology, either local or foreign, to compare in latter periods of time the progress of this trend and consequently, of the entire Albanian society. This study contributes to basically channel education to the professional one, as a need in Albania during the recent years and attempts to increase the awareness of the whole society for values of education and professional employment.

Based on all data reviewed for this work, there is a rich legal framework for the employment of young people in Albania. In particular, during the last years, changes have occurred which are increasingly adapted to the real needs of the domestic market and the characteristics of the Albanian society. However, they inherently seem to be the same as in the past, implying that the issues of young people's employment have remained stagnant, the implementation of these policies has still not resolved the situation which is highly problematic.

Conversely, in addition to the issue of policy implementation, Albania is characterized by the phenomenon of the quality and quantity of the education of young people, either in professional, general or higher education. The young people are apt to attend bachelor studies but without considering the market demands for this type of education. Generally, the attendance of higher education studies in the country is a kind of trend mostly associated with pompously-labeled professions such as international relations, diplomacy, law, psychology, economics, medicine etc.

Unlike the higher education, the young people who attend professional education or professional courses seem to be more realistic with their choices. As regards the professional courses they follow, there is a higher level of adaptation to the market needs for employment.

However, even this group of young people encounters a lot of challenges with their further employment. Women face hardships as the professional courses they may follow such as

secretary, sowing, hairdressing...etc offer more limited employment opportunities and these young women are generally self-employed.

The education of young people serving their sentence in Penitentiary Institutions, still remains a challenge. According to all available data, they are not provided qualitative education. This may occur due to difficult conditions in these institutions such as overcrowding or absence of necessary means for the practice of professional courses. The key stakeholders should pay more importance to these factors, in order to realize an optimal professional education for these young people.

Failure to implement policies for the employment of young people with professional and advanced education, has led to informal employment of the young people, mainly of men with professional education but there are also high figures for those with higher education. Their low salaries, non-inclusion in social insurance scheme represents a real challenge of the Albanian economy. This phenomenon reduces poverty, insecurity and is associated with different social issues. Consequently, the growth of informal economy brings less credible statistics and lower figures for the official rate of economic growth.

If the number of people recruited in the field of informal economy and working hours in that service are increased, then the level of participation in formal economy and the respective number of working houses will drop. Though, there are two opposite theories about the effect of informal economy on economic growth. Firstly, the collapse of informal economy affects economic growth as the incomes from taxes boosting public expenditure, are increased. Secondly, informal economy is more competitive and effective in comparison to the formal sector and in this way, economic growth is promoted.

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