



FOURTEENTH ANNUAL INTERNATIONAL ACADEMIC
CONFERENCE ON EUROPEAN INTEGRATION

INNOVATING EUROPE

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CONFERENCE ON EUROPEAN INTEGRATION

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INNOVATING EUROPE

Edited by:
Luca Gnan
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Skopje, 2019

Preface

It is our great pleasure to present the Proceedings of the 2019 Fourteenth Annual International Academic Conference on European Integration. During the last 14 years, this conference has grown to become the leading venue that brings together representatives of higher education and researcher institutions, practitioners, international, national and regional policymakers, as well as students to exchange and discuss the latest research, challenges, and developments related to European integration. The University American College Skopje (Republic of North Macedonia) and the University of Rome Tor Vergata (Italy) organized this years' Conference. It took place in the premises of the Ministry of foreign affairs, Republic of North Macedonia in May 2019.

The title of the 2019 conference was *Innovating Europe* through which this inter- and multi-disciplinary conference sought to examine the concept of innovation affecting all areas of life and all aspects of future European development. Considering the pressing need to find innovative economic, social and political solutions to evolving challenges to the European project, the 2019 conference challenged and stimulated the critical reflection on EU innovation policies, methodologies, and instruments by addressing issues strategic to EU Innovation. The total of 15 papers included in this proceedings volume was carefully reviewed (through a double-blind peer-review process) and selected from all submissions. All papers were organized in four topical sections named:

- *Business Innovation,*
- *Innovations In Society And Education,*
- *Economy and Labor Market and*
- *Entrepreneurship and Innovation.*

We would like to extend our sincere appreciation to the conference chairperson Prof. Ivan Dodovski and the opening and keynote speakers: Mr. Nikola Dimitrov, Minister of Foreign Affairs of the Republic of North Macedonia; Mr. Carlo Romeo, Italian Ambassador to the Republic of North Macedonia and Prof. Giuseppe Novelli, PhD – Rector of University of Rome Tor Vergata. This conference would not have been possible without the immense contribution of the peer reviews who contributed to the quality and selection of the papers. Our gratitude goes to our moderators: Prof. Snezana Hristova, Prof. Ivan Dodovski, and Mrs. Dushica Stevchevska Srbinoska. Finally, we would like to highlight our sincere appreciation to all the conference participants for choosing this venue for presenting and discussing their research ideas and findings.

With gratitude to everyone involved who brought their expertise and experience, we were able to mark the 14th Annual International Conference on European Integration with high-quality debate and fruitful, constructive and open exchanges thus leaving our contribution in the academic and research community. Together we were able to shape a critical dialogue and offer tools, perspectives and options for future advancement of Europe's innovation policy.

Prof. Luca Gnan and Assoc.Prof. Miodraga Stefanovska – Petkovska
Editors

Innovating Europe

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PART ONE:
Business Innovations

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EU Business Innovation: in Decline?

Jeremy Cripps

Univerisity of Findlay, USA

Abstract:

The European Innovation Scoreboard 2018, suggests Innovation in Europe “has declined.” The Washington Post reports Europe’s innovation deficit “isn’t disappearing any time soon.” The Centre for European Reform asks whether EU Competition policy may be “an obstacle to innovation and growth.” Europe’s history, asserts The Economist, “explains the (innovation) lag.” This paper examines whether EU business innovation, the key to economic sustainability, is in decline.

This paper investigates five likely contributing factors to EU business innovation. First there is the effect of low productivity demand, and any resulting slow-down in growth. Might this be exacerbated by a lack of leadership in science? A second factor considered is the supply of entrepreneurial leaders. A third contributing factor concerns European investment in research and development when this is compared with similar investment in the United States. A fourth factor considers the impact of investment in “zombie” firms, (companies risking default) in contrast to investment in Europe’s “unicorn” companies (start-up companies valued at over \$1 billion). Then the fifth innovation factor may be the impact of European universities efforts to modernize and become entrepreneurial.

The methodology used to investigate these five contributing factors is extraction of data from current reports using established performance metrics. The conceptual and operational relevance of the five factors is considered. Data collected for each of the factors is summarized in the paper. The principal data sources include those of the European Union (EU), the Organization for Economic Co-operation and Development (OECD), and the International Monetary Fund (IMF). Deming showed how innovation provides “the foundation of our future.” The paper, in final discussion, sees innovation shaping our work, private life, and social networks. Examples of recent business innovation in Europe call for a positive response to the question on innovation decline.

Keywords: *Innovation; Low productivity demand; Entrepreneurial leaders; FDI in Europe; Zombie firms; Modernization at European universities.*

Introduction

Business Innovation is “the exploitation of new ideas that leads to the creation of new products, processes or services” (IAI, 2019). The purpose of innovation, as Ralph Waldo Emerson noted (1882) is “to build a better mousetrap” to continuously improve, to find a newer product, so that the world makes “a beaten path” to the new product store. Our world has become a dynamic marketplace where new products, processes, and services interact. The 326 “Unicorns” 21st century business start-ups (CB Insights, 2019), mark innovative businesses that has already achieved company market valuation in excess of \$1 billion (Bastone, 2018). These companies provide focus for the Innovation Union, a European “flagship initiative for smart, sustainable and inclusive growth” (EU Commission, 2019). They underscore the impact business innovation has in the global marketplace.

The European Innovation Scoreboard 2018, (EUIU, 2019) provides “a comparative assessment of research and innovation performance” across the European Union and selected major economies. In the Executive summary we learn “that progress remains uneven within the EU.” This explains different assessments of progress. The Economist (2018) suggested dynamism across Western Europe “has declined.” The Washington Post reported Europe’s innovation deficit “isn’t disappearing any time soon” (Downes 2015) and suggested that the decline “isn’t disappearing any time soon.” Yet Europe has been “a quite successful unicorn ranch” with Outsystems, Uipath, Taxify, Celonis, and 6 other European start-ups, for example, who all reached unicorn status in 2018 (Trajkovska).

The European Innovation Scoreboard 2018 (EUIU, 2019) provides an important source of information on the business innovation issue. This important report is recognized as an objective analysis of some 27 performance measures (Appendix 1) which, together, may be seen to provide an abundance of evidence on the issue of whether business innovation is accelerating or whether it may be in decline. In the foreword the authors note “improving performance,” some “accelerating progress,” and a diminishing “innovation gap” between Europe and the United States. However, “lags” in capital investment and SME’s performance “is still at crisis level.” Further, as the Executive Summary notes, the main framework for the Innovation Scoreboard “was significantly modified” so that research continues to be needed to improve the accuracy of the assessment of business innovation.

Therefore, this paper, wishing to contribute to European Union business innovation research, investigates five performance measures which are widely seen as likely contributing factors to EU business innovation.

The performance measures this paper examines are:

- The impact of low productivity demand
- The supply of entrepreneurial leaders
- The levels of inward investment into the European Union

- The impact of investment in “zombie firms”
- Slow pace of modernization of European Universities

Methodology:

The methodology used to investigate these five contributing factors is a review of the current literature regarding data related to business innovation from international organizations with reliable and established performance metrics. The Literature review is purposely innovative. Traditional academic literature reviews tend to be based on primary research. However, innovation is an essentially dynamic feature of the business world. Reflections on out-of-date sources fail to keep up with changes that are taking place in the world market and whose trends are reported in reliable secondary sources. A review of the latest issue of the International Journal of Innovation, for example, finds many articles contain no references to primary research post 2016 (Arun, 2019). As Drucker reminded us “the world we live in keeps changing at an alarming rate” (2018) so we must “focus on the present.” With that in mind, the purpose of this paper is to identify present day trends in innovation which are being identified by reliable sources and which are the basis for decision-making in today’s world.

Data collected for each of the factors is summarized in the paper, with selected tables and analysis in appendices. The principal data sources include the European Union (EU), the Organization for Economic Co-operation and Development (OECD), and the International Monetary Fund (IMF). The conceptual and operational relevance of the five factors is also considered.

Business innovation – five performance measures

The impact of low-productivity demand

There is a productivity-growth slowdown in advanced economies (Remes et al, 2018). The decline is following a boom in the 1960s. Productivity growth is seen to generate increases in wages and living standards and therefore increases the purchasing power of consumers, and stimulates demand for goods and services. Slowing productivity growth is certainly a matter of concern. There are several explanations for the apparent low-productivity demand.

First, the statistics relating to productivity are dated. The datasets used for measuring performance fail to reflect the many changes in technology and machinery that take place daily in our world of continuous industrial improvement. In the same way, the ubiquitous measure of growth that is GDP (Gross Domestic Product), in its ‘modern’ form, first developed by Simon Kuznets in 1934, no longer reflects the non-marketed ecosystem services our natural capital assets provide. These incorporate many improvements; examples include thermostatic

temperature and climate control; water pollution control facilities; supply chains; and the many other intangibles like the Internet and advanced electronic communications which were not in play in 1934. These changes “have been estimated to contribute significantly more to human well-being than all the world’s GDP combined” (Costanza, 2014). Now 84 years after the introduction of GDP we live with the non-marketed ecosystem growth, the growth in the contributions of social capital, and no advance in coming up with a realistic measure of growth.

If there is any impact from low productivity demand, we lack the means to identify reasons for any slow-down in growth. The major impact of the measure therefore appears to be a lack of innovation in the measurement of growth.

The supply of entrepreneurial leaders

Of the world’s largest 15 digital firms, “all are American or Chinese: of the top 200, eight are European” (Charlemagne, 2018). In the 19th century Western Europe was the first continent to industrialize and to experience the absence of standardization, limited corporate regulation, the freedom to undertake experimental activity, the propensity for bold thinking. These aspects were unlimited. Today many barriers have been put in the way of entrepreneurship. Europe’s traditional industrial heartlands still struggle with the changes needed to adapt to the growing world of digital data. High levels of national unemployment divert finance from entrepreneurship to social policy. European investment in research and development is below similar investment in China, Japan, and the United States. And there is no European equivalent of DARPA (US Defense Advanced Research Projects Agency) which produced the basis for entrepreneurial development of microchips, GPS (Global Positioning System), and business innovation via the Internet. Indeed “the EU has failed to create a single market” (Brewer, 2018) and only slow progress on integration, like the Capital Markets Union, is being made. Given this rather dated business environment, young entrepreneurial leaders are not getting much encouragement. Perhaps more important the availability of venture capital for start-ups in Frankfurt or Paris is well below the level of capital available in New York, Shanghai or Singapore. Further the market in Europe is very fragmented. “Financing innovative young firms is an increasing challenge to Europe” (Wilson, 2013), under these circumstances the supply of young entrepreneurial leaders is not accelerating.

The levels of inward investment into the European Union

The United Nations Conference on Trade and Development’s latest World Investment Report 2018 (Zhan et al, 2018) shows how Foreign Direct Investment flows “fell sharply in 2017” for developed economies. Chinese foreign direct investment into Europe fell 40% in 2018 (Reuters, 2019) consistent with other major foreign investors in Europe.

Inward investment by foreign companies into Europe reflects the support of foreign investors in non-European economies for enterprises in which they have invested which are resident in Europe. The continuing inward investment flow implies that long term relationships exist between investors and their European enterprises and they have a significant influence on the way the enterprises are managed. So, the levels of Foreign Direct Investment into Europe are “a key driver of competitiveness and economic development” (EU Single Market, 2018). Inward investment targets not only continuing operations in which foreigners have invested in Europe but also the purchases of new assets including acquisitions, mergers, takeovers and portfolio investments. Detailed data is available on the flow of inward investments on the Eurostat website.

There are three key reasons for this decline in foreign inward investment:

1. Screening,
1. The availability of skilled labor
1. Uncertainty.

Recently the European Union introduced stricter rules on the screening of foreign inward investment (Stearns, 2019). These new rules have been established recognizing a need to prevent foreign investments from threatening national security. This is a concern across the markets of the world about national security. This also adds significant additional cost and time for documentation and until the documentary details have been finalized. The impact is unlikely to accelerate foreign inward investment.

Then a second key to declining inward investment is the available of a pool of skilled workers for what we recognize as the coming digitalization of the economy worldwide. Recently Ernst & Young identified “skill shortages” which are damaging Europe’s potential growth (Clayton et al, 2018). Training systems in operation are not seen to be keeping up with the fast-changing needs of labor markets. This is linked with the weak performance of European universities which is mentioned in greater detail in performance measure 5.

A third key is the present uncertainty caused by Brexit. Readers of this article will be aware of the everyday uncertainty the departure of Britain from Europe is generating. Certainly, this provides a context for at best delaying further inward investment into Europe. Ironically Deloitte 2019 analysis shows that foreign inward investment projects in the UK in the past 3 years exceed total inward investment into France & Germany during the same period

The impact of investment in “zombie firms

A rising number of what are called “zombie firms,” companies that are barely able to cover the cost of their debt service over a long period, is having a significant impact on business innovation in Europe. The best-known examples of “zombie firms” include the electric car

maker TESLA and the streaming giant Netflix (Reid 2018) in the United States and Stefanel Spa and Carillion Construction in Europe.

The Financial Times of London has reported that The Bank for International settlements estimated in 2018 that “10% of all European firms are zombie firms” (Harford, 2018)

In Europe interest rates have been low for a long time and so zombie firms have been able to secure continuing and revolving loans for long periods. The long-term debt, often held by weaker banks (Andrews and Petroukalis, 2019) has been maintained on “performing loan status,” too often with the extension of the loan period repayment periods.

In a well-functioning economy capital flows towards the more productive firms at the expense of the less productive firms. Zombie firms therefore provide a formidable financial barrier to new business innovation as the barely performing loans crowd out the availability of credit for business innovation that brings healthier and more productive ideas to the market. Put simply, Zombie firms crowd out the market for investment in potentially healthier and more productive firms.

How bad is the situation? Can Europe handle a rise in interest rates? The spectre of rising interest rates is said by the Wall St Journal to be “haunting Europe’s Recovery” (Sylvers, 2017). Zombie firms are being kept alive at the expense of employment and investment and thereby undercutting healthy rivals, tying up capital and stunting Europe’s recovery. The rising number of these zombie forms “is linked to the decline in OECD potential output growth” (McGowan et al, 2018).

The OECD noted the increasing survival of these low productivity “zombie firms” when, in a normal competitive market, these firms would typically exit. The continued existence of the zombie firms clearly crowds out the innovation opportunities which might otherwise be financed for more productive firms. The OECD noted that the “zombie firm problem” in Europe “is connected” to the banking sector weakness (OECD home, 2018) further limiting the investment available to support business innovation in the European Union.

Clearly the weak banks of Europe and the depressed restructuring of their barely performing loan portfolios have failed to support the sort of business innovation that needs access to start-up capital.

Slow pace of modernization of European Universities

A three-year study funded by the European Commission and led by Rand Europe and the University of Maastricht reported on the views of the heads of 47 European universities on whether their institutions were innovating enough to encourage student business innovation (McGrath and Harte, 2016). Drawing conclusions their study recognized the higher education environment was challenged by the

- Diversity of higher education systems,
- Organizational constraints faced by those who try to innovate,

- Significant differences in the financial resources, and
- Absence of strategic plans that incorporated key performance indicators.

The European Higher Education Area (EHEA) covers higher education in 33 European countries. EHEA notes the absence of a genuine European higher education system, as each member country hold on to its own individual higher education system.

This year is the twentieth year of the Bologna process and we recognize that the United States still has “the lead in educational standards and research,” while European universities are still seen to be “less competitive and less innovative” (Caddick, 2008). Recently the changes the Bologna process seeks to implement have been seen to “undermine institutional autonomy and universities’ ability to educate students to high standards” (Grove, 2012). Critics find that the Bologna process provides for a series of bureaucracies which mean the process itself is still “treading Water” and is recognized as a process which reacts to the higher education initiatives of others, rather than being proactive and providing leading edge initiatives (Teichler, 2001). As technology makes advances higher education should be anticipating the future processes and activities that need to be included be in a continuously evolving curriculum. Too often speculation about future scenarios is confined to “non-inspiring forecasts” usually based on extrapolations of the past and not based on an examination of current trends in the business world.

A good example might be the current employment of executive coaches by leading American multi-nationals to provide independent assessment of manager skills and so improve their contributions to corporate strategy. Executive coaching has gone from “rare to common” and is helping real-world executives see themselves and others more clearly; learn new ways to respond to real situations; leverage existing strengths; and build productive relationships (Andersen, 2017). Meanwhile higher education continues to silo educational subjects into special areas, taking away the dynamism of the liberal arts, so that preparation for “executive coaching” will not be found in any European MBA programs.

European university funding is seen by Times Higher education to be “stuck in austerity mode” (Bothwell, 2018) so that budget cuts made during the 2008 financial crisis have not been restored and even government constraints kept level with economic growth. An analysis of public funding for higher education across Europe by the EUA (European University Association) found that many university systems were receiving less public funding in 2017 than they had received in 2008. The competencies of the graduates of European universities are, almost inevitably, related to the funding and organization of the universities. Thus, the impact of underfunding European universities has reduced the innovative power of EU economies since “they depend on the competencies of graduates” (Ritzen, 2016) for business innovation. We may conclude that the combination of institutional diversity, bureaucratic constraints and underfunding has left little room for business curricular innovation in institutional long-term strategic planning.

Discussion

The most innovative countries in Europe are seen to be Sweden, Denmark, Finland, the Netherlands and the United Kingdom (Belinchon, 2018). The list, based on the European Commission's own analysis of innovation (EUIE, 2018) confirms how the EU "continues to improve its position relative to the United States, Japan, Canada and China. However, this positive assessment is based on solid data which in turn, as we saw in the first performance measure is based on outdated data metrics which no longer reflect the nature of productivity in the 21st century.

This exposes an important area for future research. Out-of-date measures like GDP need to be replaced by new (and innovative) methods of identifying productivity and activity-based measures of regional and national performance. The lack of effective innovation metrics in a period of economic must surely attract the interest of researchers.

Meanwhile the World Economic Forum finds that Europe "is falling behind ... in how it develops and invests in business innovation" (Bilbao-Osorio and Arjona, 2018). They provide seven different charts to assess progress. These charts confirm that the performance measures which this paper has outlined are areas where Europe needs "to the modernize and become more entrepreneurial" if Europe is too keep pace with innovations in the 21st century. They report that just 15 unicorn founders have a European university as their *alma mater*. This point supports the nature of the problems we discovered in the area of a lack of entrepreneurial leaders and the associated slow pace of modernization at European universities.

Further, attention is needed to solve one of the major problems with innovation, the limited availability of capital investment funds to provide the sort of support that has facilitated the growth of unicorn companies across the world. There is mounting evidence, as we have shown regarding foreign inward investment and the investments in "zombie firms," that the engine of growth is misfiring" (Douglas et al, 2018). Deming (1982) showed how innovation provides "the foundation of our future." The Lisbon Council (Ederer, 2017) confirmed how "innovation is key to remaining at the forefront of global economic development." Innovation is shaping our work, private life, and social networks. The good news is that there are many examples of recent business innovation in Europe which respond to the question on innovation decline. We find that it is the individual who will ask "is this an opportunity to innovate? (Drucker 1999). We note that they find ways round the funding limitations that certainly exist.

So, we celebrate the ground breaking technologies discovered by the Croatian company Rimac (Euronews, 2019), and the extraordinary contributions of Ericson to the developing 5G network (Matos, 2017). These are among many exciting examples of business innovation, as are the 16 Future Unicorns 2019 shown in Appendix 3. Seems like reports of a decline in business innovation in Europe, like the reports of the death of Samuel Clemens, are, as he reported, "greatly exaggerated."

Appendix 1 – Measurement Framework of the European Innovation Scoreboard

This appendix is provided to show the combination of metrics which have been used by the European Innovation Scoreboard to measure innovation in Europe. The Framework has been in use for a decade and significant research opportunities are open to students of the trends that have taken place during the last decade.

FRAMEWORK CONDITIONS

Human resources

- 1.1.1 New doctorate graduates
- 1.1.2 Population aged 25-34 with tertiary education
- 1.1.3 Lifelong learning

Attractive research systems

- 1.2.1 International scientific co-publications
- 1.2.2 Top 10% most cited publications
- 1.2.3 Foreign doctorate students

Innovation-friendly environment

- 1.3.1 Broadband penetration
- 1.3.2 Opportunity-driven entrepreneurship

INVESTMENTS

Finance and support

- 2.1.1 R&D expenditure in the public sector
- 2.1.2 Venture capital expenditures

Firm investments

- 2.2.1 R&D expenditure in the business sector
- 2.2.2 Non-R&D innovation expenditures
- 2.2.3 Enterprises providing training to develop or upgrade ICT skills of their personnel

INNOVATION ACTIVITIES

Innovators

- 3.1.1 SMEs with product or process innovations
- 3.1.2 SMEs with marketing or organisational innovations
- 3.1.3 SMEs innovating in-house

Linkages

- 3.2.1 Innovative SMEs collaborating with others
- 3.2.2 Public-private co-publications
- 3.2.3 Private co-funding of public R&D expenditures

Intellectual assets

- 3.3.1 PCT patent applications
- 3.3.2 Trademark applications
- 3.3.3 Design applications

IMPACTS

Employment impacts

- 4.1.1 Employment in knowledge-intensive activities
- 4.1.2 Employment fast-growing enterprises of innovative sectors

Sales impacts

- 4.2.1 Medium and high-tech product exports
- 4.2.2 Knowledge-intensive services exports
- 4.2.3 Sales of new-to-market and new-to-firm product innovations

Source: *European Innovation Scoreboard 2018*, ISBN 978-92-79-77623-6, Page 8
Luxembourg Publications Office of the European Union, 2018

Appendix 2 – EU and US investment by venture capital funds

This appendix compares the investment by venture capital funds in the European Union with those in the United States. Bearing in mind the comparative populations (European Union: 508 million - USA: 327 million) there appears to be a significant underfunding of innovation in the European Union. Venture capital investments, while relevant, may or may not be an indicator of innovation potential.

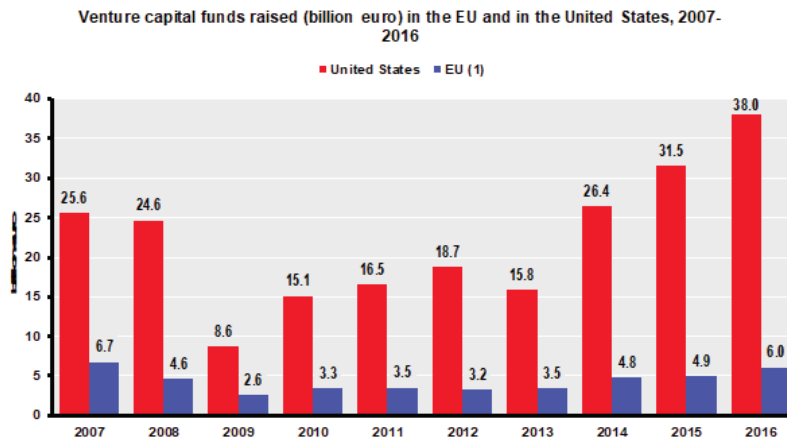


Image: Invest Europe, NVCA/Pitchbook/DG Research and Innovation - Unit for Analysis and Monitoring of National Research and Innovation Policies

Appendix 3 - Nominated companies for the Future Unicorn Awards

The Nominated companies for the Future Unicorn Awards (Europe) 2019 are:

Innovation researchers may want to compare the nature of these companies and consider the features to which they attribute their success. Certainly, a great research opportunity, great subject for another paper.

- [ASTI Mobile Robotics](#), Spain
- [DataConcept](#), Slovakia
- [Envelio](#), Germany
- [Ivalua](#), France
- [iyzico](#), Turkey
- [LearnUpon](#), Ireland
- [MaaS Global](#), Finland
- [Out2Bound](#), Bulgaria
- [Patronite](#), Poland
- [Qwant](#), France
- [Rombit](#), Belgium
- [TeleSoftas](#), Lithuania
- [Tooploox](#), Poland
- [Turbine](#), Hungary
- [Umbraco](#), Denmark
- [Teslasuit](#), United Kingdom

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Family Firms' HRM Practices Configurations: An empirical analysis

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Abstract

The paper aims at investigating configurations of human resource management HRM practices in family firms. Four configurations of HRM practices (labelled the Administrative, Shared, Integrated, and Professional configuration) are developed and explored in a sample of 849 family firms. Support for the proposed HRM practices' configurations has been verified in the data. Next, the paper explores relationships with the HRM practice's functional goals and organizational performances in family firms. The study verifies the assumption of equifinality of the four HRMP configurations as the combined effect of the HRM practices on the organizational performances of family firms, although these configurations reveal different functional goals. Then, we discuss implications, limitations, and further steps for research.

Keywords: *Family firms; Human resources management practices; Configurations; Goals; Organizational performances*

Introduction

Human resource management (HRM) literature presents a large corpus of theoretical and empirical studies devoted to investigate relationships between HRM practices (HRMP), their strategic and organizational goals, and various indicators of organizational performance (e.g. Batt, 2002; Guthrie, 2001; Ichniowski and Shaw, 1999; Wood, 1999; Becker and Gerhart, 1996; MacDuffie, 1995; Huselid, 1995; Arthur, 1992). Many studies began to deal with multiple HRMP at the organizational, rather than the individual, level. However, most of the empirical work on HRMP has taken place in large public listed firms operating in Western countries. Nonetheless, family business literature (Kidwell and Fish, 2007; Barnett and Kellermanns, 2006; Moshavi and Koch, 2005; Cascio, 1991) investigates too how different specific HRMP (Jaskiewicz et al., 2018) positively impact on managing people (Astrachan and Kolenko, 1994). Literature advances definitions of a “family firm,” consistently with several aspects. Herewith, a family firm is as a company where one or more families own the majority of the equity, where family members cover governance and managerial positions (Gnan et al., 2015; Corbetta, 1995), where multiple generations are involved in the firm’s management (Gnan et al., 2015; Songini and Gnan, 2013; Astrachan and Shanker, 2003; Westhead and Cowling, 1998). Family firms seem to adopt less sophisticated HRMP than non-family firms (De Kok et al., 2006), although they present positive relationships with strategic and organizational goals (Carlson et al., 2006) and relate significantly to higher organizational performance (Tsao et al., 2009). At the best of our knowledge, only a few contributions explore the strategic and organizational value of different configurations of HRMP in family firms (Reid and Adams, 2001; Reid et al., 2000) as recommended by Saridakis et al. (2017).

Nonetheless, HRM and family business literature conclude that the adoption of HRMP allow family firms to achieve substantial benefits, although many questions remain unanswered (Wright and Sherman, 1999; Delery, 1998; Wright and Snell, 1998). How do family firms configure their HRM practices? Which strategic and organizational goals do they want to combine? Which organizational performances do they want to achieve? Grounding on coordination needs, the paper develops and tests a configurational model of HRM practices that family firms adopt in order to achieve their strategic and organizational goals and positive organizational performances. Coordination needs represent the requirements for managing interdependencies among tasks, resources, and people (Marks et al., 2001; Malone and Crowston 1990, 1994; Thompson, 1967) that a family firm recognizes as critical ones for achieving organizational performances (Sirmon and Hitt, 2003). The ultimate goal of coordination is to develop collaborative behaviors in a family firm that shape organizational performance outcomes. We adopt this perspective about the need for coordination from the viewpoint of managing interdependencies to enlighten how different elements of the proposed framework fit together in nurturing collaborative behaviors. The need for coordination represents the extent to which interdependencies have been efficiently perceived as manageable ones.

The paper addresses the research questions, exploring whether and how HRMP in family firms complement each other in pursuing organizational performances through the combining of different strategic and organizational goals. A configuration of integrated, mutually reinforcing HRMP supports the fit with environmental dimensions (Huselid, 1995; Baird and Meshoulam, 1988) with a positive impact on organizational performance than HRMP individually (Saridakis et al., 2017). Rather than single specific practices, the proposed configurational approach explains how configurations of HRMP represent coherent, unique combinations of practices enabling a family firm to achieve goals and performances. The assumption is that synergistic effects occur, resulting in a multiple pursuing of different strategic and organizational goals. Finally, multiple unique configurations result in maximal organizational performances with an assumption of equifinality (Doty and Glick, 1994). The configuration concept is achieving an increasingly important role in HRM literature. Studies have shown that relationships often exist between the demands of an uncertain environment and strategic and organizational goals and between these goals and organizational performances (Delery and Doty, 1996; Arthur, 1992; Reve, 1990).

The goals of the paper are to examine the four HRMP configurations in family firms and to analyze the impacts of functional goals in fostering the achievement of organizational performances. The paper proposes a typology for family firms consisting of four configurations of aligned HRMP (labeled Administrative, Shared, Professional, and Integrated). First, we tested the presence of the four different HRMP configurations within our data from a sample of 849 family firms. We tested our operationalization of the model, reducing the risk of measuring random configurations. Then, we tested some hypotheses about the strategic and organizational goals of the four configurations and the level of organizational performances they can assure to family firms. We discuss the four configurations observed in practice deriving them from "pure" configurations resulting from coordination theory. We start by describing the configuration factors (i.e., the need for explicit and implicit coordination mechanisms); we then discuss how they relate to strategic and organizational goals and organizational performances in family firms. Finally, we discuss how the four configurations may be applied by HRM family businesses' practitioners to increase organizational effectiveness.

This paper contributes to the HRM field in family firms by explaining the importance of HRMP configurations. The paper provides empirical as well as theoretical and managerial contributions. From an empirical perspective, it contributes to a deeper understanding of HRMP configurations in family firms, as it explores HRMP configurations about their articulation regarding needs for coordination, the roles that various HRMP play within the four proposed configurations, and the extent to which they play them with respect goals and organizational performances. From a theoretical point of view, it develops the conversation on the idea that some configurations of HRMP would help family firms deal better with the environment, recognize new opportunities in the environment or create a more conducive environment to organizational performances is strongly supported in the paper and deserves further research

attention. A managerial contribution of the paper is that it reflects on the possible pros and cons of the four proposed HRMP configurations and the implications for the family and the firm; thereby, it may help family firms design and implement their HRM systems.

The paper proceeds in four sections. First, the theoretical background of the four HRMP configurations. In the second section, concepts are presented, and the hypotheses are derived. The third section describes the research methods and the sample used to test the hypotheses. The main findings are shown in the fourth section. In the fifth section, we discuss these findings, reflecting on the limitations, implications for family firms, and directions for future research.

Theoretical background

The family firms' HRM literature

Family firms' HRM literature is a quite popular and growing topic (Ferraro and Marrone, 2016; Botero and Litchfield, 2013; Cruz et al., 2011). Herewith, we review the main results and approaches adopted so far, and highlight limitations too.

Firstly, family firms' scholars are likely to assume theories and conceptual backgrounds not strictly embedded in the traditional HRM research, such as Agency Theory (Xiang et al., 2014; Schulze et al., 2003) and Stewardship Theory (Combs et al., 2010; Eddleston et al., 2008). Only some contributions referring to RBV (De Kok et al., 2006; Dyer, 2006; Poza et al., 2004) and Socio-Emotional Wealth (SEW) (Achleitner et al., 2014; Cruz et al., 2014, 2011; Berrone et al., 2012) show some relationships with consolidated HRM streams of research.

Secondly, the family firms' HRM literature proposes a "patriarchal" family model (Cruz et al., 2011; Dale et al., 2008) in defining relationships with employees. Succession planning and the nurturing of a successor are the most critical decisions taken by the patriarch (Cruz et al., 2011; Le Breton-Miller et al., 2004). The patriarchal model involves job security in exchange for family loyalty, substituting the need for incentives. Such a model, however, acknowledges a unique, sole, decision maker, e.g. the founder, reducing the likelihood to explore circumstances that are more complex where different family members share the decision-making power (Haberman and Danes, 2007). In addition, within such an assumption, some HRM's theoretical streams, such as utility theory and compensating wage theory, are too heavily adapted to the context of family firms and this may alter their original goal (Levie and Lerner, 2009; De Kok et al., 2006; Schulze et al., 2003).

Thirdly, most contributions (Kidwell and Fish, 2007; Barnett and Kellermanns, 2006) investigate HR practices in family firms without considering the heterogeneity of this peculiar form of organizations. Family firms are neither equal nor similar (Nordqvist et al., 2014), for example, about size, i.e., large versus small and medium-sized family enterprises. Heterogeneity asks for adopting perspectives of theories and indications of the HRM practices in leading sense-making processes about how to interpret different internal and external environments.

Fourthly, a debate on the formality and informality of HRM practices (De Kok and Uhlaner, 2001) in family firms emerges. The resistance of the family managers to formality exists (De Kok et al., 2006) since they search for a flexible approach to cope with higher levels of environmental uncertainty (Holten and Crouch, 2014). Informality helps in developing a feeling of teamwork and strong social relationships and in increasing workers' motivation (Marlow and Patton, 2002). Employees may also feel that they can negotiate work responsibilities, hours, and secure personal loans or other forms of aid within such informality (Marlow and Patton, 2002). Conversely, employees' perceptions of fairness are essential in developing their commitment (Reid et al., 2002). However, when grievance and discipline matters arise, people may perceive informal practices as an arbitrary and unfair choice. Facing these tensions, balancing both formal and informal practices becomes one of the most significant challenges for family firms, despite the paucity of studies on this balance in adopting formal and informal practices (Reid et al., 2002; Becker and Huselid, 1998; Delaney and Huselid, 1996).

The need for coordination

Family firms, as well as all other forms of firms, coordinate employees with through roles, jobs, tasks, and communication, consistently, with their relevant goals to achieve organizational outcomes, as job satisfaction and motivation (Weller et al., 2018; Cooper-Thomas et al., 2004; Ashforth and Saks, 1996; Allen and Meyer, 1990), organizational efficiency and productivity, as well as developing competencies, and reducing labor costs for enhancing organizational financial results, and market performances (Weller et al., 2018; Lazear and Oyer, 2013; Paauwe, 2009; Dyer and Reeves, 1995).

Coordinating employees implies to address both processual and mechanisms issues. The process allows individuals to manage interdependencies to completing an activity (Claggett and Karahanna, 2018; Malone and Crowston, 1994; Argote, 1982; Thompson, 1967), where mechanisms implement configurations of organizational arrangements allowing individuals to align their behaviors (Claggett and Karahanna, 2018; Jarzabkowski et al., 2012; Okhuysen and Bechky, 2009; Mintzberg, 1979), interpreting interdependencies (Simon, 1957), and completing a previously assigned task.

The need for coordination represents the organizational cognitive awareness for effective and efficient management of interdependencies among roles, jobs, tasks, and communication (Marks et al., 2001; Malone and Crowston 1990, 1994; Thompson, 1967). Literature on coordination processes and mechanisms investigates how different means can help an organization to improve the performances (Claggett and Karahanna, 2018; ; Sherif et al., 2006; Willem et al., 2006; ; Gittel, 2002; Cramton, 2001), or how internal and external environmental factors influence them (Mani et al., 2014; Broekhuis and van Donk, 2011; Bailey et al. 2010; Brown, 1999; Argote, 1982).

Family firms represent an appropriate and unique context to analyze the need for coordination. Family firms show strong interpersonal ties, pervasive traditions, low flexibility (Gersick

et al., 1997; Dyer, 1994; de Vries, 1993), and, in particular, all of them present a peculiar role of the family (Sirmon and Hitt, 2003). The “familiness” (Cater and Schwab, 2008; Cabrera-Suarez et al., 2001; Habbershon and Williams, 1999; Tagiuri and Davis 1996) or the family influence pervades every layer of the organization, making interdependencies unique (Sirmon and Hitt, 2003) and affecting not only the strategy, but also on all the coordination system (process and mechanisms) implemented by a family firm. Family firms are a very heterogeneous population (Madison et al., 2018; Jaskiewicz and Dyer, 2017; Nordqvist et al., 2014) and their differences in innovativeness, proactiveness, risk-taking, autonomy, competitive aggressiveness, and organizational flexibility reflect their differences on the need for coordination.

The need for coordination represents the extent to which interdependencies have been efficiently perceived as manageable ones. We distinguish two different concepts of the need for coordination: the explicit and the implicit.

The need for explicit and implicit coordination

The need for explicit coordination refers to the awareness of the need to set how, when, and with whom/what to coordinate information flows through routinized processes (Simon, 1957), adopting rules, procedures, plans, and programs (Okhuysen and Bechky, 2009; Argote, 1982). Pre-specified routinized processes (Claggett and Karahanna, 2018) often concern controlling communications and tasks (Mintzberg, 1979) to improve individuals’ understanding of the overall process and their role in it (Gittel, 2002).

The need for implicit coordination refers to those mechanisms available to family firms from shared cognition and not consciously employed for coordinating. It connects to the perception of synchronization of individuals’ actions based on unspoken assumptions about what others are likely to do (Wittenbaum and Stasser, 1996).

In family firms, the owner or the founder plays a fundamental role on influencing employees’ mental models, building an affective commitment (i.e., the desire to follow a course of action; Sharma and Irving, 2005), and creating conditions under which family firms may reduce their reliance on explicit coordination mechanisms. Presenting strong and enduring cultures, family firms smooth their awareness of the need for explicit coordination mechanisms (Zahra et al., 2004; Hall et al., 2001).

When a family firm operates in a dynamic competitive setting characterized by environmental changes, uncertainty, or risks, fostering implicit coordination improves employees’ organizational identity and commitment (Eddleston et al., 2008) and activates stewardship behaviors (Sharma and Sharma, 2011, Zahra et al. 2008). Organizational identity and commitment strongly relate to implicit coordination mechanisms, such as extra-role and discretionary contributions of employees (Riketta, 2002). Organizational cognition research suggests on implicit coordination (Klimoski and Mohammed, 1994; Cannon-Bowers et al., 1993) that, in an organization, individuals interact and gain expertise with a joint task, developing their

awareness about the task and the others. Implicit coordination mechanisms contribute significantly to developing commitment (Randall et al., 1990) and high-quality relationships improve coordination (Claggett and Karahanna, 2018). Higher levels of organizational identity and commitment raise the likelihood that individuals will subsidize efforts on behalf of the in family firms, even in the absence of strong supervision or strict rules and procedures, revealing stewardship behaviors. When family firms are in a dynamic competitive setting, implicit coordination mechanisms may be most appropriate to anticipate task statuses, individuals' behaviors and help family firms to manage interdependencies.

HRM practices for explicit and implicit coordination in family firms

Due to their heterogeneity, family firms choose their configuration of HRMP relying on the awareness they framed of the need for explicit and implicit coordination mechanisms.

Following the framework of the Strategic Human Resource Management practices (SHRMP) stream of research, we propose a configurational model for HRMP (Jiang et al., 2012a; Chadwick, 2010; Kepes and Delery, 2010; Gerhart, 2007; Delery and Doty, 1996) in family firms. The configurational perspective provides a systemic viewpoint for designing a specific HRMP composition (Kaufman, 2010).

Literature indicates that HRMP are: 1) Recruitment and selection (Khan, 2010; Katuo and Budhwar, 2006; Kulik, 2004; Ahmad and Schroeder, 2003; Chiu et al., 2002; Lam and White, 1998), 2) Compensation (Ahmad and Schroeder, 2003; Chiu et al., 2002; Lam and White, 1998; Ngo et al., 1998), 3) Training and development (Khan, 2010; Katuo and Budhwar, 2006; Ahmad and Schroeder, 2003; Kundu, 2003; Chang and Chen, 2002; Lam and White, 1998; Ngo et al., 1998), 4) Internal communication (Oladipo and Abdulkadir, 2011; Osman et al., 2011; Geringer et al., 2002; Richard and Johnson, 2001; Ulrich, 1997), 5) Performance appraisal (Khan, 2010; Chang and Chen, 2002; Bernardin and Russel, 1993), 6) Workforce planning (Mathis and Jackson, 2004; Chang and Chen, 2002), 7) Career planning management (Schein, 1996), 8) Job design (Morgeson and Humphrey, 2006; Champion, 1988).

Combining the two needs for coordination mechanisms, we can identify four different configurations of HRMP in family firms, labeled as Administrative, Shared, Professional, and Integrated ones.

HRM practices' configurations in family firms

The description of the four configurations

In the Administrative configuration, family firms present low levels of both needs for coordination mechanisms. Family firms mainly adopt recruiting/selection and compensation practices. Family firms belonging to the Administrative configuration operates in a simple and not dynamic environment where they manage human resources through the adoption of a few rules and procedures (Kaman et al., 2001). They aim at the standardization of processes and

pursue efficiency. The family-owner usually recruits and selects employees within his or her networks, leveraging informal channels to approach people known directly or indirectly to the firm. Newcomers, who have been referred by friends and acquaintances, are most likely to have accurate and realistic job information (e.g., Weller et al., 2018; Werbel and Landau, 1996; Moser, 1995; Saks, 1994; Williams et al., 1993; Blau, 1990; Breaugh and Mann, 1984; Quagliari, 1982;) and are less likely to quit early (Weller et al., 2009). There is no a systematic or rational approach in their compensation practices. In the Administrative configuration, family firms adopt fixed compensations since they do not consider the use of more sophisticated compensation practices as essential for improving productivity (Amba-Rao and Pendse, 1985; McEvoy, 1984). They set the level of the salary not considering the employee's specific profile, but according to the local norms and considering if employees are family members or not (Schulze et al., 2003).

The administrative configuration represents a very simple context, with a low level of both needs for coordination, few HRM practices, and no HR function. In the Administrative configuration, there are only basic people management practices related as compensation and bookkeeping. As long as the organizational complexity rises following an increase of the dynamism of the environment, family firms move toward a configuration where they combine structured and formal solutions for coordination with some more organic ones. In such a case, family firms adopt more commitment based HRMP to assure a higher level of involvement and engagement of employees within the firm.

In the Shared configuration, family firms present a high level of the need for implicit coordination mechanisms and a low level of the need for explicit coordination mechanisms. In this configuration, family firms operate in a dynamic and complex environment, where the adoption of HRM practices try to improve the motivation of employees and their flexibility to generate a sustainable competitive advantage. In the Shared configuration, family firms assume a resource-based approach to the measurement of high-performance practices (Combs et al., 2006). In the Shared configuration, family firms mainly adopt recruiting and selection, compensation, training and development, and internal communication practices. Recruiting and selection can be simple and informal, with application forms or face to face interviews (Carroll et al., 1999), relying on existing channels and contacts and not on specialist expertise. In the Shared configuration, family firms use referral networks to provide informational, reputational, and cost advantages (Pieper, 2015; Marsden and Gorman, 2001; Fernandez et al., 2000). When friends serve as referrals, they are likely to go beyond simple job descriptions to reveal whether prospective workmates will be congenial to the family culture. Recruiting and selection practices foster a very family-friendly atmosphere to achieve the goal of identifying and hiring employees presenting similar or overlapping family values. In the Shared configuration, compensation practices are not formally structured as well. While compliant with general and labor law, family firms do not possess any compensation plan. The motivational goal of the practice does not relate to the level of the

compensation package, but to the opportunity to work in a family atmosphere (Wilkinson, 1999) where all members understand employees' needs, characteristics, and financial necessity. While family business literature focuses on salary differences between family and non-family members (Reid and Adams, 2001), the cited family atmosphere can nurture strong relationships within and between employees, improving not only their motivation but also the family firm's awareness of employees' expectations. In the Shared configuration, family firms do not provide structured training, the training and the development practice are still informal and a 'learning by doing' approach emerges. Herewith, family firms deploy a twofold training: on the task or the role that employees will cover and on understanding cultural values of the family. The Shared configuration strives to enforce the affective commitment of employees (Sharma and Irving, 2005; Randall et al., 1990; Horton, 1986; Donnelley, 1964), warm, friendly, and intimate relationships within the firm (Horton, 1986), and the potential for transferring in-depth firm-specific tacit knowledge (Sirmon and Hitt, 2003). Adopting consistent internal communication practices, family firms search for organizational identity (Zellweger and Sieger, 2012; Arregle et al., 2007; Sirmon and Hitt, 2003; Hall et al., 2001; Albert and Whetten, 1985). The goal is to create an effective organizational environment based on personal relationships where managers and employees work together showing collaborative behaviors (Bedwell et al., 2012). The family atmosphere contributes to this positive picture, which shows easier communication, greater flexibility, and lower levels of conflict (Wilkinson 1999). In the Shared configuration, through increasing internal communication, family firms characterize themselves with strong internal relationships (Arregle et al., 2007; Miller and Le Breton-Miller, 2005) that facilitate the development of social norms and maintain the trustworthiness among family and non-family actors.

The Professional configuration presents a high level of the need for explicit coordination mechanisms and a low level of the need for implicit coordination mechanisms. It refers to relatively stable, but complex environmental dimensions. The Professional configuration looks for managing human resources through rules, complex procedures, and articulated plans, aiming at the processes standardization and efficiency. The goal is to create an efficient organizational environment where family firms manage functions, or divisions of the organizational structure, in direct response to business needs. In a Professional configuration, family firms mainly adopt recruiting and selection, compensation, training and development, performance appraisal, workforce planning, and job design practices. Professional managers design and implement recruitment and selection practices to provide professionalization and to incorporate and develop managerial skills, adopting standardized assessment tests and centers with the support of external consultants. Family firms recruit and select employees through effective data collection, internet, and company based websites, or widely circulated publications for attracting job applicants that professionally fit with tasks and roles of open job positions (Carlson et al., 2006). Consequently, skills and competencies of the future employee are defined and known. In the Professional configuration, to find the best candidate, family firms adopt a sophisticated recruitment and selection system that

takes into account the personal characteristics and potential of candidates and tests their fit with the job position. In this configuration, compensation practices are related to tasks and roles of employees. In this context, professional management techniques foster training and development to increase employees' qualifications and performance at all hierarchical levels through education, career management, and work structure (Berthel and Becker, 2003). Effective training and development can increase the motivation of employees, productivity (Leede et al., 2002), and competitive advantage (De Saa-Perez and Garcia-Falcon, 2002). The Professional configuration includes hard work structures, result-based initiatives, and trans-specialist development. Employees' succession planning is a crucial issue (Wasin et al., 2018). In the Professional configuration, people management grounds on control and measurements, evidencing advanced compensation and benefits policies, and devoting a great effort to designing job positions and profiles. Job design activities are becoming very interesting (Parker et al., 2017; Spreitzer et al., 2017; Bakker et al., 2012; Grant and Parker, 2009; Grant and Ashford, 2008; Grant, 2007) since only a professional management can find a fit between the task and the individual needs of employees and ensure higher organizational performances. Similarly, family firms have professional management of job evaluation, performance appraisal, and job design. These practices are formal and structured ones. They present a clear communication of business objectives, a specific definition of skills and competencies, benefit systems based on the role, the task, and the individual performances. Moreover, reward systems rely on organizational performances and the performance management grounds on a scientific comparison between the expected performance and the one achieved by employees. The set of formalized procedures manage standardized processes in a transparent, efficient, and effective way to contribute to the firm's growth and performance (Kaya, 2006; Bae et al., 2003). Such systems should integrate well with other areas of the business and should create synergistic effects to enhance the total value of the family firm.

The Integrated configuration presents a high level of the need both for implicit and explicit coordination mechanisms. It refers to complex and highly dynamic environmental dimensions. The management of the personnel function strives for family firm orientation, consistently with the strategic business direction. HRM practices aim at developing a high environmental and cultural scanning and a long-range planning tension. The emphasis is on both efficiency and effectiveness in direct response to business needs. In the Integrated configuration, family firms adopt all the HRM practices, that is recruiting and selection, compensation, training and development, internal communication, performance appraisal, workforce planning, career planning management, job design. In the Integrated configuration, HRM practices like training and development are characterized by a continuous interaction between professional managers and employees for promoting entrepreneurial behavior and encouraging employees' participation (Schuler, 1986). The continuous evolution of technologies develops a need for training people on a less standardized base, focusing on individual knowledge requirements (Schafer and Graham, 2002; Kuratko et al., 1990; Hambrick and Crozier, 1985; Campbell et

al., 1970). This training approach enables employees to react distinctively to new challenges, adapt to dynamic environmental conditions, and feel comfortable with ambiguity, encouraging creativity by enabling employees to gain various experiences (Amabile, 1988; McGinnis and Ackelsberg, 1983). In the Integrated configuration, family firms search the fit between company's strategy, work processes, and family values. To implement effective training and development, family firms develop social competence, creativity, and internal communication. In the Integrated configuration, family firms should, at the same time, be structured and flexible to avoid that uncertainty can threaten the survival of the firm and, therefore, they need a configuration of HRM practices that are both commitment and control based. They should enhance the emotional attachment and affective commitment of employees and, at the same time, they should look for control and performances. In the Integrated configuration, family firms present an extensive implementation of internal communication practices to support organizational performances. Internal communication creates strong relationships not only between family members (Marett, et al., 2018) but also between managers and employees. Internal communication develops shared goals, shared knowledge, and mutual respect. Shared goals refer to a holistic understanding of both the individual and collective work translated into a goals' fit (Gittell, 2006), as the fit among family goals and employees' goals. Shared knowledge means the common understanding of the different roles that employees, managers, family and non-family members cover in the organization. Family members and non-family members covering distinct roles are likely to have different mental models about the workflow and context, owing to different training and expertise, and may show difficulty in communicating and coordinating (Dougherty, 1992). Nevertheless, high levels of shared knowledge about roles and the importance that each individual has in the organization smooth those difficulties. Mutual respect refers to the recognition of the value of each other's roles, knowledge, skills, and unique contributions in workflow tasks (Vandekerckhof et al., 2018). Mutual respect represents the appreciation for the contribution that each individual provides to organizational performances. In the Integrated configuration, family firms strive for shared goals, shared knowledge, and mutual respect fostering internal communication and leveraging a deep awareness of the organization itself. In the Integrated configuration, all the HRM practices combine in an equilibrium between two different goals: adopting professional and expert knowledge to meet the demands of an increasingly complex and dynamic environment and being flexible and emotional inclusive to capture the benefit of being a family firm.

Development of hypotheses

We consider the primary role of HRM practices' configurations in family firms is to enhance a fit with their environment. In a stable, predictable environment, family firms may realize the fit by adopting the Administrative or the Professional configurations that focus on developing a human capital with a limited range of skills, eliciting a small set of employees' behaviors. In a dynamic, unpredictable environment, family firms achieve the fit by implementing the

Shared or the Integrated configurations that stimulate the development of a human capital presenting a broad range of skills and able to engage in a wide range of behaviors. In the former case, once family firms achieve the fit, flexibility is less critical due to the stable environment. Nonetheless, most family firms face dynamic environments. In such a case, family firms can achieve a sustainable fit only by developing a flexible organization. Thus, consistent configurations of HRM practices must progressively promote organizational flexibility in order to attain a dynamic fit. In family firms, the proposed configurational approach claims that positive performance evolves from a configuration of interrelated HRM practices (Meuer, 2016), which together form an internally consistent whole set (Colbert, 2004). Finally, in order to satisfy their needs for coordination, the choice of the HRMP follows a best-fit rule in which family firms can pick their practices (Datta et al., 2005; Lepak and Snell; 1999; Arthur, 1994). The concept of best-fit (Guest, 1997) is central to theorize about HRM practices' configurations in family firms and implies the existence of distinctive configurations of practices, as the four presented above. In principle, there may be a considerable number of possible configurations of practices, which will lead to high performance; for example, some family firms may emphasize job security as the building block; others prefer training and development. The other practices fit around these. Within each configuration, some substitutability between different HRM practices may exist. Although in principle this approach allows for equifinality or some substitution, in practice certain clusters may consistently emerge, indicating the limited range of effective combinations.

Based on the above, we propose (first hypothesis) that, in family firms, there is a positive relationship between the adoption of the four proposed HRMP configurations and the perceived need for coordination.

Hypothesis 1: Family firms present one of the four HRMP configurations.

We argue that the four proposed HRMP configurations present different functional goals related to specific practices that can be combined to attain higher organizational performances. The synergistic effect of the combination leads to a fit promoting similar effects on organizational performances. Based on the above, we distinguish between functional goals of HRMP that result combined in the four configurations of practices and reveal an equifinality regarding organizational performances. The relationships among HRM practices within a single organizational performance domain are likely to be multiplicative. Unlike the fit with the environment of HRMP configurations that can be achieved only when the supposed practices are combined, the goals of specific configurations of HRMP are functionally concerned with one or more organizational performance domains. As a result, HRMP configurations result in independent attempts to pursue the same organizational performance from different configurations of practices. Each HRM practice alone would exert a specific effect on the functional goal of the practice domain. This impact is not contingent on the existence of

other practices in the same performance domain. In contrast, the absence of one practice will not necessarily decrease the effect of another practice, although it certainly may reduce the net effect of the entire performance domain. For instance, family firms can improve employees' competencies through training as well as through recruiting and selecting employees with high competence. Recruitment and selection practices affect employees' initial level of knowledge and skills, while the training practice further promotes firm-specific knowledge and skills to perform assigned tasks (Ostroff and Bowen, 2000; Delery, 1998). In this case, the absence of training will not remove the impact of recruitment or selection on employee's competencies, but the presence of training may help develop them, which further increase organizational performance.

Functional goals of HRMP

The research proposes the concept of strategic HRM to those studies that demonstrate how HRM practices impact on strategic goals of an organization (Chadwick and Cappelli, 1999). Each HRM practice presents a particular goal that helps an organization to be competitive and to survive (Farndale and Paauwe, 2007). We consider five functional goals of HRMP: organizational fit, motivation of employees, development of competencies, productivity and efficiency, and reduction of labor costs.

A) Organizational fit

Many HRM practices may develop organizational identification and commitment (Ostroff, 2000) of the employee, e.g., organizational fit. Through recruiting and selection practices, family firms can increase feelings of congruence with the norms and values of the organization (Collins and Smith, 2006; Judge and Cable, 1997). As far as compensation, internal communication, training, and development practices (McClellan and Collins, 2011; Collins and Smith, 2006; Batt, 2002) are concerned, they all ground on values and cultural fit (Burton and Beckman, 2007; Baron et al., 2001; Hannan et al., 1996). A higher level of organizational fit enhances the establishment of exchange relationships and the willingness of employees to share their capabilities, thus increasing performance (Tsui et al., 1997). If an organization recruits and selects employees grounding on their fit with the values and norms of the organization itself, employees will experience a greater congruence between their own values and those of the organization, resulting in an increased willingness to engage within the organization (Gottschalg and Zollo, 2007; Baard et al., 2004). Employees feel that the work environment is supportive of their own goals and needs, creating psychological relationships whereby employees are willing to exchange positive behaviors with the opportunity of working in such a value-supportive environment, further increasing performance (Allen et al., 2013). Consequently, the needs of the employees and those of the organization are further aligned, with higher employees' involvement (Keller, 1997).

B) Motivation of employees

Eliciting motivation of employees focus on a set of practices that facilitate skill development and provide opportunities and incentives for employees to apply their skills (Batt, 2002; Guthrie, 2001; Pil and MacDuffie, 1996). Some appropriate HRM practices tap the motivation of employees (Guest 1997). HRM practices that ensure motivation relate to performance appraisal and performance-based compensation, to an appropriate role structure and perception, as job design, and to extensive communication and feedbacks, as internal communication (Guest, 1997). These HRM practices aim to recognize employees' performance and to align their behaviors with those of the organization (Hiltrop, 1996).

C) Development of competencies

Many HRM practices present the goal to develop skill and abilities, e.g., competencies, in a way that individuals may grow personally and contribute towards organizational interests (Asfaw et al., 2015). To develop inimitable human resources (Becker and Huselid, 1998), organizations adopt HRM practices that emphasize employees' skills and abilities (Wright and Boswell, 2002; Ostroff, 2000). Practices that improve employees' skills and abilities are selection and recruitment, training and development (Guest, 1997), and performance appraisal (Roberts, 1995).

D) Productivity and Efficiency

Literature stresses the positive link between HRM practices and firm productivity and efficiency (Chen et al., 2003; Huselid et al., 1997), facilitating process innovation (Agarwala, 2003). HRMP, as training and development, compensation, workforce planning, career planning, internal communication, and performance appraisal, show a significant impact on productivity and efficiency (Richard and Johnson, 2001, Huselid, 1995; Terpstra and Rozell, 1993). Moreover, training and development may help to increase productivity and efficiency since they support the efficient development of high-quality products, meeting customers' expectations (Corbett and Harrison, 1992).

E) Reduction of labor costs

Compensation, internal communication, and career planning practices may support the reduction of labor costs by minimizing turnover and absenteeism of employees (Huselid, 1995). Other HRM practices, as recruiting and selection and job design, focusing on workflow tasks, ensure employees' compliance with regulations and minimize labor costs (Arthur, 1994).

Organizational performance

In the last three decades, HRM research revealed the positive relationship between HRM practices and organizational performance (Hamdia and Phadett, 2011). An exhaustive review of empirical studies (Combs et al., 2006) shows that effective HRM practices are associated with significantly higher organizational performance. Effective HRM practices increase em-

ployees' knowledge, skills, abilities, empower and raise their motivation (Santhanam et al., 2017; Becker and Gerhart, 1996; Rynes and Trank, 1996). Moreover, effective HRM practices positively affect job satisfaction, the reduction of the employees' turnover, and productivity (Becker and Gerhart, 1996).

The four proposed configurations consider the need for a fit between performances of specific HRM practices (Meuer, 2016; Samnani and Singh, 2013; Jiang et al., 2012b; MacDuffie, 1995) and those of configurations of practices (MacDuffie, 1995), where, in different configurations, each practice mutually presents reinforcements of the effect of the other practices. The four configurations are consistent with the ability-motivation-opportunity (AMO) framework (Meuer, 2016; Boxall and Purcell, 2011; Gerhart, 2007; Batt, 2002; Appelbaum et al., 2000), where configurations of practices of each configuration simultaneously nurture opportunities and foster employees behaviors in achieving performance (Kang and Snell, 2009; Batt, 2002; Huselid, 1995). When organizations aggregate HRM practices in a coherent configuration, they show a higher overall effect than the mere sum of effects of each of them (Shaw et al., 2009; Batt et al., 2002; Appelbaum et al., 2000; Shaw et al., 1998) and have powerful effects (Rynes et al., 2005) on different organizational performances. Organizational performances refer to lower the turnover rate, to reduce labor costs, to increase productivity, to foster revenues for employees.

Turnover refers to the "individual movement across the membership boundary of an organization" (Thwala et al., 2012; Price, 2001) and the turnover rate is the percentage of workers who either quit or were dismissed in the past year (Batt and Colvin, 2011). High turnover rates have deleterious effects on outcomes such as productivity and safety (Shaw et al., 2005a), sales performance (Batt, 2002; Kacmar et al., 2006; Shaw et al., 2005b), and efficiency. HRM practices such as recruiting and selection, training and development (Santhanam et al. 2017; Bradley et al., 2004; Shaw et al., 1998), compensation (Santhanam et al. 2017; Droussiotis and Austin, 2007; Shaw et al., 1998), workforce planning, career planning (Santhanam et al. 2017; Maertz and Griffeth, 2004; Shaw et al., 1998; Huselid, 1995; Hom and Griffeth, 1995; Arthur, 1994; Doeringer and Piore, 1971), job design (Huselid, 1995; Arthur, 1994; Doeringer and Piore, 1971), performance appraisal (Shaw et al., 1998) internal communication (Santhanam et al. 2017; Bradley et al., 2004) aim at reducing the turnover rate.

Labor costs reductions ask for control-based HRM practices (Eisenhardt, 1985). By enforcing employee compliance with rules and procedures and basing employee rewards on some measurable output criteria, control-based HRM practices aim to reduce direct labor costs and improve efficiency (Eisenhardt, 1985; Walton, 1985). Firms tend to minimize labor costs, as opposed to minimizing total costs per unit of output. A shift toward a more-skilled workforce boosts labor costs, where unit labor costs need not to fall and may rise, with ambiguous implications for profitability (Jiang et al., 2012a; Wright and Boswell, 2002).

Productivity represents a significant goal for organizations (Cappelli and Neumark, 2001). HRM practices, as training and development, compensation, workforce planning, and perfor-

mance appraisal foster employees' productivity (Lee and Lee, 2007; Chang and Chen; 2002; Guthrie, 2001; Pawan, 2000; Koch and McGrath, 1996; Huselid, 1995). Productivity bridges soft HRM outcomes, such as motivation, and hard firm outcomes, like revenues (Boselie and Dietz, 2003).

Revenues per employee is a crucial indicator of strategic workforce performance (Delery and Shaw, 2001). Revenues per employee have been frequently used as an organizational performance variable in a large body of work (Boselie and Dietz, 2003). The variable is a crucial indicator of the efficiency with which family firms produce revenue, and it allows comparability across industries and with previous studies.

In the Administrative configuration, family firms focus on standardization of processes, efficiency and adopt selection and recruiting and compensation practices. The Administrative configuration presents an informal selection and recruiting system and focuses on hiring employees with friendly relationships outside the business network. At the same time, compensation practices rely on relationships with the family. Employees present a strong emotional relationship with the family, characterized by mutual trust and friendship, and are less likely to quit early (Weller et al., 2009).

In the Shared configuration, family firms focus on employees' motivation and flexibility to generate a sustainable competitive advantage. The combined HRM practices tend to motivate employees through the family atmosphere (Wilkinson, 1999), where easier communication, greater flexibility, and lower levels of conflict emerge, facilitating the understanding of employees' needs, characteristics, and financial necessity. Moreover, the Shared configuration motivates their employees with the social support (Van Yperen and Hagedoorn, 2003) fostering collaborative behaviours (Bedwell et al., 2012), grounding on strong internal relationships (Arregle et al., 2007; Miller and Le Breton-Miller, 2005) that enable the enlargement of social norms and trustworthiness among family and non-family members. The advantages of the Shared configuration insist on creating a pleasant work environment (Tsai et al., 2007) where employees have a less turnover rate, more productivity.

In the Professional configuration, family firms look for managing human resources through rules, complex procedures, and articulated plans, pursuing standardization and efficiency. In a Professional configuration, family firms aim to increase the revenues and productivity per employees providing professional HRM that achieve a fit between tasks and individual needs of employees and ensure higher organizational performances. In this configuration, employees feel that the family firm contributes to their professional development and they can understand their role strengthening a negative relationship with turnover (Huselid, 1995) and a positive relationship with productivity (Heneman and Milanowski, 2011; Boxall and Macky, 2009). Employees interpret each professional practice as a retention inducement and a long-term outlook on the employment relationship.

In the Integrated configuration, developing a high environmental and cultural scanning, family firms aim at stimulating a long-range planning tension. Family firms demonstrate to take emphasis on both efficiency and effectiveness in direct response to business needs searching a fit between the company's strategy, work processes, and family values. In this configuration, employees obtain economic and socio-emotional resources from the family firm and tend to be obliged to reward the organization through positive job and organizational performances (Karatepe, 2013; Cropanzano and Mitchell, 2005). In this configuration, the family firm invests on improving service capacity of employees to perform their tasks successfully (Santhanam et al., 2017).

Based on the above discussion, we developed five hypotheses to test the relationship between the HRMP configurations and their functional goals:

Hypothesis 2: The Administrative configuration presents lower HRMP functional goals than the other HRMP configurations.

Hypothesis 3: The Integrated configuration presents a higher Organizational fit, Motivation of employees, and Development of competencies than the other HRMP configurations.

Hypothesis 4: The Integrated configuration presents a higher Productivity and efficiency than the Professional configuration.

Hypothesis 5: The Integrated configuration presents a higher Reduction of labor costs than the Shared configuration.

Hypothesis 6: The Shared configuration presents a higher Organizational fit than the Professional configuration.

Based on the above-presented equifinality regarding organizational performances of different HRMP configurations, in the second stage of our analysis, we attempt to ascertain the combined effect of the HRM practices on the organizational performances of family firms within the context of the four proposed configurations. Accordingly, we finally present two competing hypotheses to test the relationship between the HRMP configurations and organizational performances:

Hypothesis 7a: According to a configurational fit logic, the four configurations do not differ in term of organizational performances.

Hypothesis 7b: The four configurations significantly differ in term of organizational performances.

Methods

Herewith we describe the methodological approach we adopted in term of research design and definition of the family firm, sampling frame, and primary data collection procedure, achieved sample, and variables and measures.

Research Design and definition of family firm

Adopting a deductive approach applying a quantitative research design, we run statistical tests on hypotheses over data collected with a questionnaire survey consisting of 849 family firms in Italy. The deductive perspective and the size of the sample facilitated us in inferencing further than the context of Italian family firms.

We consider family firms those companies matching at least one of the following requisites: (1) the family own the majority of the equity (Gnan et al., 2015; Astrachan and Shanker, 2003; Sharma, 2004); (2) one or more family members sit on the board of directors (Gnan et al., 2015; Anderson and Reeb 2003); and (3) the CEO belongs to the family (Gnan et al., 2015; Villalonga and Amit, 2006).

The sample was drawn from the AIDA database (by Bureau Van Dijk Electronic Publishing), which contains: (1) data from incorporated companies, representative of the Italian population of manufacturing and nonmanufacturing firms; and (2) data about the ownership structure (shareholders), the governance system (chair and board members) and some information about management (CEO). We used both primary (from questionnaires) and secondary data (from the AIDA database). Unfortunately, AIDA data were not available for all of the firms in the sample. Therefore, we decided to collect data via a questionnaire on ownership, governance, strategy, and management, and to check them against the reports available in the AIDA database. This approach helped us to avoid the common methods bias relating to survey studies from the outset.

Sampling Frame and Primary Data Collection Procedure

The initial sample consisted of 7,500 companies of Italy, at the six-digit level of the Ateco 2007 Classification System. The initial sample randomly extracted to be representative of the population by turnover, range of employees, and industries. The Ateco 2007 represents the Italian version of the European classification system (Nace Rev. 2), approved by the European Commission (n. 1893/2006) and published on the Official Journal (2006, 12/30). The Nace classification system is compliant with the one adopted by UNO (Isic Rev. 4).

The primary data collection procedure consisted of four phases. First, we developed measurement scales through ten on-site interviews with family firms' CEOs, academics and consultants, and testing the resulting measures with a group of academics and consultants. Next, a single scholar tested the version of the resulting questionnaire with some senior executives of family firms. These tests asked to revise some items to improve their clarity, as well as the addition of several new ones. The third stage consisted of on-site interviews with CEOs or executives from 50 family firms, resulting in the final version of the questionnaire. In the final stage, we mailed the survey to the 7,500 companies included in the sampling frame. Following the suggestion of Dillman (1978), we mailed two follow-up letters and one replacement questionnaire after the initial mailing.

Due to the difficulty of collecting data on the adoption of HRM practices, studies using primary survey data often ground on a single respondent (Minichilli et al., 2012; Pearce and Zahra, 1991). Consequently, we used a single informant for each firm. Although multiple respondents would have reduced potential response biases, the respondents had to be well informed about the firm and its organizational environment (Campbell, 1955). The main methodological answer to the concerns related to a single-respondent approach is to find the most appropriate one. In the covering letter, we asked to fill the questionnaire either by the CEO or by a senior executive (co-CEO) with overall responsibility for managerial issues (Alvarez and Svejenova, 2005). We checked the adherence to the suggestion. In most cases, the company CEO was the respondent. We considered the CEOs and co-CEOs to be the best possible key informants because they are knowledgeable about the adoption of HRM practices, while at the same time being in a better position to report on both strategy and management (Zahra et al., 2000). The self-report method is a primary data collection tool in management studies (e.g., Boone and de Brabander, 1997; Podsakoff and Organ, 1986). We adopted some procedural remedies to reduce potential common method biases: (1) our cover letter guaranteed anonymity and confidentiality (Podsakoff et al., 2003); (2) in the questionnaire, we kept dependent and independent variables separated (Parkhe, 1993); (3) we devoted attention to the wording of questions to avoid vague concepts and to reduce item ambiguity (Tourangeau et al., 2000); (4) we stated clearly that there were no right or wrong answers, and that respondents should answer questions as honestly as possible (Podsakoff et al., 2003); and (5) we worded questions carefully in order to minimize the likelihood of social desirability bias, using inputs from the pilot interviews.

Achieved Sample

890 completed questionnaires were returned. The 11.9 percent response rate is comparable with those of large-scale surveys involving executives but higher than those typically obtained in Italy (Giacomelli and Trento, 2005). The result is a reasonable one given the setting of the survey concerning the diversity of the firms, the positions of the respondents (CEO or equivalent position) and the sensitivity of the information. After checking to ensure that all of the responding firms were family firms, we eliminated 41 questionnaires.

The final dataset included 849 family firms. We evaluated nonresponse biases by conducting chi-square tests between our sample and the initial sample used, finding no significant differences in the industry ($\chi^2=.017571$, $df = 5$), sales ($\chi^2=.041679$, $df = 4$) or employees ($\chi^2=.087307$, $df = 3$). We also made a comparison between early respondents (first half) with late respondents (second half; Armstrong and Overton, 1977), finding no significant differences in the age of the firm, firm size (employees and sales), industry characteristics, suggesting that nonresponse bias might not be a problem. The median number of employees was 20. The mean number was 43.7 with a standard deviation of 123. The median number

of sales was €4.5 million. More than two third of the firms in the sample belonged to the manufacturing industry. The median year of the foundation was 1977.

Variables and Measures

We used three groups of variables for testing our hypotheses. First, the variables representing the adoption of HRM practices, the dependent variables related to both the goals that different HRM practice could help to achieve and the organizational performances of HRMP' configurations, and the control variables.

The classification procedure for identifying the four HRMP configurations

To identify the four HRMP configurations, we used eight items, referring to the adoption of different HRM practices in family firms:

- 1) Recruitment and selection (Khan, 2010; Katuo and Budhwar, 2006; Kulik, 2004; Ahmad and Schroeder, 2003; Chiu et al., 2002; Lam and White, 1998),
- 2) Compensation (Ahmad and Schroeder, 2003; Chiu et al., 2002; Lam and White, 1998; Ngo et al., 1998),
- 3) Training and development (Khan, 2010; Katuo and Budhwar, 2006; Ahmad and Schroeder, 2003; Kundu, 2003; Chang and Chen, 2002; Lam and White, 1998; Ngo et al., 1998),
- 4) Internal communication (Oladipo and Abdulkadir, 2011; Osman et al., 2011; Geringer et al., 2002; Richard and Johnson, 2001; Ulrich, 1997),
- 5) Performance appraisal (Khan, 2010; Chang and Chen, 2002; Bernardin and Russel, 1993),
- 6) Workforce planning (Mathis and Jackson, 2004; Chang and Chen, 2002),
- 7) Career planning management (Schein, 1996),
- 8) Job design (Morgeson and Humphrey, 2006; Champion, 1988).

All of these items were measured using dummy coding: their presence was coded as 1. Table 1 reports the descriptive statistics for the adoption of the practices within the entire sample of 849 family firms.

Table 1: HRM practices adoption.

HRM practice	Mean	Median	Standard Deviation
Recruiting and Selection	0.94	1.00	0.23
Compensation	0.93	1.00	0.25
Training and Development	0.85	1.00	0.36
Internal Communication	0.82	1.00	0.39
Performance Appraisal	0.79	1.00	0.41
Workforce Planning	0.85	1.00	0.35
Carrier Planning	0.11	0.00	0.32
Job Design	0.51	1.00	0.50

The four proposed configurations present their pure definition regarding adopted HMR practices as follows:

- 1) Shared configuration: Recruiting and selection, Compensation, Training and development, and Internal communication;
- 2) Administrative configuration: Recruiting and selection, and Compensation;
- 3) Integrated configuration: Recruiting and selection, Compensation, Training and development, Internal communication, Performance appraisal, Workforce planning, Career planning management, and Job design;
- 4) Professional configuration: Recruiting and selection, Compensation, Training and development, Performance appraisal, Workforce planning, and Job design.

We allowed one degree of freedom in term of the classification procedure for the four HRMP configurations. That is, we allowed that a family firm could show one of the proposed HRMP configurations with maximum a missing or an extra HRM practice from the pure definition. Accordingly, we identified 107 family firms showing a Shared configuration (12.6%), 35 an Administrative configuration (4.1%), 353 an Integrated configuration (41.6%), and 284 a professional one (33.5%). Only 70 (8.2%) family firms do not show any of the proposed HRMP configurations. In conclusion, 91.8% of the sampled family firms presents one of the four HMRP configurations. Table 2 reports the descriptive statistics about the HMRP configurations.

Table 2: Descriptive statistics of the HMRP configurations.

HRMP configuration	Variables	Mean	Median	Standard Deviation
Not classified	Recruiting and Selection	0.57	1.00	0.50
	Compensation	0.54	1.00	0.50
	Training and Development	0.29	0.00	0.46
	Internal Communication	0.84	1.00	0.37
	Performance Appraisal	0.29	0.00	0.46
	Workforce Planning	0.54	1.00	0.50
	Carrier Planning	0.10	0.00	0.30
	Job Design	0.39	0.00	0.49
	Sales (millions of Euro)	9.98	5.00	12.17
	Employees	31.83	17.00	37.93
Shared configuration	Recruiting and Selection	1.00	1.00	0.00
	Compensation	0.93	1.00	0.25
	Training and Development	0.60	1.00	0.49
	Internal Communication	0.92	1.00	0.28
	Performance Appraisal	0.21	0.00	0.41
	Workforce Planning	0.64	1.00	0.48
	Carrier Planning	0.00	0.00	0.00
	Job Design	0.02	0.00	0.14
	Sales (millions of Euro)	11.03	6.00	13.21
Employees	35.02	23.00	34.39	

HRMP configuration	Variables	Mean	Median	Standard Deviation
Administrative configuration	Recruiting and Selection	0.49	0.00	0.51
	Compensation	0.60	1.00	0.50
	Training and Development	0.11	0.00	0.32
	Internal Communication	0.26	0.00	0.44
	Performance Appraisal	0.00	0.00	0.00
	Workforce Planning	0.03	0.00	0.17
	Carrier Planning	0.00	0.00	0.00
	Job Design	0.00	0.00	0.00
	Sales (millions of Euro)	8.36	4.63	10.23
Employees	33.58	22.00	31.65	
Integrated configuration	Recruiting and Selection	1.00	1.00	0.00
	Compensation	1.00	1.00	0.00
	Training and Development	1.00	1.00	0.05
	Internal Communication	0.99	1.00	0.11
	Performance Appraisal	1.00	1.00	0.00
	Workforce Planning	1.00	1.00	0.00
	Carrier Planning	0.24	0.00	0.42
	Job Design	0.95	1.00	0.21
	Sales (millions of Euro)	18.67	4.51	69,08
Employees	51.29	21.00	165.36	
Professional configuration	Recruiting and Selection	1.00	1.00	0.00
	Compensation	0.98	1.00	0.13
	Training and Development	0.99	1.00	0.12
	Internal Communication	0.63	1.00	0.48
	Performance Appraisal	0.97	1.00	0.18
	Workforce Planning	0.93	1.00	0.25
	Carrier Planning	0.02	0.00	0.13
	Job Design	0.24	0.00	0.43
	Sales (millions of Euro)	9.27	3.98	20.22
Employees	41.33	19.50	99.60	

Dependent variables

We considered two different sets of dependent variables. One set relates to the goals that HRM practices intend to pursue, and the other one connects to the organizational performances that the four HRMP configurations show.

Functional goals of HRMP

We considered four different HRMP functional goals: Organizational fit (Wright and Snell, 1998), Motivation of employees (Lee et al., 2010; Wright and Boswell, 2002; Guest, 1997; Hiltrop, 1996), Development of competencies (Jiang et al., 2012a; de Pablos and Lytras, 2008; Wright and Boswell, 2002; Wright and Snell, 1998; Hiltrop, 1996), Productivity and Efficiency (Jiang et al., 2012a; Wright and Boswell, 2002; Guest, 1997; Becker and Gerhart, 1996; Huselid, 1995), and Reduction of labor costs (Jiang et al., 2012a; Wright and Boswell, 2002). Consequentially, we used four dummy items. Using dummy coded questions, we asked the respondents to indicate whether they considered or not each HRMP goal in building the HMRP configuration. Every considered goal was coded as 1 and every not considered goal was coded as 0. Tables 3 and 4 report the descriptive statistics and correlations about the HMRP goals.

Table 3: Descriptive statistics of the HMRP functional goals.

HRMP configuration	Statistics	Organizational fit	Motivation of employees	Development of competencies	Productivity and Efficiency	Reduction of labor costs
Not classified	Mean	0.39	0.36	0.30	0.24	0.12
	Median	0.33	0.33	0.00	0.00	0.00
	Std. Dev.	0.38	0.40	0.38	0.36	0.23
Shared	Mean	0.51	0.34	0.34	0.30	0.14
	Median	0.33	0.33	0.33	0.00	0.00
	Std. Dev.	0.38	0.36	0.38	0.38	0.26
Administrative	Mean	0.15	0.09	0.12	0.06	0.02
	Median	0.00	0.00	0.00	0.00	0.00
	Std. Dev.	0.31	0.25	0.26	0.19	0.08
Integrated	Mean	0.57	0.46	0.49	0.35	0.20
	Median	0.67	0.33	0.33	0.33	0.00
	Std. Dev.	0.39	0.39	0.38	0.37	0.31
Professional	Mean	0.40	0.29	0.35	0.26	0.18
	Median	0.33	0.00	0.33	0.00	0.00
	Std. Dev.	0.38	0.38	0.37	0.33	0.28

Table 4: Correlations between the HMRP functional goals.

HRMP configuration	HMRP functional goals	1	2	3	4	5
Not classified	1 Organizational fit	1	.610**	.442**	.379**	0
	2 Motivation of employees	.610**	1	.541**	.398**	.304*
	3 Development of competencies	.442**	.541**	1	.402**	0
	4 Productivity and Efficiency	.379**	.398**	.402**	1	.552**
	5 Reduction of labor costs	0	.304*	0	.552**	1
Shared configuration	1 Organizational fit	1	.402**	.332**	.312**	.281**
	2 Motivation of employees	.402**	1	.435**	.360**	0
	3 Development of competencies	.332**	.435**	1	.258**	0
	4 Productivity and Efficiency	.312**	.360**	.258**	1	0
	5 Reduction of labor costs	.281**	0	0	0	1
Administrative configuration	1 Organizational fit	1	.427*	.584**	0	0
	2 Motivation of employees	.427*	1	0	0	0
	3 Development of competencies	.584**	0	1	0	0
	4 Productivity and Efficiency	0	0	0	1	0
	5 Reduction of labor costs	0	0	0	0	1
Integrated configuration	1 Organizational fit	1	.498**	.436**	.228**	.216**
	2 Motivation of employees	.498**	1	.421**	.249**	.117*
	3 Development of competencies	.436**	.421**	1	.391**	.151**
	4 Productivity and Efficiency	.228**	.249**	.391**	1	.297**
	5 Reduction of labor costs	.216**	.117*	.151**	.297**	1
Professional configuration	1 Organizational fit	1	.438**	.340**	.155**	0
	2 Motivation of employees	.438**	1	.407**	0	.152*
	3 Development of competencies	.340**	.407**	1	.156**	.190**
	4 Productivity and Efficiency	.155**	0	.156**	1	.289**
	5 Reduction of labor costs	0	.152*	.190**	.289**	1

** Two-tailed $p < 0.01$

* Two-tailed $p < 0.05$.

Organizational performances of HRMP configurations

We considered four different organizational performances measures: Turnover rate (Batt and Colvin, 2011; Hamdia and Phadett, 2011; Shaw et al., 2009; Allen et al., 2003; Guest, 1997; Huselid, 1995), Labor cost per employee (Jiang et al., 2012a; Wright and Boswell, 2002), Productivity per employee (Jiang et al., 2012a; Wright and Boswell, 2002; Guest, 1997; Becker and Gerhart, 1996; Huselid, 1995), and Revenues per employee (Datta et al., 2005; Ulrich, 1997).

The turnover rate (Batt and Colvin, 2011) is the percentage of workers who either quit or were dismissed in the past year. These measures exclude promotions, retirements, buyouts, and layoffs. The labor cost per employee is the ratio between the total labor costs and the number of employees. The productivity per employee is the ratio between the turnover and the total labor costs. The revenues per employee is the ratio between the turnover and the number of employees. Tables 5 and 6 report the descriptive statistics and correlations about the organizational performances of HRMP' configurations.

Table 5: Descriptive statistics of the organizational performances of HRMP' configurations.

HRMP configuration		Turnover rate	Labor cost per employee	Productivity per employee	Revenues per employee
Not classified	Mean	0.08	43,255.00	8.46	440,782.62
	Median	0.00	40,605.00	6.56	252,272.73
	Std. Dev.	0.19	15,221.35	6.26	623,316.15
Shared configuration	Mean	0.02	42,724.81	9.14	356,627.11
	Median	0.00	41,220.00	6.22	250,000.00
	Std. Dev.	0.08	13,790.34	8.49	339,928.28
Administrative configuration	Mean	0.02	38,676.43	9.81	407,739.37
	Median	0.00	40,525.00	7.09	230,933.70
	Std. Dev.	0.04	15,689.74	8.79	806,358.47
Integrated configuration	Mean	0.03	39,304.55	8.58	737,415.66
	Median	0.00	38,270.00	6.09	185,902.72
	Std. Dev.	0.08	14,973.82	8.93	5,435,641.39
Professional configuration	Mean	0.04	38,803.90	8.66	313,608.11
	Median	0.00	38,985.00	5.25	171,338.70
	Std. Dev.	0.11	13,339.61	10.54	446,799.51

Table 6: Correlations between the organizational performances of HRMP' configurations.

HRMP configuration	Organizational performances	1	2	3	4
Not classified	1 Turnover rate	1	0,046	-0,016	-0,085
	2 Labor cost per employee	0,046	1	-0,049	,366*
	3 Productivity per employee	-0,016	-0,049	1	,564**
	4 Revenues per employee	-0,085	,366*	,564**	1
Shared configuration	1 Turnover rate	1	-0,010	-0,062	-0,099
	2 Labor cost per employee	-0,010	1	-0,215	,314**
	3 Productivity per employee	-0,062	-0,215	1	,609**
	4 Revenues per employee	-0,099	,314**	,609**	1
Administrative configuration	1 Turnover rate	1	-0,100	0,045	-0,090
	2 Labor cost per employee	-0,100	1	-,385*	-0,147
	3 Productivity per employee	0,045	-,385*	1	,835**
	4 Revenues per employee	-0,090	-0,147	,835**	1
Integrated configuration	1 Turnover rate	1	0,056	-0,025	-0,036
	2 Labor cost per employee	0,056	1	-,227**	,164**
	3 Productivity per employee	-0,025	-,227**	1	0,011
	4 Revenues per employee	-0,036	,164**	0,011	1
Professional configuration	1 Turnover rate	1	,244**	-0,073	-0,103
	2 Labor cost per employee	,244**	1	-,135*	0,090
	3 Productivity per employee	-0,073	-,135*	1	,830**
	4 Revenues per employee	-0,103	0,090	,830**	1

** Two-tailed $p < 0.01$
* Two-tailed $p < 0.05$.

Control Variables

We controlled for several variables that might account for the relationships between our independent and dependent variables. We included organization size (Revenues and Employees) because it might influence the adoption of HRM practices (Nguyen and Bryant, 2004; Rutherford et al., 2003; Osterman, 1994). We assume that smaller family firms might face little complexity in the family and company and so might devote less attention to their managerial approaches (Melin and Nordqvist, 2000). We also checked for the generation involved, as a proxy for governance and managerial experience (Gersick et al. 1997; Lansberg, 1999; Ward, 2004).

Analysis and results

We tested our hypotheses adopting a three-phase process. In the first phase, we investigated the relevance of the four HRMP configurations in family firms (Hypothesis 1). In the second phase, we verified the orientation of the four HRMP configurations toward specific HRMP functional goals (Hypotheses 2, 3, 4, 5, and 6). In the last phase, we studied the organizational performances of the four HRMP configurations (Hypotheses 7a and 7b).

The relevance of the four HRMP configurations in family firms

As stated before, we identified 779 (91.8%) family firms showing one of the four proposed HRMP configurations, while only 70 (8.2%) of them do not show any of the proposed HRMP configurations. Thus, Hypothesis 1 is supported.

Orientation toward specific HRMP functional goals

We conducted a series of multivariate ANOVA (MANOVA, with Wilks's lambda test) to test hypotheses about HRMP functional goals. We used the five HRMP functional goals as independent variables (Organizational fit, Motivation of employees, Development of competencies, Productivity and Efficiency, and Reduction of labor costs), the HRMP configurations as the dependent variable, and the control variables as covariates (Generation involved, Employees, and Revenues).

There is a statistically significant difference in Functional goals based on a HRMP configuration, $F(15, 1977) = 5.418, p < .0005$; Wilk's $\Lambda = 0.095$ (see Table 7 and 8).

Table 7: MANOVA descriptive statistics about HRMP functional goals.

Functional HRMP goals	HRMP configuration	Mean	Std. Deviation	N
Organizational fit	Shared	0.51	0.38	103
	Administrative	0.17	0.32	31
	Integrated	0.57	0.39	331
	Professional	0.40	0.38	262
	Total	0.48	0.40	727
Motivation of employees	Shared	0.34	0.36	103
	Administrative	0.10	0.26	31
	Integrated	0.45	0.39	331
	Professional	0.30	0.39	262
	Total	0.37	0.39	727

	Shared	0.36	0.38	103
Development of competencies	Administrative	0.14	0.27	31
	Integrated	0.48	0.38	331
	Professional	0.35	0.37	262
	Total	0.40	0.38	727
	Shared	0.31	0.38	103
Productivity and Efficiency	Administrative	0.05	0.19	31
	Integrated	0.34	0.36	331
	Professional	0.27	0.33	262
	Total	0.30	0.36	727
	Shared	0.14	0.26	103
Reduction of labor costs	Administrative	0.02	0.08	31
	Integrated	0.20	0.30	331
	Professional	0.18	0.29	262
	Total	0.18	0.29	727

We can see from Table 8 that the four HRMP configurations present statistically significant differences on all the functional goals. Precisely, they are Organizational fit: ($F(3, 720) = 15.87$; $p < .000$); Motivational of employees: ($F(3, 720) = 13.99$; $p < .0005$); Development of competencies: ($F(3, 720) = 11.97$; $p < .0005$); Productivity and Efficiency: ($F(3, 720) = 7.09$; $p < .0005$); Reduction of labor costs: ($F(3, 720) = 4.13$; $p < .001$). The four HRMP configurations do not present significant differences with respect control variables, e.g. Generation involved, Employees, and Revenues.

We can see from Table 9 that, since no one of the related confidence intervals includes the 0 value, the Integrated HRMP configuration presents statistically significant differences on the following two functional goals, Motivation of employees and Development of competencies, with respect all the other three configurations. As far as Productivity and Efficiency goal is concerned, the Integrated configuration shows a significant difference with respect the Professional configuration. As far as Reduction of labor costs goal is concerned, the Integrated configuration shows a significant difference with respect the Shared configuration. Thus, Hypothesis 3 is partially supported, Hypothesis 4 is supported, and, finally, Hypothesis 5 is not supported.

Table 8: Multivariate tests about HRMP functional goals.

	Wilk's Lambda	F	Hyp. df.	Error df:			Organizational fit			Motivation of employees			Development of competencies			Productivity and Efficiency			Reduction of labor costs		
				Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.			
Corrected model				727	8.22	0.000 ***	630	728	0.000 ***	561	6.80	0.000 ***	354	4.82	0.000 ***	105	2.13	0.048 *			
Intercept	0.82	30.72 ***	5	716	17.45	118.46	0.000 ***	939	65.07	0.000 ***	1042	75.75	0.000 ***	464	37.93	0.000 ***	171	20.74	0.000 ***		
Generation involved	1.00	0.44	5	716	0.08	0.56	0.455	0.01	0.06	0.814	0.10	0.70	0.404	0.20	1.65	0.200	0.03	0.40	0.525		
Employees	1.00	0.67	5	716	0.12	0.80	0.372	0.16	1.08	0.298	0.26	1.86	0.173	0.22	1.79	0.182	0.00	0.01	0.932		
Revenues	1.00	0.63	5	716	0.09	0.60	0.438	0.03	0.21	0.645	0.02	0.16	0.693	0.19	1.56	0.212	0.00	0.02	0.901		
HRMP confi- guration	0.89	5.42 ***	15	1977	7.01	15.87	0.000 ***	6.06	13.99	0.000 ***	4.94	11.97	0.000 ***	2.60	7.09	0.000 ***	1.02	4.13	0.006 **		
Error				106.05				103.93			99.01			88.07			59.29				
Total				282.78				207.56			222.44			156.78			83.00				
Corrected Total				113.31				110.23			104.63			91.61			60.35				

Table 9: Integrated configuration as a contrast.

Contrast's results – K-Matrix – Integrated configuration as contrast						
Functional HRMP goals	Comparisons	Mean difference	Std. Error	Sig.	95% CI	
					Lower bound	Upper bound
Organizational fit	Shared versus Integrated	-0.05	0.04	0.215	-0.14	0.03
	Administrative versus Integrated	-0.40	0.07	0.000	-0.54	-0.25
	Professional versus Integrated	-0.16	0.03	0.000	-0.23	-0.10
Motivation of employees	Shared versus Integrated	-0.12	0.04	0.007	-0.20	-0.03
	Administrative versus Integrated	-0.36	0.07	0.000	-0.50	-0.22
	Professional versus Integrated	-0.16	0.03	0.000	-0.22	-0.09
Development of competencies	Shared versus Integrated	-0.12	0.04	0.004	-0.20	-0.04
	Administrative versus Integrated	-0.34	0.07	0.000	-0.48	-0.20
	Professional versus Integrated	-0.13	0.03	0.000	-0.19	-0.07
Productivity and Efficiency	Shared versus Integrated	-0.02	0.04	0.577	-0.10	0.06
	Administrative versus Integrated	-0.28	0.07	0.000	-0.41	-0.16
	Professional versus Integrated	-0.07	0.03	0.021	-0.12	-0.01
Reduction of labor costs	Shared versus Integrated	-0.05	0.03	0.094	-0.12	0.01
	Administrative versus Integrated	-0.18	0.05	0.001	-0.28	-0.07
	Professional versus Integrated	-0.01	0.02	0.546	-0.06	0.03

We can see from Table 10 that the Shared HRMP configuration presents a statistically significant difference in the Organizational fit goal with respect the Professional configuration. Thus, Hypothesis 6 is supported.

Table 10: Shared configuration as a contrast.

Contrast's results – K-Matrix – Shared configuration as contrast						
Functional HRMP goal	Comparisons	Mean difference	Std. Error	Sig.	95% CI	
					Lower bound	Upper bound
Organizational fit	Administrative versus Shared	-0.34	0.08	0.000	-0.50	-0.19
	Integrated versus Shared	0.05	0.04	0.215	-0.03	0.14
	Professional versus Shared	-0.11	0.04	0.015	-0.20	-0.02

Organizational performances of the four HRMP configurations

Also in the third phase of the analysis, we conducted a series of multivariate ANOVA (MANOVA, with Wilks’s lambda test) to test hypotheses about organizational performances of the four proposed HRMP configurations. We used the four organizational performance measures as independent variables (Turnover rate, Labor cost per employee, Productivity per employee, and Revenues per employee), the HRMP configurations as the dependent variable, and the control variables as covariates (Generation involved, Employees, and Revenues).

There is not a statistically significant difference with respect the four Organizational performances measures in the four proposed HRMP configurations, $F(12, 1452) = 0.761, p = 0.692$; Wilk’s $\Lambda = 0.984$ (see Table 11 and 12).

Table 11: MANOVA descriptive statistics about Organizational performances.

Organizational performances	HRMP configuration	Mean	Std. Deviation	N
Turnover rate	Shared	0.02	0.08	80
	Administrative	0.02	0.04	28
	Integrated	0.03	0.07	243
	Professional	0.04	0.11	208
	Total	0.03	0.09	559
Labor cost per employee	Shared	42,922.13	13,761.81	80
	Administrative	38,676.43	15,689.74	28
	Integrated	40,233.54	14,070.41	243
	Professional	40,112.88	11,972.75	208
	Total	40,495.42	13,373.74	559
Productivity per employee	Shared	8.80	8.03	80
	Administrative	9.81	8.79	28
	Integrated	8.38	8.48	243
	Professional	8.45	10.16	208
	Total	8.54	9.08	559
Revenues per employee	Shared	357,364.95	343,643.52	80
	Administrative	434,034.94	845,543.40	28
	Integrated	554,150.72	2,819,547.34	243
	Professional	315,058.07	424,332.53	208
	Total	431,006.93	1,891,635.59	559

Table 12: Multivariate tests about Organizational performances.

Wilks' Lambda	F	Hyp. df.	Error df. Turnover rate			Labor cost per employees			Productivity per employee			Revenues per employee		
			Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.	Type III Sum of Squares	F	Sig.
Corrected model			0.05	1.09	0.367	5,957,167,735.09	5.82	0.000	1,173.13	2.41	0.026	628,937,053,691,230.00	42.31	0.000
Intercept	216.44	***	4	0.09	12.05	114,565,937,854.90	673.74	0.000	6,222.49	76.59	0.000	440,092,612,405.78	0.18	0.674
Generation involved	0.66	***	4	0.02	2.20	4,638,791,568.52	2728	0.000	756.49	9.31	0.002	616,374,353,582,741.00	248.76	0.000
Employees	0.99	***	4	0.00	0.17	370,071,960.69	2.18	0.141	0.00	0.00	0.997	43,874,244,3480.34	0.18	0.674
Revenues	0.92	***	4	0.00	0.20	113,622,788.62	0.67	0.414	729.29	8.98	0.003	93,641,822,629,149.40	37.79	0.000
HRMP configuration	0.98	0.76	12	0.03	1.20	662,221,659.12	1.30	0.274	65.04	0.27	0.849	789,574,961,789.57	0.11	0.956
Error			4.11			93,864,939,741.12			44,849.05			1,367,746,091,940,660.00		
Total			4.71			1,016,494,509,200.00			86,762.09			2,100,526,885,531,960.00		
Corrected Total			4.16			99,802,107,476.21			46,022.18			1,996,683,145,631,890.00		

We can see from Table 12 that HRMP configurations do not present any statistically significant difference in all the Organizational performances. HRMP configurations present significant differences concerning the control variables, e.g., Generation involved, Employees, and Revenues. Thus, Hypothesis 7a is supported, and Hypothesis 7b is not supported.

Discussion and conclusions

The paper aimed to develop and test a configurational model of HRM practices in family firms. Here, we discuss our findings as well as the theoretical and methodological challenges researchers face when adopting such an approach. The typology of the four proposed HRM configurations we developed was based on two needs for coordination, the implicit and explicit ones. We combined these results in four configurations of HRM practices (the Shared, Administrative, Integrated, and Professional configuration).

Family firms tend to form HRMP configurations based on their task environment, perceived needs for coordination mechanisms, and HRM practices. Moreover, the four proposed HRMP configurations seem to be stable and present a similar impact on organizational performances, notwithstanding aiming at different functional goals. The investigation of configurations as “any multidimensional constellation of conceptually distinct characteristics that commonly occur together” (Meyer et al. 1993: 1175) defines a relevant and critical role in both organization theory and research (Fiss, 2007; Bensaou and Venkatraman, 1995; Doty and Glick, 1994). A configurational approach reveals that firms may best interpret as configurations of interconnected practices, rather than as linked or inaccurately tied objects studied in isolation. We propose to adopt a systemic and holistic view of family firms with respect their HRM practices, where configurations rather than specific independent practices connect to an outcome such as organizational performance (Delery and Doty, 1996). The configurational perspective proposed in the paper stresses the concept of equifinality, which refers to a situation where “a system can reach the same final state, from different initial conditions and by a variety of different paths” (Katz and Kahn, 1978: 30). In other words, through the adoption of a specific configuration of HRM practices, a family firm can reach maximal organizational performances considering different needs for coordination mechanisms and pursuing different functional goals. Through observation, we identified four high-frequency HRMP configurations in family firms. These configurations denote typical organizational choices in which family firms framed their task environment and internal behaviors to compete in their businesses. We also discovered several interesting features of these HRMP configurations. They are not planned for achieving specific organizational performances. They do not differ in term of outcomes. Instead they emerged over time as family and non-family managers made decisions about posturing their family firms within the environment. As managers’ knowledge and experience with a specific HRMP configuration grew, so did their awareness of its functional goals and their ability to make short-term adjustments to the relationships among the configuration of practices and the need for coordination of task, resource, and

people. The four proposed HRMP configurations show an internal organizational consistency in that as they are recognized by managers, they provide a supporting frame for operating the family firm to obtain the best organizational outcome. We found that there is no one single HRMP configuration that is sufficient for high organizational performance but, preferably, that there are four different configurations of the HRM practices, the organizational aspects of managing tasks, resources, and people, and the management of buffers between work activities that resulted in similar levels of organizational performances. In comparing the organizational performances, for the four proposed HRMP configurations, we were also able to show that, while there is an overall equifinality, these configurations reveal different functional goals. In summary, family firms are complex systems impacted by both external and internal environmental dimensions. These dimensions interact over time resulting in realized HRMP configurations that have similar effects.

With an organizational awareness of low levels of both the need for implicit and explicit coordination mechanisms, the Administrative configuration refers to simple and not dynamic environmental dimensions. It asks for managing people through few rules and procedures (Kaman et al., 2001), aiming at the standardization of processes and efficiency. Family firms do not incorporate the environmental dimensions them into the development of the personnel management. An administrative role of HRMP emerges, realized through basic salary and benefits administration, basic record keeping via manual employee profiles, and non-exempt hiring (Baird and Meshoulam, 1988).

With an organizational awareness about a high level of the need for implicit coordination mechanisms and a low level the need for explicit coordination mechanisms, the Shared configuration refers to dynamic and complex environmental dimensions. Family firms aim at organizational identity and affective commitment through the adoption of commitment-based HRMP. The goal is to create an effective organizational environment where family firms manage people nurturing collaborative behaviors (Bedwell et al., 2012). It is critical to creating a culture and network of relationships that support effective strategy implementation. The shared configuration includes interdependent work practices, clan fostering initiatives, and broader skill development. Family firms adopt practices related to motivation, including results-oriented appraisal, and practices related to opportunity, such as employee participation programs. HRM policies foster internal communication, and new employees' programs are added to flexibly respond to business needs in compensation, benefits, and training. Shared configurations are unable to reach high degrees of formalization and, consequently, job descriptions are improvised. Performance appraisal is equally uncertain and of limited value when selecting people for future, different, ad hoc tasks. In the Shared configuration, selecting, developing, and retaining human capital represent critical steps in building the foundation for strategic capabilities and disciplines that create competitive advantage.

The Professional configuration presents an organizational awareness about a high level of the need for explicit coordination mechanisms and a low level of the need for implicit coor-

dination mechanisms. It refers to relatively stable and complex environmental dimensions. The professional configuration looks for managing human resources through rules, complex procedures, articulated plans, by aiming at the highest standardization of processes and efficiency. Transaction-based HRMP are adopted, which emphasize individual short-term exchange relationships (Tsui et al., 1995; Arthur, 1992). The professional configuration includes hard work structures, result-based initiatives, and trans-specialist development. Employees' succession planning is a crucial issue. The Professional configuration provides professionalization in functions/divisions and tries to incorporate and develop managerial skills. People can be recruited, selected, compensated, and trained for and selected into them, though effective data collection. The implementation of formal HRMP should not aim at ensuring conformity with what family firms perceive as best practices, but rather at developing systems that increase net benefits associated with HRM.

The Integrated configuration presents an organizational awareness about a high level of the need both for implicit and explicit coordination mechanisms. It refers to complex and highly dynamic environmental dimensions. The management of the personnel function strives for family firm orientation, consistently with the strategic business direction. HRMP aim at developing a high environmental and cultural scanning, and long-range planning tension. Information and communication are consistent with the adoption of planning, research, and analysis tools. Long-range and "what if" questions connect to employees and organizational variables. Family firms search for organizational identity and affective commitment, creating an integrated organizational environment where they manage both the personal relationships of individuals' working together, showing collaborative behaviors, and the functions or the divisions of the organizational structure. HRM adopts both a resource-based and a control-based approach to the measurement of commitment-based HRMP (Batt, 2002; Tsui et al., 1997; Youndt et al., 1996; Huselid, 1995; MacDuffie, 1995; Arthur, 1994, 1992).

Contributions and Implications

The four HRMP configurations for family firms represent a managerial diagnostic and planning tool when used in HRM systems' designing to integrate environmental characteristics and people issues into a comprehensive schema. It provides a framework for family and non-family HR managers to define, interpret, and frame choices about how HRM practices influence organizational performances. By focusing on each specific HRM practice and describing its relationship to the others in a systemic representation, a whole picture emerges regarding how family firms may manage people in support of strategic behaviors and the role that family and non-family managers play in orchestrating the entire HRM system.

Family and non-family HR managers, however, must acquire expertise about the concepts and language describing their task environment, organizational performance's indices, and HR philosophy, in addition to specific aspects of HRM practices. The proposed HRMP

configurational approach ask for an understanding of the relationships between different functional goals that sustain them toward organizational performances, which exist among the various HRM practices. Family and non-family managers HR managers uncomfortable with the equifinality principle that characterizes the proposed configuration model may result not able to support the family firm to be aware and manage the non-linear connections existing among different HRM practices. A family firm's organizational performance at HRM managerial level may be higher when HRM choices about explicit and implicit coordination mechanisms operate in complementary ways. The effectiveness of such complementarity is not always fully acknowledged in practice and literature. Literature tends to argue that the family firm's employees natural tendency for implicit coordination can be questioned by formal HRM practices aimed at aligning the spectrum of organizational behaviors and informal organizational mechanisms. In contrast, the practice reveals formally directed perspectives of the family firms social capital, organizational climate, and HRM policies place their reliance in the capacity of the HRM practices to set the organizational context on a desirable path.

A critical goal of any family and non-family HR manager is to make short-term decisions regarding trade-offs between policies of the HRMP configuration adopted. As the task environment changes, HR decisions should be made regarding HRM practices. The four HRMP configurations provide a framework for HR managers in family firms to frame the HRM practices' interactions and define how trade-offs among the policies should be made at any point in time. By using the four HRMP configurations, family and non-family HR managers may place in action this perspective, governing its long-term organizational performances on the family firm. By placing trade-offs within the context of a larger framework, their short-term outcomes are better understood regarding their contribution to the family firm's survival and continuity.

HRMP configurations emerge over time as choices are made regarding the specific practices and their interactions. The systems nature of the four proposed HRMP configurations warns the family and non-family HR manager that changes cannot be made in a vacuum. For a family firm to experience on the emergent features of an HRMP configuration a tight alignment among the HRM practices is necessary. At a micro level, this means that HRM practices must be developed and implemented with a shared vision and a full understanding of all line and HR people. Also, an HRM philosophy and strategy that takes little consideration of the task environment dynamics and the family culture regarding employees will not contribute to a tightly bound configuration with positive properties for organizational performance.

Limitations and Directions for Future Research

As far as the cross-sectional approach of the research is concerned, we should devote caution in interpreting the findings, since we assumed rather than tested the direction of relationships between HRMP configurations, functional goals, and organizational performances.

Reversed causality may have a role, i.e., the situation that performing family firms present more resources to invest in HRM practices may show face validity as the idea that adopting HRM practices may support the achievement of higher organizational performances. Future research may assess such directions of relationships in a longitudinal manner. Another limitation of the paper refers to our functional HRMP goals measures as perceptual. Often, adopting perceptual measures is hard to elude when simultaneously investigating a heterogeneous sample of organizations as family firms are (Guest, 2001). This is the case of our sample, where family firms came from different industries. A strength of our research is the use of different data sources. The CEOs or by a senior executive (co-CEO) with overall responsibility for managerial issues provided the data about the adoption of HMRP practices and functional HMRP goals, while the AIDA database (by Bureau Van Dijk Electronic Publishing) provided the data for organizational performances. However, functional HMRP goals were measures that HR managers were better able to assess. Thus, a single source provided both data about HRM practices and functional goals. Nevertheless, results on organizational performances suggest single source did not play a significant role. A final limitation of our study is the assumption that the fit of different HRM practices in configurations matters and that we suppose equal weights of individual HRM practices within the configurations. HRM practices do not necessarily show synergistic systemic effects, but may also act as substitutes, additives or may even act against each other (Delery, 1998). However, assigning different weights to practices may affect the interpretative picture since we have no a clear idea on to proceed. The paper shows that complexity is already high with the actual assumption of equal weights. Weighting thwarts the investigation further, as the spectrum of possible configurations rises. The weighting asks for some strong theoretical bases. For example, in building theoretical HRMP configurations will then ask for assumptions about the predicted variations of organizational performances between individual HRM practices, their impact on one another as well as well as their overall synergistic effect. Future research developments might explore the weighting as well and its impact on substitution, additive, multiplicative effects involving different HRMP practices in family firms.

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Defining Professionalization and Managerialization in Family Firms: A Bibliometric Analysis and Systematic Literature Review

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Abstract

The purpose of this review is to map the intellectual structure of professionalization and managerialization in family firms, to explicit the implicit link between them, and to investigate why considering them together should be important for future research. In doing so, we used both bibliometric analysis and systematic literature review methodologies on articles published in the last ten years. This study is built on and expands existing literature on professionalization and managerialization in family firms by considering all different streams of research on those topics and setting a useful point for future research. Addressing one of the most contentious issues in family businesses research, the results of this review are directed to both scholars and practitioners by enlightening the importance of professionalization and managerialization in family firms.

Keywords: Bibliometric analysis; Family firms; Managerialization; Professionalization; Systematic literature review

Introduction

For a long time, family firms have been considered as homogeneous entities. Nevertheless, recent literature recognizes that family firms are heterogeneous forms of organizations because of their patterns of structures (Chua et al., 2012). Structures are generally described as designing formal positions, roles, and responsibilities of people involved in an organization (Quinn et al., 2018). Different patterns have been linked to different degrees of professionalization in family firms (Stewart & Hitt, 2012).

Traditionally, professionalization in family firms considers the introduction of non-family managers as professional actors for their education and previous organizational experiences (Dyer, 1989). Challenging the traditional view of professional managers, Hall and Nordqvist (2008) argue that they require both formal and cultural competences. Consequently, both family and nonfamily managers can be professional. Finally, recent studies argued that limiting professionalization to the introduction of professional managers, as nonfamily managers, lead to a simplistic vision of professionalization, which instead should be considered as a multidimensional construct (Dekker et al., 2015; Chua et al., 2009).

Nonetheless, focusing only on professionalization could lead to losing a piece of the story. We should also include the systems. Indeed, systems support and control people carrying out their structurally defined roles and responsibilities in a professional way (Quinn et al. 2018). Systems manage interdependencies and reciprocal influences between context, processes, and outcomes. For a comprehensive understanding of how systems support structures and vice versa, Pettigrew (2012) asks for investigating them jointly. Consequently, designing effective systems challenges professionalization (Chua et al., 2009).

The paper links professionalization to managerialization. Managerialization is the process which aims at introducing formal systems, such as strategic management, human resource management, accounting, marketing, and operation management systems (Songini et al., 2015; Levenburg, 2005; Hatum & Pettigrew, 2004; Mustakallio, 2002; Upton et al., 2001; Moores & Mula, 2000), to challenge the typical informal atmosphere of family firms (Songini, 2006).

Both professionalization and managerialization are overlooked topics in family firms (Songini et al., 2015). Moreover, the several streams of research on professionalization (Stewart & Hitt, 2012) led to a paucity of knowledge regarding the consistency between professionalization and managerialization in family firms. We aim at enlightening the issues. *What is the actual state of the art of professionalization and managerialization in family firms? How do family firms integrate professionalization and managerialization processes?*

The first section of the paper presents a brief introduction to professionalization and managerialization in family firms. In the second section, we describe the literature review methodology, based on both a bibliometric analysis and systematic literature review. In the

third part, we present and discuss the results. Finally, we present research gaps about professionalization and managerialization in family firms, conclusions, limitations, and future research implications.

Introducing Professionalization and Managerialization in Family Firms

A mutual relationship characterizes structures and systems (Pettigrew, 2012; Teece et al., 1997). Structures design formal positions, roles, and responsibilities of people in organizations, while they need systems to support and control people carrying out those positions, roles, and responsibilities in a professional way (Quinn et al., 2018).

Family firms are often described with a lower level of formal structures and systems than their counterparts (Songini et al., 2015; Stewart & Hitt, 2012). Formalization requires specialization, routine operating tasks, rule-based control and monitoring, written procedures, and use of action planning systems (Songini et al., 2015; Zhang & Ma, 2009).

The transition to more formalized structures and systems is recognized as professionalization (Dekker et al., 2015; Stewart & Hitt, 2012) and managerialization (Songini et al., 2015; Songini & Vola, 2015). The transition mainly occurs in response to organizational challenges to environmental changes, which require modifications to informal structures and systems of family firms (Gedajlovic et al., 2004; Zahra & Filatotchev, 2004; Daily & Dalton, 1992). Informal structures present not formally defined positions, roles, and responsibilities due to a concentration of the decision-making processes on the founder or family, a small middle line hierarchy, and less widespread adoption of formal managerial systems.

Moving to more formalized structures and systems asks for professional managers and mechanisms (Songini et al., 2015; Gedajlovic et al., 2004; Moores & Mula, 2000; Daily & Dalton, 1992). The transition reveals that firms survive to early changes of their existence coping with the acquisition or development of new competences that fit opportunities and threats they are likely to encounter (Gedajlovic et al., 2004; Zahra & Filatotchev, 2004; Daily & Dalton, 1992).

Therefore, we define professionalization as the introduction of professional competences, acquired by individuals through their educational paths and business experiences, regardless of whether they belong to the family or not, and needed to manage formal managerial systems. Managerialization is the introduction of formal managerial systems.

Methodology

To investigate professionalization and managerialization in family firms, we defined three different research strings: Family Firm Research String (FFRS); Professionalization Research String (PRRS); Managerialization Research String (MARS).

FFRS: (*family business** OR *family firm** OR *family enterprise** OR *family SME** OR *family run** OR *family organisation** OR *family compan** OR *family venture** OR *family owned business** OR *family owned firm** OR *family owned enterprise** OR *family owned SME** OR *family owned run** OR *family owned organisation** OR *family owned compan** OR *family owned venture** OR *family controlled business** OR *family controlled firm** OR *family controlled enterprise** OR *family controlled SME** OR *family controlled run** OR *family controlled organisation** OR *family controlled compan** OR *family controlled venture**);

PRRS: (*Professional** OR ((*professional* OR *management* OR *managerial* OR *accounting* OR *HR* OR *HRM* OR *human resource** OR *human resource management* OR *technical* OR *strategic management* OR *marketing* OR *operation** OR *procurement* OR *professional* OR *managerial accounting* OR *MAS* OR *MA* OR *management control* OR *MCS* OR *strategic planning*)) AND (*competenc** OR *skill** OR *capabilit** OR *abilit** OR *knowledge**)) OR ((*non-family* OR *nonfamily* OR *non family* OR *family*) AND *manage**));

MARS: (*Manageriali** OR ((*professional* OR *management* OR *managerial* OR *accounting* OR *HR* OR *HRM* OR *human resource** OR *human resource management* OR *technical* OR *strategic management* OR *marketing* OR *operation** OR *procurement* OR *professional* OR *managerial accounting* OR *MAS* OR *MA* OR *management control* OR *MCS* OR *strategic planning*)) AND (*System** OR *practice** OR *tool** OR *mechanism**)).

To obtain queries, we used AND operator of Boolean algebra on Scopus and Thomson Reuter ISI Web of Knowledge (Web of Science) databases as follow: FFRS AND PRRS; FFRS AND MARS. The search has been carried out on “Titles” and “Abstracts”. Finally, we considered only peer reviewed English articles (Caputo et al., 2018) published from 2008 to 2018 (Table 1).

Table 1: Queries' Results and database cross validation

	Scopus	Thomson Reuter ISI Web of Knowledge
FFRS AND PRRS	1487	1372
FFRS AND MARS	434	487
Total*	1552	1443

* The two queries present several papers in common

Since the criticism regarding which is the best database is still going on, and research is producing countervailing evidence on that (see Aghaei Chadegani et al., 2013; Bakkalbasi et al., 2006), our choice was to use Scopus because of the higher number of articles.

To obtain an objective perspective, each author read all the papers individually to define which should be included and which not. Our criteria were to include only documents related to family firms' professionalization and managerialization processes coherent with our definitions.

Preliminary findings were discussed, and several face to face conversations were had to confront the authors' conclusions. Then, following the comparison between the authors, we obtained the final database for our review composed by a total amount of 217 documents, 193 resulting from the query "FFRS AND PRRS", and 62 from the query "FFRS AND MARS". Notably, 38 articles were found in common between the two queries.

Finally, we conducted both bibliometric analysis, "particularly suitable for science mapping at a time when the emphasis on empirical contributions is producing voluminous, fragmented, and controversial research streams" (Aria & Cuccurullo, 2017), and systematic literature review, to map and assess the relevant intellectual territory is the key to success for a systematic literature review to obtain a theoretical contribution (Tranfield et al., 2003).

Results and Discussions

In last ten years, Professionalization (71.43%) received more attention than managerialization (11.06%). Furthermore, 38 papers (17.51%) are in common between professionalization and managerialization (Figure 1 and Table 2).

Figure 1: Papers per year

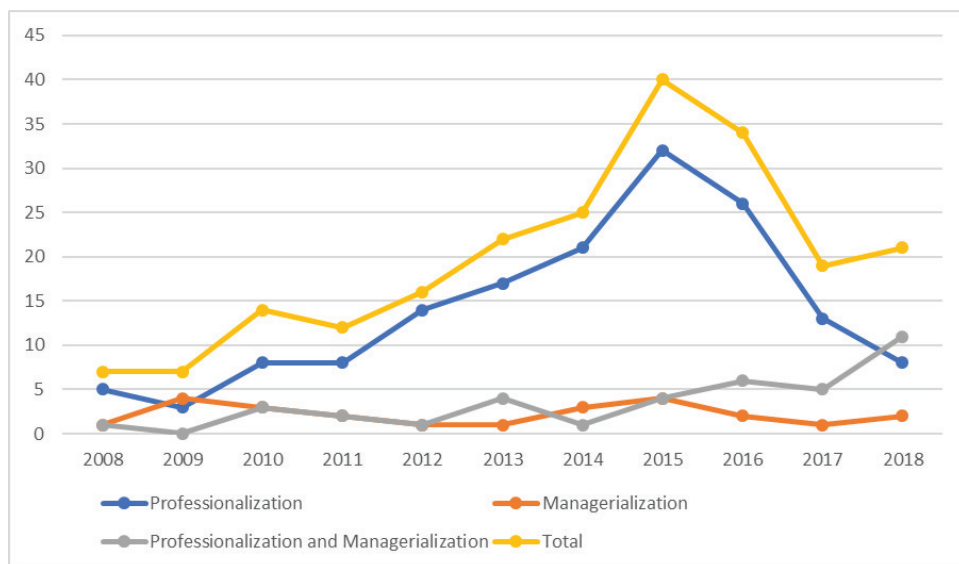


Table 2: Papers distribution among years

Years	Prof*	Man*	Prof and Man*	Overall*
2008	5	1	1	7
2009	3	4	0	7
2010	8	3	3	14

2011	8	2	2	12
2012	14	1	1	16
2013	17	1	4	22
2014	21	3	1	25
2015	32	4	4	40
2016	26	2	6	34
2017	13	1	5	19
2018	8	2	11	21
Total	155	24	38	217

* "Prof", "Man", "Prof and Man", and "Overall" refer to, respectively, professionalization, managerialization, professionalization and managerialization, and the total amount of papers

Starting from 2015, papers in common between professionalization and managerialization increased considerably, and in 2018 papers in common between the two queries are higher than papers only related to one of them (Table 2). This improvement could be due to an intensification of a shared vision of professionalization as a multidimensional construct (see Dekker et al., 2015). Therefore, in recent years, papers considering professionalization and managerialization as related processes are increasing in number. Additional evidence are given by the trend of the total amount of papers, which from 2008 until 2017 follows the trend of professionalization, and in 2018 changes direction returning to increase after three years of decline, differently from the trend of professionalization which continues to decrease (Figure 1). Moving to the evolution of the literature's content throughout the time (Table 3), we followed the protocol proposed by De Bakker et al. (2005). They suggested dividing the documents into three macro-categories: theoretical, prescriptive, and descriptive. Inside the theoretical macro-category, they identified conceptual papers, focused on developing theoretical contributions not relying on empirical data; exploratory papers focused on developing theoretical contributions based on the examination of empirical data; and predictive documents focused on developing theoretical contributions making use of empirical data to test hypotheses. Inside the prescriptive macro-category, instrumental papers have a significant focus on providing prescriptions to practitioners and professional useful to the achievement of a specific goal, while normative papers have a major focus on giving prescription to practitioners and professional from an ethical, moral, or religious point of view. Finally, descriptive papers aim to report data or opinion without any specific contribution to theory or practice.

Table 3: Epistemological Orientation of Papers**

		Prof* (n=155)	Man* (n=24)	Prof and Man* (n=38)	Overall* (n=217)
Theoretical	Conceptual	16.76%	25.00%	18.42%	17.97%
	Exploratory	23.22%	12.50%	23.68%	22.12%
	Predictive	57.42%	58.33%	52.63%	56.68%
Prescriptive	Instrumental	0.65%	0.00%	5.27%	1.38%
	Normative	0.65%	0.00%	0.00%	0.46%
Descriptive	Descriptive	1.30%	4.17%	0.00%	1.38%

* "Prof", "Man", "Prof and Man", and "Overall" refer to, respectively, professionalization, managerialization, professionalization and managerialization, and the total amount of papers

** All the percentages refer to the total of the related column

Predictive papers represent most of the articles in each area (Table 3). Thus, most of the studies focus on developing theoretical contributions making use of empirical data to test hypotheses. Exploratory papers are the second most recurrent epistemological orientation for both professionalization, and professionalization and managerialization. Nevertheless, in the case of managerialization, exploratory papers are fewer than conceptual papers. Differently, professionalization, and professionalization and managerialization, respectively have 16.76% and 18.42% of conceptual papers, focused on developing theoretical contribution not relying on empirical data. Finally, prescriptive papers and descriptive papers are very few in percentage. Therefore, it needs a call to improve the number of papers devoted to providing prescriptions to practitioners and to describe the professionalization and managerialization processes in family firms.

Considering the methodology distribution (Table 4), despite recent calls for qualitative methods in family firms (Nordqvist et al., 2009; Sharma, 2004), most of the papers are using quantitative methodologies.

Qualitative methodology is the second most recurrent in both professionalization, and professionalization and managerialization. Differently, in the same way as mixed methodologies, it is less common in managerialization.

Table 4: Methodology distribution**

	Prof* (n=155)	Man* (n=24)	Prof and Man* (n=38)	Overall* (n=217)
Quantitative	56.77%	54.17%	55.26%	56.22%
Qualitative	20.65%	8.33%	23.68%	19.82%
Mixed Qualitative and Quantitative	3.23%	8.33%	0.00%	3.23%

Conceptual	16.77%	16.67%	10.53%	15.67%
Review	2.58%	12.50%	10.53%	5.07%

* "Prof", "Man", "Prof and Man", and "Overall" refer to, respectively, professionalization, managerialization, professionalization and managerialization, and the total amount of papers

** All the percentages refer to the total of the related column

Table 5 reports the number of papers belonging to professionalization and managerialization research strings, and the related string words. String words are the set of words, included in the research strings of professionalization and managerialization, present in articles' titles or abstracts.

Starting from professionalization, family managers and nonfamily managers are the most common words. Coherently with what was underlined by Hall and Nordqvist (2008) and Dekker et al. (2015), a large part of the literature on professionalization relate to family and nonfamily managers. Meanwhile, competences received fewer attention. Finally, 17.42% of the documents explicitly mention the terms "professionalization" or "professional competences" in their titles or abstracts.

Moving to managerialization, most of titles and abstracts include strategic management systems, HRM systems, accounting systems, and operation management systems. Oppositely, marketing systems seem to be overlooked.

Finally, considering papers in common between professionalization and managerialization, a first remarkable result is that there is an equilibrium between family and nonfamily managers, and competences. Nonetheless, no papers are related to marketing competences and systems. As for the other systems, papers are well distributed, going from accounting systems to strategic management systems. Lastly, the number of papers explicitly mentioning "professionalization" or "professional competences" in their titles or abstracts is 15.79%.

Table 5: Professionalization and Managerialization String Words**

String Words	Prof* (n=155)	Man* (n=24)	Prof and Man* (n=38)	Overall* (n=217)
Professionalization research string***				
Strategic Management Competences	5.16%	0.00%	7.89%	5.07%
HRM competences	4.52%	0.00%	13.16%	5.53%
Accounting Competences	1.94%	0.00%	21.05%	5.07%
Marketing Competences	3.23%	0.00%	0.00%	2.30%

Operation Management / Technical Competences	7.10%	0.00%	7.89%	6.45%
Professionalization / Professional Competences	17.42%	0.00%	15.79%	15.21%
Family Managers (Competences)	59.35%	0.00%	31.58%	47.93%
Nonfamily Managers (Competences)	21.94%	0.00%	10.53%	17.51%
Managerialization research string***				
Strategic Management Systems	0.00%	16.67%	18.42%	5.07%
HRM Systems	0.00%	25.00%	23.68%	6.91%
Accounting Systems	0.00%	25.00%	31.58%	8.29%
Marketing Systems	0.00%	8.33%	0.00%	0.92%
Operation Management / Technical Systems	0.00%	33.33%	28.95%	8.76%

* "Prof", "Man", "Prof and Man", and "Overall" refer to, respectively, professionalization, managerialization, professionalization and managerialization, and the total amount of papers

** All the percentages refer to the total of the related column

*** Several papers present an overlapping of string words

To further observe the main concerns of professionalization and managerialization in family firms, we evidenced the key themes of each article. Subsequently, we collected and reported all the findings in the following Table 6. Five areas emerged: the dimensions of professionalization and managerialization functional to competences and systems; the presence of dominant actors involved in the processes of professionalization and managerialization; the existence of main strategies pursued by family firms in relation with professionalization and managerialization; the incidence of constructs emerging from the family business literature; the occurrence of dominant theories.

Table 6: Key Themes**

****	Prof* (n=155)	Man* (n=24)	Prof and Man* (n=38)	Overall* (n=217)
Dimensions of Professionalization and Managerialization***				
Strategic Management	5.81%	16.67%	21.05%	9.68%

HRM	9.68%	33.33%	26.32%	15.21%
Accounting	8.39%	25.00%	39.47%	15.67%
Marketing	3.23%	4.17%	0.00%	2.76%
Operation Management	5.16%	20.83%	21.05%	9.68%
Not Functional Allocations	69.03%	0.00%	0.00%	49.31%
Actors***				
Advisors	2.58%	4.17%	0.00%	2.30%
Board of Directors	7.74%	0.00%	7.89%	6.91%
CEO	6.45%	4.17%	2.63%	5.53%
CFO	3.23%	0.00%	0.00%	2.30%
Employees	3.23%	16.67%	13.16%	6.45%
Family Managers	43.23%	4.17%	44.74%	39.17%
Managers	7.10%	0.00%	5.26%	5.99%
Nonfamily Managers	9.68%	4.17%	5.26%	8.29%
Owners	38.06%	29.17%	26.32%	35.02%
No Dominant Actors	10.32%	37.50%	13.16%	13.82%
Strategies***				
Competitive Advantage	4.52%	4.17%	2.63%	4.15%
Growth	13.55%	4.17%	13.16%	12.44%
Innovation	25.81%	12.50%	18.42%	23.04%
Internationalization	14.19%	4.17%	2.63%	11.06%
No Pursued Strategies	45.81%	79.17%	65.79%	53.00%
Constructs***				
Family Goals	4.52%	4.17%	5.26%	4.61%
Nonfamily Members Involvement	1.29%	0.00%	2.63%	1.38%
Human Capital	17.42%	4.17%	31.58%	18.43%
Relational Capital	34.84%	8.33%	34.21%	31.80%
Structural Capital	26.45%	33.33%	34.21%	28.57%
Other Constructs or No Constructs	30.97%	50.00%	21.05%	31.34%
Theories***				
Agency Theory	14.84%	8.33%	13.16%	13.82%
Behavioural Agency Theory	3.87%	4.17%	0.00%	3.23%
Behavioural Theory	1.94%	0.00%	0.00%	1.28%

Institutional Theory	3.87%	4.17%	7.89%	4.61%
Knowledge-Based View Theory	0.65%	0.00%	5.26%	1.38%
Resource-Based View Theory	5.16%	4.17%	10.53%	5.99%
Social Capital Theory	7.10%	4.17%	2.63%	5.99%
Socioemotional Wealth Theory	5.81%	12.50%	5.26%	6.45%
Stakeholder Theory	2.58%	0.00%	0.00%	1.84%
Stewardship Theory	7.10%	4.17%	10.53%	7.37%
Upper Echelons Theory	2.58%	4.17%	0.00%	2.30%
Other Theories	5.16%	4.17%	0.00%	4.15%
No Dominant Theory	50.97%	66.67%	57.89%	53.92%

* "Prof", "Man", "Prof and Man", and "Overall" refer to, respectively, professionalization, managerialization, professionalization and managerialization, and the total amount of papers

** All the percentages refer to the total of the related column

*** Several papers present an overlapping of key themes

**** Given the high volume of data, we have only highlighted fields that reoccur at least three times.

Starting from professionalization, 69.03% of papers are not considering a functional allocation of the dimensions of professionalization and managerialization. This is not surprising, since as we already discussed most of the papers investigating professionalization in family firms consider family and nonfamily managers as the main variable related to professionalization in family firms (Dekker et al., 2015; Hall and Nordqvist, 2008), as also confirmed by the actors. Indeed, family and nonfamily managers are the main actors, along with owners, involved in the professionalization process (Table 6). Moreover, family firms are more likely to engage in the professionalization process when pursuing innovation, internationalization, growth, and competitive advantages. At the same time, constructs reveal that relational capital is the principal construct, followed by structural capital and human capital. Finally, the dominant theories of the field are agency theory, social capital theory and stewardship theory. Meanwhile, papers included in the managerialization group always consider functional dimensions of professionalization and managerialization. Differently from professionalization, the main actors are owners and employees, while family managers and nonfamily managers received relatively fewer attention. Notably, 37.50% of papers belonging to managerialization does not consider the involvement of actors as a key theme. Furthermore, only innovation seems to be addressed, while 79.17% of managerialization papers do not deal with strategies. Structural capital is the most present construct in managerialization, followed by relational capital and human capital. Lastly, excluding socioemotional wealth theory and agency theory, it is not possible to draw a clear line on the main theories used to explain this process.

Finally, papers in common between professionalization and managerialization are in the middle between the other two groups. Functional dimensions of professionalization and managerialization are always present, and family managers, owners, and employees are the principal actors involved. Nonetheless, except for innovation and growth, strategies are overlooked. Indeed, 65.79% of papers are not considering strategy as key theme. At the same time, constructs are well divided in relational capital, structural capital and human capital, while the most common theories are agency theory, stewardship theory, and resource-based view theory.

Conclusions

The main challenge of this review was given by the fact that both professionalization and managerialization lack a common and shared vision in family firms' literature. What our results underline is that, while on the one side professionalization and managerialization are considered as two separated processes, on the other side it exists a part of literature in common between professionalization and managerialization in family firms. Remarkably, literature in common between professionalization and managerialization in family firms is recently growing. Considering the growing attention on the two processes as integrated, it was necessary to set a point, enlighten the two processes, and define a new direction for both professionalization and managerialization in family firms to avoid the several streams of research which, in past, have led to inconsistent results (Dekker et al., 2015; Stewart and Hitt, 2012; Hall and Nordqvist, 2008).

Nevertheless, this review has three main limitations. First, we conducted our research on Scopus. Thus, using a different database, such as Thomson Reuter ISI Web of Knowledge or EBSCO, there may be results that confirm or disprove what has been said in this review. Second, given the high initial number of documents (Table 1), we limited our research to peer reviewed articles. Third, even though in the research strings we have tried to consider all the formal managerial systems and the related professional competences, there may be something more that we have not considered.

Therefore, future research could replicate our study on different databases, include further types of documents, such as book chapters or conference papers, or try to broaden our research strings, so to obtain further evidence on professionalization and managerialization in family firms.

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Durable as Wood – Analyses of Organizational Culture and Job Satisfaction in the Wood-Industry Companies

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Abstract

For more than half a century, organizational culture has represented a topic of increasing importance to both researchers and business practitioners. Despite its status as being an area of intensive research, the topic of organizational culture is over-investigated in certain sectors, while remaining unexplored and less understood in others. The purpose of this research is to address this gap and provide initial insight into the organizational culture specifics of the wood industry in Macedonia. The research utilized a quantitative approach with a questionnaire as the main research instrument to assess the link between organizational culture, job satisfaction and socio-demographic characteristics of employees. The data was gathered from one hundred participants from five companies. Descriptive statistics as well as chi-square and correlation analyses were used to explore gathered research data. The research findings provide valuable insight into the organizational culture of this industry that will benefit academics, business leaders and policy makers in their strategic decision making.

Keywords: *Organizational culture; Job satisfaction; Wood industry; Employees.*

Introduction

Should managers in the wood industry be concerned with organizational culture? From what is known, culture and climate have a tremendous effect on the morale, performance and job satisfaction of the employees in any organization. Bowditch, Buono, & Stewart (2008) state that organizational culture is connected with the nature of beliefs and expectations about organizational life, and the climate is an indicator of whether beliefs and expectations are being fulfilled. Culture and climate are vital requisites and are inherent in the life of every organization that not only achieves its own goals and objectives, but also benefits the employees working in it. Furthermore, organizational culture is a key factor and the main component for sustaining performance, and, therefore, building a competitive advantage, it encourages a cooperative attitude towards the work, which is essential for achieving goals and objectives. This also benefits the employees; shapes capacity, efficiency, interaction; gathers the organization under same umbrella; helps in attracting and keeping desirable employees; helps in creating a positive public image and helps in building respectful and long-lasting relationships with stakeholders (Dastmalchian et al., 2018; Ogbonna & Harris, 2000; Sommer, Bae, & Luthans, 1996).

Socio-demographic and job profile determinants of organizational culture

Although organizations are different in terms of their culture, they share a common concern in its importance and an interest in how to develop it to their own advantage. Many social scientist have noted that the organizational culture of work organizations is characterized with a gender and age substructure and consider these as foundational elements of organizational structure and work life (Bajdo & Dickson, 2001; Bellou, 2010; Bolman & Deal, 1992; Foley, Linnehan, Greenhaus, & Weer, 2006). Evidence suggests that the role of gender and age in organizational culture includes the development and planning of human resources management, recruitment and selection, learning and evolution, labor relations and working climate in business, health, safety, prosperity, fulfillment of regulatory requirements for employees, equal opportunities, and any other matter relating to the employment relationship (Bellou, 2010; Haas, 2007) where the government promotes gender equality. The authors investigate the influence of two ideologies about gender, the doctrine of separate spheres and masculine hegemony, on the responsiveness to fathers shown by Sweden's largest corporations. Father-friendly companies had adopted values associated with the private sphere and prioritized entrance of women into the public sphere. Companies with less masculine hegemony provided some informal but no formal support to fathers. Following social justice theory, future research could focus on how fathers come to perceive the lack of corporate responsiveness as unfair.""; author": [{"dropping-particle": """; family": "Haas"; given": "Linda"; non-dropping-particle": """; parse-names": false; suffix-

:""}, {"id": "ITEM-1", "issued": {"date-parts": [{"2007}]}, "title": "GENDER AND ORGANIZATIONAL CULTURE Correlates of Companies' Responsiveness to Fathers in Sweden", "type": "article-journal"}, {"uris": [{"http://www.mendeley.com/documents/?uuid=daa37442-fda9-386e-8cee-82a74ac167c4"}], {"id": "ITEM-2", "itemData": {"DOI": "10.1108/13620431011020862", "ISSN": "1362-0436", "abstract": "Purpose – This paper seeks to examine how values comprising organizational culture impact on employees' job satisfaction, taking also into account their gender and age.Design/methodology/approach –...", "author": [{"dropping-particle": "", "family": "Bellou", "given": "Victoria", "non-dropping-particle": ""}, {"parse-names": false, "suffix": ""}], "container-title": "Career Development International", "id": "ITEM-2", "issue": "1", "issued": {"date-parts": [{"2010", "2", "23"}]}, "page": "4-19", "publisher": "Emerald Group Publishing Limited", "title": "Organizational culture as a predictor of job satisfaction: the role of gender and age", "type": "article-journal", "volume": "15"}, {"uris": [{"http://www.mendeley.com/documents/?uuid=68a344b9-5c6c-3d27-8792-fd172bc9e3b9"}]}, "mendeley": {"formattedCitation": "(Bellou, 2010; Haas, 2007. In addition, several authors have found a relationship between the organizational culture profile of organizations and the job-related characteristics of employees with a special emphasis on tenure and job satisfaction (Giritli, Oney-Yazıcı, Topcu-Oraz, & Acar, n.d.). However, a difference in findings is observed dependent on the sector (public/private), with size being accounted for (Moon, 2000).

Socio-demographic and job profile determinants of job satisfaction

The relationship between job satisfaction and time has captured the attention of researchers in organizational behavior for ages. Although this relationship has been extensively discussed in the literature, researchers have not reached a consensus (Cahill, McNamara, Pitt-Cat-soupes, & Valcour, 2015; Gyekye & Haybatollahi, 2015; Zaharie & Seeber, 2018). However, a recent study has taken a different approach by simultaneously taking into account how age and tenure relate to job satisfaction from an empirical perspective. Drawing on a longitudinal dataset of 21.670 participants, 34 waves and across 40 years, the results suggested that people became less satisfied as their tenure within a given organization increased, yet as people aged, their satisfaction increased (Dobrow Riza, Ganzach, & Liu, 2018). However, this relationship is highly dependent on the job characteristics and the industry – for example, it was found that a series of more complex factors influence the reported levels of job satisfaction among nurses that include work environment, structural empowerment, organizational commitment, professional commitment, job stress, patient satisfaction, patient-nurse ratios, social capital, evidence-based practice and ethnic background (Lu, Zhao, & While, 2019) Web of Science (2012–2017). Therefore it is of vital importance to explore the various mediating and moderating factors that are associated with reported job satisfaction and perceived organizational culture in less investigated industries and jobs.

The initial review of the literature conducted by the authors was not able to identify many articles that explored the nexus of organizational culture and job satisfaction in the wood

industry companies. Existing reviews of the literature have suggested that the organizational culture and job satisfaction are over-researched in certain areas (such as retail or service sector) while they are under-researched in other (such as agriculture) (Stefanovska–Petkovska, Petrovska, Bojadziev, Schaeffer, & Tomovska-Misoska, 2019). Therefore, the purpose of this research is to address this gap and provide initial insight into the organizational culture and job satisfaction specifics of the wood industry companies in Macedonia.

Theoretical model

Based on the conducted review of the academic literature in the field, the theoretical research model in Figure 1 was constructed along with four main research hypotheses.

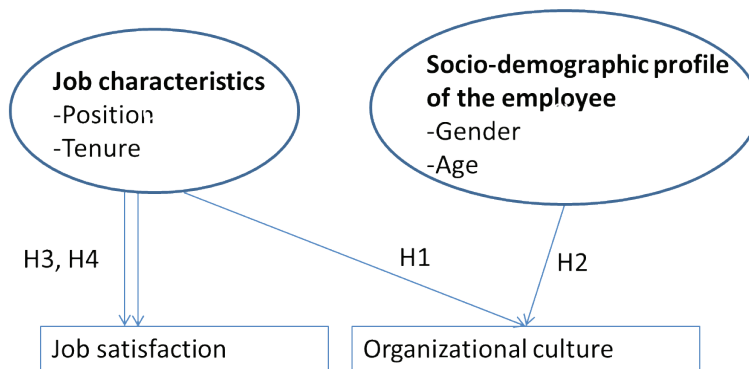
Hypothesis 1: There a statistically significant association between employees’ position and organizational culture company scores.

Hypothesis 2: There is a statistically significant association between gender and organizational culture company scores.

Hypothesis 3: There is a relationship between reported job satisfaction and employees’ position in the company

Hypothesis 4: There is a relationship between reported job satisfaction and employees’ tenure in the company

Figure 1: Theoretical research model



Wood industry in the Republic of Macedonia

In the Republic of North Macedonia and in most of the western Balkan countries, wood processing and furniture production are strategic sectors. This area is rich with forest resources and there is a centuries-long tradition of forestry and forest utilization. The industry is one of the first industries in general in the country, and survived through many economic, social

and political reforms and changes. Since the wars of independence in the 1990s, the countries of Former Yugoslavia including Macedonia abandoned the socialist system and became free-market economies. The Balkan region is important in the wood industry for two main reasons. First, this region is one of the richest forested areas in Europe with regard to hardwood growing stock (Glavonjić, Vlosky, Borlea, Petrović, & Sretenović, 2009). The second reason is its strategic geographic location for transshipment of wood and wood products into the European Union (EU), the Middle East, as well as other regions.

Methodology

Sample

A total of 100 employees from five companies were invited to participate in the research. All employees accepted and completed the research questionnaire. The response rate was 100%.

Procedure

All participants were approached during working hours in the premises of the company. The managerial team of the company provided permission to access the premises and administer the research to all present employees. All invited participants were informed on the purpose of the research and that their participation was voluntary and anonymous. In order to reduce the social desirability bias, none of the members of the managerial and supervisory team were present during the administration of the research. The participants were free to withdraw from the answering the questionnaire at any time.

Research instrument

The research utilized a quantitative approach with a questionnaire as the main research instrument. The questionnaire contained four main sections. The first section measured the organizational culture dimensions using the Organizational Culture Index (OCI). The second section diagnosed organizational culture dimensions using the Vox Organizationis (Tomovska-Misoska, Bojadziev, Stefanovska, & Nikolovska, 2011). The following section measured the self-reported job satisfaction of employees, while the final section collected the demographic data of the respondent.

Organizational Culture Index (OCI)

Wallach (1983) determines two main criteria of the effectiveness of an organization: results (or *what*) and how the results are achieved (or *how*). According to this author, the organizational culture of each company has to be able to answer to the question *how*. Wallach

distinguishes three main cultural dimensions of an organization: bureaucratic, innovative and supportive, measured by 8 items each in his Organizational Culture Index (OCI). The OCI index describes organizational culture in terms of three distinct dimensions: (1) Bureaucratic, (2) Innovative, and (3) Supportive. Respondents indicate the extent to which 24 adjectives describe their organization on a scale from 0- 3 scores (where 0 = *does not describe my department at all* and 3 = *describes my department most of the time*), which most correspond with how they see their department.

Items are grouped into three cultural dimensions each containing eight items. Scores for each dimension are expressed as a sum of the eight items. The culture type with the highest value is then regarded as the most dominant culture type.

Vox Organizationis

This instrument describes the types of organizational culture in terms of four dimensions: (1) Managerial Style (participative vs autocratic management), (2) Work environment (cold versus warm environment), (3) Organizational openness (open versus closed system), and (4) Entrepreneurial orientation (risk averse versus entrepreneurial orientation). There are 18 questions in total, where the participants answer on a scale of 0-3 (scoring like in OCI) which most correspond with how they see their department. This instrument does not equally divide the questions for the dimensions, but certain questions represent certain dimensions, where the meaning of those questions will give the score which can be above 1.5 or below 1.5, which will indicate the inclination of the organization. The implementation of the VOX Organizationis is expected to give a general idea on where the small and medium Macedonian furniture companies stand in terms of the four dimensions of the VOX model: decision making and behavior, people-task, innovation and risk taking and open versus closed systems.

Since OCI has been explored in more detail in the academic literature, for the purpose of the hypothesis testing, this research will measure the determinants of organizational culture through this instrument. However, both instruments and their dimensions will be compared later in the research.

Job Satisfaction

Research in the area of job satisfaction has argued that it can be measured using a single global rating scale consisted of one question. For example, "All things considered, how satisfied are you with your job?" (Robbins, 2005). This is a very simple but important instrument that contains only one question on overall job satisfaction. This instrument is again used the same way of scoring on a scale of 0-3. (higher scores indicating higher level of job satisfaction).

Demographic data

The last part of this specially designed questionnaire is for collecting demographic data of the participants. The demographic data contained seven questions for: sex, age, educational background, marital status, children, tenure and managerial position.

Results

The total number of participants that were invited to participate in the survey was 100. All invited participants accepted to participate in the survey resulting in a response rate of 100%. The participants were randomly recruited from the employees in five wood and lumber companies. Table 1 presents the distribution of participants by company.

Table 1 : Distribution of respondents by company

Company	N	%
1 Divano	40	40,0
2 Karat	15	15,0
3 Mebel Vi	15	15,0
4 Kristina Damil	17	17,0
5 Canape	13	13,0
Total	100	100,0

As presented in Table 2, the majority of the respondents were female (56%). The dominant age group was 30-39 years (46%) followed by 40-49 years (32%). For 65% of the respondents, a high school degree was their highest level of education, followed by 28% of the respondents who had a university degree. Regarding marital status, 66% of the respondents were married, followed by 20% who were in a relationship. A strong majority of the respondents (71%) had one or more children.

Concerning tenure, 43% of the participants have worked in the current company between 1 and 3 years, followed by 20% of the respondents who worked for 4-6 years. Regarding their position in the company, 26% of the respondents currently held managerial positions. This makes the sample suitable for evaluating the organizational culture, dimensions and self-reported job satisfaction from both the employee and managerial perspective.

Table 2: Demographic characteristics of the sample by company

Variable	Divano	Karat	Mebel Vi	Kristina Damil	Canape	Total
Gender						
male	20	5	7	5	7	44
female	20	10	8	12	6	56

Age	18-29	6	3	3	1	2	15
	30-39	20	4	5	9	8	46
	40-49	14	7	4	5	2	32
	50-59	0	0	3	2	0	5
	< 60	0	1	0	0	1	2
Education	primary school	2	1	0	0	1	4
	high school	29	10	8	10	8	65
	Univeristy degree	8	4	5	7	4	28
	master degree	1	0	2	0	0	3
	doctoral degree	0	0	0	0	0	0
Relationship status	single	3	1	3	3	0	10
	relationship	6	3	1	3	7	20
	married	29	11	9	11	6	66
	divorced	2	0	1	0	0	3
	widow/er	0	0	1	0	0	1
Children	yes	27	11	12	13	8	71
	no	13	4	3	4	5	29
Tenure	< 1 year	3	3	3	2	3	14
	1-3 years	26	3	3	5	6	43
	4-6 years	5	4	3	6	2	20
	7-10 years	6	2	4	3	0	15
	> 10 years	0	3	2	1	2	8
Management position	yes	9	4	4	4	5	26
	no	31	11	11	13	8	74

Descriptive statistics

Table 2 shows the mean, standard deviations, skewness and kurtosis levels. As observed, the standard deviations, skewers and kurtosis levels are low and the data can be characterized as robust and normal. Therefore, parametric analysis techniques are possible in the subsequent sections.

Table 2 presents the results for all companies that were included in the research. The OCI scores indicate that in general supportive culture is the dominant cultural dimension in all companies. The results from Vox Organizationis indicate that the managerial style of the companies is participative, the work environment is cold, the organizations were characterized as open and entrepreneurial. The job satisfaction score is above its mid-point indicating a general satisfaction of both managers and employees with their job.

Table 3: Descriptive statistics

		Valid cases	Meana	Std.Dev	Skewness	Kurtosis
OCI scores	Innovative culture	100	19150	,61747	-1038	,803
	Bureaucratic culture	100	20525	,55765	-,555	-,160
	Supportive culture	100	21650	,63188	-,872	,166
Vox Organizationis scores	Managerial style	100	17800	,41633	-1373	-,119
	Work environment	100	12000	,34874	1523	,325
	Organizational openness	100	18600	,55784	-,512	-,384
	Entrepreneurial orientation	100	16900	,46482	-,834	-1331
Job satisfaction scores	Job satisfaction	100	22950	,74906	-,683	-,803

^a The OCI and Vox Organizationis were measured on a 4-point scale resulting in a mid-point of 2.5. Job satisfaction was measured on a two point scale therefore having a mid-point of 1.

Sampling adequacy and Reliability Analyses

The sampling adequacy was conducted using the Kaiser-Meyer-Olkin (KMO) analysis. Table 4 summarizes the KMO measurements and shows significant results for Bartlett's test of sphericity ($p=0.000$), which further supports the sampling adequacy of the data.

Table 3: KMO and Bartlett's test of sphericity

Kaiser-Meyer-Olkin		,834 (Great)
Bartlett test of sperecy	Aprox. Chi-square	381,313
	gl	28
	Sig.	,000

The calculated Cronbach alpha for the data was 0.795 while the Table 5 shows the results of the calculation of Cronbach alpha coefficients for the items ranged from, 719 to, 860. The high coefficient scores (more than 0.7) lead to the conclusion that the scales are acceptably reliable. No items were deleted so as to maintain the integrity of the research instrument.

Table 5: Reliability Analyses

	No Items	Cronbach Alpha
Innovative culture	8	,744
Bureaucratic culture	8	,740
Supportive culture	8	,719
Managerial style	7	,760
Work environment	4	,860
Organizational openness	4	,794
Entrepreneurial orientation	3	,747
Job satisfaction	2	,761

Assessment of OCI scores in wood-industry companies

Table 6 presents the cumulative and company-level results from OCI. Considering the cumulative results, supportive culture is the dominant cultural dimension compared to the other two cultural dimensions. Similar findings are observed on the company level. Four companies are characterized as having supportive culture, while only one company has bureaucratic culture as dominant.

Table 6: OCI results^a by company

Company	Supportive culture	Innovative culture	Bureaucratic culture
Divano	2,4250	2,1563	2,2875
Karat	1,7500	1,3250	1,4333
Mebel Vi	2,3667	1,9833	2,0667
Kristina Damil	1,5956	1,5882	1,8235
Canape	2,3558	2,2019	2,3269
Total	2,1650	1,9150	2,0525

^aThe scores measured on a four-point scale (ranging from 0 to 3) resulting in a mid-point of 1.5.

OCI and management position

As seen in Table 7 there is a difference in the OCI scores between employees in managerial and non-managerial positions. The results of the Chi-Square analyses (Table 8) indicate that there is no statistically significant association between management position and OCI company scores.

Table 7: Cross tabulation of OCI scores and position of respondent in the company

1 yes 2 no		Management position		Total	
OCI	Count	5	8	13	
	Innovative culture	% inoci	38,5%	61,5%	100,0%
		% inmanagement_position	19,2%	12,3%	14,3%
		% of Total	5,5%	8,8%	14,3%
Bureaucratic culture	Count	10	21	31	
	% inoci	32,3%	67,7%	100,0%	
	% inmanagement_position	38,5%	32,3%	34,1%	
	% of Total	11,0%	23,1%	34,1%	
Supportive culture	Count	11	36	47	
	% inoci	23,4%	76,6%	100,0%	
	% inmanagement_position	42,3%	55,4%	51,6%	
	% of Total	12,1%	39,6%	51,6%	
Total	Count	26	65	91	
	% inoci	28,6%	71,4%	100,0%	
	% inmanagement_position	100,0%	100,0%	100,0%	
	% of Total	28,6%	71,4%	100,0%	

Table 8: Chi-SquareTest

	Value	Df	Asymp. Sig.(2-sided)
Pearson Chi-Square	1,444 ^a	2	,486
Likelihood Ratio	1,429	2	,489
Liner-by-Linear Association	1,414	1	,234
N° of Valid Cases	91		

^a. 1 cell (16,7%) has na expected count less than 5. The minimum expected count is 3,71.

Phi and Crammer's V tests are tests of the strength of association. As seen the table below (Table 9) the strength of association between the variables is very weak.

Table 9: Symmetric measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,126	,486
	Cramers V	,126	,486
N° of Valid Cases		91	

OCI and gender

The results of the cross tabulations and chi-Square analyses (Table 10) indicate that there is not a statistically significant association between gender and OCI company scores.

Table 10: Cross Tabulation OCI and gender and results of chi-square test

		gender		Total		Value	df	Asymp. Sig. (2-sided)	
		male	female		Pearson Chi-Square	1,302a	2	,522	
OCI	Innovativeculture	Count	7	6	13	Likelihood Ratio	1,304	2	,521
		% inoci	53,8%	46,2%	100,0%	Liner-by-Linear Association	1,147	1	,284
		% ingender	16,7%	12,2%	14,3%	N° of Valid Cases	91		
		% of Total	7,7%	6,6%	14,3%	a. a. 0 cell (0,0%) has an expected count less than 5. The minimum expected count is 6.00.			
	bureaucraticculture	Count	16	15	31				
		% inoci	51,6%	48,4%	100,0%				
		% ingender	38,1%	30,6%	34,1%				
		% of Total	17,6%	16,5%	34,1%				
	supportiveculture	Count	19	28	47				
		% inoci	40,4%	59,6%	100,0%				
		% ingender	45,2%	57,1%	51,6%				
		% of Total	20,9%	30,8%	51,6%				

	Count	42	49	91
Total	46,2%	53,8%	100,0%	
% inoci				
%				
ingender	100,0%	100,0%	100,0%	
% of				
Total	46,2%	53,8%	100,0%	

Phi and Crammer’s V tests are tests of the strength of association. As seen the table below (Table 11) the strength of association between the variables is very weak.

Table 11: Symmetric measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,120	,522
	Cramer's V	,120	,522
N° of Valid Cases		91	

Analyses of Vox Organizationis scores in wood-industry companies

The results suggest that the dominant managerial style in all companies is participative. This means that the manager engage employees in their decision making processes. However, differences are observed in one of the companies (Kristina Damil) in which the reported scores indicate an autocratic management style meaning that the management are the key decision makers in the company. Regarding the work environment, differences are observed when comparing companies. Four of the companies reported a warm working environment. However, it should be noted that the scores were marginally above the mid-point. The remaining company reported a cold work environment. This means that the work environment is more individualistic, lacking a sense of inclusion of the employees. The organizational openness scores indicate that the organizations are perceived as open systems. Finally, the scores regarding entrepreneurial orientation indicate that three companies are characterized as entrepreneurial, while the remaining two were risk-averse. An entrepreneurial company means that it is open to invention and new ideas while demonstrating readiness to apply them in their strategic approach.

Comparisons of OCI and Vox Organizations scores on company level

The following section provides a comparison of the Vox Organizationis and OCI profile of the company. As presented in Table 12, there is an indicative overlap between both instruments. More specifically, companies that have been characterized with a participative managerial

style and generally warm environment in the Vox Organizationis instrument are characterized as having a supportive culture in accordance with the OCI instrument. On the other hand, the company that has been characterized as cold and autocratic in the Vox Organizationis instrument has been profiled as bureaucratic in the OCI instrument. Since job satisfaction was high for all companies, this measure was not included in the comparative table.

Table 12: Comparisons of OCI and Vox Organizations scores on company level

Company	VoxOrganizationis				OCI		
	Managerial style	Work environment	Organizational openness	Entrepreneurial orientation	Supportive culture	Innovative culture	Bureaucratic culture
1 Divano	participative	warm	open	entrepreneurial	supportive culture	/	/
2 Karat	participative	warm	open	risk averse	supportive culture	/	/
3 Mebel Vi	participative	warm	open	entrepreneurial	supportive culture	/	/
4 Kristina Damil	autocratic	cold	open	risk averse	/	/	bureaucratic culture
Canape	participative	cold	open	entrepreneurial	supportive culture	/	/

Analyses of job satisfaction in wood-industry companies

The following table (Table 12) demonstrates the differences in job satisfaction by company, position and tenure. As can be observed, the highest level of job satisfaction is reported by employees in Divano. Regarding their position in the company, it is interesting to note that non-managerial employees report higher job satisfaction compared to employees who have a managerial position. Finally, those employees who have been working between 1-3 years in the company report the highest levels of job satisfaction.

Table 13: Job satisfaction scores by company, position and tenure

Company	Job Satisfaction	Std. Dev.
Divano	2,6250	0,0763
Karat	2,0000	0,2500
Mebel Vi	2,3333	0,1915
Kristina Damil	1,7059	0,2090
Canape	2,3462	0,1658
Total	2,2950	0,0745

Position	management	2,2692	0,1416
	non-management	2,3041	0,0882
	Total	2,2950	0,0745
Tenure	less than 1 year	2,2857	0,1953
	1-3 years	2,5349	0,0896
	4-6 years	2,1500	0,2020
	7-10 years	2,0667	0,2163
	more than 10 years	1,8125	0,2824
	Total	2,2950	0,0745

Discussion and conclusions

The identification of SMEs in southeast Europe as drivers of the economy as well as the lack of data related to the prevailing organizational culture of the SMEs from this part of Europe and in particular, from the wood industry (furniture) companies, impose the need for measuring of organizational culture. This could be done by utilizing an instrument applicable for this region that combines the elements of the national cultures and the needs of Macedonian organizations and organizations from the wider area. The results indicated that the compared furniture companies have similar organizational cultures. Based on the scores on each of the four cultural dimensions of OCI, our conclusion is that the organizational culture positioning of the three companies is similar on the DMB, IRT and O-C dimensions. The results of the second instrument Vox Organizationis gave a wider picture for the investigated companies. The dominant managerial style that four out of five companies had was participative. This means that the companies are democratic and that there is a shared understanding of the culture, there is communication and feeling that the employees are treated well and fairly. The scores of the four enterprises indicate the making of decisions through certain involvement of the organizational members in the process. On the other hand, this could signify that there is a lack of standardized manners and procedures in the everyday functioning of the companies which might become an obstacle for the future growth of the companies if these are not set properly and in a timely fashion. Again only one of the companies had an autocratic managerial style, which means that the behavior of the employees is governed by firm rules of governance and procedures. Actually, that is the same company that had a bureaucratic culture in the OCI index, meaning that the two instruments gave the correct same results (overlapping). The second dimension shows that the dominant work environment was warm, meaning that the companies care about their employees and their well-being. The numeric parameters suggest that four out of five companies nurture a working environment in which

the tasks are completed through promotion of care for the people and building positive working relationships. Only one company had a cold environment. The third dimension stands for organizational openness and all five companies resulted having open organizations. The result was expected because of the general economic situation in the country, where every company tries hard to collaborate with the customers and wants to find new ways first for surviving and later for expanding. This openness not refers only to the external environment, but on the inside environment of the company as well. On the O-C dimension there are also no significant differences between the five companies and they all show moderate to high internal and external openness. The results indicate (as it is assumed for companies of this size) that the new employees are relatively easily accepted and supported to adapt fast to the working rhythm of the company. The scores are in the higher range of the dimension but not extremely high which may be due to a lower scoring on certain questions such as those related to the collaboration with communities and competitors. The last dimension measures the entrepreneurial orientation of the companies and the entrepreneurial orientation was dominant.

The third instrument gave results for Job Satisfaction and all companies had good result, all above the mid-point. Further analyses revealed that the employees who are not in a management position have a higher level of satisfaction while the least satisfied are the ones that work more than 10 years.

Limitations of the research

As the study was conducted on a small sample, a conclusion on the predominant organizational culture in the wood industry and furniture companies in Macedonia cannot be drawn. Another limitation of the research is that there are some differences in the number of employees (i.e. respondents) between the compared companies and this fact causes misbalance and the inability to make a demographic comparison on a company level as the groups within a company would contain less than 20 respondents. However, the results of the research can serve to the studied companies as a base for building a strategic framework for their long-term sustainability.

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Measuring Brand Performance: From Customer Based Brand Equity to Brand Financial Value

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Abstract:

Strong brands enable businesses to generate sales volume and a price premium that improves revenues and margins, attract and retain the best employees and facilitate expansion into new products and markets. Companies with strong brands also lose value less quickly in a recession, and emerge with a sustainable competitive advantage commanding consistently higher share prices. From this perspective, the aim of this paper is to review the brand value chain, to review and discuss the factors that influence customer based brand equity (CBBE) as starting points for the design of successful marketing and brand strategy and to analyze brand financial value based on different calculation methodologies. CBBE and brand value are similar, but not the same. Very often scholars and practitioners mix these two terms and there is as well a dose of confusion around how they differ. This paper defines their exact meaning and interrelation. Comparative analysis of the top 10 globally ranked brands based on 4 different brand value methodologies in published reports of commercial research organization was made in order to discuss the value of brands based on their industry category, country of origin and brand value change year over year. The analysis of the top 10 global brands in 2018 clearly showed brands and brand value concentration in the USA, leadership of technology and e-commerce category industry brands, and identified Chinese brands as biggest brand value raisers year over year, 2018 vs. 2017. It also shows the importance of managing strong brand equity as base for high brand value.

Keywords: *Brand equity, Brand value; Brand performance; Brand value chain.*

Introduction

The challenge for marketers in building strong brands is aiming at customers to receive the right type of experiences with the products and services and their accompanying marketing programs. The power of the brand lies in what resides in the minds and hearts of customers (Keller, 2012).

In practice, marketing and finance executives follow different objectives. Marketing and sales executives want to create sales volumes, while finance executives focus on the financial health of the company and shareholder value. In other words marketers are concerned with marketing programs and their impact on customer based brand equity and finance executives are concerned with the brand financial value influencing market capitalization. Fischer and Alexander (2017) argue that in this case, both worlds tend to be rather disconnected in their daily business, and as long as marketing and finance officers do not fully appreciate the interplay of their key metrics, their decisions are likely to be suboptimal.

The above is also visible in the literature, as there is no clear distinction between customer based brand equity and brand value. From this perspective, the intention of this paper is to review the definitions and factors influencing CBBE and show analysis of brand valuation metrics as two separate and interrelated marketing categories.

Simplified, brand equity refers to the importance of the brand in the customer's eyes, while brand value is the financial significance the brand carries. Both brand equity and brand value are educated estimates of how much a brand is worth.

Branded products that fail to deliver on what buyers want will disappear quickly, making space for new and more effective alternatives.

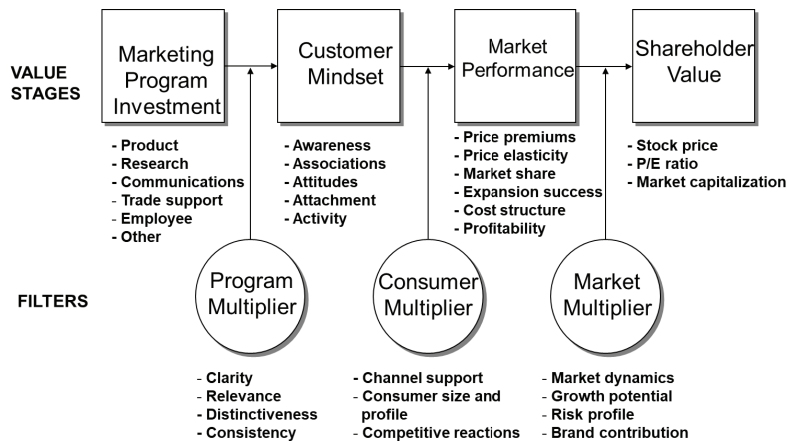
The paper starts with a review and discussion of the brand value chain, continues with a discussion of the CBBE and ends with a review of the brand valuation metrics.

Measuring brand performance across the brand value chain

Establishing a brand measurement system across the brand value chain is of immense importance as it links brand management excellence with business performance. The whole system should be viewed as a system for managing brand equity and not only as a snapshot of brand performance. It should be a cornerstone of planned brand management actions and corrective measures in case of unsatisfactory performance. According to Munoz and Kumar (2004) an effective brand measurement system helps businesses to: 1) understand how the brand is performing against customer expectations; 2) determine how the brand is performing against the competitive set; 3) identify brand weaknesses before they become business problems; 4) establish areas to focus brand building efforts on to create business value.

It is important to measure the brand performance in each stage of the brand value chain. The brand value chain is a structured approach to assessing the source and outcomes of brand equity and the manner in which marketing activities create brand value (Kotler et al., 2009). According to Keller, Aperia and Georgson (2008) as shown in Figure 1, the brand value chain starts with the firm's investment in the marketing program, targeting actual or potential customers and its multiplier effect or ability to affect customer mindset. This change through the collective impact of individual customers, the customer multiplier, determines brand performance in terms of ability to charge price premiums, market share, profitability etc. Finally, the market multiplier determines the extent to which the value shown by the market performance of a brand manifests in brand financial value and shareholder value.

Figure 1: The brand value chain



Source: K.L. Keller, T. Aperia and M. Georgson, (2008). *Strategic Brand Management: a European Perspective*. London: Pearson Education, FT Press., p. 447

Avichai, Ioanna and Demetris (2018) developed a six-stage brand value model.

- Stage one highlights the marketing efforts of the brand equity building,
- Stage two focuses on the customer's attitudinal mind-set,
- Stage three describes actual customer behavioral outcomes (such as attachment and commitment),
- Stage four refers to the strength of the brand and its relative advantage in the marketplace (such as brand preference, re-purchase, and premium pricing),
- Stage five reflects the company gains in sales and profits and
- Stage six refers to financial value of the brand for shareholders.

It is clear that common for the brand value chain models is the importance of strategic approach to marketing programs to build brand equity that influences market performance and market capitalization that includes brand financial value. Considering the high investments in marketing activities, marketing practitioners are under constant pressure to prove how marketing expenditures create shareholder value. According to Doyle (2000), numerous studies have used various financial and market-oriented brand performance metrics (e.g., sales growth, market share, return on investment, price premiums and according to De Chernatony et al. (2004) there is no single measure that captures the depth and breadth of brand performance.

The consumer-oriented brand performance models employ measures related to consumer attitude and consumer opinion, and the financially oriented approaches use tangible assets, past revenues, and future earnings, which usually suffer from a significant margin of error. When brand managers compare the performance of their own brands with the performance of their competitors' brands, they have to estimate the competitors' financial performance values, and therefore the estimation is not always reliable (Molinillo et al., 2019). From this reason numerous researchers favor consumer-based brand performance measures as more convenient (Johansson et al. 2012; Rust et al. 2004).

In addition to the brand performance measures introduced by academics, commercial research organizations have developed brand performance and brand valuation models based on financial metrics and market-oriented and/or consumer-oriented measures (Molinillo et al., 2019). They use financial performance measures like revenue and RoI, while majority in addition utilize consumer researches, market analyses, and marketing budgets.

As the goal of the paper is to clearly define and distinguish brand equity and brand value, as well as to analyze the influence of brand equity on brand value further in the text in more details is reviewed the Brand Asset Valuator of Young & Rubicam in order to define CBBE. Financial brand value based on brand equity contribution is presented through comparative analyses of commercial organizations brand value rankings.

Customer Based Brand Equity

Brand equity is the value added given to products and services which influences consumer perceptions, knowledge, emotions and behavior in respect to the brand. Concurrently, it influences the price levels, market share, market development and financial profitability of the company.

With this, brand equity is considered as key marketing asset (Ambler 2003; Davis 2000) that can give effect to the firm performance. Brand equity plays three important roles for a firm, attracts new customer, reminds the customer about the firm's products and services,

and binds customer emotional value (Lemon, Rust & Zeithaml 2001). The literature review confirms that positive brand equity produces long-lasting relationship with the consumers. It builds a good relationship between the firm and its stakeholders, creates associations that are more favorable and feelings amongst target consumers and influences higher buying intention and consumer preferences. It also increases communication effectiveness, commands higher margins through charging price premiums, at the end resulting in a sustainable competitive advantage for the company (Capron & Hulland, 1999; Cobb-Walgre, Beal & Donthu, 1995; Keller & Aaker 1992; Keller 1993; Anselmsson, Johanson & Persson 2007).

In light of the increased digitalization and globalization of businesses, companies are crossing national and continental borders in search for new markets and customers. Some of them are establishing physical presence and some establish on-line digital presence. In both cases when brands are competing in the international arena, it is important for the marketing managers to understand how to compete with competitors' brand equity and how to establish brand equity through digital interactions with customers. In light of the new market conditions, marketers who can monitor consumer interactions and engage in solving problems, enhancing usage experience or creating new want satisfiers have an advantage over competitors without that connection (Pitta, Patino & Maddox, 2016).

Therefore, what is brand equity, and how is measured? The most widely accepted definition of brand equity is Keller's (1998) conceptualization: the different preference and response to marketing effort that a product obtains because of its brand identification compared with the preference and response that same product would obtain if it did not have the brand identification. There are many different methodologies for measuring brand equity, whereas the most accepted and used approach is the one based on what consumers think and feel about the brand (consumer based brand equity (CBBE) (Datta, 2017).

The conceptualizations of consumer-based brand manly are focusing on marketing actions and consumer memory structures (Aaker 1991; Keller 1993). Aaker (1991) identified brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary brand assets such as patents, trademarks and channel relationships as the dimensions of brand equity. According to Keller (1993) a brand has a positive (or negative) equity if the consumer reacts more (or less) favorably to the marketing mix of a product of which he/she knows the brand name than to the marketing mix of an identical yet unbranded product, reactions such as preference, choice intentions and actual choice. According to Keller (1993), brand knowledge is a key originator of consumer-based brand equity, decomposed into two separate constructs: brand awareness and brand image (associations).

As summarized in Table 2 the majority of the academic conceptual studies agree that awareness and associations are important components of consumer-based brand equity.

Table 1: Conceptual researches on CBBE

Study	Dimensions of CBBE
Aaker (1991, 1996)	Brand awareness; brand associations; perceived quality; brand loyalty
Blackston (1992)	Brand relationship (trust, customer satisfaction with the brand)
Keller (1993)	Brand knowledge (brand awareness, brand associations)
Sharp (1995)	Company/ brand awareness; brand image; relationships with customers; franchise
Berry (2000)	Brand awareness; brand meaning
Burmann et al. (2009)	Brand benefit; clarity; perceived brand quality; brand benefit; uniqueness; brand sympathy; brand trust

Source: *Christodoulides, G. and Leslie de Chernatony, L. (2010). Consumer-based brand equity conceptualisation and measurement. International Journal of Market Research, Vol. 52 Issue 1, p. 48*

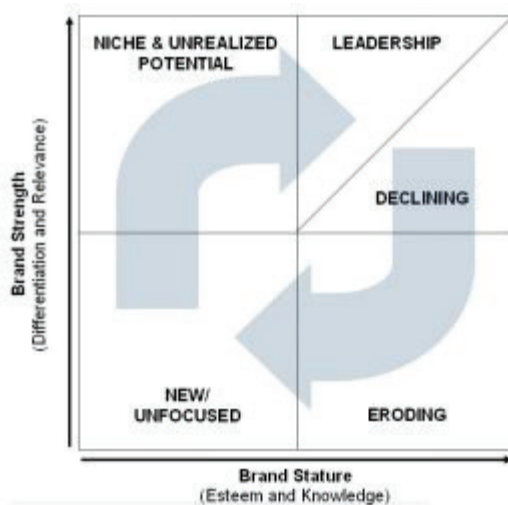
Various marketing consultancy and market research companies have also developed their methodologies, which occasionally appear in scholarly research and are especially used by companies and marketing practitioners. Interbrand Brand Strength measures CBBE through the dimensions: market, stability, brand leadership, trend, brand support, diversification, protection; WPP Brand Dynamics uses the following dimensions: presence, relevance, performance, advantage, bonding; Research International Equity Engine measures affinity, perceived functional performance, the interaction between the brand's equity and its price. Young and Rubikam's Brand Asset Valuator Methodology is the world's largest and leading empirical study of brands that captures the key dimensions that drive brand momentum, advocacy, and financial success in the marketplace (Bav Group, 2019).

The four brand dimensions that capture key components of brand equity based on this model are:

1. **Differentiation:** A brand's ability to capture attention in the cultural landscape. A powerful driver of curiosity, advocacy and pricing power.
2. **Relevance:** How appropriate and meaningful a brand is to consumers, drives brand consideration and trial. According to Aaker (2012), becoming relevant in a category with "must-have" characteristics and simultaneously making competitors irrelevant is a brand's route to growth.
3. **Esteem:** A measure of how highly regarded a brand is and how well it delivers on its promises, leads to trial and commitment.
4. **Knowledge:** The depth of understanding people have of a brand – both its positive and negative information. It is not just awareness of the brand but of its identity, built through brand communication and personal experience with the brand

As Kotler et al. (2009) writes differentiation and relevance determine the brand strength, which points to the brand future, while esteem and knowledge determine the brand stature that is more a record on past performance. The relationship between brand stature and brand strength are combined in the Power Grid, as shown in Figure 2, depicting the stages in the cycle of brand development and current and future status (Mortgansen & Riel 2003).

Figure 2: BAV Power Grid



Source: *Bav Group (2019). Brandasset Valuator, Retrieved on 03.15.2019 from <https://www.bavgroup.com/about-bav/brandassetr-valuator>*

Being able to quantify brand equity by measuring its dimensions enables marketers to plan optimal marketing actions for successful brand management driving new and unfocused brands to market success and leadership position.

Measuring brand value

Marketers should distinguish brand equity from brand valuation, which is the job of estimating the total financial value of the brand; i.e. the present value of future cash flows that a brand owner can earn only because of the brand and represents the profit earned by offering branded products instead of no-name products (Kotler et al., 2009; Kaas, 1990). Almost all brand valuation methodologies use financial research and sophisticated mathematical formulas to calculate current and future earnings that can be attributed directly to a brand rather than to the corporation.

In Table 2 are presented the most relevant brand valuation rankings done by renewed commercial research organizations with a brief overview of the calculation methodology and key variables used.

Table 2: Brand performance measures used by commercial marketing and research organizations

Measure	Methodology	Key variables
BrandZ: Top 100 Most Valuable Global Brands (Millward Brown, 2019).	Global research covering over 3.6 million consumers interviews and more than 120,000 brands in over 50 markets combined with financial analysis. Calculation done in 3 part where brand value equals to the financial value multiplied by brand contribution	Financial value Brand (equity) contribution Brand attribution Brand value.
Interbrand: Best Global Brand (Interbrand, 2019)	Methodology using expert panel assessment, desk research, financial data from annual reports, consumer goods data and social media analysis. It brings together market, brand, and financial data	Financial performance, Role of brand in purchasing decisions, Brand strength Brand value
Brand Finance Global 500 (Brand Finance, 2019)	Original market research in 10 sectors across 31 markets with a sample size of over 50,000 adults. Brand value calculated in seven steps.	Brand strength index, Brand royalty rate, Brand specific revenues, Forecast revenues Brand value
Forbes: The World's Most Valuable Brands (Forbes, 2019)	Values brands using only financial data without consumer surveys.	EBIT Net brand earnings Avg, price to earnings Brand value

Source: *Authors' own compilation*

Common for all of them (except for the Forbes methodology, which uses only financial data) is that they use inputs from consumer researches calculating brand financial value based on brand equity strength. The methodologies use different brand equity dimension like customer loyalty, brand purpose, brand experience, brand strength, brand relevance etc., in order to define brand contribution. Overall, in the calculations they combine two important elements:

1. Financial Value – the proportion of the total value of the parent company attributed to the brand in question.
1. Brand Contribution - quantifies the proportion of this Financial Value driven by a brand's equity. i.e. the ability of the brand to deliver value to the company by predisposing consumers to choose the brand over others or pay more for it, based purely on perceptions (excluding the consumers attracted by price promotions, a particularly prominent displays, as they are not due to the brand's equity).

Comparative analysis of brand valuation rankings and discussion of findings

The brand value analysis and rankings reveal the connection between strong brands and overall market and financial performance of the companies. By valuing brands, marketers can understand and focus their marketing efforts, while finance executives can use the information to direct a finance policy that maximizes profits. Precise and timely valuation of brands based on their brand equity contribution helps companies to understand how to grow and sustain value in today's disruptive marketplace. Brands grow value by anticipating and fulfilling the needs and wants of consumers in relevant ways that are innovative, create an emotional connection, and distinguish the brand from its competition. In continuation (Table 3), we made a comparative analysis of the top 10 globally ranked brands based on the already discussed brand value methodologies and the published reports for 2018. The brands are analyzed from the aspect of their industry category and country of origin.

Table 3: Comparative ranking of top ten global brands in 2018

Ранк	БрандЗ™ Top 100 Most Valuable Global Brands Report			Интербранд Бест ГлобалБранд Ранкинг			Форбес Тхе Њорд'с Most Valuable Brands Ранкинг			Бранд Финале Глобал500		
	Бранд	Цатегорс	Цоунтс	Бранд	Цатегорс	Цоунтс	Бранд	Цатегорс	Цоунтс	Бранд	Цатегорс	Цоунтс
1	Г оог.е	Тецхнолоџи	УСА	Апле	Тецхнолоџи	УСА	Апле	Тецхнолоџи	УСА	Амазон	Е-сoммeрce	УСА
2	Апле	Тецхнолоџи	УСА	Г оог.е	Тецхнолоџи	УСА	Г оог.е	Тецхнолоџи	УСА	Апле	Тецхнолоџи	УСА
3	Амазон	Е-сoммeрce	УСА	Амазон	Е-сoммeрce	УСА	Мирcoфт	Тецхнолоџи	УСА	Г оог.е	Тецхнолоџи	УСА
4	Мирcoфт	Тецхнолоџи	УСА	Мирcoфт	Тецхнолоџи	УСА	Фцебоок	Тецхнолоџи	УСА	Мирcoфт	Тецхнолоџи	УСА
5	Тешент	Тецхнолоџи	Сhina	Цопа-Цопа	Софт Дринкс	УСА	Амазон	Е-сoммeрce	УСА	Самсунг	Тецхнолоџи	С. Кореа
6	Фцебоок	Тецхнолоџи	УСА	Самсунг	Тецхнолоџи	С. Кореа	Цопа-Цопа	Софт Дринкс	УСА	АТИТ	Телеcoмс	УСА
7	Виса	Пајмент	УСА	Тos oтa	Сaрс	Јaпaн	Самсунг	Тецхнолоџи	С. Кореа	Фцебоок	Тецхнолоџи	УСА
8	МцДоналд'с	Фаст Food	УСА	Мерцедес	Сaрс	Германи	Дисне	Ентертејнм.	УСА	ИПБС	Вaншiнг	Сhina
9	Албаба Г рoуп	Е-сoммeрce	Сhina	Фцебоок	Тецхнолоџи	УСА	Тos oтa	Сaрс	Јaпaн	Вервон	Телеcoмс	УСА
10	АТИТ	Телеcoмс	Сhina	МцДоналд'с	Фаст Food	УСА	АТИТ	Телеcoмс	УСА	ИПБ	Вaншiнг	Сhina

Source: Authors' own compilation

The comparative report shows that:

- Based on all the reports Google, Apple, Amazon, Microsoft and Facebook are the most valuable global brands in 2018.

- 70% of the top 10 global brands, based on all researches, originate from the USA, while the rest come from China, South Korea and Japan, and only one brand originating from Europe.
- 60% of the top 10 global brands, based on all reports, come from the technology industry, followed by e-commerce, cars, banking, telecommunications, fast food and entertainment.

In light of the market and global business environment trends and the value rankings it can be concluded that:

- The USA clearly has the highest concentration of the world's strongest brands mainly due to the strong R&D and global marketing presence in the most attractive consumer categories.
- The East, especially China is inspiration for the brand managers as they turned to growing their brands and international market presence. They are utilizing the technological development not only in productivity increase, but also in building their own globally valuable brands.
- The technology category i.e. the providers of hardware, software and social media platforms reflects the ability of the brands to develop integrated systems of products and services. They manage to connect customers in a brand experience that spans a wide range of daily consumer activities and interactions solving daily problems with a smartphone swipe.
- E-commerce and virtual shopping as well as integration of brick and mortar clearly prevail in the retail. The strongest retail brands today are actually e-commerce brands that excel in database management to reveal consumer behaviors and in supply chain management across continents to satisfy consumer needs. This is influenced also by the growth of customers that are influenced by online research to make purchasing.
- The financial services categories including payment and banks progressed in their use of technology to improve customer experience, add efficiencies, and reach new, younger consumers aided with the rapid adoption of fintech.
- The car industry is evolving like the mobile phone industry. The car makers are turning to hybrid and electric cars and integration of communication, cars are with one word becoming apples, googles and androids. In luxury, it is a bit different because of the prestige that comes with owning a luxury car.

For presenting brand value, we are analyzing the financial brand value of 10 global brands based on the BrandZ: Top 100 Most Valuable Global Brands and year over year value change as shown in Table 4.

Table 4: Top 10 most valuable brands based on BrandZ: Top 100 Most Valuable Global Brands 2018

Ранк	Бранд	Бранд Валуе 2018 Мил	Бранд Валуе % Цханге 2018 вс. 2017	Цатегорс	Цоунтс
1	Г о о г л е	302,063	23%	Т е c h n o l o g y	U S A
2	А п л е	300,595	28%	Т е c h n o l o g y	U S A
3	А м а з о н	207,594	49%	e-c o m m e r c e	U S A
4	М и к р о с о ф т	200,987	40%	Т е c h n o l o g y	U S A
5	Т е н с е н т	178,990	65%	Т е c h n o l o g y	C h i n a
6	Ф а ц е б о о к	162,106	25%	Т е c h n o l o g y	U S A
7	В и с а	145,611	31%	P a y m e n t	U S A
8	М и к р о с о ф т	126,044	29%	F a s t F o o d	U S A
9	А л б а б а Г р о у п	113,401	92%	e-c o m m e r c e	C h i n a
10	А Т И Т	106,698	-7%	T e l e c o m s	C h i n a

Source: Adapted from http://brandz.com/admin/uploads/files/BZ_Global_2018_DL.pdf

From the report, the following can be concluded:

- USA brands are the most valuable global brands.
- Technology category concentrates majority of the brand value and the most valuable brands.
- They are followed by e-commerce and payment/ finance services brands.
- Chinese brands have the stellar performers, as they are (Alibaba and Tencent with 92% and 65% YoY growth in value) the biggest value raisers.
- All top 10 global brands (except for telecom category) have increased their value YoY 2018 vs. 2017.
- Telecom providers should move from talking about the technologies, to providing unique content like Artificial Intelligence and 5G showing why they are important for consumer's lives.

Conclusion

In today's commoditized marketplace, where it is increasingly important to differentiate your own products from competitors', brands are recognized as one of a company's most valuable intangible assets.

The literature review and analysis of the different brand performance methodologies confirm that:

1. Brand equity and brand value are two different and interrelated marketing categories.
1. Brand equity are the dimensions that influence consumer perceptions and experience about the brand.
1. Brand value is the financial significance that the brand carries underpinned by the strength of brand equity contribution. The stronger the brand equity, the higher will be the brand financial value.

This distinction and interrelation enables managers to manage the brand across the brand value chain and achieve sustainable competitive advantage, thus helping them measure whether the brand is on track relative to its positioning.

Leveraging key brand equity dimensions results in winning strategies and tactics and increased brand financial value. Key learnings for building and sustaining valuable brands that grow faster in value and provide greater return to shareholders are:

1. Measure brand metrics across the brand value chain including brand equity and brand value.
1. Develop and manage the brand value chain based on brand performance metrics.
1. Develop marketing programs influencing every consumer touchpoint from initial awareness to engagement, transaction, and ongoing interaction.
1. Invest in long-term brand growth by delivering consistent, relevant and meaningfully different products and experiences. It is important to give consumers reasons to proactively consider and choose a brand. The brand needs to stand out, and go beyond functional benefits to form an emotional connection in order to be considered in light of competitive promotional activities.

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The Relationship Between Event Marketing And Luxury Products: The Case Of Macedonian Small Enterprise

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Abstract

Event marketing is an integrated marketing communication tool that fosters brands' communication by creating an interactive environment, thus fostering customer's engagement. Its growth is assessed by many scholars as a means for overcoming the limitations of traditional marketing and enabling new ways of experiential consumption, providing easier and better results especially for small and medium sized enterprises. Luxury industry is another growing trend in the business world, steadily expanding not only the industry but the number of customers enjoying its pleasures. Luxury products are said to bring hedonistic fulfillment and satisfaction not only to the basic human needs, but also to psychological and functional needs. Therefore the company selected for analyzing their events marketing is providing luxury products, fireplace and it is categorized as a small sized enterprise.

By combining a literature review and empirical research, this study explores the underlying relationship between event marketing as a promotional tool on one side and luxury brands on the other at small and medium sized enterprises. The research methodology used a questionnaire for quantitative analysis, providing 60 respondents during an event of the specific fireplace company in June 2018. The results are providing valuable insights on the relationship between the event and the luxury brand. The finding indicated that there is positive relationship among the luxury brand aspects, equity and attitude and the indicators of the event or sensory, affective, behavioral and intellectual dimension. This is one of the rare articles about analyzing this relationship, providing a feedback for small and medium enterprises' promotional activities.

Keywords: *Event marketing; Luxury brands; Brand equity; Brand attitude; Brand experience Brand experience dimensions.*

Introduction

The structure of the paper is as follows. It begins with short introduction regarding the main topics researched, marketing events and luxury goods, following with academic literature review encompassing different concepts relevant to this paper. The literature review holds various views on the main topics, placing marketing events and luxury brands as rising trends in the business world. Many scholars identify their significance and argue their utilization. Next is the methodology design of the research, explaining in detail the whole process on which the research is built. Further the analysis done presents the results for the relevance of links or the nature of relations of the brand aspects (equity and attitude) and events (dimensions of the brand experience). The findings structure information as to whether marketing events are the right tools for generating positive customer experiences and attitudes, thus adding value to the brand equity. Lastly, the conclusion is drawn based on the results from the research. This paper will contribute to event marketing and luxury brand literature as to the nature of the relationship among the researched topics.

Literature review

Events marketing specifics

Event marketing is the activity of communication or promoting brands, product or both, in a more interactive way that fosters customer's engagement. As a promotional tool, it is one of the fastest growing types of communication. The marketing landscape is changing, so events are not only communication and promotional tools, but also assist in building customer relationships (Crowther & Donlan, 2011). On the other hand, traditional marketing is becoming less effective these days due to its mainstream form and content. Experiential consumption is one of the reasons why customers are more attracted to more interpersonal and interactive way of trial of new products (Drengner et al, 2008). Accordingly, we can assume that it's characterized by high contact strength. Whereas, the basis of experiential marketing lies in forming enjoyable experiences. Wood (2009) suggests that the growth of the event is due to lack of compelling ways to reach the target market in the traditional marketing, customers' wishes for novelty and added value and the increased interest in forming emotional relationships with the brand. Furthermore, research points out that event marketing has the greatest ROI, leaving behind other communication activities such as traditional advertising or PR (MPI Foundation, 2004).

Wohfeil and Whelan (2006) suggest that event marketing as a communication tool has 4 main innovation points:

1. Experience –orientation meaning experiences are better consumed when they are lived as event attendee, but not so much when there is “second-hand” media transfer of the message.
2. Interactivity or the second one identifies the significance of interaction between participants, spectators and the brand and its representatives.
3. As brands are the sole creators of their events, we can assume that they have power and ability over the design of the event ergo the experiences created, and that’s the third point self-initiation.
4. The last one or dramaturgy shows why marketing campaigns should be creative, especially when it comes to events. The more unique way of conveying message to the target group, more outstanding experiences are created, more customer will recall the brand.

Drengner et al (2008) investigates that events have positive setting relating to experiential flow. What is additionally required is the active participation by the individuals. To achieve such flow, the event must possess interesting content to the target group. Because higher customer involvement leads to higher desires to explore fitting information (Wohlfeil & Whelan, 2006). By social interactions among attendees, the communication will nourish positive word-of-mouth which will influence all aspects of the brand.

Luxury products specifics

Although the luxury market dates back centuries,, is important to note its growth. Bain & Company (2017) analyze the growth of the luxury market in the following sectors: personal luxury goods, luxury cars, luxury hospitality, luxury cruises, designer furniture, fine food, fine wines and spirits, private jets and yachts, and fine art. In 2017 the luxury market grew by 5%, estimating €1.2 trillion worldwide (Bain & Company, 2017). Kim and Ko (2011) place the luxury market in the maturity stage. As for its expansion, both the industry and the number of customers has increased over the last decade.

Brands help customers to stand from the crowd, be someone special, feel privileged or creates fundamental experience, but also assist in the decision making and informational process. So, luxury products are example of how customers want to consume more than utilitarian value of the products, but strive for consumption of the hedonic value that will bring more pleasure and happiness in their lives (Wohlfeil & Whelan, 2006). Hence, what differentiates non-luxury products from luxury products is the ability of the latter to satisfy psychological and functional needs (Vigneron, 2004).

Yim et al (2014) acknowledges the importance of interpersonal influence in luxury consumption context. What motivates customers towards buying luxury goods is others’ people evaluation of themselves. Customers who engage in such consumptions often want to express superiority over others. To affirm this prestige social status, customers tend to favor luxury

brands which in their core offer high quality and price, uniqueness, with the emphasis on rarity (Yim et al, 2014).

Emotion is a mental state, where a person forms a feeling towards something, and specific actions may follow. Hedonic emotions arise towards a brand when quality of the brand is perceived to be high, like in the luxury context (Ding, 2015). Kim et al (2016) places emotions at the heart of luxury brands because they represent customer respond towards the encountered hedonic product. Nevertheless, the degree of emotions and its effect on customer respond may vary depending whether positive or negative emotions take place inside customer minds. Since this paper is examining luxury goods, VIP emotions such as feeling privileged and important are the ones that differentiate the luxury brand and its product from the mass. Kim et al (2016) highlights their importance and how they can add positive attitude towards the brand.

Solomon's (2006) experiential hierarchy of effect suggests that the decision-making process is guided by what customers feel, or in other words, their emotions. These emotions can be influenced by different product attributes and the brand name, or marketers' efforts of communicating the value or marketing campaigns. The evaluation of a product can be done on 2 levels. The cognitive evaluation is primarily based on beliefs a customer holds towards the product. This evaluation is also called by many a rational because the emotions don't play any role or influence in the process forming an attitude. However, the affective evaluation is mostly based on customers' emotions, and hedonic attitude is formed. Hence emotions are as important as experiences because based on their evaluation customers change their purchase behavior.

Measuring Event marketing effects for luxury brands

Measurement of the event marketing can be done on a different basis. Based on prior theory and research, sales and market share shouldn't be solely measured because of the nature of the event as a promotional tool itself. Although there is no one single measurement for the effectiveness of an event, measures like brand equity, attitude and experience can be implemented.

Brand equity is the value of the brand, generated over time and it encompasses all the attributes recognized by it. Today's literature provides many definitions, such as Aaker's (1996) set of assets that are linked to a brand, that add or subtract value and his categorization of the brand assets that consist the brand equity: brand awareness, perceived quality, brand associations and brand loyalty. Brand awareness is closely related to the brand recall or consumers' identification of the brand. Brand recognition and recall as a part of the brand awareness, help in placing certain products/services in the brand context (Keller, 1993).

Perceived quality is the perception of the quality of the brand and its products. Brand associations are characteristics of the brand that remind customers of it. Whereas brand loyalty is the customer's tendency to continuously buy products from one favorable brand.

Brand attitude is the opinion or what a customer thinks or feels about a certain brand. It can be positive or negative evaluation, or in other words customers will either like or dislike the brand. Various research done on this topic also shows the relevance of the links between brand attitude and equity and purchase decision. Martensen et al. (2007) argues that if an event generates more appreciative attitudes they will shape customer purchase intentions. On top of that, attitude is known to add value to the brand equity. In sum, brands should focus on attracting positive attitudes in order to gain brand value to the brand equity.

Brand experience is newer concept, and Schmitt et al (2013) refers to it as the internal customer behavioral responses stimulated by various brand-related actions. These brand-related elements are bunch of features like design of the product, it's shape and color, it's packaging, logos or slogans, and all of them have a certain degree of influence over the choice of the customer. With the help of sensory, affective, intellectual and behavioral dimensions' marketers can accumulate valuable insights regarding all aspects of customer's experience. These dimensions relate to customers' senses. The sensory dimension explores customers' senses. The affective dimension is connected with customer's mood, emotion and sentiment. The intellectual dimension makes the customers to think twice before making a final decision, or it creates divergent and convergent thinking. The behavioral dimension motivates certain behaviors, with a prior focus on tangibles, lifestyles or interactions (Ding, 2015). These dimensions' weight towards the created experiential value, motivate and maintain customer relationships with the brand. Brand experience also adds value to the brand equity, and Tafesse (2016) refers to it as new frontier for building brand equity.

Hypothesis development

The present part of the paper will integrate these areas of interest by formulating hypotheses regarding the specific context of alliances between event marketing and luxury brands. In particular, the focus will be on investigating how brand experience dimensions used as values for the event are connected to the luxury products indicated through the brand equity and brand attitude. Therefore, the following hypothesis is proposed:

H1: Brand experience is positively connected to brand equity.

As there are four dimensions comprising the brand experience, we can also form hypothesis as follows:

H1a: Sensory dimension is positively connected to brand equity.

H1b: Affective dimension is positively connected to brand equity.

H1c: Behavioral dimension is positively connected to brand equity.

H1d: Intellectual dimension is positively connected to brand equity.

Following, the next hypothesis:

H2: Brand experience is positively connected to brand attitude.

Again, with the four dimensions consisting the brand experience, we can hypothesize:

H2a: Sensory dimension is positively connected to brand attitude.

H2b: Affective dimension is positively connected to brand attitude.

H2c: Behavioral dimension is positively connected to brand attitude.

H2d: Intellectual dimension is positively connected to brand attitude.

Research Methodology

This part introduces the research methodology on which the research is built. Firstly, the research design explains the plan used to collect and analyze data. Second, questionnaire details and the means for data collection are noted. Lastly, sample and event details are assessed.

Exploratory research is based on discovering new insights about the topics in question, thus this research begun with it. What follows is the descriptive research, which provided useful information about the population characteristics. Since descriptive research relies on measurement tools, to examine the effects of event marketing on specific luxury brands, the use of a questionnaire on the day of the event is regarded the best primary data collection method. The quantitative data gathered with the questionnaires enabled examination of the event attendees' responses, regarding measures like brand equity, brand attitude and brand experience. The analysis done showed the direction and strength of the relationships among the variables, thus the research design is assessed as correlation research.

The questionnaire was designed to answer how the effects of event marketing is influencing the fireplace brand, seen as a luxury brand. Each measure (brand equity, brand experience, brand attitude) was examined through set of relevant questions. The questionnaire was available to all event attendees. It consisted of three parts, each relating one of the three items measured, and the final part included demographic questions. All questions, with the exception of the demographic part, were based on 5-point Likert scale, where value of "1" indicated "Strongly Agree", whereas value of "5" indicated "Strongly Disagree".

Data collection was done on the day of the event. Each event attendee was asked if they want to participate in this research by answering the questionnaire. To motivate high participations rates, event attendees were offered discount coupons introduced by the company Timst.

The sample of the present research consist of approximately 100 people who attended the event, and 60 respondents who answered the questionnaire.

The event had a promotional character, since the company Timst launched a new product line. There was short presentation of the new product's benefits, enabling formation of vivid images of the products, thus resulting in rich event memories. This further motivated them to express their attitudes and opinions towards the new products. Several musicians and dancers took part in entertaining the audience. Wine tasting enriched the agenda, serving the customers variety of wine types. While at the cigar corner, the customers could choose their favorite cigars.

Data Analysis and Results

This part reports the analysis of the data gathered through the questionnaire and the results obtained with the testing of the hypotheses. Steps and methods used for analyzing the data is explained in detail.

The means report values around 1, meaning that respondents have positive setting about the brand equity, brand attitude and brand experience. Brand equity's mean is 1.21, indicating that respondents recognized positive brand value during the event. Brand attitude's mean is 1.39, suggesting that respondents' attitude towards the brand are favorable. Positive brand attitude strengthens the odds of positive future evaluations and increases the chances of positive purchase behavior. Brand experience's mean is 1.45, confirming the positive internal customer behavioral responses stimulated by the event.

For verification of internal consistency and reliability of the scale measurements, Cronbach's alpha is analyzed. Since this study used multiple Likert-type scales, through this analysis we can assess the internal consistency or the reliability of the scales. A general accepted notion is that a value of 0.7 or above is considered to be satisfactory. Although brand equity coefficient is 0.63 which is slightly lower than 7 this is not a problem, since according to Nunnaly (1978) a value of above 0.6 is still acceptable to present reliability. Brand attitude Cronbach's alpha coefficient is 0.75, reporting higher than the required 0.7 value in order to be satisfactory. The highest Cronbach's alpha has brand experience with a value of 0.88.

The scores obtained through the questions on each dimension of the brand experience had been aggregated together. The sensory dimensions scored 0.79, the affective dimension scored 0.70, the behavioral dimension scored 0.715, and the last dimension, intellectual, secured a value of 0.814, meaning all values satisfied the Cronbach's analysis requirements for reliability of the scale measurements.

In general, the questionnaire satisfies the requirement of internal consistency and is considered to a reliable tool to measure all constructs consistently.

Correlation analysis measures the strength and direction of the relationship between two variables (Pallant, 2013). Positive correlation infers that as one variable increases, so does the other, while with negative correlation, as one variable increases, the other one decreases. The Pearson correlation coefficient (r), designed for interval level variables, takes values between -1 and +1. The sign indicates whether there is a positive or a negative relationship. According to Cohen (1988), a correlation coefficient value that ranges from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium, while above 0.5 is considered strong.

From the obtained results, we can agree that all variables have a positive sign, and thus the direction of the relationships is positive. Also, when assessing the significance level, we can conclude that all variables report values smaller than 0.05, meaning they are significant.

When assessing the direction and the strength of the relationship between sensory dimension and brand equity, we can observe a positive relationship with medium strength. Also, sensory dimension is correlated with brand attitude, resulting in positive relationship but the strength is strong, since is above 0.50. In both cases we obtain statistically significant correlations between the variables.

The direction of the relationship between the affective dimension on one side and brand equity and brand attitude on the other, is positive, whereas the strength ($r=0.301$) and ($r=0.459$) is medium, ensuring statistically significant correlations.

Reporting another positive direction of the relationship between behavioral dimension and the two brand aspects, equity and attitude. The strength with the equity variable is in the borderlines of medium, but with attitude variable is strong ($r=0.704$) pointing to one of the highest values. The correlations with the behavioral dimension are statistically significant.

Another positive relationship evolves among the brand aspects equity and attitude and the last brand experience dimension – intellectual. From the values of $r=0.532$ for equity and $r=0.671$ for attitude we can conclude that the formed relationship with the intellectual dimension is strong, and the both values for defining the significance lever are below 0.05, thus the correlations are also statistically significant.

Table 1: Correlation analysis

Brand ex. Dimensions		Brand Equity	Brand Attitude
Sensory	Pearson Correlation	.416	.670
	Significance	.001	.000
Affective	Pearson Correlation	.301	.457
	Significance	.019	.000

Behavioral	Pearson Correlation	.479	.704
	Significance	.000	.000
Intellectual	Pearson Correlation	.532	.671
	Significance	.000	.000

Source: *developed by the authors*

Discussion

Based on the literature review, it was expected that event marketing as a promotional and communication tool will have positive effect on the brand equity, brand attitude and brand experience as integral parts of the luxury brands. The gathered data through 60 questionnaires confirmed that events marketing can bring positive setting, in luxury brands context. The data from the dimensions of the brand experience served as indicator (value) for the event. The sample characteristics report almost equal gender presence, with 53% males and 47% females. The most present age groups were individuals between 18-25 years, 26-35 years and 46-55 years, with highest education as Bachelor or Master. Also, most of the respondents had income between 25.000-35.999 denars monthly for the younger population or above 66.000 denars for the older age group.

From the descriptive analysis we can confirm that event marketing as a mean for promoting luxury brands positively influences brand equity ($m = 1.21$). Further, event marketing as a promotional and communication tool has a beneficial effect on brand attitude ($m = 1.39$). With respect to brand experience ($m = 1.45$), we can conclude that event marketing is effective and useful tool to promote luxury brands.

The Cronbach's Alpha analysis was used to determine the internal consistency and reliability of the scale measurements. The results derived from this analysis showed that the questionnaire reached acceptable reliability. All items that were analyzed reported values higher than 0.7, which is the general accepted notion as satisfactory. Exception was brand equity with a value of 0.63, which in opinion of Nunnally (1978) it shouldn't be seen as a problem and it's still acceptable.

The correlation analysis demonstrated positive direction of the relationships among the brand aspects, brand equity, attitude and experience. Moreover, the positive direction was again noted between the brand experience dimensions. Whereas the strength of the relationships was in some cases medium and in some strong. All correlations were statistically significant. The first main hypothesis indicated that brand experience as an indicator for the event is positively connected to brand equity as a part of the luxury brands, which was in line with the findings from Tafesse (2016) and Schmitt et al (2013). Consequently, the next four sub-hypotheses are also supported, therefore it can be concluded that the brand experience dimensions also act as frontiers for building brand equity. With the second main hypothesis we derived to a conclusion that the brand experience also is positively related to brand attitude. That is, the

dimensions of the brand experience have been found to be significantly positively related to brand attitude, as noted in the finding from (Martensen et al, 2007). To conclude, the findings are in line with the previous research, thus the analysis support all hypotheses.

Conclusion

The upcoming part of the paper has the purpose to present conclusions to this investigation. Having reviewed the literature on event marketing, it can be concluded that as a fastest growing type of communication and promotional tool events enable an interactive way of trial of new products. The high contact strength often encourages high audience involvement, thus facilitating emotional experiences. Events can serve as a basis for reaching the target group in a more unique and interpersonal way. Customers of the luxury brands on the other hand, strive for more than the utilitarian value of the product, that is, the hedonic value that will satisfy their needs for superior pleasures. Indeed, greater attention is required when reaching the customers of the luxury segment. As many scholars put the emotions in the heart of the luxury products, it is safe to conclude and therefore to answer the problem statement that the most suitable way of reaching luxury target group is through event marketing since it appeals to customer senses and emotions. From the obtained results, we can observe the positive relations between brand aspects - equity and attitude on one side and the brand experience dimensions on the other. As the dimensions carried out the role of event indicators, the supported hypotheses show the positive connection between the event and the brand aspects representing the luxury segment. Brand equity was explained as value of the brand that consist of brand assets such as brand awareness, perceived quality, brand associations and brand loyalty. Thus, positive relation with the event increases the awareness of the brand, raises the perception of the product quality, expands the knowledge of the product features or associations and strengthens the relationship among the customers and the brand assessed through the brand loyalty. Brand attitude on the other hand was argued as a process of attitude formulation towards the brand, hence the affirmative relation with the event enables the development of positive attitudes which will later affect the purchase behavior. Therefore, this paper can act as a starting point for future researchers in the field of event marketing and luxury products.

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PART TWO:
Innovations in Society and Education

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The Innovation Union and Democracy in the E.U.

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Introduction

The Reform Treaty of 2007 established the values and objectives of the EU. Innovation is not specifically mentioned, nor are research and development, but they are clearly related to the values and objectives.

The Innovation Union was launched in 2010 as one of the flagship initiatives of The Europe 2020 Strategy. The EU is to be a world class performer in innovation, remove the obstacles to innovation, and “revolutionize the way the public and the private sector work together”. In the process, the EU will produce 3.7 million jobs by 2020, and more if combined with the digitalization process, which is separately run by the European Commission. Innovation would be achieved in cooperation with the private sector, local authorities, and individual citizens of EU member states. Citizens should be full participants, and the ultimate beneficiaries of the EU activities.

Democracy at the EU level has not made much progress. Many EU reports and others by scholars have been looking in the so called “democratic deficit”.

We will look at two questions:

1. Is the innovation with digitalization likely to raise the standard of living in a far advanced economic system?
2. Can democracy grow or diminish in the new economic system called “the second industrial revolution (as it is called by K. Drum, although some call it the third or fourth industrial revolution)?

Those who wrote the Lisbon Treaty believed in a high standard of living and democratic – liberal institutions in not that too distant future; a world of peace and further development. The EU and its citizens should be able to create a better future for all.

Innovation and beyond

Innovation may mean different things to different nations and individuals, to economists, scientists, politicians and others. The word innovation means any change for the better, from new discoveries to a revolution (i.e. “res novae” in Latin).

The EU plans creating the Innovation Union contained some 30 action points aimed at three things: Make Europe into a world class science performer; remove the obstacles to innovation, such as expensive patenting, market fragmentation, slow standard setting and diminishing skills’ shortages; revolutionize the way public and private sectors work together, notably through innovation, partnerships between the European institutions, scientific centers, regional authorities and citizens (State of the Innovation Union, 2015). This document presents the progress achieved in five years at the national and European level. There are areas where more action is needed. Europe should be more competitive despite budgetary constraints, demographic change and increased world competition.

The Directorate General for Research and Innovation of the European Commission has prepared a manual on how research is organized, a policy on economic and social cohesion, the EU growth strategy, participation of other EU institutions et al.

EU research includes industry relations, innovation in economic knowledge, public-private partnerships, local shareholders, ICT shareholders, interoperability and other topics.

The political aspects such as democracy, direct democracy, or citizens’ participation in economic growth are not included. Social studies in general are not included, such as sociology, political science, aspects of international law, ethnography, and the equality of men and women. It is not clear which research centers and universities are included in the research of the EU.

The 2015 document proposed a new integrated process of R & D. This process connects the researcher – the EU – the producers (public and private) – the local communities – the trade organizations – the citizens. That way, the benefits of the research and development are directly connected to the individual customer, while benefits are distributed at all levels. This process saves money at each level, allowing for increased investments, and improves the quality of the products.

The plan also called for every member state to invest 3% of its GDP into R & D at appropriate levels which could result in 3.7 million new jobs by 2020 EU-wide.

Digitalization is another area of R & D, organized separately within the European Commission in a Directorate of its own. The EU’s digital transformation has great potential for extremely important changes to the EU itself, to the businesses, to the society, and to each and every member state.

The EU’s industry can be further built on the strengths of advanced digital technology in traditional and new sectors. This includes:

- Big data and digital technology;
- robotics;
- 3 D printing;
- blockchain technologies
- artificial intelligence (AI).

The EU should capture a part of that new market, while retraining its own staff, developing digital security, and enhancing growth in all areas. If the first industrial revolution was a product of the steam engine, germ theory, electricity and railroads, the second, currently taking place, will most likely be the product of AI, of digitalization in all its forms, and of innovation as well (Drum, 2018). The world will not be the same in 40 years or by the end of the 21st century.

We should mention here that the first Digitalization Conference of the Western Balkans was held by those countries and the EU in Skopje in 2018. The Balkans already participate in AI development. Other regions of the world are also involved or becoming involved. Some AI products are already available on a global level (e.g. 4G phone connections).

EU member states' performance in numbers

Which EU member states are the most successful in R & D? The EU Innovation Scoreboard issued on June 22, 2018 states that innovation continues to improve. Since 2010, the program has been accelerating and the outlook is positive. Within the EU, R & D increased by 5.8% and an additional 6% is expected to be achieved in two years, by 2020.

According to the Scoreboard, the EU has improved its world position relative to the U.S., Japan and Canada. China is catching up. Since 2010, Sweden has been the leader in the EU, followed by Finland, Denmark, the Netherlands, the U.K. and Luxemburg. The fastest growing member states have been the U.K. Luxemburg, the Netherlands, Malta, France and Latvia. In particular areas, the top nations have been Denmark, Luxemburg, France, Ireland and Belgium.

Taking into account the 2018 World Bank ranking, the innovation leaders are Sweden, Denmark, Finland, the U.K. and the Netherlands. In the world GDP ranking, the U.K. is 5th, while Finland is 42nd. The best in innovation are the countries with the GDP within the top 50.

According to the Freedom House Report 2019 the innovation leaders are all free nations, although some have moved down in their status recently.

Among the leaders and strong innovators, we find the great powers of today and some that were great powers in history, like Sweden, Italy, and Spain.

Global spending on R & D has reached a new high of 1.7 trillion. Only ten countries spend 3% of GDP or more on R & D. They are: Germany, France, the U.K., the Netherlands, Italy, Spain, Austria, Sweden, Finland, Denmark. After BREXIT Belgium and/or Turkey may find

themselves among the top ten. The same countries, along with Slovenia, are also among the first 15 contributors in the business sector.

Looking at the journal SCIMAGO's ranking of countries according to their contribution to scientific journals, we find the top ten in spending on R&D with the U.K., Germany and France on top. The first seven countries on this list combined published more scientific articles than the most prolific publisher- the U.S. These seven are followed by Poland, Finland and the Czech Republic.

No matter which table we take, the same EU countries are always on top. It can be assumed that after Brexit, Belgium will be joining the ten. (Belgium spends 2.46% of its GDP on R & D.

Looking ahead, we should not forget the so-called Digital revolution. Right now, according to Kevin Drum "the world is at the dawn of the greatest industrial revolution, this time, a Digital revolution. Its impact will be, if anything, even greater than that of the first." (Drum, 2018). This revolution is still in its pre-natal stage but it can occur within 4-5 decades. The locomotive is almost ready: the most powerful computers in the world are already as powerful as the human brain! That means a new industrial revolution by robots! Whatever nation has the strongest AI may rule the world, if it wants to. New aspects of cooperation will eventually develop, with single markets, single currency, businesses and – perhaps an end to wars or international conflicts. The future should be studied seriously, despite today's difficulties.

At the same time, more centralization and authoritarianism are likely to develop, new unemployment, fewer people in economic and political development, fewer human rights, etc. Should the EU and the UN support such developments? Various international organizations will be disappearing. "Yin and Yang will go together".

On democracy

"The Union is founded on the values of respect of dignity, freedom, democracy, equality, the rule of law and respect of human rights, including the rights of minorities." (The Treaty of the EU, 2007).

The objectives of the EU are defined as:

- Peace
- Full employment
- Sustainable development
- Solidarity
- Cultural diversity
- Cohesion
- Protection of citizens

- and, undisturbed competition on the internal markets, mentioned in a special protocol.

If the EU supports AI and digitalization, it may be working against full employment or the protection of citizens or human rights and democracy! On the other hand, AI and digitalization may favor peace, free competition, and the interests of businesses at various levels.

The development of technology and innovation can be used to promote and apply direct democracy in all societies.

All of this relates to the concept of the “sovereignty of man” and “communities of citizens,” discussed by Jean Jacques Rousseau in the 18th century (Rousseau, 1762). The sovereignty of national governments is based on the sovereignty of man (and woman, not mentioned by Rousseau). In the 19th century, Proudhon wrote that the power elected by citizens monopolizes their “general will”. It is the government that takes control of the people in whose name it governs. (Boucle, 1930). The People is always more and more distanced from its sovereignty, wrote Maurice Duverger in the 20th century (Duverger, 1967).

Going back to the French revolution, one of its most prominent democrats was Olympe de Gouges (1748-1793), the woman who wrote the Declaration of the Rights of Women and French Citizens (published in 1791). Her Declaration proclaimed the full equality of women and men, with full political rights. She originally sent that Declaration to the Queen and to the National Convention. In a separate action, she demanded the abolition of slavery in French territories.

We do not have to go back to the French revolution and its famous slogan of LIBERTE – EGALITE – FRATERNITE. Today, we have the UN Charter and the Universal Declaration of Human Rights (70 years old). We have the two Covenants of human rights with their first protective mechanisms, and we have the confirmation of human rights in tens of international legal documents, all the way to the UN Convention of the Rights of the Child (2000). There are many international commissions, councils, regional and sub-regional systems. For the international system today, lack of respect for human rights leads to war while the respect of those rights guarantees peace! Yet, the protection of human rights is not always efficient, even in the most developed democracies. (Haas, 2019)

Liberalism without democracy is not liberalism. What about direct democracy? It has existed all the way from the period of barbarity, and civilization recognizes it too. Ancient Greek city-states were run by direct democracy. A referendum in its modern form is practiced in a number of U.S. states and local communities, in Switzerland, in France and even in some parts of Kurdistan. Zbigniew Brzezinski proposed it in his study of the technetronic age (Brzezinski, 1970). He thought that the innovations in technical means of our modern times would allow direct voting by every citizen (from his/her home, office or from any place).

The EU has a form of direct democracy --the referendum-- in its basic documents, but does not use it. The conditions for requesting a referendum are rather difficult. The signatures of

one million European citizens are required, which could not be easily achieved except through some means of modern technology. The democratic deficit in the EU appears in different forms (Milovanovic, 2017).

BREXIT and other exits in the future, if they occur, show that the sovereignty of member-states at European level remains fully independent of the majority of citizens. Although some citizens proposed BREXIT, the decision of the referendum in the U.K. was not made by all citizens. In fact, today's majority is even opposed to it. This situation reinforces the trilemma: international integration – national institutions – democracy (The Economist, 2019). Dani Rodrik of the Kennedy Harvard School is quoted as calling this problem of the world economy as inescapable. A nation cannot have its international integration, functioning national institutions and democracy fully at the same time. Two of those are possible, three are not.

On the other hand, Paolo Montegazza, in his novel about the future, predicted a European Union (with its capital in Rome), the member states and the local communities all run smoothly by the “cosmopolitical citizens”. (The Economist, 2019). How and when will EU citizens become cosmopolitical?

Mantegazza and those who wrote the Lisbon Treaty may have been too optimistic. They all believed in higher living standards based on modern technologies, in democratic institutions at all levels, in peace and a continuous economic development. They all believed in better educated European citizens as well. Still, the EU should be able to build a better future for all.

At this point, European citizens can lose their European citizenship by decisions of their states and of the EU. Rousseau's Social Compact, however, calls for all major decisions to be made by all citizens because individually and collectively they are all sovereign (Rousseau 1762). Only those who have a second European citizenship through another country may remain EU citizens. (There are reports that some 200.000 British citizens have applied for Irish citizenship). All 73 U.K. members of the European Parliament will lose their position and their immunity. (This will also change the balance of political forces in that Parliament). Should the British member of the European Court of Justice also lose his position? Banks and other businesses will have to leave Britain and move to Europe. The European students in Britain and British students in Europe will have to pay higher tuition and lose other benefits. European scientific establishments will have losses too. The list of ramifications is enormous.

What can be done?

1. The EU should become a state, most likely a federation with its own Constitution (Guy Verhofstadt, 2017).
2. Based on the theory of people's sovereignty, European states whose citizens all express the wish to join the EU should be accepted. Those nations which are already EU members will automatically remain members.
3. The new Constitution should correspond to states' and citizens' desires. The citizens are sovereign.

4. The Constitution should be liberal and democratic.
5. Laws at all levels --European, member states' and local communities'—should be made through democratic means consistent with the theory of people's sovereignty.
6. There will be, as today, a single market. There will also be a common currency and common economic policies.
7. Citizens' participation should be guaranteed at all levels.
8. Direct democracy should be applied, based on the principle of one citizen- one vote to reach the highest level of democratic development.
9. The citizens should have a broad technological and political education in order to be able to participate meaningfully in government.
10. The cost of the digital revolution, if it happens, will be shared by all EU Institutions, the businesses which benefit, and all citizens.

These are only a few ideas which will have to be further studied (R & D) within the EU. As needed, the EU will have further consultations and agreements with its international partners. *Civitas viri, feminae et liberi sunt, non moenia!* (The State is the men, women and children, not the city walls.)

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Innovating the Role of Honorary Consul In The Era Of Regionalization And Globalization

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Abstract

In the last three decades Governments and Ministries of Foreign Affairs of the Southeastern European countries follow the global trend to make use of the instrument – Honorary Consul as an added value, and quality and complementary enhancement of their existing network of professional diplomatic and consular posts. The terms honorary consul and consulate headed by an honorary consul are often used and represent integral and recognized part of the bilateral diplomatic and consular representation in the international relations. However, there still seems to be a great ‘gap’ in the understanding of the significance of the instrument of honorary consul, which is likely a result of unjustified underestimation and evident deficiency of a focused research on the topic. In the 21st century, the sophisticated network of honorary consuls gains a new quality role in the global processes of transformation of the international relations, alongside with the emphasized transformation of ‘traditional’ diplomacy. Honorary consuls are more often seen as a uniquely innovative and creative ‘tool’ for economic, trade, investment, cultural and scientific promotion of the countries. This research paper offers focused clarifications related to the complex process for identifying the objective need for opening a consulate headed by an honorary consul, selection criteria, role and responsibilities, expected functions and services of the honorary consul, and unique S.W.O.T. analysis with a contemporary review on the specific importance of this institution in the contemporary era of regionalization and globalization.

Keywords: *Honorary consul; VCCCR – Vienna Convention on Consular Relations; Transformation of diplomacy; Consular diplomacy.*

Introduction

The institutions honorary consul and consulate headed by an honorary consul is legitimately recognized and defined in the international law through the VCCR – Vienna Convention on Consular Relations of 1963, which provides a codified legal ground and general framework of consular relations between states, i.e. of consular service. Article 1, paragraph 2 stipulates two categories of consular officers, namely career consular officers and honorary consular officers. Chapter III of this Convention defines in details general provisions relating to facilities, privileges and immunities applicable to consular posts headed by honorary consuls “Regime Relating to Honorary Consular Officers and Consular Posts Headed by such Officers”.

It is quite evident that in the last three decades, mainly governments and ministries of foreign affairs (MFA) are following a global trend to make use of the instrument of honorary consul, as a quality and complementary enhancement of their existing network of professional diplomatic-consular posts.

Transformation of diplomacy and the innovative role of consular diplomacy

Accelerated globalization and regionalization in the world along with the impressive growth of the information and communication technology are imposing an inevitable transformation in international relations, in particular a transformation of the ‘old fashioned’ or traditional academic and practical understanding of diplomacy and consular service. Along with the processes of globalization and regionalization, it becomes obvious that growing economic opportunities for a bilateral cooperation are no longer concentrated in the states’ capitals – where Embassies are traditionally located. Certain regions, particularly developed parts of state territories, separate localities or city centers, emerge as areas of priority interest for establishing a direct diplomatic-consular representation. The latter is of exceptional importance for an efficient and economic model for developing bilateral economy cooperation in both directions. Moreover, vivid changes in the international relations require further modernization, decentralization, de-monopolization and democratization of diplomacy.

The significant changes in the world scene which followed the fall of the ‘bipolar world’ and the shifting into a ‘multipolar’ one, created conditions for inevitable transformation of traditional diplomacy and growing prevalence of the innovative concept termed ‘consular diplomacy’. Consular diplomacy can be defined as the diplomacy conducted via consulates and consular representatives, focused on classical activities, citizen and corporate services, representation, and issues of trade, tourism and investment promotion between countries, regions and localities. In the 21st century it is quite evident that bilateral diplomacy is increasingly engaged in the ‘low-politics arena’, or the issues of economy, trade, investments,

tourism, cultural and scientific cooperation...while 'high-politics', or burning high profile political issues are concentrating at the top ministers level, prime ministers and presidents. A coalition of social forces consisting of parliaments, non-governmental organizations (NGOs), civil society, media and public opinion – has managed to catapult consular affairs to the forefront of today's MFA's concerns, showing greater interests to meet the demands of citizens. In contemporary democracies, MFAs must accept that citizens are no longer merely spectators. They increasingly behave like customers and demand a quality product from their governments.

“Creativity” required in the process of opening a new consulate headed by honorary consul

The procedure for opening a consulate headed by an honorary consul starts with a recommendation from the head of mission (HOM - Ambassador). Recommendations include a number of details based on a demonstrable, unmet need for consular, trade and/or other program services in a location within a mission's area of accreditation:

- number of citizens (nationals of the appointing country) residing or visiting the area
- estimated frequency and nature of consular assistance and services required
- intensity and extent of bilateral trade and investment
- intensity and extent of political, cultural, scientific and other interest/exchanges between the appointing country and the area
- challenges that prevent the supervising mission (the relevant embassy) from providing services in the area (i.e. distance, language, communications, accessibility or resources)
- unfamiliarity with local situation (new emerging country or region that requires reliable local expertise and knowledge)

Roles and responsibilities of the honorary consul, or the basic functions expected, may include:

- consular assistance and advocacy
- development of commercial and economic relations
- passport, citizenship, and notarial services
- support for the supervising mission in maintaining bilateral relations
- a local contact point for the supervising mission
- administrative and logistical support for official visits
- representation at diplomatic, ceremonial and public affairs and events...

It is quite evident in practice that functions will vary depending on the location, specifics and priorities. Supervising missions will determine that content of the honorary consul function and confirm it in annual tasking letters. Under the authority of the head of mission (HOM), the supervising mission holds ultimate authority for all actions undertaken by the honorary consul and identifies ongoing or changing needs through the – mission planning and reporting process.

The head of mission (HOM) consequently has the responsibility and authority to select and finally recommend an individual to be nominated for appointment as honorary consul. The following are important considerations when identifying suitable candidates:

- successful leaders from the academic spheres, business, entrepreneurs, legal experts, culture, arts, sports, and others
- independent means
- solid reputation of good standing in the local community
- good relations and easy access to local government authorities
- a valid reliability status
- number of years resident in the community
- capacity for service in the language of the appointing country
- good judgment
- a tangible connection to the appointing country
- availability of a suitable location for consular premises
- in general – nonpartisan capacity to maintain efficient network of relations and communications with all levels of governmental authorities, local municipalities, business community, civil associations, NGO's and media

Honorary consul: a S.W.O.T. analysis

The S.W.O.T. analysis that follows is a direct result of an extensive and purposely focused research related to the topic of this paper, as well as direct personal experience of the author from the real practice in his active engagement as an honorary consul.

Strenghts

- Legitimate institution with codified 'frame' in the International Law
- Highly 'economical'
- Exceptionally efficient and cost-effective option for widespread diplomatic-consular representation
- Created extensive network of contacts
- Excellent knowledge of the business climate, the language, the customs and the culture of the 'host' state
- Important 'tool' for public diplomacy
- Instantly operational and functional
- Long-term service and effects
- No bureaucratic manners and practices
- Possibility for appointing several consuls for the same territory
- Creatively tailored work program to fit the honorary consul and in accordance with current priorities and requirements
- Fast and easy dismissal, i.e. termination of the mandate without any commitments

The Vienna Convention on Consular Relations of 1963 and particularly Chapter III – “Regime Relating to Honorary Consular Officers and Consular Posts Headed by such Officers”, stipulates the optional character of the institution of honorary consul. Article 68 reads ‘Each State is free to decide whether it will appoint or receive honorary consular officers’, but once the State decides to use this instrument in its diplomatic-consular relations, it is then obliged to comply with all the Convention’s provisions and regulations on Honorary Consuls.

Generally, in the organizational mechanism,, the honorary consul is under direct authority of accredited diplomatic mission – an embassy or consulate general in the receiving state and this diplomatic mission delegates the scope of honorary consular officer’s functions and activities.

Customarily, the honorary consul is a citizen of the receiving state and is not part of the professional diplomatic-consular corps of the sending state. This is exactly why he/she is not burdened with bureaucratic restrictions, procedures and practices. He/she is most commonly successful and prominent person in his/her community, financially independent and experienced in his/her main profession – business, finances, tourism, culture, sciences, sport, art etc. The honorary consul performs this prestigious function practically ‘at no cost’ for the sending state, being financed from his/her own resources (personal or corporate). Most often the official office of the consulate is located in the corporate premises or private property of the honorary consul and it is the honorary consul who provides the necessary communication equipment, logistic support, and vehicles. The honorary consul lives and

works in the host country and logically, perfectly understands and speaks the official language/s of the host country and local dialects. Therefore, he/she does not start from the very beginning, but is accustomed to local specifics, traditions, and temperament. He/she has already well established network of personal contacts and individual authority in the country. This objectively enables affirmative influence in the public, economic, political, cultural and civilian life in the receiving state.

The institution honorary consul in the 21st century, inevitably imposes itself as one of the most useful 'tools' of the public diplomacy. In order to reach its goals, it is necessary to understand that public diplomacy of a state is not a simple one-way flow of information that influence its public interest and reputation abroad. The success for positive perception of the values and ideas of one state is rather a 'two-way street' and directly depends on the comprehension of these ideas, culture and tradition of a country where the mechanisms of public diplomacy function.

The function of honorary consul can be an advantage for long period of 'service' with continuous and long-term effects. Namely, a carefully selected honorary consul, whose functioning is effective and highly motivated, can be re-appointed for multiple mandates. On the other hand, in case of incompetency, inappropriate conduct, or lack of effects from his/her performance, the simple and easy revocation and termination of the mandate without any obligations and liability of the sending state can also be treated as an advantage.

Weaknesses

- Unawareness of the internationally codified legislation (immunities and privileges of the honorary consuls and consulates headed by them)
- It is not a principal activity, but a supplementary or secondary one
- Lack of education and training in diplomatic-consular affairs
- Lack of clearly defined standards
- Substantial discrepancy and inconsistency in the quality of services provided
- Reliance on the personal willingness and motivation of the honorary consul
- Aversion for acceptance of hierarchical subordination
- Unclearly defined professional accountability
- Inadequate perception of the role of honorary consuls by carrier diplomats and consuls (competition vs. compatibility)
- Lack of contemporary strategy for growth of the network in Foreign Affairs Departments

Generally looking, there is still a large 'gap' in the proper understanding of the essential meaning of the instrument of honorary consul in the contemporary conditions. This is a direct

result of the evident lack of a focused research, and professional literature on this specific diplomatic-consular institution. There is evident lack of awareness and proper understanding of the long existing international legal framework such as the Vienna Convention on Consular Relations defining the function, immunities and privileges. A significant amount of indifference and unawareness of this Convention exists even with the most of already appointed honorary consuls, which inevitably contributes to an unclear and confusing perception created in the public about their true role. The same also applies to career diplomats, consuls and different administrative levels with the ministries of foreign affairs, who continue to ignore the significance of this instrument or unjustifiably consider it as their competition.

This perhaps draws its logic from the fact that the function of honorary consul is not a primary one as a professional engagement, but added activity or 'part-time' voluntary service. This reality proves that the persons being discussed here are individuals, experts in their own profession, without relevant education and training in diplomatic-consular affairs. In this context, the study points at a great individualism and apparent diversity which inevitably creates the impossibility for standardization or larger uniformity in the content and the quality of this service, which in a great extent depends on the individual capacity, motivation and dedication of the honorary consul.

The fact that honorary consuls are most often prominent individuals, of independent means, with an already affirmed professional authority as business persons, managers, bankers, university professors, or others sometimes might result in an 'ego' problem with recognition and subordination to the hierarchical structure in performing this honorary function. They might be 'naturally' reluctant to disciplined compliance with the bureaucratic rules, diplomatic-consular procedures and directives from the supervising accredited diplomatic-consular mission and the head of mission - ambassador from the sending state.

Opportunities

- Globalization, regionalization
- Transformation of diplomacy
- Economic crisis
- Trend for 'outsourcing' and state-private partnership
- Realization of personal need for positive contribution with voluntary engagement

In the highly globalized world of the 21st century, there is an evident and growing trend towards using the potentials of diplomatic-consular services focused on economic issues, along with traditional activities. Expedited globalization of the world economy causes dramatic changes on the international scene. The world has become a 'global market' where businesses,

investments and tourism are gaining significance. The growing trend comes somewhat in contrast to traditional diplomacy, which is dedicated to political and military matters.

It is more than obvious that in the new millennium, regardless of extensive development of information-communication technology, the physical presence of diplomatic-consular missions remain of crucial significance. This is exactly where the role of honorary consuls imposes itself as an efficient, flexible and most cost-efficient model for an internationally wide representation of the interests of states. Being citizens and residents in their domicile country, authorized to represent and promote values and interests of another country, honorary consuls receive support from both governments. Providing that they have been carefully selected, they can wisely bypass protocol limitations and even affirm themselves as more efficient than career diplomats (Melissen & Fernandez, 2011, p. 67).

The inevitable transformation of traditional diplomatic and consular affairs results in a 'renaissance' of the institution of honorary consul. Certainly, professional embassies and consulates continue to keep their dominant role in bilateral diplomacy, but honorary consuls as a complementary or added value instrument, have the capacity to be extremely efficient and utterly economical in the longer term.

The usual calls to budget restrictions on one hand, and the evident need for reevaluation and relocation of priorities on the other hand, imposed as a dominant trend for the international policies of all states in the first decade of the 21st century. This trend encourages the ministries of foreign affairs to search for alternative and more creative solutions which will offer optimal dispersed physical presence with diplomatic-consular representation in the parts of the world of their interest. One of these optimal solutions is certainly a well-organized inclusion of a wide network of small consular posts headed by honorary consuls. In the era of decentralization and 'privatization' of diplomacy, which involves inclusion of new actors from the non-governmental sector, the consulates headed by honorary consuls have proved to be an excellent and innovative model for 'public-private partnership'.

Threats

- Possible profanation, degradation and discredit of the institution of honorary consul
- Primary abuse of the status and the position for personal interests

The actual 'renaissance' or increased level of innovative use of the instrument of honorary consuls, at the same time presents an evident threat for its possible profanation, degradation and discrediting. This is mainly result of two factors:

Firstly, since the functioning of honorary consuls is not funded from national budgets and practically is a 'costless' service for the tax-payers from the sending state, the ministries of foreign affairs may not engage seriously in developing, organizing and constantly upgrading

sophisticated network of honorary consuls' posts. Their 'superficial' priority is just to concentrate on quantity i.e. increasing of the number and locations of these small consular posts. Consequently, candidates are being nominated without implementation of basic criteria for their quality selection, or ones they are nominated, MFA's and responsible embassies tend to leave them on their own. This 'quantity approach' is inevitably creating a public image of honorary consuls as a needless pro-forma title.

Secondly, the tremendous transformation processes of the political and economy systems within the countries of Southeastern Europe that took place in the past three decades produced a large number of newly fashioned rich businessmen and entrepreneurs. Reaching their high financial independence and some authority in their societies mainly based on financial power, they are looking for different ways to obtain for themselves a visible social status. Honorary consul's title often seems to be the easiest and fastest model for joining in the attractive diplomatic-consular corps. This type of potential candidates, in fact, directly offer themselves for this function unselectively 'hunting' for any state that would eventually accept to nominate them. The trend to literally 'purchase' the position is inevitable resulting in producing a profile of honorary consuls who have no real idea about the creative and innovative significance of this institution as a 21st century tremendously important, efficient and complementary 'tool' to the existing bilateral diplomatic-consular career service network.

As an illustration, my research on this subject, based on extensive number of interviews with honorary consuls nominated primarily in South-East Europe countries, points out to a rather astonishing and embarrassing results that more than 70% of the interviewees have not heard of the Vienna Convention on Consular Relations and Chapter III – "Regime Relating to Honorary Consular Officers and Consular Posts Headed by Such Officers".

Conclusion

Considering the indisputably high potentials, capabilities and unique cost-effectiveness of the institution of honorary consul, this paper suggests that an honorary consuls' program would be especially relevant to 'Small States'.

In formulating their international policy strategies and priorities, small states continuously try to find the most efficient model that balances objectively limiting factors and resources with national interests. In this respect, their diplomacy and their diplomatic-consular network of representation need to be creative, innovative, flexible and proactive. Such diplomatic models can create representational capacities for small states to influence and enrich bilateral relations towards their interests. Honorary consuls have proven capacity to present, promote and facilitate the possibilities for business cooperation, export and foreign investments; to add value and to expand the efficiency of the existing career diplomatic-consular posts; directly and competently to assist and support the rights and interests of individuals, corporate and

other organizations from the sending state; to provide precious contacts with the commercial, cultural, academic, administrative, political and media associations in the host State. In an age of increased virtual presence through the internet, honorary consuls remain a beacon for a 'face-to-face getting business done' approach in a very cost-effective manner.

This paper recommends that the Ministry of foreign affairs in the Government of the Republic of North Macedonia implement creative and innovative approach in permanent re-evaluation, re-prioritization, repositioning and reshaping of the existing network of diplomatic and consular missions in bilateral relations. Undoubtedly, the institution of honorary consul is "tailor-made" concept for a 'small' country like the Republic of North Macedonia as it offers an exceptionally efficient and cost-effective (highly economical) option for extensive diplomatic-consular representation in all countries of particular interest.

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Impact analysis of expanding administrative legal protection in Republic of North Macedonia

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Abstract

The implementation of the principles of good governance requires a platform consisting of four components: a) system of administrative procedures that completely regulates the processes of adoption of the administrative acts; b) a clearly structured organization of the public administration and its authorities in all administrative areas and territorial levels; c) professional, competent and independent staff; and d) system of effective judicial control. Each component is equally significant to establish an appropriate administrative process. A good system of administrative procedure protects the rights of citizens and encourages their participation. It avoids unnecessarily complex, formalistic and lengthy processes and improves the transparency and accountability of the administration. In the same time, it reduces the costs of citizens and government expenditures.

General administrative procedure addresses these issues in communication between public authorities, citizens and businesses. Several shortcomings and challenges were addressed in 2015 in Macedonia through new legislation (complicated economic activities, large administrative costs and costs for the business sector, slower economic development of the country, slower legal transactions and a porous legal protection system). But despite the expected direct and indirect impacts (as a result of change in a system law), one must foresee obvious risks in its implementation related to harmonization of the legal framework, inadequate capacities of the public sector and public service providers to apply the set standards consistently as well as insufficient material and financial resources to respect the obligations for inter-institutional electronic communication.

Using qualitative data analysis via in desk research of official records, legislation and existing scholarship, the paper addresses the novelties in GAP in relation to expected and actual impacts on stakeholders as well as risks related to implementation stemming from objective obstacles hindering public administration responsiveness in a modern democratic society. In order to assess those impacts, the paper analysis the documented data and data extracted from reliable surveys concerning citizens' satisfaction of public services delivery and chances for legal protection.

Keywords: *General administrative procedure; Standard; Service; Administrative legal protection; Impact analysis.*

Introduction

The administrative practice often is a subject to criticism and because of that - under permanent modifications aimed to reform its functionality. In that reform processes, when it comes to the delivery of the public services, in recent years, many countries world-wide favour a customer-focused approach. The supporters of this tendencies are considering the citizens as customers that have right to expect an improved level of services and in the same time a remedy if the service does not satisfy the accepted or the expected standard (Leyland and Anthony, 2009). Moreover, the successive public reforms in different areas transformed the role of a presumed notion of an administrative state through series of policies, providing marked orientated solutions to address the endemic problems of administrative bureaucracy and inefficiency. Those initiatives fundamentally revised ideas and expectations (Austin, 2007).

The notion of the European Administrative space has frequently been associated with a growing number of European administrative standards. There are serious efforts to ensure effective implementation of the right to good administration and boost the administrative simplification and in that line are the attempts for the convergence of the administrative procedures (Kopric, Kovac, Dulabic & Dzinic, 2016). The contemporary administrative standards were not included in a previous legal framework tackling the general administrative procedure in the Republic of Macedonia. The legal frame did not recognize modern types of administrative activities and did not provide full legal protection. The solutions contained frivolous, complex, lengthy and costly procedures. The modes of e-communication and modern ICT tools were not legally recognized as official means for communication and the formalities of the procedures without taking into account the results of the decision-making process were more than common. The legal frame was burdened with the details regulating the aspects that could be better regulated through other legal means such as by-laws or other internal rules.

In addressing the extended needs that a democratic state is facing the new Law for the general administrative procedure was introduced (*LGAP, 2015*) with the aim to provide the solutions for the detected problems. The new law provides sufficient legal protection but in the same, it is extensive modus for regulating the administrative procedure. The paper addresses the novelties in general administrative procedure in the Republic of Macedonia in relation to the expected and actual impacts on the stakeholders as well as risks related to implementation stemming from objective obstacles hindering public administration responsiveness in a modern democratic society. In order to access those impacts, the paper sets a theoretical framework in relation to the concepts of modern administrative state, and upon it performs a qualitative desk research - analysis of the documented data and data extracted from reliable commenced surveys that are tackling the citizens' satisfaction of public services delivery and chances for legal protection. Under that methodology, the paper accesses the benefits and shortcomings of the new legislative framework and gives the conclusions and recommen-

dations aimed to support the incorporation of modern administrative trends toward better public services and comprehensive legal protection of the citizens.

Theoretical framework

Citizens' (customers) expectations in a modern administrative state

The boundaries of the state that were defined 25 years ago have been modified and now the public law is applied in respect to the shrunken concept of the public as opposed to the private sphere of social life (Holliday, 2000). Although the borders of the state can never be precisely predetermined since the margins of governmental; non-governmental institutions and definition of powers are constantly shifting, (Foucault, 1980), there is inextricable nature between the administrative and constitutional law and that depends on the context within which the administrative law operates because it reveals its connection with the dominate daily policy issues (Hutton, 2002). In particular, it is not important only to understand the origin and evolution, but also the nature and utility of many central concepts of modern administrative law as well the connected challenges and undertaken changes to meet new social pressure and concerns. In addition, there is no neutral space with which the law operates since it is always contextualized by the political, economic and social environment within which it has originated and in which it gives its meaning and purpose (Leyland & Anthony, 2009).

Administrative law is an area of law that is concerned with the control of the government powers. Administrative law frames the decision – making on the basis of those powers whether is the central, local or devolved government. It is embodying the general principles that can be applied to the exercises of powers and duties of the authorities - meaning putting their functions under the standards of legality and fairness. This should ensure the respect of the rule of law, accountability, transparency, and effectiveness in an exercise of the powers in the public domain. Administrative law is primarily concerned with the mechanisms and remedies available to citizens when confronted with the potential excess or abuse of power. It is essentially bounded by what governments does and how public administration directly or through the agency of private companies exercise these powers and fulfil variety of duties – such as application of the principles by the state institutions and by the other public bodies that are responsible for delivering and/ or overseeing the delivery of services booth on national and local level (Leyland & Anthony, 2009).

One of the more prominent approaches in the administrative sphere is the concept of new public management as a special way for managing public administration in order to meet modern challenges. The concept was conceived in the mid-1970s and developed in the 1990s and was primarily introduced in English speaking countries whereas the latter spread with a lot of variations in many transition democracies (among them within the Macedonian administration). In essence, this approach concerns that the public administration should be

run upon the business-oriented approach. This approach tends to minimize the distinction between the public and the private administration thinking that any administration should be run according to the same managerial principles and values. This system is prone to reforms that are meant to address the “broken” public administration (seen as ineffective and inefficient). The new management should ensure that public administration is market driven, and in that frame, the citizens (clients in the traditional managerial aspect) are seen as customers to whom the government should be responsive. The government should guarantee that goods and services are provided, but that doesn’t mean that the government or public administration should produce them, i.e. the government can rely on the third parties to deliver their services. Overall, the idea is to change the public administration culture in order to be flexible, innovative, problem-solving and entrepreneurial (as opposite to rule-bound, process-oriented and focus on inputs rather than results) (Rosenbloom, Kravchuk, & Kravchuck, 2005).

This new, reformed administration insist on customer satisfaction, that is measured using surveys, focus groups etc. and towards them, the administrative behaviour and operations should be adjusted to meet the customer needs. Similar what markets do – putting the customer first (Rosenbloom, Kravchuk, & Kravchuck, 2005).

Standards for good public administration

There is extensive scholarship arguing in favour of setting high-performance standards for public services and upon them, the quality of the service to be expected, ranging from New Public Management in UK since the 1970s, the New Steering Model promoted in Germany in the mid 1980s to the rising concept of Neo Weberian State as proposed by Christopher Pollit and Geert Bouckaert in 2004 (Manojlovic, 2009) Each proposing a different strategy how to design the public sector and position the role of the state. NPM promoting efficiency, effectiveness and economics as underlying principles how administrative organizations should operate, firmly arguing that public sector institutions odd to mimic managerial intuitiveness of the private sector. On the other hand neo Weberian state promotes the idea that European administrative models must encompass a multitiered institutional system, devolving certain functions of the state to supranational institutions (public in a sense), core services must be provided by state actors (also public) and private actors may be allowed to provide public services under strict rules undergoing the same oversight as any other state or supranational actor while all actors collaborate in an inclusive policy making process (Randma-Liiv, 2008/2009). In addition - the administration should constantly strive to achieve or to improve the set standards. Among those standards are the principles of good administration - set of positive values and principles that relate to the practical tasks of policy implementation in many different contexts and need to be generally applied. Such standards are clearly set by many international or regional organizations with the reform tendencies as guidelines for administration change (see for example Principles for Public Administration, SIGMA, 2014).

Still, in essence a good administration should act in accordance to law with the due regard of the rights of those concerned, providing effective service, using trained and competent staff, bringing reasonable decisions based on all relevant considerations. Additionally, good administration needs to be a customer-focused – ensuring that people are accessing the services easily, they are informed about the standards and can expect them. Dealing with people should be in a helpful manner, promptly and responsive to the customer needs - including where is appropriate providing a coordinate response together with the other service provider. This is involving openness and accountability, acting fairly and proportionately (threatening people impartially with respect and courtesy, without any discrimination or prejudice, objectively and consistently), acknowledging mistakes and apologizing if appropriate, offering a fair and appropriate remedy and effective compliance procedure. The public administration should strive for continuous improvement of service and performance in the sense of reviewing policies and procedures regularly to ensure that they are effective (Principles of Good Administration, 2009)

Failure to reach those or similar standards might constitute maladministration and raises the possibility for the remedial action that should be available to tackle the inadequate service or injustice as a consequence. In that respect, the maladministration does not only mean acting beyond powers or authority, or committing a serious procedural error (such as ignoring statutory rules of procedure for example time limits, adequate notice, consultation) but as well ignoring the rules of the natural justice and fairness. Furthermore, the maladministration can be bias, neglect, inattention; delay, incompetence, ineptitude, arbitrariness, rudeness, unwillingness to treat the complainant as a person with rights, refuse to answer responsible questions; neglect to inform the complainant on requests on his/ her rights or entitlement; knowingly giving misleading or inadequate advice; ignoring valid advice; offering no redress; omission faulty procedures; failure to manage or monitor according to the procedure and so on (Leyland & Anthony, 2009).

In general, maladministration is meaning injustice, a hardship which should not have arisen, something wider than legally repressible damage that can cause anger and frustration. Maladministration encompasses the administration shortcomings, poor administration or wrong application of the rules (Leyland & Anthony, 2009).

Changes in Macedonian legislation/ new general administrative procedure

The general administrative procedure is applied in respect to issues related to public authorities, citizens, and businesses. Several shortcomings and challenges of the previous legislation related to the general administrative procedure (complicated economic activities, large administrative costs and costs for the business sector, long legal transactions, porous legal protection system and slow economic development) were addressed in 2015 in R. Macedonia with a new legislation on general administrative procedure (entered into force in 2016).

The previous Law on General Administrative Procedure (*LGAP 38/2005, 110/2008, 118/2008, 51/2011*) was designed to be an extensive and widely applicable law. However, in practice, its application was derogated within a number of special laws. The law was based on long tradition (dating from the Austrian Administrative Procedure Act of 1925) that was providing firmness, but on the other hand, the law in essence was outdated and its amendments were only superficial solutions that did not correspond to the needs of the modern democratic state and quests for citizen-oriented administration. The administrative procedures upon it were complicated and durable and their exaggerated formalism complicated the economic activities and made it difficult for the citizens to protect their rights. Long and ineffective administrative procedures caused large administrative costs to the state budget, as well as high costs for the business sector. These practices deterred investment and slowed the country economic development (Kopric et al., 2016).

Administrative procedure according to the LGAP (2005) and its amendments from 2008 and 2011 recognized only the activities undertaken on hard copy documents and did not recognize the other means of communication between administrative bodies and citizens, such as electronic communication. This slowed down the legal circulation and influenced the exercise of the rights of the citizens. The actual privatization of public service delivery (such as telecommunication services, electricity or water supply) was not provided with the administrative and legal protection and in that situation, the citizens and business (users of services delivered from private individuals and legal entities - public service providers) were accomplishing legal protection before civil courts with the higher costs in litigations and significantly longer procedures (*Draft Law, 2014*).

Therefore, the ideas were to modernize the system of administrative procedures that should be based on a completely new legal framework, which sought to preserve the traditional values and good sides of the LGAP (2005) but also to open new opportunities for future social and technological developments. In that respect the innovations are in the affinities for establishing administrative practice oriented towards the citizens, introducing changes in the administrative culture, as well advanced usage of the technical means for communication between the citizens and the administrative bodies. That changes supposed improve the position of democratic administration (as opposed to the traditional bureaucratic administration)- expected to deliver complex public services, apply the principles of good governance and standards reflected in administrative practice in the EU member states.

As such a new framework encompasses many innovations besides acceptance of the ICT modes for official communication such as “single access point” (contact through one person or counter), a management agreement, “administrative assistance” (institute that is envisaging the non-bureaucratic cooperation, mutual assistance and support between administrative bodies) and an effective system of administrative remedies. Moreover, in order to ensure the de-politicization of the administrative procedure and to increase the professionalism of the public sector each public authority need to have an organizational unit (or an authorized

person), that will provide guidance to the ones they needed. Following that endeavours, the new LGAP tends to provide efficient, simpler and faster administrative procedures, thus reducing administrative costs.

Impact analysis/ challenges in the implementation of new LGAP

The newly introduced Law (*LGAP, 2015*) affects many legal subjects such as ministries; other state administrative bodies; independent bodies of the state administration; bodies within the ministries; municipalities that decide in administrative matters; all private individuals and legal entities that perform a public activity and ultimately the citizens and the legal entities that exercise rights and fulfil obligations. Since this is change in a systemic law, it has widespread consequences and influences, direct and indirect impacts upon the stakeholders as well upon vast number of material regulations that need to be aligned.

Despite the expected direct and indirect impacts, there were obvious risks in the implementation of the new LGAP related to harmonization of the legal framework, inadequate capacities of the public sector and public service providers to apply consistently the set standards as well as insufficient material and financial resources to respect the obligations for inter-institutional electronic communication. In the short term, negative impacts were anticipated coming from the challenges in alignment with the new legal solutions, building human, material and ICT capacities of public authorities / public service providers, or in general from the consistent implementation of the provisions of the new law. Hence, the difficulties in the application were expected because the new (more) high standards of work. Additionally, the service providers who need to act and provide legal protection in administrative proceedings may not have a real human capacity or experience to carry out extensive legal obligations. Among them, the specific problem is limited access of ICT (on the side of citizens, but as well on the side of administration), as well as insufficiently material and financial means for the modernization of ICT equipment (Shikova, Gocevski, & Jurukovski, 2018).

In order to perform a full impact assessment of the legal protection introduced with the new LGAP, there is need to access the current condition according to the previous one (before introducing the changes) and the expected one (after 5-7 years since the enforcement) in the time interval according to the set of indicators. In order to access the improvement of the administrative legal protection of the citizens the following indicators need to be taken into account: the time needed to initiate and run the procedure (how much time a party will spend in hours, minutes to initiate the procedure); number of procedures annually in all institutions and how much is the growth / reduction of the number; cost of the procedure; number of procedures conducted by electronic communication and how much is increased / decreased; monetization (expression in monetary value) of an hour's value that citizens/companies spend to initiate a procedure; reducing dependent workplace costs (if any) etc. This need to be accessed upon all involved stakeholders including citizens, companies (business sector)

as well as the state and the other society segments. In order to perform a systematic analysis, given the complexity of the impacts and the unavailability of data on the situation before the adoption of the new Law, there is a need to adjust the length of the measurements for gaining reliable results. In that task, except setting the indications the appropriate tools for gaining of the need data have to be utilized - such as observation, experiences of the individuals and legal persons who were undertaking the procedures; data from state institutions as well as economic calculations upon costs, benefits and trends (Shikova et al., 2018).

Such a detailed survey in all its complexity is not (yet) performed on a state level although there are official methodologies for measurement of the specific aspects (Methodology, MISA, 2013). This paper also takes into account the latency at which legal novelties are implemented, as only by late 2018 did appellate institutions register actual new cases where parties in administrative procedures summoned provisions from the new Law and not the previous (not out of force) version.¹ Due to the lack of the official data, this paper relies on the surveys and research performed by different think tanks and NGOs working on the sphere of public administration and good governance and summarize the general observation after the introducing of the new LGAP. If the new Law provides a higher quality of services, we may hypothesize there would be fewer appeals and fewer lawsuits against administrative decisions. One expected outcome in appellate procedures is more second instance decisions being adopted in full merit meaning that the appellate institutions would resolve cases in full thus providing a direct service to citizens and businesses.

Methodology and indicative findings

The paper represents findings deduced from qualitative data analysis, predominantly via in-desk research (Barakso, Sabet and Schafner, 2014) of available official records, legislation, relevant published reports and previous studies. Positions expressed in the paper and concepts used are drawn and referenced according to consulted scholarship.

Based on the analysis of the available (published) surveys and studies, there is an indication that there is an improvement on the level of satisfaction of performing the public services, but that is far from sufficient. The quality of the services is still not satisfactory – on central and on the local level of administration as well when the services are provided by the private or public providers. Among the most common envisaged aspects is unclearness of the procedures. As an example, if we take into the account services provided by the state and their quality (there are around 150 public services), the biggest number of the complaints of the citizens are because of the problems connected with insufficient coordination between the institu-

1 Interview: Tereza Taleska, State Commission for Decision Making in Second Instance Administrative Procedure and Labor Dispute [4.5.2019];
Effects of the Genre of Business Cases in the Business Communication Classroom in Higher Education Institutions

tions (Ombudsman report 2016). In that regard, only 18% of the citizens think that work of administration is good (Evrometar, Challenges and Changes, 2017); only 19.3% think that public administration in the Republic of Macedonia is fast in delivering its services to the citizens”, and just 21.2% agreed that the public administration delivers quality services. In using of the public administration services, as most common problems the citizens are identifying the unclearness of the procedures (13.88%); the poor quality of services 8.85%) and unprofessional/poor employee behavior (8.53%) (Challenges and Changes, 2017).

If we analyze the situation on a local level, based on the public opinion surveys - only 13% of the citizens are satisfied with the service provided in the helping manner from the persons in charged and the vast majority (more the 70%) is indifferent – potentially indicating that there is no significant change in behaviors. As for the expected efficiency of the administrative procedure – the “single access point” is realized only in 15% of the municipalities. When it comes to providing documents by the official procedure only 7% of the municipalities are providing documents by the official authorization. The same indications pointing of less improvement are noticeable when analyzing the lasting of the procedure and resolving of the cases (8% of the respondents think that is great; 19 % very well; 15% are indifferent, 35% good) (Kurcieva & Todevski, 2018).

Analyzing the surveys dealing with the perception of the quality of the services in different sectors can show that the situation is similar. For example, in the sphere of public health, more than 28% of the respondents think that services are bad (Atanasova – Toci, M., 2018); in the social sphere the average satisfaction from the institutions is around 20% (Gerovska – Mitev, M., 2018); and the satisfaction on the communal services in the average is again around 25 -30 %. As key problems related to the communal services in most of the cases are not answering the complaint; not appropriate relations with the users, high prices, termination of the service and similar (more than 30% relies on that basis) and in most of the cases (more than 40%) the problem is not solved or it is partially solved (Gocevski, 2017).

Considering the legal protection of the citizens and possibilities for realization of the administrative justice, citizens are not informed about the changes in the procedures; many cases are staying “in a drawer”; the additional documents are requested from citizens and they are not previously informed that they are needed; even when there are executive decisions for reimbursement of funds, the citizens are forced to exert pressure on the institutions for their implementation; in the pre-election cycles the public administration completely stagnates in its work; citizens do not know how to fill out the forms, and employees are not helping them (Challenges and Changes, 2017). Moreover, in less than 15% of the total number of the administrative cases, the citizens decided to demand legal protection. That can be due the fact that big number of citizens do not have information about where they can exercise their right to appeal or filed a lawsuit when they are not satisfied with the decision or the service; great number are not even informed about the existence of different commissions and bodies

that can protect their rights - nor they do believe in the existence of administrative justice (Gocevski, 2017).

There is no doubt that the system of administrative-legal protection is complex and it involves hundreds of decision-making institutions that lack mutual communication (whereas even the delivery of records can last for months). In the same time, the frequent changes in systemic and sectoral laws can introduced uncertainty in the system of administrative-legal and administrative-judicial protection (Gocevski, 2017). However, a general observation based on the analysis of the undertaken studies in separate segments, indicates that despite the tendencies for modernization the quality of the public services provided to the citizens in R. Macedonia is below the expected level and the administrative justice remains distant and difficult to reach.

Conclusion

In modern administrative state there are extended expectation for delivery of quality public services for citizens and ensure a solid legal administrative legal protection when the expectation are not met. The changes in the new legislative framework for general administrative procedure and its tendencies to be in line with modern European standards, created opportunities as well challenges. The challenges arose due to the large number of stakeholders potentially involved in the content of the legal framework that regulates the general administrative procedure, the changes in the forms of legal protection, the types of acts and actions upon which the legal protection is provided, high standards and the vast number of regulations that need to be aligned.

Analysed data gained from the reliable surveys are indicating that the provision of public services and administrative legal protection in the Republic of Macedonia have improved from the past, but there are still ongoing problems. However, only in ideal conditions, the benefits of the adopted solution can be immediately visible and significant. In order to overcome the misbalances, the employees or public service providers need to adjust the administrative behaviour to the new standards and show clear determination for providing quality services acting effectively and efficiently. To overcome the legal uncertainty, the compliance with the provisions of the Law must be ensured. Only the strict adherence to the principles of administrative procedure will provide adequate legal protection and legal certainty in general (Shikova et al., 2018).

If the involved stakeholders successfully incorporate the changes, it is expected that the efficiency and predictability of the procedures will increase. That will lead to a higher level of legal certainty, improvement of the general level of satisfaction with public service delivery, bigger trust in the institutions and ultimately will raise the potential of the society as a whole.

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Innovating the Rural: Tactics for Village Renewal in the Mariovo Region

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Abstract

Despite the evident domination of the urban and disregard of the countryside, it is precisely in rural areas that we can clearly see the various consequences, as well as the possibilities, of the underlying unequal world development. The situation in Europe today, especially in south-eastern Europe is paradoxical. On one hand, there is an enormous concentration of people, and physical and program congestion in certain urban zones. On the other hand, there is ongoing depopulation and/or intense transformation of entire areas in the countryside.

An area wherein this tendency of labour and settlement migration was most pronounced was the Mariovo region in the southern part of the Republic of Macedonia. The effect of these tendencies was complete depopulation of a number of villages, or their reduction to several elderly residents. However, the exciting natural environment and the picturesque physical structure of the man-made environment, increasingly expresses this contradiction to abandoned landscapes and uninhabited houses. Is it possible, in opposition to current waves of distress migration from rural areas, to propose some innovative scenarios for revitalization of these villages? Contrary to the existing reality, with a series of master thesis projects and architecture studio projects, we explore alternative visions of spatial, programmatic and social revitalization of individual villages. On one hand, these projects examine the inherent natural and socio-cultural potential of these villages. On the other hand, they reconcile the prospect of critical globalism as free flow of people and ideas. In this way, abandoned rural landscapes can be viewed as laboratories for dealing with extreme paradoxical tendencies in contemporary European society.

Keywords: *Village revitalization; Countryside; Depopulation; Place; Houses; Innovation; Estrangement.*

Introduction

For a long time, we have been witnessing the dominance of urban themes and ubiquity of urban conditions. The statistical evidence confirms the fact that the contemporary “Global City”, “Endless City”, “World City / New Meagogeography City”, “Information City in the Space of Flows and Space of Places”, are not just metaphors, but realistic descriptions of contemporary physical phenomena of the spatial and program agglomeration of the cities today (Sassen, 1991; Burdett & Sudjic, 2011; Beaverstoc, Smith, Taylor, 2000; Castells 2001/2002 ; Mostafavi & Doherty, 2005).

The popular representations of the planet Earth indicate that the ancient Great Wall of China is the only “man-made” artifact visible from space. But, in the night shots, we can see intense light zones on a dark background. It is the contemporary global city that produces the dominant artificial effect on the surface of the Earth (Beaverstoc, Smith, Taylor, 2000). The night image of the planet Earth in the pattern of light and dark zones, is a contemporary representation of the global city. But what lies in-between? Between the light fields and the points? There are dark areas. Today, the dark background is subject to intense transformation: spatial technological transformation as well as intense migration and depopulation zones.

The astonishing escalation of population, territories and economic possibilities of cities has displaced other areas beyond the everyday and academic interest. They have become a background of intense urban performance. But what is there in these empty spaces? What is happening to the rural areas which were once a vital basis of our societies? What is happening to the villages, which were once authentic, productive and spiritual loci of our communities?

Koolhaas(2014) considers that far too little attention is being paid to villages, where changes occur faster than in most cities. Lozanovska (2010) recognizes villages as scenes of emigration. Today, rural regions find themselves in an ambivalent position. They lie on the frontline of transformation, between intense programmatic, productive, and infrastructural layering on one hand and ever-growing depopulation and desolation of entire regions (Koolhaas 2014; Lozanovska 2009 / 2010; Lozanovska 2010).

But these areas, the countryside, the villages, still have the original force, the authentic identity, relations and history. They can still present to us the spectacles of nature, in visual, tactile, and integral sensitive sense. They still have a productive potential and of course, can be an alternative with a “human face” to the endless modern suburbs.

We started with the assumption that the way we look at rural areas needs to be renewed not only in terms of quantification of different trends, but first of all, innovation of existing opportunities in the local and the global context. Innovation is a challenge of the modern world. Its fundamental meaning refers to rethinking and a perception of an existing phenomenon in another, new way. Innovation is understood in the sense of rebuilding, something to be changed and seen in a new way, new things to be introduced in the already established practice. Kevin

Kelly points to innovation as one of the main principles of the new economy „Wealth in this new regime flows directly from innovation, not optimization, that is, wealth is not gained by perfecting the known, but by perfectly seizing the unknown (Kelly1998) “. Or, as he has further written: “In the past, an innovation’s momentum indicated significance. Now, in the network environment, where biological behavior reigns, significance precedes momentum (Kelly1998)”. Operating in the same way is also the technique referred to as “estrangement” in literature (Shklovsky,1917). Perceiving the narrative material of everyday life in another way is basic estrangement procedure. It is exactly through the estrangement procedure, understood as an innovation, that we will try to develop the thesis of revitalization of villages. Estrangement is a typical procedure in artistic literature. It consists of presentation of known things and events in an unusual way for the purpose of continuing or renewing, refreshing their aesthetic perception. Such a perception makes us rediscover things.

In this research, we wanted to propose a tactic for innovation of the physical and a program structure of the village in crisis. Contrary to the official policies and strategies for socio-economic renewal of rural areas, we consider that the form and function of the villages are still important and have the potential to develop certain aspects of rural life. The research will be developed through the referent spatial levels of the rural environment: the village, the house.

Figure 1: The village of Stavica, Mariovo, a landscape of the surroundings (Shekutkovska, 2007).



The Village:

Depopulation of rural areas causes not only physical, but also socio-cultural de-evolution of the place. The place is deprived of its authentic identity, relations and history, losing its authentic forms and ways of settlement (Auge, 1995). However, contrary to the continuity of these changes, contrary to the increased intensity of unequal development in the World, its marginal areas, i.e., rural areas are exactly those that may become places for exploring different and/or innovative methods of re-perceiving the place from the aspect of both its physical structure and complex socio-cultural configuration. Can the village become that critical place of productive conjunction of the global and the local domain? Can the village become the place of revival of domestic communities in the global context? What is the way in which the present marginalized rural environments can become examples of new spatial program entities?

Mariovo is a historic region, distinctive for its geomorphological, climatic, socio-cultural characteristics. It represents an upland surrounded by mountainous massifs cut through by the Crna Reka river canyon, spreading to a length of 100 km, being the longest in the Balkans. Mariovo covers an area of 1038 m² and is situated at an altitude of 700-1000 m. According to its geographic characteristics, in respect to Crna Reka river, Mariovo is divided into Upper and Lower Mariovo, while administratively, it is divided among Prilep (47.7%), Bitola (32%) and Kavadarci (20.3%) municipalities. In this region, 40 historic settlements have been recognized and it represents a kind of an archipelago of similar rural settlements, but also a distinctive identity. During the whole 20th century, Mariovo was subject to continuous migration. Its crisis started with new geopolitical organization after the Balkan wars and the First World War when it lost its vital natural and economic connections with the formerly unitary territory of the Balkan Peninsula. The further impact on the economic and social structure came with the processes of intensive post-war modernization and promotion of collectivization models that contributed to the fragmentation of the social and economic body of the region. So, in 1956, as a result of the industrialization process, there began mass migration of the population to closer towns and later emigration to western European countries and abroad, in Canada, USA and Australia. Finally, the post-socialist transition and deregulation of the productive and social system at the end of the 20th century, turned the entire country into an emigration zone.

Mariovo region has been experiencing the phenomenon of extreme migration, mass exodus of inhabitants from this region resulting in age differentiation of the population, the young and capable to work migrate, while the elderly people remain. Contrary to this existing reality, is it possible to explore an alternative vision of revitalization of the village?

Mariovo is an example of pronounced depopulation. According to data available (Table 1), it can be concluded that there has been mass exodus of the population. From over 12000 inhabitants in 1948 to 800 inhabitants in 2002.

Table 1: Population count in Mariovo

Year	1948	1953	1961	1971	1981	1991	1994	2002
Population	12.504	13.682	13.400	9.730	4.656	1.774	1.378	839
±%	+9.4 %	-2.1 %	-27.4%	-52.1%	-61.9%	-22.3%	-39.1%	

Source: *The data referring to the period 1948-2002 are according to official censuses/State Statistical Office of the Republic of Macedonia.*

Through the topic “Scenario for Revitalization of the Macedonian Village” realized in the period 2006-2016 within the framework of the final exams at the “Ss. Cyril and Methodius” University in Skopje, we wanted to give an answer for this situation. We proposed a series of tactics for selected villages in the Mariovo region as operational tools versus official policies and dominant socio-economic strategies for reconstruction of the village (Bandevska, 2007; Shekutkovska, 2007).

We have chosen Shtavica village, at the doorstep of Mariovo region, which is still in the controversial state between abandoning and remaining.

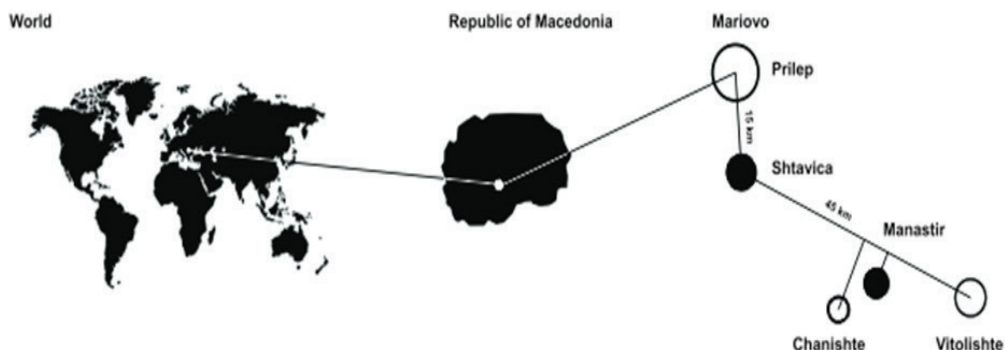
It is situated on the southeast side of Prilep Plain, at a distance of 15 km from Prilep (fig.1). Shtavica is on the boundary of the geographic Mariovo entity and is considered a kind of a gate leading to Mariovo. It is situated at an altitude of 800 m. According to available official data in 1961 (Table 2), it had 494 inhabitants, while in 2002, it had 87 inhabitants. The data clearly point out the tendencies of stagnation, depression and depopulation that are common for the entire Mariovo region.

Table 2: Population count in Shtavica

Year	1900	1905	1948	1953	1961	1971	1981	1991	1994	2002
Population	322	360	444	493	494	413	264	127	107	84

Source: *Data referring to the period 1948-2002 are according to official censuses/State Statistical Office of the Republic of Macedonia.*

Figure 2: The world / Mariovo region, the segment of Prilep municipality.



From spatial, morphological aspect, the village represents a loose aggregation of built units, elementary, rudimentary houses, distributed around irregular ring streets with an array of wide and narrow spaces, which seem like beads on string, a “beady ring” pattern (Hillier & Hanson, 1984). The specific form of the village arises not from conscious design, but from the accumulative process of small-scale decisions taken over time.

In the film “Before the Rain” (Manchevski, 1994), this village is the background of the paradoxical merge of global and local forces. The main character stands in front of his own, almost completely ruined house in which he wants to return, as a metaphor of the character’s own identity (fig.2).

Figure 3: Aleksandar (Rade Šerbedžija), in front of his own ruined house in the Manchevski film *Before the Rain* (1994).



The House

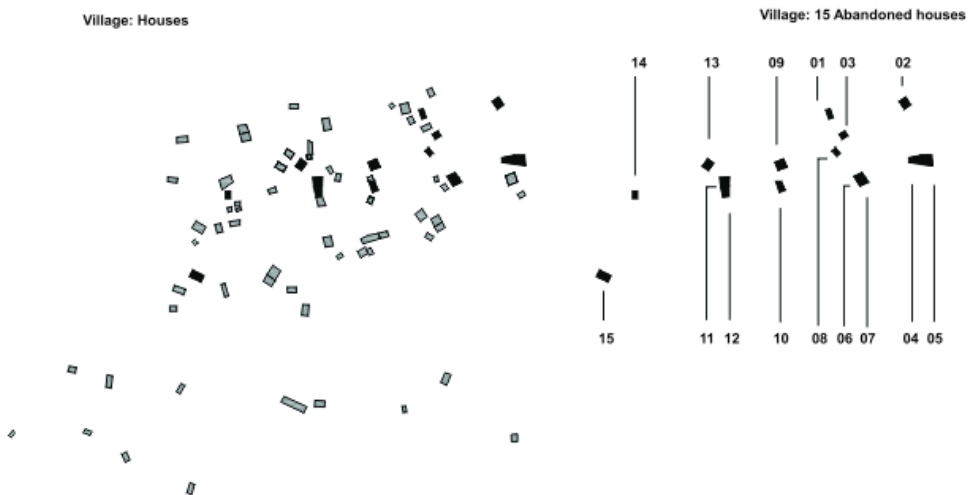
The subject of research is the physical structure of the village. In that sense, we explored the potential of the physical structure of the village at the level of the house, as well as the possibility of its program upgrade. Thus, the analysis of the house will take place from two subsequent aspects, at the level of the physical structure and at the level of the program, and the form and the function.

Form

At the level of the physical structure of the village, through analysis of the constructed structures and inventory and selection of houses in relation to the building conditions, we selected abandoned houses in different phases of destruction (fig.4). Thus, despite their critical physical conditions, we perceived the selected houses and their lots as particular places and opportunities for potential future development of the village. We proposed their reconstruction, not in historical terms, but through a new morphological and symbolic re-contextualization. We wanted to see the houses in a new, way, through the estrangement procedure of their usual everyday performances. In this way, they will be different from their previous image and, at the village level, they will become new landmarks, monuments of the village landscape. They mark the restoration of the village in a physical sense, but at the same time, they give the opportunity for a new program upgrade.

Starting with the “archaeology” of the village, with the traces and ruins of former houses, we provided a proposal for their renewal, reconstruction with authentic material with identical volume m^3 and area m^2 , but with different and unique geometrical shape. The renovated houses should be clearly different from the context. They should be displaced from the usual context, namely, they should be “high” houses, “slender” houses, “vertical” houses, “deformed” houses, “poetical” houses. Houses that disclose the sensation of life, to be perceived not in the way they are known, but in the way they occur. Let us make them “unfamiliar”, let us make them heavy, let us increase the weight and the duration of perception, as Shklovsky wrote (1917), let us incorporate an intrigue in the usual order of things in a way similar to the estrangement procedure in literature (fig.5).

Figure 4: Shtavica village as aggregation of houses. Selection of abandoned, ruined houses; Typology of the abandoned houses, Shtavica village (Bandevska, 2007).



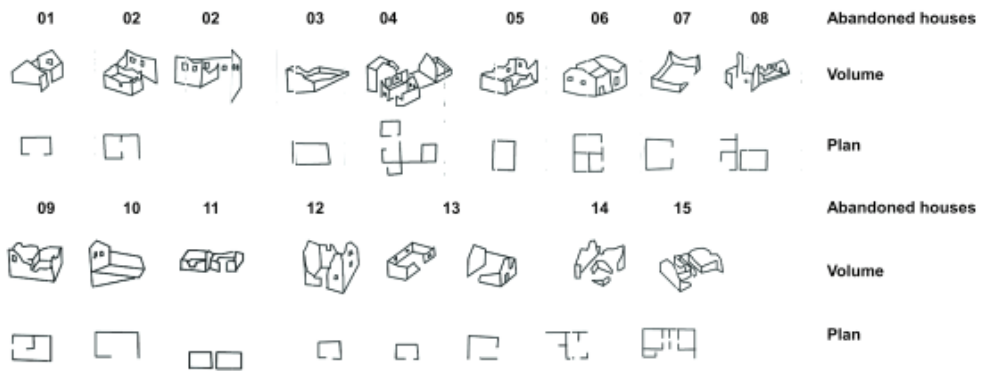
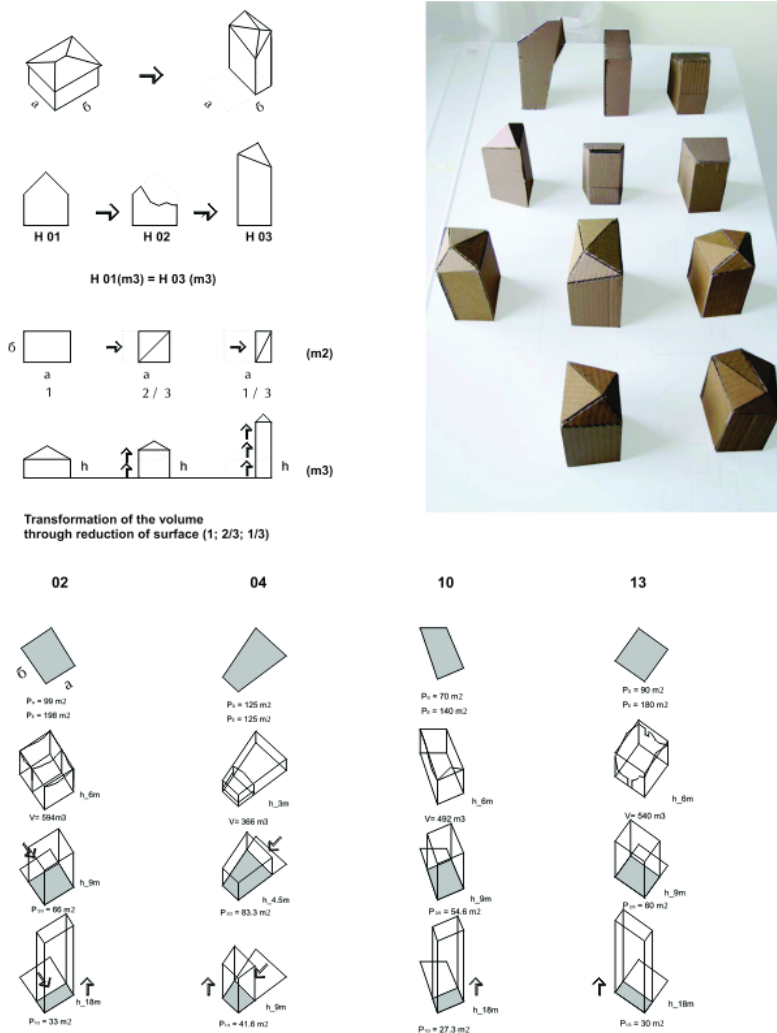


Figure 5: Estrangement procedure as a process of transforming the existing abandoned houses, as a new concrete and symbolic presence in the village. (Bandevska, 2007).



The subjects of investigation are the abandoned houses undergoing different phases of destruction (fig.4). Anticipated in the project is, first, their physical reconstruction, with the same volume value m^3 , but reduced ground floor building area, from $2/3$ to $1/3$ of the total ground floor area of the original plan, second, their program reconstruction by $2/3$ residential program and $1/3$ economic or other service program of interest for the village community. In that way, the renovated houses have a reduced plan, but a free height, in order to become distinctive morphological units, artifacts that should also obtain an upgraded social, functional role (fig.5).

Function

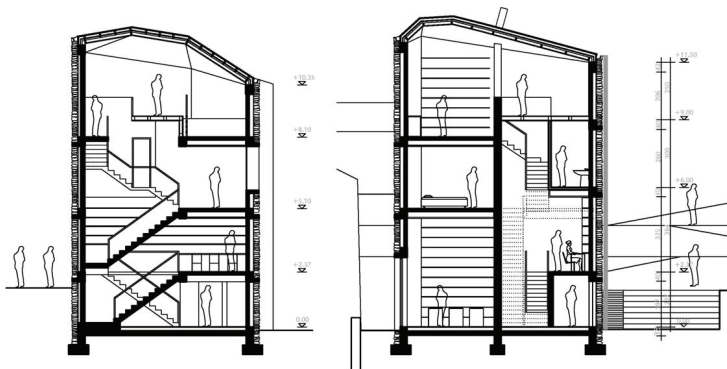
In the program sense, the selected houses are frameworks for new programs. It is the deficient programs of the everyday life of the village community that can be accommodated in some of the selected houses. These functions are introduced through individuals, carriers of certain functions and potential inhabitants of the village. The issue of revitalization of the village is related to the issue of revitalization of the social structure of the rural community. To that effect, we wanted to define the profile of future inhabitants and households based on their function in the community. We singled out several deficient and essential professions, functions that could help in practical ways, but also symbolic constitution and renewal of a community personalized through the figures of: *the teacher, the physician,, the architect, the priest, the baker, the beekeeper.*

These have functional, but also symbolic importance for life in the village. They are functions that can generate people around them. Care for the children in their early age can keep and return families with children in rural areas; The village physician may provide a certain focus in the village and continuous education of the population about health ; The architect may provide new visions about the village, but also lead continuous repair of the village, accept and improve traditional knowledge, skills and materials; The priest can be the spiritual pillar of the village. In the past, some of these professions were part of the systematic distribution of programs in rural areas, but these policies were lost with the dramatic trends of depopulation and erosion of the social system. Is a local renewal of this practice that starts with the needs of specific villages possible? Is the local renewal of this procedure possible?

We selected three concrete households, volunteers, through which we tested the project, $2/3$ housing + $1/3$ program +. The participants were a teacher with a small classroom and library; a physician with an office, and an architect with a workshop / atelier. The project led by Bandevska (2007) intended testing through concrete users. Through interviews, volunteer households were selected as hypothetical inhabitants within the project. Through their needs, we wanted to come to a specific programme and spatial organization for the selected houses.

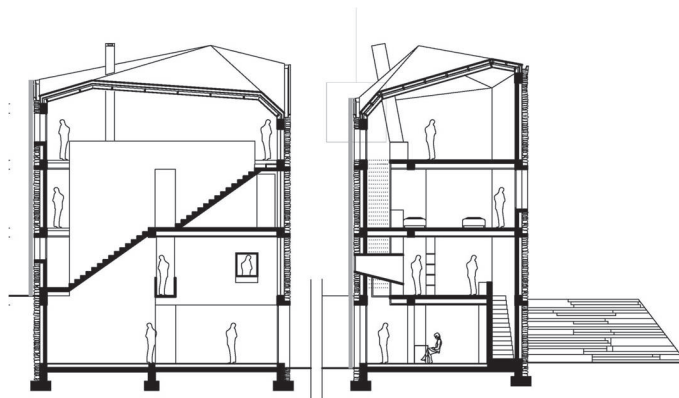
The house of the teacher refers to a single member household. The first two levels are intended for a common programme. On the ground floor, there was a small classroom and a gallery – library/individual work space. On the second level there was a bedroom, while on the third level, a living room with kitchen and a dining space (*Figure 6*).

Figure 6: Teacher's house, cross-sections: classroom, library, at the ground floor and the gallery, residential part at the first and the second storey (Bandevska, 2007).



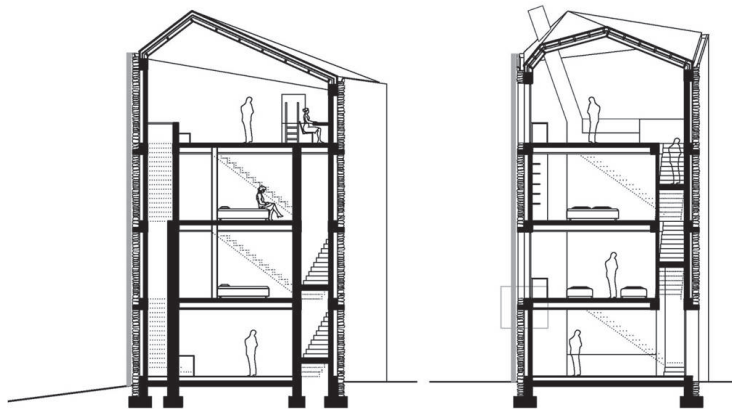
The house of the physician refers to a four member household, a husband, wife and two children. It consists of a residential part and a part for medical practice. The outpatient department is on the ground floor, while the residential part is on the next three levels. On the first level, there is a guest room, on the second level, there is the common living space, while on the third level is the parents' bedroom and the bedroom of the children. In addition to the space for the doctor's practice, they also wanted an additional bedroom that can be connected with the outpatient department or can be separated from it. It is to serve for emergency situations and also guests expected to come from the city (*Figure 7*).

Figure 7: The house of the physician, cross-sections: outpatient department at the ground floor, a guest room at the first storey, a residential part at the third and the fourth storey (Bandevska, 2007).



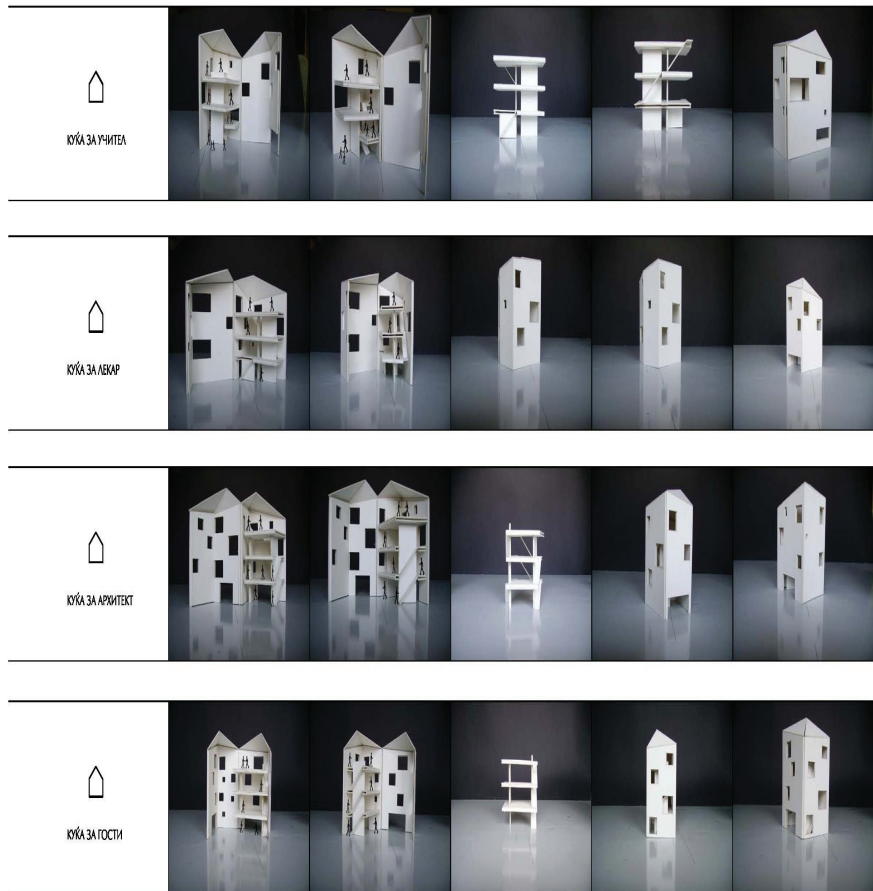
The house of the architect refers to a three-member household: a husband, a wife and a child. The residence starts at the ground floor, the living space. The next two levels are the part intended for sleeping: the domain of the parents, the first level; the domain of the child/children, at the second level. At the fourth level is the studio of the architect. They wanted the studio to have the highest position, to be separated from everyday life, but at the same time, to be a place overlooking the village and its surroundings (*Figure 8.*)

Figure 8: The architect's house, cross-sections: residential part at the ground floor, the first storey, the third storey; studio at the fourth storey (Bandevska, 2007).



Through these examples, we wanted to come to a specific program through the needs of the selected households, but also to the possible generative structure of the relationship between the residential part and the additional function within the frames of a house (*Figure 9.*). In all examples, the program distribution was followed by careful connection and distinguishing of different program units. The public parts have independent access in respect to the private residential domain, but also a possibility for alternative interior communications between these two parts. The teacher has independent access to the residential levels, but these can be connected at the gallery level. The architect has an independent access leading to the studio as well as access through the residential part so that these two flows can be connected at the studio level.

Figure 9: Teacher's house, Physician's house, Architect's house, disassembled models (Bandevska, 2007).



But, who are the real people to settle into the abandoned houses given that we know that the villages in the Mariovo region are undergoing permanent depopulation? How can we find inhabitants for these houses and these villages? What if we can use the global flows of people and ideas for new people in the village? What if we can establish a global network of villages with their own needs and offers?

What if we can conceive these personalities connected with the defined functions, the pillars of traditional communities, as not necessarily permanent or necessarily local?

So, similar to the theory of morphology of tales, the character-function relationship is ambivalent, the functions are permanent, invariable elements, while the characters are variable

(Propp, 1927). The term “function” is understood as action of the character defined from the aspect of the character’s importance for the course of the action.

In that way, the selected protagonists may stay, for a certain period, performing the function and the role intended for them and be cyclically replaced according to individual needs and the needs/agreements with the local community. Furthermore, they could originate from the village, but this is not necessary, nor it is necessary that they are from neighboring domestic towns. It seems that the local communities should be made open to the world, connected with the global network of flows of people and ideas toward a kind of a professional mobility. So, these functions and these houses should become a temporary practice and a temporary habitat for different people from different parts of the world that become part of the community, constitute and represent it in a certain period. They can perform their practice in the village and amend the social community in a specific way for a definite period of time. In that way, we can construct a local/global community, a local community with “global” actors and form an electrical rural community. To that effect, we can connect with the arguments referring to the new economy given by Kelly (1998) and those of Collins & Porras (1994) in respect to productive, successful companies that are sustainable for years, keeping the small core of invariable values and stimulating progress of all the remaining ones. Beyond the core of values, nothing is excluded from the flux. In the same way, if large rural communities cannot survive, we should preserve their core of values that can be connected to the global flows and can stimulate future progress.

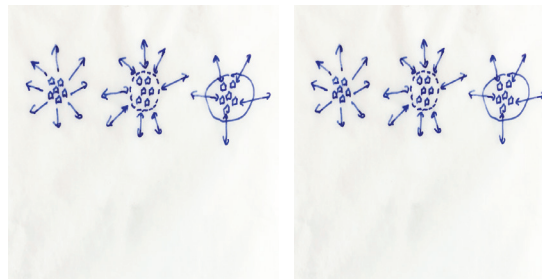
In that way, different regions of Europe should help themselves in profiling spontaneous flows and becoming aware of people, space and places that constitute them, for their own heritage, for the key, valuable socio-cultural elements that constitute them and from which they can step forward into the *envisioned future*.

Conclusion

For the investigated case, we proposed a scenario for revitalization of the village as a procedure of innovation of the existing reality, similar to the “estrangement” procedure in literature. Through the “estrangement” procedure, we can see the subject of exploration, the village, not only in its naturalistic givenness in its own context, but also in its separation, semantic transfer to the global flows. We started with the issue of extreme depopulation and the possibility for social, spatial revitalization. The selected case is specific in respect to specific place, but also generative in respect to the proposed model. In the case of Shtavica village, we first of all proposed a selective renewal of the spatial structure, renovation of the ruined and abandoned houses and their spatial and program transformation in respect to the village morphology and, second, their becoming referent places for revitalization of the social and symbolic structure of the rural community. In that way, former ordinary houses become “unusual”, “strange”, “defamiliar” in the formal sense as well, but also with the “upgraded” program

and symbolic role in the rural community. They become frames of selected functional and symbolic activities of the key actors of the village, the pillars of the village, “eminent houses” of “eminent persons”. The proposed model refers to maintenance of the permanentness of the rural community on a temporary basis. The physical structure is “permanent”, the key actors are variable, temporary and can be local or global as well. We started with the local conditions, with the authentic place, its identity, relations and history, but we connected it with possible global flows of people, services and knowledge. It is exactly the conceiving of the rural area not as an isolated fragment of artificial regionalism, but as an essential constitutive part of an urban rural network, not only from a physical but primarily functional aspect of modern life, that makes a step forward toward true revitalization of villages as an integral and essential part of modern society.

Figure 10: Process of revitalization of the village: from the deserted village to a permanent village core and temporal actors as key figures.



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Effects of the Genre of Business Cases in the Business Communication Classroom in Higher Education Institutions

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Abstract

The academic research purpose of this paper is to investigate how teaching by the case method, as opposed to teaching business theories ex-cathedra or frontal teaching makes a positive change in the classroom in higher education institutions. The research reflects a singular longitudinal case study providing an initial point into implementation of the method. The research was conducted having in mind the outcome of actual knowledge as opposed to perceived knowledge by educators in learners. The paper sits on an amalgamation of theories backed up by empirical evidence or the moment where theory meets practice, making use of the Socratic² Method proposed in the new and improved classroom. Research has shown that educators are positively inclined towards this method, but there are opposing views, and the aim of this study is to suggest the measures to make this research successful. We take a close look into the transformation of the traditional instructor-based into a learner-based classroom. The major findings are supportive of discussion-based environment with the incorporation of the classical research method. This dichotomy is addressed; however, the solution proposition integrates both approaches, driven by the case method. Finally, the practical recommendations deriving from this analysis serve to further explore and deliver detailed recommendations for PCL (participant-centered learning), and result in better education of students for their future careers in business communication, preparing them for ambiguity and lack of fear of the unknown in their professional lives.

Keywords: *Ex-cathedra; Frontal teaching; Knowledge; Socratic method; Instructor-based; Learner-based; Discussion-based; PCL; Business communication.*

2 The Socratic method of teaching is difficult to define in simple terms, but it involves a style of question orientated dialogue where the teacher takes a role that appears to be almost subservient to the student. The teacher in a Socratic dialogue essentially denies his or her own knowledge of a subject in order to lead the student to the correct idea or answer.

Introduction

There is a tendency envisioning the business classroom as a place where students should be free to express their opinions and also uninhibited when it is time to propose a solution to a situation they feel is radical or different to what the business 'truths' would recommend. The idea of the case method dates back to the time of Socrates. He did not have students, but followers to whom he posed a number of questions, and received that many answers. He was the first one to implement a discussion-focused type of teaching.

The purpose of this research is an attempt to bridge the gap between the ideas of fully integrating the case method in the modern business classroom, to look comparatively at the success or failure of this revolutionary undertaking. The concept of the study is to soundly support a well-developed theoretical debating ground and represents the more practical facet. It is a practical case study in itself rather than heavily reliant on theoretical frameworks and principles, meaning the paper will represent said characteristics. Through this comparative study we will try to identify the exact moments where this teaching method can aid and complement the teaching concepts intended, but also to attempt to pinpoint the moment where instruction resorts back to the instructor becoming the central point of the classroom and leader of the discussion.

The main goal of this research is to move horizontally through the answers from instructors in higher education institutions, and compare the conclusions they have arrived at whilst using this method of teaching. The research was conducted at University American College Skopje (UACS), Skopje, Macedonia, the only institution where the case method is fully implemented according to the teaching notes (TN) and instructions provided by the Harvard Business School (HBS) and Harvard Business School Publications (HBSP). The research is focused on the effects the case method will have on the learner and the face validity³ of the cases themselves, from the instructor's viewpoint. This research is longitudinal, stretching across five years, as well as using different resources of the relevant literature and making specific emphasis on and drawing correlation between these researched concepts and the higher education institution taken as sample in this paper.

For the purpose of the research, the words 'educator' and 'teacher' are used interchangeably, and, even though they are different, at certain points it is believed better to refer to a teacher as an educator, because a teacher will impart teaching, but an educator will impart information and skill, which then does not only result in knowledge, but in applicable knowledge. Essentially, with this method we are trying to convert a teacher into an educator and an educator into a teacher, or blend the two to make one successful entity that will enable a business student to solve their future business issues and answer any kind of business question with

³ Face validity is defined as the degree to which a test seems to measure what it reports to measure.

knowledge and good practice. To make informed decisions based on research and discussion with peers, and colleagues, later in their professional career, students '*will hone both their problem-solving and their ability to think and reason clearly*' (Hammond, 2002).

Literature review

The history of the learner-centered environment, takes us back to 4th century B.C., and the Socratic method of teaching:

"...it involves a style of question-oriented dialogue where the teacher takes a role that appears to be almost subservient to the student. The teacher in a Socratic dialogue essentially denies his or her own knowledge of a subject in order to lead the student to the correct idea or answer" (Room 214 Team, revised 2018).

The question is, if this method was only suited and in accordance with the blend of disciplines (mathematics, science, the humanities) in ancient times, or it could be adapted to the modern classroom where all disciplines have their area of functioning. The findings of focused research have demonstrated that Socratic teaching and learning is best suited to the humanities. Additional research states that '*the Socratic method brings in itself an urge awakening in the students to bring down old ideas and 'truths' and replace them with new ones*' (Room 2014, revised 2018). Thus, instead of thinking about how to apply what they know, they are thinking about and questioning the knowledge as a concept that is now more tactile than ever. The prerequisite is that the educator nurtures a participant-centered (PCL) classroom and incorporates the case method of teaching and the case as a teaching tool. Students are encouraged to question petrified truths with ideas that are truly philosophically sound. The issue that bridges the great gap in centuries and unites our contemporary case method of teaching to the one of Socrates is the necessity of previous teacher preparation, to avoid ending up with an immense number of disconnected answers to simple questions. Thus, the teacher preparation or the TN suggests a particular type of questions designed to aid the aims and objectives of a lesson. Sadly, records do not recount how he dealt with this issue, but this research stresses the importance of a carefully tailored set of questions (from open-ended to derivative and guiding), to reach the lesson aim and objectives closely connected to the didactic facet of the curriculum.

Socrates is important to instructors and case writers in modern times because he challenged everyone without exception (Bunin et al. 2003). The method bore the Greek name *elenchos*⁴, and it '*occurs outside philosophical contexts and means testing*' or '*examination*'.

Research supporting the case method as a tool

The greatest challenge when teaching with the case method is to bring participants to a level that enables them to benefit from a case class. Students have to understand that, just like in reality, during their time spent in the classroom they represent diverse stakeholders.

4 Refutation of an argument by proving the contrary of its conclusion, especially syllogistically (Collins Dictionary online)

“Students ... must be prepared to forget what they know and get ready for the unexpected – just as they will be challenged in their future professional lives” (Wirtz & Simmons, 2018).

Some authors speculate that *‘listening to other colleagues, senior colleagues’ war stories might help a junior instructor just entering the shallow end of the sea of cases to delve into this method of teaching, but also warns against choosing the wrong case for a group of students’* (Peshkam & Simmons, 2018). Thus, every instructor is responsible for choosing the best case for their group, and be well-equipped for the *‘unplanned-for questions’* (Justo & Simmons, 2018). The trial-and-error approach, meaning that *‘the key is getting into a classroom as soon as possible’* is recommended (Ronnie & Simmons 2018). Students are given ‘a script’, but an incomplete one, they are asked to deconstruct it from a director’s viewpoint, learn about the characters from the lines of the other characters and they have to improvise the ending. They will role play, SWOT analyse their characters and try as much as they possibly can to make them come alive to be able to understand them. They accept what is given to them and continue to the development of the problem.

An instructor also needs someone for guidance as a future educator into changing the values, assumptions, beliefs and expectations (VABE) on teaching and learning (Clawson, 2018). Educators also need to learn more about cases and the case teaching method in a more protected environment. The best way suggested is a case method workshop, seminars, webinars and experiences. This research consults webinars held by Marc Robinson on the importance of writing up your experiences as a business professional and presenting them in the classroom environment as material you would be most familiar with, but also from the RESITA Network⁵ workshop in 2013, visited by two of the authors of this paper.

The Case Study Handbook (Ellet, 2007) aids educators successfully deliver the case study problems to their students. The heuristic⁶ method of teaching is explained, by proposing that it is the thinking, not the reading that is key. Following the logic of a case where there is no one right answer, we propose a different time frame later on. *‘A case is a text that refuses to explain itself’* (Ellet, 2007) and it needs to include a significant and relevant business issue, significant information for conclusions and has to refrain from stating any conclusions. If any of these three components are missing, a case will not have an educational value. Ellet also addresses a key issue of responsibility that students feel during this PCL time of instruction. They are aware that it is just a lesson and they do not bear the responsibility for making a decision. A skillful case writer and a well prepared educator will help them own up to their previous knowledge to make present, informed decisions and become responsible for the outcomes of the discussion.

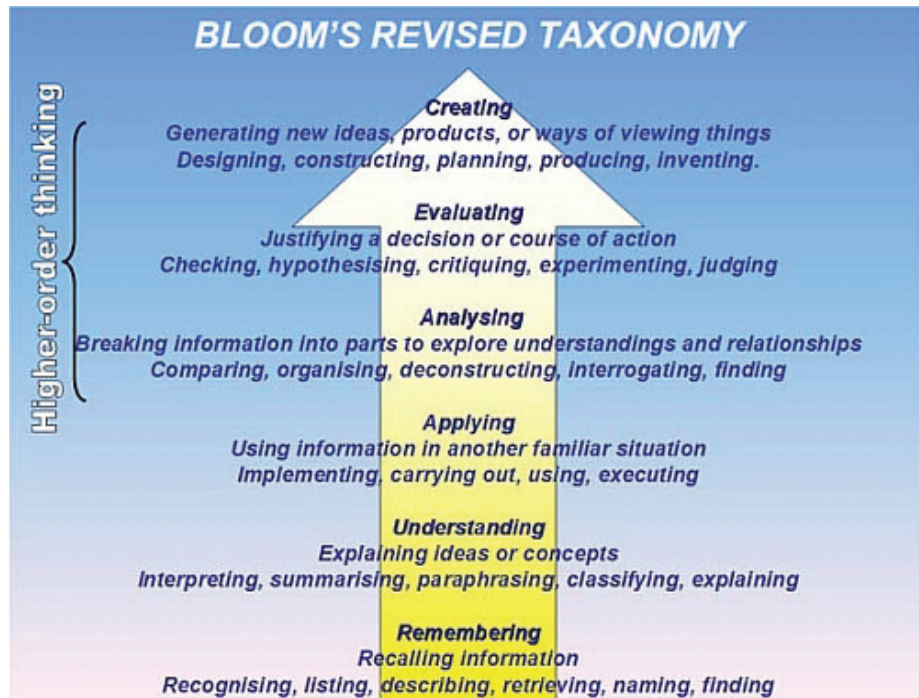
5 An International Academic Network of Entrepreneurship and Innovation

6 A method of learning or solving problems that allows people to discover things themselves and learn from their own experiences: As a heuristic, it is a good test to ask the question: what might I do in this situation?

A group of authors (Garvin *et al.* 1992) has prepared a compilation of essays from the HBSP, which describe the building blocks of successful group leadership like: negotiating a “contract”, governing the conduct of a group, orchestrating a successful process of questioning, listening and responding, and encouraging independent thinking.

*The original teaching and learning taxonomy (Bloom, 1956) explains the cognitive processes, through appropriate action verbs, by which a learner would move from cognition to meta-cognition. For the purpose of the active learning, we refer to Bloom’s revised Taxonomy (Figure 1). A business leader who has the ability to impart knowledge and spur motivation is a leader who has realised the ‘link between the old-fashioned leadership’ and the current motivational consideration dimension style (Anderson *et al.*, 2001).*

Figure 1:



Source: Retrieved from: <https://faculty.chass.ncsu.edu/slatta/hi216/learning/bloom.htm>

In retrospect, a participant-centered environment employs the use of the case as a tool, the case method as a teaching method to impart knowledge, skill, spur motivation and allow space for practice, and driven by the desire of self-knowledge, self-realisation, eventually owning up

to the knowledge in a meta-cognitive sense. This revised taxonomy is fully applicable to this teaching model and has proven successful.

The conclusion in this paper shows a very evident link between the MBA programs where future leaders are shaped to help them turn towards the '*delegation-of-power*' leading style, a type of leadership that is viewed as *consideration dimension*, as opposed to the *initiating structure dimension*, that is already put into force by the practice of Macedonian business leaders (Bojadziev et al., 2015).

Researchers opposing the case method as a tool

Shugan (2006) strongly rejects this teaching tool and disagrees with the case method, and sees an '*alarming disconnect between classroom learning and academic research*'. The students, according to him, '*leave the classroom with a false sense of confidence about what they know*'. He appeals to instructors to use the case without the method. Marc Robinson from the WDI agrees with Shugan that the case method has its drawbacks, as the case itself could be viewed as too specific; *post hoc*⁷ it gives an experience to the learner that is somehow unfinished. Consequently, that very fact reduces the ability of the students to think critically on a given topic, but binds them to mere perception, which is not thinking. Having already mentioned Marc Robinson, WDI previously, we are putting him on the discussion map, between the authors advocating for and the ones against the larger scale of incorporating cases in education.

Jerry Kirkpatrick (1987) supports his notion that a truth does not need to have a special rapport with facts as experiences. He too is trotting a thin line between supporting and refuting the case method of teaching. In the case study, the data is not even factual, and what matters, according to his deductions, is only the resolution of a problem which is relative to all participants. He views the case teaching method as progressive education, and then discerns its properties by saying that it is anti-conceptual.

Research methodology

The survey was conducted at UACS, School of Business, Economics and Management, in the form of a questionnaire, with multiple choice answers, designed by the authors of the paper. The questionnaire essentially asks them to provide proof that learning was happening in their lessons and that it resulted in fruitful discussions and proposed solutions by their students.

In continuation, we are displaying the results from the survey, presented in 5 tables and figures and also numerical responses. Each question is elaborated after the representation of the results.

⁷ After a certain event.

Table 1: Answers to question 1: Did you provide your students with the case before the lesson?

	Yes, a couple of days/a week before the lesson.	No, they received the case immediately before the lesson.
All data	73%	27%

The greater number of educators handing out the case beforehand, we can conclude, would expect their students to spend time preparing. The tendency to give students time for individual active reading accentuated the outcomes listed in the *Characteristics of Effective Case Teaching* (2005). The objectives state that provided students have the case beforehand, in-class learning will substantially exceed pre-class preparation. Due to the fact that there is substantial learning during the lesson, the result ensuing is a stimulus for after-class learning, closing the learning process as a full circle.

Table 2: Answers to question 2: Do you take into account the different learning intelligence types and different learning styles of students when choosing the case and making a lesson plan, or do you come across problems concerning the reception of material when using the case method of teaching?

	Yes, I do. I change my lesson plan according to the learning styles of the group.	No, I find that a uniform shape works for the entire student body.
All Data	73 %	27 %

The answers to this question support and follow the idea of a PCL, enriched with one of the most universal theories about learning styles, Dr. Howard Gardner’s verbal-linguistic, logic-mathematical, spatial, kinesthetic, interpersonal, intrapersonal and naturalistic, creating a convenient way for educators to easily determine the prevailing learning style of a larger group, and possibly offer a few more options for the students practicing a different learning style than the larger portion of the group, thus an instructor will offer options (discussion, visual multimedia aids, realia, role plays, additional reading or preparation for writing response, essays). Having reached their discussion destination, they conclude with a wrap up of the whole discussion and a board plan, particularly aimed at the visual learners (Fleming, 2006). This string of integral parts of a case-based lesson is associated with the plan for writing TN devised by HBC writers, and from the responses to this particular question, we conclude that educators make sure that students always see the academic benefit of the lessons. The results go in favour of the discussion advocating for active learning with full retention, as the ‘dialogue’ led during lesson time between teachers and students is prepared according to the interlocutor, with their needs in the forefront. This draws attention to the most important part of teaching, the approaches to learning, catering to students’ different types of learning intelligence, and the awareness of the educator in order to impart knowledge successfully (Trajanoska, 2016). It is not just about educators doing their job; it is about doing

their job right, in a way that would provoke feedback, whether positive or negative. At that point, an educator can be sure that they have stimulated discussion and that learners can start tapping into the more advanced stages of learning, according to the pyramid of adult learning and Bloom’s learning taxonomy, where they become aware and own up to cognition and meta-cognition.

Table 3: Answers to question 3: How often do you use the case method and cases as tools in your curriculum?

	I base almost my entire yearly teaching plan on teaching through the case method.	Very rarely, I find research and instructor-based teaching is more functional for my students and myself as an educator.
All Data	82%	18%

These answers support the main goal of the research, to represent this innovative teaching method and the case as a tool, together with the teaching notes. This method is proposed for use as often as possible in Business Communication schools on all levels, in order to become a part of the worldwide tendencies of active learning. Educators will produce cases, and students will consequently devour them in lesson.

Table 4: Answers to question 4: Have you managed to identify a difference between perceived knowledge and actual knowledge imparted and retained when teaching with this particular method?

	Yes	No
All Data	80%	20%

Results of this research, literature data (Shugan, 2006), supported by the experiences of UACS business teachers, provoke a greater initial reaction in the form of students’ face validity, their participation and discussion in the PCL classroom, and evidence of retained subject matter. Knowledge in general is far superior than it is in the situation when teachers resort to the traditional method of teaching. They do not propose a complete abandoning of the traditional method, as active learning is a process that begins passively. Both educators and learners need to slowly work their way from the passive to an active classroom. The case method and the teaching tool need to be introduced slowly and carefully to reach optimal efficiency.

Table 5: Answers to question 5: As an instructor, have you ever been uncertain as to how a case should be taught and used in lessons and, if in doubt, do you ever improvise?

	Uncertain, and I stick to the instructions	Uncertain, and I improvise for better results	Certain, and I improvise for better results	Certain, and I stick to the instructions
All Data	20%	20%	30%	30%

According to the results, we can draw up a trend among the answers and the behaviour of educators to impart knowledge better. A greater number of instructors answered that they are certain in their use of the TN. An instructor's certainty of how to structure their lesson is important. The uncertain answers show that even uncertainty does not impede an instructor from taking steps towards creating a safe zone for preparation and avoiding any in-class risks entailing from uncertainty (Andersen, Espen & Schiano, 2014)

The most striking answer is that even in the case of certainty; educators will improvise, using sources and active learning material in order to improve the character of the lesson. Teaching and imparting knowledge is a two-way street, and the importance of teaching and checking students' knowledge is as crucial as students' evaluation of the teacher. Self-checking is a valuable practice of a professional's working habits.

To conclude, it is an instructors' right to use the TN given with a certain case, or try to improve and make their teaching more personal.

It is very important, that from a teachers' viewpoint, the case method allows educators to be creative and devise their own plans and ideas of what the lesson and tool plus additional notes will look like (Anderson & Krathwohl, 2001).

Conclusions and recommendations

The research makes an introduction to the method of teaching and learning, but also practicing business discussions and decisions through case study followed by an examination of the success and failure stories with this teaching method. It assesses the tendency of using ready-made cases written according to the recommendations of the HBS, and compares them to the situation of an instructor as a writer, drawing from their own knowledge and experience, to prompt them into writing their own cases for a specific purpose or specific class or group of learners. Thus, after-lesson assessment is performed to inspect whether the theoretical side of the lesson is fulfilled and, simply, whether learning happened. Almost all of the instructors completing the survey at UACS, paralleled to instructors from Europe and the United States (information derived from available literature and various sources), claim that they can fully depend on the case method to complement the traditional lesson, taking up almost equally the amount of time needed and dedicated to that subject in comparison to the traditional method, and they support this notion by way of proof in the form of students' face validity and the fact that almost all of their lectures do not finish when they leave the room. The discussion continues in front of the door, to the instructors' great satisfaction.

In general, the paper answers pressing questions connected to the success of the method using the tool as a good type of practice supporting contemporary tendencies of active learning, where students take responsibility of their individual processes of learning and own up to the knowledge, thus value it more than simply being handed facts. It is a delicate issue in learner

psychology that retention is far greater when students come to the conclusions by themselves, and they can point to the way they arrived at said conclusions (Ambrose, 2010). It represents a successful process during lesson time for both students and teachers, and one that expands beyond the lesson, before and long after, resulting in retained facts and knowledge, usable at any point in their future careers.

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PART THREE:
Economy and Labor Market

Determinants of female (in) activity on labour market in Macedonia: A comparative perspective with a group of Mediterranean and South-Eastern Europe countries.

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Abstract

Female participation in the labour market is very important for the economic and social growth of the countries. Many studies show that economically active females have an important role reducing poverty by assuring welfare of the households. Female participation in the labour market is also important for women's relative economic and social status compared to men and for their economic empowerment (Patimo et al, 2015).

The aim of this research is to investigate the determinants which have influence over female participation in the labour market, in the context of the traditional literature and studies in this area, but also to add a new approach by including the effect of the overall cultural context on a woman's decision whether to supply her labour. The latter is a major contribution of the paper to the current knowledge. The methodology is based on previous research by Contreras and Plaza (2010). Moreover, a comparative perspective is added by considering countries in the South-East Europe (SEE), Mediterranean countries and Macedonia. We found that the cultural context is an important determinant of the females' labour market activity which is important in designing government support and policies for promoting females' activity.

Keywords: *Female participation; Labour market; South-east Europe; Macedonia.*

Introduction

The economy is using more of productive potential of the country if there are more females in the labour market (Woman at work, 2016). Female participation in the labour market is also important for women's relative economic and social status compared to men and for their economic empowerment (Patimo et al, 2015). In the last several years females' participation in the labour market has changed its pattern which resulted with many studies on the gender aspects of employment. Researchers in this topic have found large differences in female activity and employment patterns across the world and across developed countries. In 1960s two main theories have emerged in order to investigate female labour supply: the "work leisure choice theory" of Mincer and the "theory of allocation of time" of Mincer by Becker. The neoclassical model known as the Work-Leisure Choice model assumes that individuals are rational in their decisions about how much time they will work and how much time they will dedicate to leisure. If leisure is considered as a "normal good" and that more leisure leads to less work and less income, then the decision is based simply on profit maximization; to work when it is financially most profitable relative to the female's time consumed as leisure. Since the choice is made on profit maximization from work then higher potential wage will increase attractiveness of the work and leisure becomes less attractive. From this relationship two effects arise: the substitution and income effects. The substitution effect means that higher wages stimulate higher participation in the labour market, in other words individuals will substitute work for leisure, On the other hand, the income effect implies that higher wages increase the demand for leisure, as individuals earn more income which can allow them to have more leisure time i.e. work less (Heckman, 2015). The model of Mincer expands the relationship between the income and female labour force participation by adding two new features. First this author established that female choice is not the choice between leisure and paid work, but it is a choice between leisure, paid and unpaid work. The decision of the family will depend on several factors: partner's income, income of the female, whether household can purchase appliances to relive the burden of the unpaid job at home, desires for market goods and leisure (Matilla-Wiro, 1999) Becker considered households to be producers and consumers in the same time. According to Becker (1965) by combining input of goods and time, working towards the optimization of cost and maximizing the utility function under the constraints on resources, households produce commodities. Resources are the total income of the household while prices for produced goods are measured by the sum of the costs of the goods and time spent for production. Becker's theory states that individuals in the household make rational and informed decisions regarding labour market participation by comparing their value of their time and the value of the time spent on household duties. Becker (1991) generalized the household production theory in order to analyze marriage, divorce, number of children, division of household responsibilities and other non-material behavior with the theory that was originally developed to investigate material behavior. In this generalization, production of goods within the

household is most efficient if members of the household specialize in home or market production, or at least to some level. According to Becker (1991) the division of labour between members of the household is determined by biological differences, different experiences and different investments in human capital among the family members. However, it is rational for females to specialize in home production since they have a biological advantage over males for childrearing. Becker recognizes socialization as a factor for different labour division within the household but justifies this with biological difference of males and females, and rational decision of the parents to socialize their children to these biologically predetermined gender roles. According to Mattila-Wirolahti (1999), Becker believes that the patriarch is the main decision maker that allocates the labour time of other members of the household.

Neoclassical theory is criticized on multiple levels. Over-simplification of the reality, poor interaction between problems, economic theory and policies formulated to address those problems are some of the issues in the critiques. Matilla-Wirolahti (1999) argues that the theory becomes useless if there is no contact with actual events which would eventually lead to policy recommendations which are not relevant. Becker's rejection of joint production is considered to be one of the major shortcomings of his work (Pollak, 2002, Jankiewicz, 2015). Besides these theories, researchers have tried to provide possible explanations for such differences in female participation rates across the world. The focus of the studies is on different sets of factors that may affect the female's decision to participate in the labour force. Those can be grouped into: i) individual factors (age of a woman, education, marital status, number and age of children, etc.), ii) household-related factors (employment of the spouse, education of the spouse, household income, etc.), iii) Macro-factors which stem from the level of development of a country, the growth of the economy, overall unemployment rate, etc. Besides the standard socio-economic approach there are other perspectives from which it is possible to interpret female labour force participation. These perspectives include social and cultural aspects of the population (Fortin, 2005; Contreras and Plaza, 2010; Blau et al, 2013, Camussi, 2013; Hosney, 2016). However, most of the studies explore the gender employment and wage gap by focusing on the data of single country only and fail to capture different cultural attitudes toward participation of females in the labour market (Cipollone et al, 2014). An integrated approach which includes multiple variables related to family and individual social context along with economic settings can reveal which items have a major influence on female labour force participation. The aim of this study is to examine the factors that have an influence on females' participation in the labour markets of the South and South-Eastern European countries, with a focus on the cultural context and its impact on the females labour supply decisions. The main contribution of our study is therefore twofold: i) we provide a comparative analysis of female labour supply in a set of countries, and ii) we add an additional set factors, to the traditional ones, that are related to the cultural context. This paper is organized as follows. After a brief review of the current knowledge on the factors affecting females' supply to meet the aim of this paper we provide critical overview

on the labour market in Macedonia and selected countries from South and South Eastern Europe and empirically assess the main determinants of female inactivity by using data from Macedonia and selected countries from South and South-Eastern Europe. The final section concludes the paper.

Current knowledge on the factors affecting females' labour supply

In the second half of 20th century many industrial countries experienced increase in the labor supply. This shift in the labour force is considered as one of the most interesting facts of contemporary economics and stimulated an extensive debate. Increasing female labour market activity has been at the forefront of those discussions and debates. For instance, Cipollone and D'Ippoliti (2011) claim that the observed increases in the overall labour supply can be explained by increase in females' activity and employment rates in that period. However, even if that explanation is to be accepted, researchers were and are still occupied with the factors that affect females' decision whether to enter the labour market or not, as well as the changes which happened among those factors that caused the large shift of females' labour supply. This section will provide an overview and findings from the relevant literature worldwide about main determinants which have influence of the female labour force participation. Culture and its influence on female labor market participation are analyzed as well.

Macroeconomic factors

The level of economic development is found to have a nonlinear relationship with female labour market participation (Tam, 2011; Olivetti, 2013; Tsani et al, 2013, Verick 2014; Patimo et al., 2015). The basic argument of the authors of the U-shaped relationship is that when the country is not developed females participate in the labour market out of necessity. When the country begins to develop above certain level, economic activity shifts from agriculture to industry in which males have greater benefit than females. Ozrekek (2013) states that when the unemployment rate is high, female workers are discouraged and they are not willing to participate in the labour market.

Individual factors

According to the neoclassical theory, a higher level of education of the female leads to higher female labour market participation rate which is confirmed by several authors (Contreras and Plaza, 2010; Liu and Noback, 2010). On the other side, Verick (2014) argues that the relationship between the education and female labour participation is more U-shaped than linear. This author explains that the most uneducated females participate mostly in informal economy while females with secondary education can afford to stay out of the labour market. Increasing the level of education increases labour market participation rates.

Age is considered to have strong impact on female labour market participation rate. Authors usually include age-squared as a variable in order to capture the non-linear relationship between the age and female participation rate. Participation of the females in the labour market increases when females are younger, decreases with the choice to have children and afterwards when they are back in the labour market the participation rate is highest (Fitzenberger et al. 2004; Vlasblom and Schippers, 2004; Contreras and Plaza 2010).

Marital status is found to have negative influence on female labour market participation (Contreras and Plaza, 2010; Daviogly and Kirdar, 2010; Hosney, 2016).

Part-time work is often seen as a possibility for a woman to contribute in the household income without compromising responsibilities towards family (Jaumotte, 2003). Euwals (2001) and Pena-Boquete (2016) agree that flexible working hours are important for female labour market participation and when there is a low possibility of part-time work or flexible working time arrangements then females who want to work fewer hours have higher prospects to leave the labour market.

Household characteristics

Participation of the females on the labour market is negatively associated with the presence of young children in the household (Chevalier and Viitanen 2002; Vlasblom and Schippers 2004; Contreras and Plaza 2010). Chevalier and Viitanen (2002) examine the causality between female participation in the labour force and the childcare facilities. They have found that lack of childcare facilities have negative influence on female labour force participation. On the other side, other authors analyzing 26 low middle income countries didn't find a relationship between number of children in the household and female labour force participation (Agüero and Marks 2008; Khadim and Akram 2013; Mujahid 2014;). Household income is also examined as factor that has influence in the female labour force participation, but the results are inconclusive. Mojsoska-Blazevski et al (2017) explains that the effect on household income and wealth on female labour force participation is non-monotonic i.e. until a certain level of household income is accomplished substitution effect prevails, and then income effect dominates.

Culture

According to Patimo (2015) none of these socio-economic and demographic factors have been able to capture the high variance of participation rates across countries. The idea that culture matters is not new, but investigations of the cultural impact on the economy were absent in research. Camussi (2013) explains that in the past the role of culture has not been examined because of its broad definition and lack of appropriate data and empirical methodologies. In recent years authors have found that low participation rates of the females on the labour market is more evident in the traditional societies (societies in which males are breadwin-

ners and major decision makers regarding employment while females have the primary role of mothers and in general secondary earners) (Contreras and Plaza, 2010; Adekeye, 2011; Camussi, 2013; Patimo, 2015; Hosney, 2016). In addition to this, Fortin (2015) have found that the increase of the female participation rate on the labour market can be explained by changing social norms and beliefs of the younger individuals towards gender roles within the households. Culture is an important part of female participation in the labour market but the most challenging part is to establish the causal relationship between social norms and beliefs and female labour market participation.

The assumption that culture has an impact on female labour market participation is challenged by Seguino (2007) who argues that female labour force participation does affect social gender attitudes but with a time lag. On the other side Contreras and Plaza (2010) argue that it takes more time to change cultural attitudes about females labour force participation than for attitudes to change labour force participation and therefore female labour market participation is partially determined by social norms and beliefs. Those are two opposite views of direction of causality of culture and labour market participation of females and each of these views deals with different time frame. According to these authors education plays an additional indirect role in female labour force participation by reducing the level of machismo in societies.

Activity rates: International comparison

In the second half of 20th century many industrial countries experienced an increase in the labor supply. This shift in the labour force is considered as the most interesting facts of contemporary economics and stimulated an extensive debate. Cippollone and D'Ipoliti (2011) explained that increase in participation rates is due to increase in females' activity in that period. The average for EU-28 has increased from 67.6% in 2008 to 72% in 2017. According to Patimo et al. (2015) evolution of female activity in the labour market is in line with Lisbon Strategy, which aims to increase overall European Union employment rate. As shown in Table 1, from selected countries from Western Balkan only Serbia, Montenegro and Albania have increased participation rates in the period 2008-2017. Macedonia holds same participation rate of 55.1%, while decreases in participation rates are evident in Kosovo and Bosnia and Herzegovina. From selected South-Mediterranean countries, in Greece, Portugal and Spain participation rates decreased in the period between 2008-2017, while Italy experienced an increase in the participation rate by 0.7 percentage points. Gender gap in participation rates is widest Kosovo; 39.7 p.p. in 2008, and 35.5 p.p. in 2017. The lowest gender participation gap is evident in Portugal, 10.4 p.p.

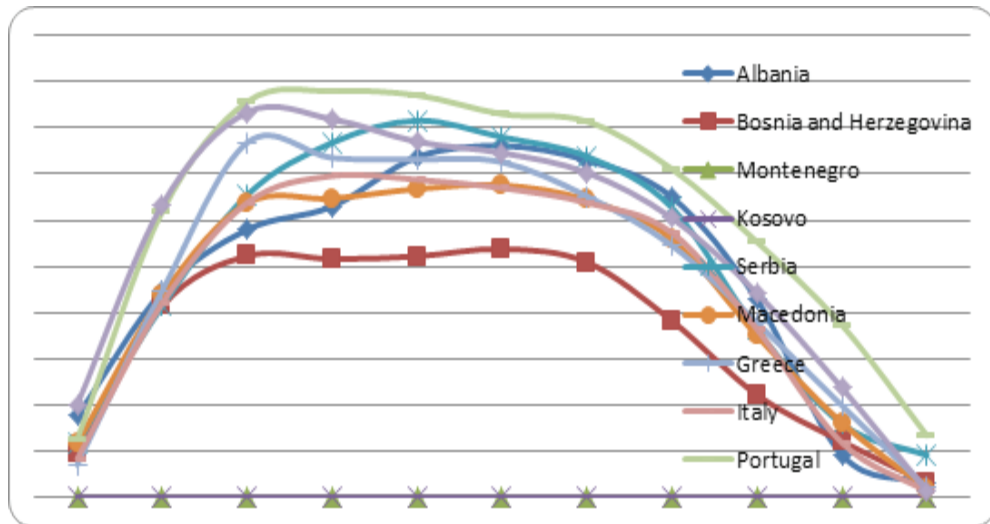
DETERMINANTS OF FEMALE (IN) ACTIVITY ON LABOUR MARKET IN MACEDONIA: A COMPARATIVE PERSPECTIVE WITH A GROUP OF MEDITERRANEAN AND SOUTH-EASTERN EUROPE COUNTRIES.**Table 1:** Participation rates: International comparison and gender gap

Country	Year	Participation rate in %			
		Total	Male	Female	Gender gap
Albania	2008	53,2	61,5	45,7	15,8
	2017	58,3	66,8	49,8	17
Bosnia and Herzegovina	2008	43,4	56	31,4	24,6
	2017	42,6	53,3	32,4	20,9
Kosovo	2008	46	65,8	26,1	39,7
	2017	34,1	51,8	16,3	35,5
Macedonia	2008	55,1	67,6	42,7	24,9
	2017	55,1	67,7	42,7	25
Serbia	2008	51,5	60,4	43,4	17
	2017	54	62,2	46,3	15,9
Montenegro	2008	51,9	60,4	43,9	16,5
	2017	54,7	62,2	47,5	14,7
Greece	2008	53	64,2	42,4	21,8
	2017	52,1	60	44,7	15,3
Italy	2008	49,1	60,4	38,7	21,7
	2017	49,8	52,8	40,9	11,9
Spain	2008	59,4	68,7	50,4	18,3
	2017	58,1	63,9	52,6	11,3
Portugal	2008	62	68,9	55,8	13,1
	2017	59	64,5	54,1	10,4

Source: Authors own presentation based on data from ILO for 2008 and 2017

Figure 1 is in line with the predictions of the theory related to the relationship between age and labour force participation. This pattern is present in all observed countries, although with some differences in terms of the age at which the declining path of activity starts. Analyzing the structure and dynamics of females' activity by age groups (Figure 1), in Greece and Spain participation rates increase between age groups 15-19 to 24-29 (30-34 for Portugal, 35-38 for Serbia and for Macedonia and Albania 40-44). After that, participation rates in all countries decrease. Portugal holds highest participation rate for females aged 64+.

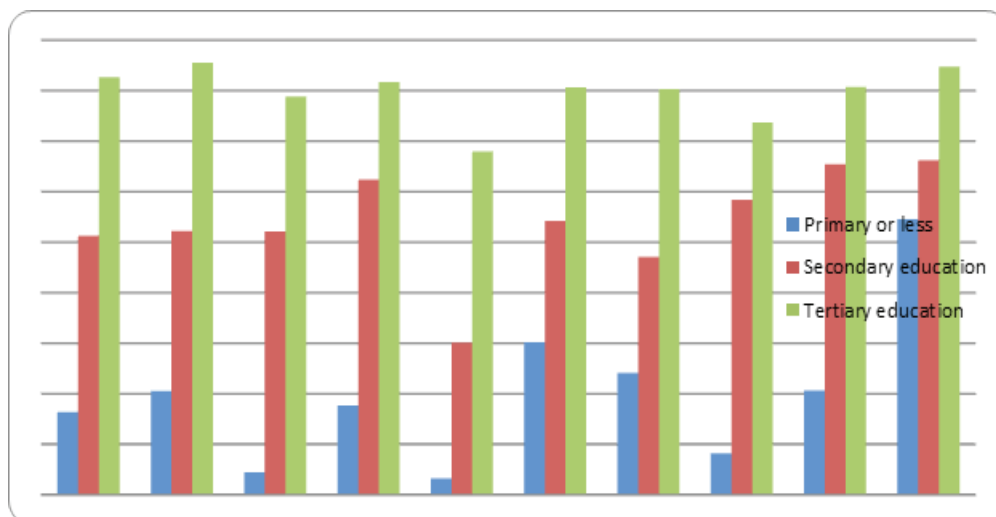
Figure 1: Participation rates by age group



Source: *Authors own presentation of the data from ILO 2008*

According to Shultz (1991), the rise of the female labour force participation in the 21st Century was related to the higher relative investment in human capital of females compared to males. Furthermore, women with a higher level of education attained tend to devote more time to the labor market activities like employment or job searches (Pattimo, 2015). Figure 2 presents female participation rates with respect to the highest level of education attained in a comparative perspective. Country differences are observed in all three levels of education especially for “completed primary education or less.” In 2008, the lowest participation rate is observed in females from Kosovo with completed primary education or less, only 3.2% while it is the highest in Portugal, 50.4%. A similar situation is evident when females with finished secondary education are analyzed. For females with finished tertiary education or above, Bosnia and Herzegovina has the highest participation rate at 85.5%. 17.7% of the females in Macedonia with primary education participate in the labour market, 62.4% with secondary education and 81.7% with tertiary education or above.

Figure 2: Female participation rates with respect to educational level



Source: *Authors own presentation of the data from ILO 2008*

In a summary, the brief overview of the labour market in Macedonia and selected countries from Western Balkan and South-Mediterranean countries were consistent with findings from the literature review. Females with higher levels of education tend to participate significantly more than females that completed primary education or less. Participation rates for females in the age groups 30-34, 35-39, and 40-44 are highest for almost all countries. In 2008, there was a significant gender participation gap; the gap was widest in Kosovo and narrowest in Portugal.

Methodology and Data

To meet the aims of this research we will use data from the European Value Survey (EVS). The EVS is a large-scale, cross-national, and longitudinal survey research program on basic human values. It provides insights into the ideas, beliefs, preferences, attitudes, values and opinions of citizens all over Europe.

We use an integrated dataset from EVS for Albania, Kosovo, Bosnia and Herzegovina, Montenegro, Macedonia, Greece, Italy, Spain and Portugal from 2008. A new set of data from 2014 was expected to be released at the end of 2017 but because of the partial funding it is not released for countries from the Western Balkans. We compare a set of countries from the Western Balkans (Albania, Kosovo, Montenegro, Macedonia, Serbia and Bosnia and Herzegovina) which are not members of European Union with a group of South Mediterranean countries-members of European Union (Greece, Italy, Spain and Portugal). Section 2 of the paper revealed that these two groups of countries share similarities towards activity of the females in the labour market, while this section reveals similarities towards cultural norms

and beliefs of the females in these two sets of countries. We regress the dependent variable (dummy variable 1=active female, 0=inactive female in the labour market) on a set of variables grouped into: i) individual factors (age of a woman, education, marital status, number and age of children, etc.), ii) household-related factors (employment of the spouse, education of the spouse, household income, etc.) based on the findings of the literature review.

The econometric specification is as follows: $P(Y_i=1)=\alpha+\beta A_i+\gamma B_i+\delta C_i+\mu_i$,

where Y_i takes a value of 1 if the female participate in the labour market and 0 otherwise, A is a matrix of individual factors as variable, B is a matrix of household characteristics, and C is a matrix that represents cultural and values-related variables.

To explain how culture influences female labour force participation, we will follow the model of Contreras and Plaza (2010). These authors argue that economic models are not taking into account cultural variables and their influence on female labour market participation. In order to examine the influence of the culture, they have developed the Female Perception of Machista Cultural Context (FPMCC) Index, which measures whether female has internalized machista cultural values or not, and Female Conservative Index, which measures whether female possess conservative cultural values towards family, marriage and children.

Female Perception of Machista Cultural Context Index identifies whether a female demonstrates a tendency to approve or disapprove the machista cultural aspects and behaviors consistent with a machista view. Table 1 shows how Female Perception of Machista Cultural Context Index is built within the available data set from EVS. This variable assigns value of one when the woman surveyed is at least in agreement with statements one, and is at least in disagreement with statement two and three. Otherwise, the variable takes a value of zero

Table 2: Female Perception of Machista Cultural Context (FPMCC) Index

	Agree/Moderately agree	Disagree/Moderately disagree
v161 A job is alright but what most women really want is a home and children	X	
v164 Both the husband and wife should contribute to household income		X
V166 Men should take as much responsibility as women for the home and children		X

Source: *Based on Contreras and Plaza, 2010.*

The Female Conservative Index has value of 1 (one) if a female tend to agree with statement one and disagree with statements two and three. Otherwise it has value of 0 (zero).

Table 3: Female Conservative Index

	Agree/ Moderately agree/approve	Disagree/Moderately disagree/Disapprove
V148 If someone says a child needs a home with both a father and a mother to grow up happily, would you tend to agree or disagree?	X	
V151 If a woman wants to have a child as a single parent, but she doesn't want to have a stable relationship with a man, do you approve or disapprove?		X
V155 It is alright for two people to live together without getting married		X

Source: Based on Contreras and Plaza, 2010.

Variables used in this research are presented in Table 4,

Table 4: Description of variables

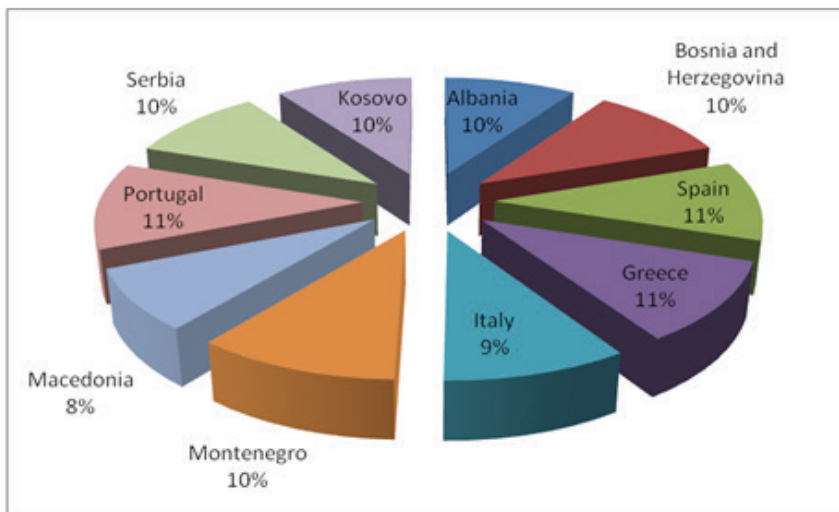
Activity of the female in the labour market	1=active 0=no active
Set of countries	1=Macedonia, Albania, Kosovo, Serbia, Montenegro, Bosnia and Herzegovina 0=Greece, Italy, Spain, Portugal
Age of the female	Continuous variable
Age squared	Continuous variable
Marital status	1=married 0=otherwise
Level of education of the female	Edu1: 1=primary or less, 0 otherwise Edu2: 1=completed secondary education, 0=otherwise Edu3: 1=tertiary education or higher, 0=otherwise
Number of children	Discrete variable
Presence of children in the household	1=yes; 0=otherwise
Educational level of the spouse	EduP1: 1=primary or less, 0 otherwise EduP2: 1=completed secondary education, 0=otherwise EduP3: 1=tertiary education or higher, 0=otherwise
Activity of the spouse on the labour market	1=active 0=not active

Female Perception of Machista Cultural Context (FPMCC) Index	1=female have internalized machista cultural values 0=otherwise
Female Conservative Index	1=female have conservative cultural values 0=otherwise

Tables from A1 to A7 (in appendix A) present in detail descriptive statistics of the sample. Figure 3 presents share of a particular country in the sample. Macedonia has the smallest share at 8.1%, while the largest share of females in the sample is held by Portugal at 11.5%.

Figure 3: Share of countries in the sample

Source: *Authors own calculations based on data from EVS*

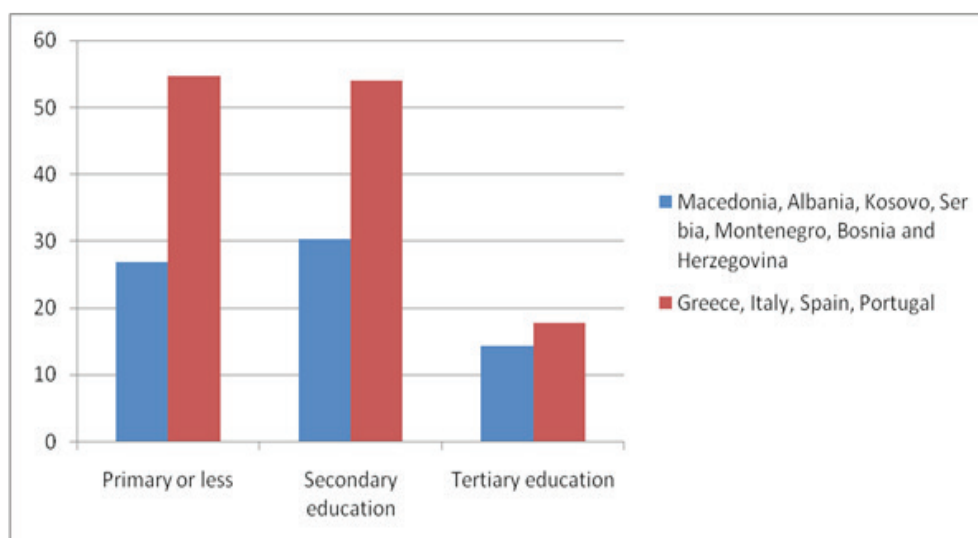


Analyzing as set of countries, 57.8% of the females in the sample are from selected countries from the Western Balkan, while 42.2% are from selected South Mediterranean countries. The average age in this sample is 46.16 years with a standard deviation of 17,81 years. The average number of children per female is 1.53 with a standard deviation of 1.47. 57% of the females in the sample reported that they are active in the labour market, 55.8% are married, 50.1% live with children in the household. 38.6% of the reported highest level of education of primary or less, 44% finished secondary education and 16.4% have university diploma or above. 42.8% reported that their spouses are active in the labour market. 38.9% of the females in the sample have conservative cultural values, while 1.1% of the females in the sample reported that they have internalized machista cultural values. Figure 4 presents differences in highest level of education attained with respect to different set of countries.

With respect to the set of countries 62.64% of the females from the selected countries from Western Balkan reported activity on the labour market, 56.25% are married, 55.47% are living with children.

On the other hand, 30.32% of females from South Mediterranean group of countries reported that they finished secondary education against 54.00% of the females from selected countries from Western Balkan. When it comes to finished tertiary education, percentages are similar: 14.46% of the females from the South Mediterranean group of countries and 17.89% of the selected countries from Western Balkan have finished tertiary education or above. Similarities within two groups of countries are observed with cultural indexes as well. 1.34% of the females from South Mediterranean group of countries reported internalized machista cultural values against 0.96% of the females from selected Western Balkan countries. Similar, 37.28% of the females from South Mediterranean group of countries and 40.04% of the females from selected Western Balkan countries revealed conservative values toward family, marriage and children.

Figure 4: Highest level of education attained with respect to the two groups of countries.



Source: Authors own calculations based on data from EVS

Results

Results from performed binary logistic regression are presented in Appendix B. In order to test whether cultural norms and beliefs have influence on female labour market participation, first we run the regression on the set of individual and household characteristics to which we add the cultural variables. This allows us to check stability of the parameters.

The first model explained 41.0% (Nagelkerke R^2) of the variance in activity of the female on the labour market and correctly classified 76.2 % of cases. In other words, the model has

relatively high explanatory power of female activity. Below we present the main findings of the econometric analysis.

Unlike other studies (Chevalier and Viitanen 2002; Vlasblom and Schippers 2004; Contreras and Plaza 2010) where the presence of the children in the household is negatively correlated with female activity in the labour market, in this model that variable is not significant. One possible explanation for such result is that the questionnaire from EVS does not specify whether children are young (less than 5 years). However, number of children of the females is found to be statistically significant and it is negatively associated with activity of the female, where an increasing number of children will reduce likelihood of being active on the labour market by 0.88, other things being equal.

Females from selected Western Balkan countries are 1.15 times more likely to be active on the labour market than females from South Mediterranean group of countries, other things being equal. The evidence suggests that increasing age is associated with an increased likelihood of activity in the labour market by 1.35 times. We were able to capture non-linearity of this variable i.e. we find evidence of an inverted U-shape relationship between age and activity, which is in line with results from other researchers presented in literature review. From the regression, the likelihood of the activity increases with age until female is 37.5 years old. Afterwards, activity declines. Females with finished tertiary level of education or above are 3.039 times more likely to participate in the labour market than females with finished primary education or less, other things being equal.

In line with other findings in the literature (Contreras and Plaza, 2010; Daviogly and Kirdar, 2010; Hosney, 2016), marriage is negatively associated with female activity in the labour market. Married females are 0.639 time less likely to participate in the labour market, other things being equal. Contreras and Plaza (2010) explain that females tend to be secondary workers and their decision whether to participate in the labour market depends on the presence of the husband. The educational background of the spouse also has an influence on female labour force participation. Females whose spouses have completed tertiary education are 1.301 times more likely to participate in the labour market than females whose spouses have primary education or less, other things being equal. If female's spouse is active on the labour market then females are 1.6 times more likely to participate in the labour market, compared with females whose spouses are not active in the labour market, other things being equal.

Adding cultural variables (see Appendix C) to the regression revealed that females with conservative values and norms are much less likely to participate in the labour market. In particular, females who demonstrate conservative values are 0.8 times less likely to participate in the labour market than females who do not demonstrate cultural values and norms, other things being equal. Opposite to the findings from Contreras and Plaza (2010), we have found that female female perception of machista cultural context index is not statistically significant.

Conclusion

The aim of this research is to examine the factors that affects female's activity in the labour market in a set of countries which are believed to share a similar culture despite the geographical and economic development differences. Apart from the standard factors used in this type of literature, like individual characteristics of the female and characteristics of the household, we add cultural attitudes about gender and women's roles as a factor that may affect female labour force participation. The first group consists of countries from Western Balkan which are not members of European Union and are at lower level of economic development, whereas the second group is consisted of four countries from South-Mediterranean. Following the method developed by Contreras and Plaza (2010) we measure cultural attitudes through two indexes. First, the Female Perception of Machista Cultural Context Index, which measures whether female has internalized machista cultural values or not, and the Female Conservative Index which measures whether female possesses conservative culture values towards family, marriage and children.

We found that more educated women have higher activity in the labour market. Results from age of the female and participation indicate an inverted "U"-shaped relationship, meaning older females are more active in the labour market but with decreasing rates. Number of children is negatively associated with females labour force participation as well as her marital status. The main variable of our interest that is the culture shows a significant effect on females' activity. In particular, those women who demonstrate conservative cultural attitudes are less likely to participate in the labour market and the difference in participation is relatively high. On the contrary, we found Female Perception of Machista Cultural Context Index not to have a significant impact on females' participation in the labour market.

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Appendix A

Table A1: Percentage of females form selected countries in the sample

c_abrv			
		Frequency	Percent
Valid			
	AL	750	9,5
	BA	804	10,1
	ES	840	10,6
	GR	848	10,7
	IT	750	9,5
	ME	825	10,4
	MK	640	8,1
	PT	910	11,5
	RS	789	9,9
	RS-KM	775	9,8
	Total	7932	100,0

Table A2: Share of females in the two set of countries

SET_COUNTRIES			
		Frequency	Percent
Valid	0	3348	42,2
	1	4583	57,8
	Total	7931	100,0
Missing	System	1	,0
Total		7932	100,0

Table A3: Percentage of active females

		Frequency	Percent
Valid	0	3412	43,0
	1	4519	57,0
	Total	7931	100,0
Missing	System	1	,0
Total		7932	100,0

Table A4: Percentage of married females

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	3506	44,2	44,2	44,2
	1	4425	55,8	55,8	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

Table A5: Percentage of female who live with children

		Frequency	Percent	Valid Percent	Cumulative Percent
	0	3931	49,6	49,6	49,9
	1	3971	50,1	50,1	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

Table A6: Reported highest level of education

EDU1: primary or less

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	4866	61,3	61,4	61,4
	1	3065	38,6	38,6	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

EDU2: finished secondary education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	4441	56,0	56,0	56,0
	1	3490	44,0	44,0	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

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EDU3: tertiary education or above

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	6627	83,5	83,6	83,6
	1	1304	16,4	16,4	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

Table A6: Share of females with active spouses in the labour market

ACTIVITY_P					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	4533	57,1	57,2	57,2
	1	3398	42,8	42,8	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

Table A7: Share of females with conservative cultural values

Female culture index					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	4848	61,1	61,1	61,1
	1	3083	38,9	38,9	100,0
	Total	7931	100,0	100,0	
Missing	System	1	,0		
Total		7932	100,0		

Table A7: Descriptive statistics with respect to the set of countries

		Activity		Marital status		Living with children			
		0	1	0	1	0	1		
set od countries									
	0	50,78	49,22	44,83	55,17	57,05	42,68		
	1	37,36	62,64	43,75	56,25	44,10	55,47		

		EDU1		EDU2		EDU3			
set od countries		0	1	0	1	0	1		
	0	45,34	54,66	69,68	30,32	85,54	14,46		
	1	73,05	26,95	46,00	54,00	82,11	17,89		
		EDUP1		EDUP2		EDUP3		Activity_P	
set od countries		0	1	0	1	0	1	0	1
	0	67,65	32,35	83,78	16,22	92,35	7,65	61,95	38,05
	1	87,28	12,72	66,14	33,86	89,48	10,52	53,65	46,35
		FMPCC		Female Culture I					
set od countries		0	1	0	1				
	0	98,66	1,34	62,72	37,28				
	1	99,04	0,96	59,96	40,04				

Appendix B

Binary logistic regression on a set of individual and house hold charactersitics

Table B1: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	2889,640	11	,000
	Block	2889,640	11	,000
	Model	2889,640	11	,000

Table B2: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	7950,041 ^a	,305	,410
a. Estimation terminated at iteration number 6 because parameter estimates changed by less than, 001.			

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Table B3: Classification Tablea

		Observed	Predicted		
		ACTIVITY		Percentage Correct	
		0	1		
Step 1	ACTIVITY	0	2035	1377	59,6
		1	510	4009	88,7
	Overall Percentage				
a. The cut value is, 500					

Table B4: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	SET_COUNTRIES	,139	,060	5,333	1	,021	1,149
	age	,300	,014	483,818	1	,000	1,350
	AgeSQ	-,004)	,000	579,006	1	,000	,996
	No_CHILDREN	-,130)	,029	20,016	1	,000	,878
	LIVING_with_CHILDREN	,069	,073	,874	1	,350	1,071
	EDU2	,116	,071	2,725	1	,099	1,123
	EDU3	1,112	,104	114,846	1	,000	3,039
	EDUP2	,220	,086	6,569	1	,010	1,246
	EDUP3	,264	,125	4,410	1	,036	1,301
	ACTIVITY_P	,483	,091	28,366	1	,000	1,621
	MARITALSTATUS	-,447)	,100	19,892	1	,000	,639
Constant	-4,800)	,259	343,798	1	,000	,008	
a. Variable(s) entered on step 1: SET_COUNTRIES, age, AgeSQ, No_CHILDREN, LIVING_with_CHILDREN, EDU2, EDU3, EDUP2, EDUP3, ACTIVITY_P, MARITALSTATUS.							

Appendix C

Binary logistic regression on a set of individual and household characteristics with added cultural indexes

Table C1: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	2894,814	13	,000
	Block	2894,814	13	,000
	Model	2894,814	13	,000

Table C2: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	7944,867 ^a	,306	,410
a. Estimation terminated at iteration number 6 because parameter estimates changed by less than, 001.			

Table C3: Classification Tablea

	Observed	Predicted			
		ACTIVITY		Percentage Correct	
		0	1		
Step 1	ACTIVITY	0	2042	1370	59,8
		1	511	4008	88,7
	Overall Percentage				76,3
a. The cut value is, 500					

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Table C4: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	SET_COUNTRIES	,151	,060	6,261	1	,012	1,163
	age	,299	,014	479,703	1	,000	1,349
	AgeSQ	-,004)	,000	573,590	1	,000	,996
	No_CHILDREN	-,127)	,029	18,990	1	,000	,881
	LIVING_with_CHILDREN	,066	,073	,821	1	,365	1,069
	EDU2	,108	,071	2,344	1	,126	1,114
	EDU3	1,099	,104	112,014	1	,000	3,001
	EDUP2	,215	,086	6,260	1	,012	1,240
	EDUP3	,255	,125	4,141	1	,042	1,291
	ACTIVITY_P	,483	,091	28,265	1	,000	1,621
	MARITALSTATUS	-,433)	,101	18,476	1	,000	,649
	Femalecultureindex	-,122)	,058	4,451	1	,035	,885
	FMPCC_index	-,203)	,273	,554	1	,457	,816
	Constant	-4,749)	,260	334,057	1	,000	,009

a. Variable(s) entered on step 1: SET_COUNTRIES, age, AgeSQ, No_CHILDREN, LIVING_with_CHILDREN, EDU2, EDU3, EDUP2, EDUP3, ACTIVITY_P, MARITALSTATUS, Femalecultureindex, FMPCC_index.

Interplay Between Reservation Wage and Unemployment Duration: Evidence From North Macedonia

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Abstract

Being a country with relatively high unemployment rate of 23.7% (SSO, 2016) and especially high youth unemployment rate of 49.5% (SSO, 2016) peaks the necessity of a research of the causes of these states on the labor market in North Macedonia. The reservation wage is an issue that is very closely related to the unemployment rate, unemployment duration and placement of workers in the labor market. The theoretical background of this research is based on the job search theory of analyzing the frictional unemployment resulting from job hunting by workers (Haurin & Sridhar, 2003). More specifically, the reservation wage is a concept that has a relevance for modeling labor supply decisions, through its influence on transitions from non-employment to employment. Moreover, the reservation wage sets the grounds of the job search theory where a person stops its search for a job under conditions of uncertainty and imperfect information.

This study will assess the determinants of the reservation wage, how the factors influence the fluctuations of the reservation wage, as well as the effects and the relationship among them. The literature review will be developed in three sections, starting with the basic determinants of the reservation wage classified as socio-demographic factors. The second section will cover the other sources of income within the households and the third will review the interplay between the reservation wage and the unemployment duration.

Keywords: *Reservation wage; Unemployment; Youth.*

Introduction

Socio-demographic factors

This section explores the most important socio-demographic factors of reservation wage. Malk (2014) and Hofler & Murphy (1994) elaborate the reservation wage fluctuations taking into account the individual characteristics such as age, gender, education, qualifications and experience. They state that the relationship between the age and the reservation wage is opposite. Similarly, Brunel (2014) adds that the older the people get, they exhaust their sources of income, which pushes down the reservation wage. However, as De Coen (2015) tend to widen the analysis showing evidence of positive relationship of education and reservation wage, adding that education may account for the effect of age on the reservation wage making the age variable negligible. In this context, Coen (2010) investigates the effect of the age on the reservation wage independently and reveals a reverse U-shaped relationship between age and the reservation wage via employment efficacy and a U-shaped relationship via work intention. Other studies however, found a reverse U-shaped relationship where the reservation wage increases until individuals are in their 30s and then declines with age (Bloemen & Stancanelli, 2001; Prasad, 2003).

In accordance with Coen (2010), higher education, specifically having a degree (undergraduate or post-graduate), is associated with a lower duration of unemployment and lower unemployment duration is associated with higher reservation wage (Addison et al., 2013). De Coen (2015) also concludes that women have lower reservation wages than man. Opposite to this, Queralt (2006) concluded that when reservation wages are the same for both men and women, highly educated women are able to receive job offers at the same frequency as highly educated men, which equalizes the reservation wages of men and women at the level of high education.

An increase in a person's experience is expected to increase his wage expectations, and this is in line with previous studies since experienced people rationally assume their productivity will be higher than that of inexperienced people. In addition, previous job experience enhances a person's perception about his productivity and raises his wage expectation (Şentürk, 2015).

The reservation wage is dependent on individual characteristics of a person which intends to be placed on the labor market. The more competent a worker is the higher the reservation wage is. Each determinant age, education, qualifications and experience, except for gender have positive relationship with the reservation wage when measured individually, *ceteris paribus*.

Other sources of income

Other factors that the literature treats when considers the determination of the reservation wage are the other sources of income that come within the household of the persons who reported the reservation wage. The main other sources of income according to Malk (2014) are wealth, income of spouse and other family members and unemployment benefits. The relationship between the other sources of income and the reservation wage is positive. The higher the income in the household the higher the reservation wage.

Lamers (2014) investigates the relationship of wealth and reservation wage, but also the job search, and his results suggest that wealth has a significantly positive effect on reservation wages of both household heads and spouses, and a significantly negative effect on the search effort of household heads. The study of Lentz & Tranaes (2005) suggests that wealth and other income sources may affect search intensity. And so the presence of these alternative sources of income could be expected to affect reservation wages through their effect on the duration of unemployment (Malk, 2014). Furthermore, Prasad (2003) and Maani & Studenmund (1986) analyze the factors that may influence the search period. They conclude that in the first place are the economic resources.

The same reasoning is behind the unemployment benefits. As unemployment benefits increase the reservation wage increases as well (Beladi & Kar, 2013). Theoretically this leads to a point at which sufficiently high unemployment benefits would eventually eliminate all economic activity (Beladi & Kar, 2013). Shimer & Werning (2006) analyzed the length of the unemployment benefits. They state that usually the assumption is that benefits last forever. But in reality most unemployment benefit systems pay only for a specified amount of time. Raising benefits will actually lower such a worker's reservation wage since it encourages one to accept a mediocre job in order to renew eligibility (Carolina & Pau, 2008).

In conclusion, the other sources of income increase the reservation wages. Wealth and the income of a spouse or other family member increase the reservation wages. The higher amount of unemployment benefits pushes the reservation wage to go higher, but, what matters is the duration of the unemployment benefits that is if they are for finite length of time, than the effect is opposite.

Unemployment duration and the reservation wage

What the literature does not weight on either side is the relationship of the reservation wage and the unemployment duration. Addison et al. (2008) stated that there is a positive influence of the unemployment duration on the reservation wage, while they already know the positive influence of the reservation wage on the duration with certainty. Jones (1988) adds to this statement concluding that there is influence of the reservation wage on the unemployment duration, substantial with the literature from earlier periods (e.g. Lancaster, 1985; Nickell, 1979; Narendranathan and Nickell, 1985). Sants (1977) complements to the concept of this

relationship by stating: "The higher the reservation wage, *ceteris paribus* the lower the probability of finding an acceptable wage offer, and the longer would be the expected duration of unemployment." (p.49). Mohanty (2005) and Kiefer and Neumann (1979) do not agree on this, stating that the influence comes from the other side, unemployment duration lowers the reservation wages. Holfer and Murphy (1994) agree that an increase of the reservation wage reflects higher costs from an extended search and resulting from a longer duration of unemployment. The third view in the literature explains that reservation wages and unemployment duration are simultaneously determined (Addison et al. 2013; Lancaster and Chesher, 1984). The elasticity of unemployment duration is decomposed into two components: one due to the elasticity of the reservation wage (scaled by the slope of the wage offer distribution taken at the level of the reservation wage) and the other one due to the elasticity of the job offer arrival rate (or search effort).

Belzil (1992) in his analysis also show that higher reservation wages predict longer unemployment duration. He introduces the concept of observable and unobservable variables that influence the reservation wage. A concern that he considers in his study is that the empirical relationship between the reservation wage and unemployment duration, controlling for observables, is likely to reflect both the causal effect of the reservation wage on unemployment duration and the influence on the reservation wages of unobservable that are also correlated with unemployment duration. Several empirical studies have examined the question of constant reservation wages. One of those studies is of Prasad (2003) using Dutch data, who found no relationship with a simple ordinary least square (OLS) regression, but a positive relationship with instrumental variables (IV) regression, which could be interpreted as support for the constant reservation wage hypothesis. Addison and Pedro (2004) investigate the relationship between post-unemployment wages and unemployment duration. They use this strategy as an indirect test of the declining reservation wage hypothesis. The impact of unemployment duration on wages can also be interpreted as an indicator of poor productivity, or as a measure of the depreciation of human capital during joblessness. There is no impact of reservation wages on the probability of finding a suitable job. The results contain a clear suggestion that the relationship between accepted wages and duration of unemployment shadows the relationship between reservation wages and unemployment duration, as would be expected from job search theory according to the authors. However, a problem that the literature treats regarding the relationship of the reservation wage and the unemployment duration is the problem of endogeneity. The problem is that the reservation wage and the duration of unemployment could be endogenously determined. Furthermore, optimal search theory (Lammers, 2014), under the assumption of a stationary reservation wage, predicts a positive correlation between these variables. Additionally, in the model of Prasad (2003) the conditional correlation between the reservation wage and unemployment duration appears to be essentially zero. In fact, although not statistically significant, the parameter estimates are slightly negative. At an intuitive level, this might seem reasonable since, one might expect

the reservation wage to decline as the non-employment spell duration lengthens. Hence, the interpretation of the positive correlation between reservation wages and unemployment duration as being consistent with optimal search theory requires caution in interpretation and further elaboration.

Contrary to the statements of positive relationship of the reservation wage and the unemployment duration, a recent study of Krueger and Mueller (2014), find that reservation wages appear to influence employment decisions among unemployment insurance recipients in New Jersey, but reservation wages are unaffected by unemployment duration and unemployment insurance exhaustion. In the study of Christiansen (2001), no evidence of an influence of unemployment duration and different kinds of unemployment benefits on reservation wages was found for Germany. Again, this finding is in contrast to theoretical models predicting declining reservation wages with increasing unemployment duration. Only in countries with rapidly declining and exhausting unemployment benefits an obvious decline of reservation wages with duration of unemployment is expected (Dolton and O'Neill, 1995). Therefore, the presented results for Germany, which show no declining reservation wages, may simply indicate a low financial pressure to unemployed persons.

The unemployment duration is closely related to the unemployment rate in one country. The policy implications and recommendations of the issues of unemployment duration and reservation wage will eventually implicate in the rate of unemployment, especially the long term unemployment. Falk et al. (2006) conclude that an introduction of minimum wage would increase the reservation wages suggesting that this economic policy may affect people's behavior by shaping the perception of what is a fair wage. And after the removal of the minimum wage the reservation wages remain high.

Methodology

The literature when considering the methodology and modeling of the estimation of the reservation wage agrees that a parametric Two-Stage Least Squares (2SLS) approach is suitable for estimation of the reservation wage, by simultaneously resolving the issue of endogeneity of two crucial variables in the model, unemployment duration and reservation wage (Malk, 2014; Brown & Taylor, 2010).

$$\ln RW_i = \beta_0 + \beta_1 R_i + \beta_2 RUR_n + \beta_3 \ln AW_n + \beta_4 N_i + \beta_5 OS_i + \beta_6 A_i + \beta_7 UB_i + \beta_8 UD_i + \epsilon_i$$

$\ln RW_i$ – natural logarithm of the reservation wage of the individual

R_i – dummy if the individuals' household receives remittances

RUR_n – regional unemployment rate

$\ln AW_n$ – natural logarithm of the regional average wage

N_i – dummy of the individual falls under the category of NEETS

OS_i – dummy if the individual uses other sources of income

A_i – age of the individual
 UB_i – dummy if the individual uses government unemployment help
 UD_i – instrumented unemployment duration of the individual
 E_i – error terms.
 i – refers to each individual surveyed
 n – regional data

In the model, the reservation wage is regressed with all the exogenous variables and the instrumented endogenous variable – unemployment duration. The predicted values from this regression replace the original values of the endogenous variable unemployment duration in the second stage regression model. A specific variable that influences the reservation wage are the remittances. The other sources of income also determine the reservation wage, including sources as financial institution and family and friends.

To overcome possible endogeneity problem, in this research we estimate a model using a parametric 2SLS approach. The unemployment duration is one of the endogenous variables that will be regressed by the instrument variables. Hereby, is introduced a linear regression that will explain the unemployment duration. The explanatory variables of the first stage regression must not be correlated with the error term of the regression of the reservation wage – the other endogenous variable. In this data there might be some limitations of the responses on the survey.

The model of this analysis uses the following instruments to determine the unemployment duration: dummy of the financial situation within the household, dummy of whether the individual has graduate degree, dummy of whether the individual has postgraduate degree, experience of the individual expressed in months, gender of the individual and marital status, or more precise whether he/she lives with a partner.

Thus, we define the following equation to estimate the instrumented variable i.e. the unemployment duration:

$$UD_i = B_0 + B_1FS_i + B_2GR_i + B_3PG_i + B_4EX_i + B_5MS_i + B_6G_i + B_7Y_i + E_i$$

UD_i – unemployment duration of the individual i expressed in months.
 FS_i – dummy of the financial situation of the individuals' household
 GR_i – dummy if the individual has graduate degree
 PG_i – dummy if the individual has postgraduate degree
 EX_i – months of experience of the individual
 MS_i – dummy of the marital status of the individual
 G_i – dummy of gender of the sample
 Y_i – year of the sample of the individual
 E_i – error term
 i – refers to each individual surveyed

Data

School to Work Transition Survey

The International Labor Organization (ILO) and the State Statistical Office in North Macedonia implemented a project called Work4Youth, which included conducting the School to work transition survey (hereinafter: SWTS). This survey was conducted twice in North Macedonia, once in 2012 and the second time in 2014 on a random sample. This study uses the SWTS from the two years to examine the relationship between the reservation wage and the unemployment duration. The study pooled the data from the two years, so there are 5018 observations of the sample examined, 2474 observations from 2014 and 2544 observations from 2012. The SWTS is a survey that is labor market designed. It includes labor market information on young people aged 15 to 29 years.

Descriptive statistics

Descriptively looking at the results of the data from SWTS, the highest average reservation wage is noted in the Northwestern region and it is 14.084 denars and the lowest is noted in the Polog region of 10.323 denars. The shortest unemployment duration is noted in the Vardar region of 29 months, and the longest in the Northwestern region of 39 months Table 1. Reservation wage and unemployment duration

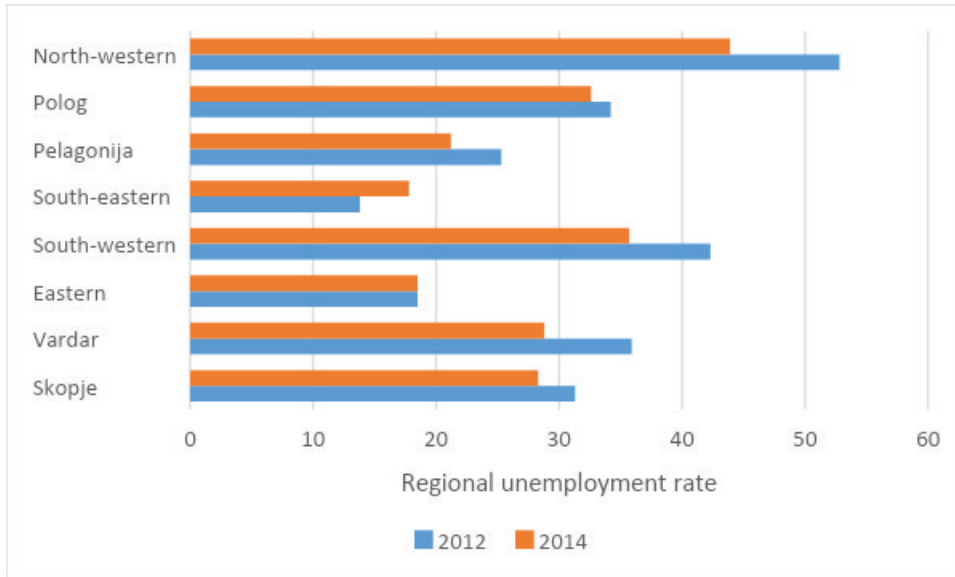
Table 1: Reservation wage and unemployment duration of the sample

	North Macedonia	Vardar	Eastern	South -West	South-East	Pelagonija	Polog	North-East	Skopje
RW (denars)	12.286	12.500	11.248	10.847	13.476	12.168	10.323	14.084	12.191
UD (months)	35	29	37	38	32	36	36	39	30

Source: ILO, calculation of the author

The Northwestern region keeps the first place of highest regional unemployment rate (RUR) noted in both years of analysis (Graph 1). The Southeastern region notes the lowest regional unemployment rate in North Macedonia for 2012 and 2014.

Graph 1: Regional unemployment rate in 2012 and 2014



Source: *State Statistical Office of North Macedonia*

NEET is a category of the -not in employment, education and training youth. It is included in the model in order to put an accent on the scaring of the wages of this category in the present and future. According to the findings of the survey (Table 2) the overall NEETS increased by 1.9 p.p from 2012 to 2014 (30% and 31.9% of the total population fall under the category of NEETS of youth in 2012 and 2014, respectively). The share of female NEETS is higher than of male NEETS.

Table 2: NEETS by gender

NEET rate	2012	2014
Male	28%	29.40%
Female	32.20%	34.40%
Total	30%	31.90%

Source: *ILO, calculation of the author*

The sample statistics shows that the average reservation wage in North Macedonia is 12.286. The average reservation wage is 34% and 28% higher than the minimum wage in North Macedonia for 2012 and 2014, respectively. According to the Law of minimum wage which

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was adopted in 2012 in North Macedonia, the minimum wage was set at 8.050 denars and 8.800 denars for 2012 and 2014, respectively. The same sample had reservation wage that is 27% lower than the average wage in 2012 and 42% lower than the average wage in 2014. The median reservation wage of the sample is 12.000 denars. The lowest reported wage was 3.000 denars in Polog region and the highest reported wage was 88.000 denars in Skopje region. Particularly, in 2014 the average reservation wage is 13.561 denars, which is 37% lower than the average net wage reported by the State Statistical Office for 2014. For 2012 the reservation wage recorded is 10.980 denars and the net average wage is 20.903 denars. Table 3 presents the net average wages by regions in North Macedonia for 2014. It can be noted that the Eastern region has the lowest recorded net average wage and Skopje region has the highest.

Table 3: Average net wage by regions in North Macedonia

2014, in denars	North Macedonia	Vardar	Eastern	South western	South eastern	Pelagonija	Polog	North eastern	Skopje
Net-wage	21.394	16.936	15.785	19.460	16.729	19.591	20.425	16.524	25.260
Reservation wage	13.562	13.597	12.210	12.519	13.564	13.630	12.733	14.724	13.708

Source: *SWTS, calculation of the author*

The average unemployment duration of the sample is 35 months, but specific information regarding the duration and how long the respondents have actively looked for a job is that the median unemployment duration and the maximum unemployment duration is the same and it is 4 years.

Table 4: Youth unemployment rate in North Macedonia

YUR	2012			2014		
	Total	Male	Female	Total	Male	Female
15-19	58.7	61.9	51.8	63.5	65.6	59.9
20-24	53	53.8	51.8	51	49.2	54
25-29	41.5	42	40.9	39.3	36.5	43.2
15-29	51.07	52.57	48.17	51.27	50.43	52.37

Source: *State Statistical Office of North Macedonia*

The variables that the model treats are: age, number of children, experience, unemployment duration, reservation wage, regional unemployment rate and regional average wage. Table 5 summarizes the descriptive statistics of all the continuous variables elaborated in this study.

Table 5: Statistics of the variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Age	5018	21.60	4.15	15	29
Number of children	5018	0.20	0.60	0	6
Experience (months)	5018	7.50	22.20	0	204
UD (months)	1040	35.00	17.08	0	48
RW	1536	12286.00	5737.48	3000	88000
RUR	5018	29.97	10.26	13.8	52.8
AW	5018	18817.00	2851.49	14957	25260

Source: *SWTS, calculation of the author*

Results

Before we turn to the results, the validity of instruments is briefly discussed. Regarding the validity of the variables as instruments: the null hypothesis of the Sargan test for validity of the instruments is not rejected at any reasonable level, which indicates that the instruments and the IV regression, are valid. The Sargan test in this model is 4.343 (Table 7) implied an overidentified model. A model to be overidentified means that there are more instruments than endogenous regressors.

Table 6: First stage – 2SLS model

First stage	
Unemployment duration – dependent variable	
Financial situation	3.873** (1.345)
Graduated	-10.34*** (2.667)
Postgraduate	-10.42** (4.28)
Marital status	2.621

**INTERPLAY BETWEEN RESERVATION WAGE AND UNEMPLOYMENT
DURATION: EVIDENCE FROM NORTH MACEDONIA**

	(1.584)
Year of sample	3.18
	(3.668)
Remittances	-13.321***
	(1.521)
RUR	0.08
	(0.069)
lnAW	-9.57*
	(4.465)
NEETS	-0.891
	(1.955)
Other sources	1.596
	(3.334)
Age	1.698***
	(0.217)
Unemployment government help	-4.076
	(4.11)
constant	84.829
	(44.873)
observations	592
Sanderson-Windmeijer F-test	7.64***

Source: Authors' calculations *, **, *** denote statistical significance at the 10, 5, and 1% level, respectively. The number in the brackets represents the standard error of the representative coefficient.

In the first stage of the 2SLS model is regressed the unemployment duration to overcome the issue of endogeneity with the reservation wage. In Table 6 are presented the variables with statistical significance that influence the unemployment duration. Firstly, the good financial situation in the household from where the person surveyed is coming increases the unemployment duration of 3.9 months. Secondly, graduate persons surveyed have 10.3 months lower unemployment duration than the ones without a graduate degree. Thirdly, the impact of the remittances is estimated with negative sign. The explanation for this phenomena indirectly comes from the fact that the households receivers of remittances mainly fall into the category of socially endangered low income households, implying that the persons interviewed are

eager to be placed on the labor market, become active searchers for jobs or employed persons and earn their own income. The last statistically significant variable is the age. Along with the previously elaborated literature an increase in age of one year increases the unemployment duration of 1.7 months. Unexpected is the sign of the variable NEETs indicating that the NEET category of persons have lower unemployment duration than others. Persons that use other sources of income tend to have longer unemployment duration than other, but the ones that use government help tend to have shorter unemployment duration.

The results from the second stage which are of primary interest for us, show that the model has treated 592 observations (Table 7). The p-value of the F-statistic is 0.000 which also proves the validity of the explanatory variables. Regarding the instrumented unemployment duration in the first stage, a one month increase of the unemployment duration decreases the reservation wage by 1.4% implying a countercyclical relationship between these two variables at a confidence level of 99%, along with the most of the theoretical background and conclusion of most of the authors in the literature review. The receiving of remittances and the natural logarithm of the average wage are statistically significant at 95% confidence interval. The results suggest that the receivers of remittances have 12.6% lower reservation wages than the non-receivers. Even though the remittances fall under the category of other sources of income, this case is the opposite of the theory of what most authors argue, that the receiving of other sources of income increases ones' reservation wage. Several aspects can influence these results, first and foremost is that the sample is youth of the age 15-29 years. Most authors come to their conclusion taking into consideration the whole population. Contrary to that, this youth are not direct receivers of the remittances. Usually the receivers of the remittances are the heads of the households, so this income does not make the young person the direct user and spender of it. Petreski et al. (2017) concludes that most of the remittances are used for construction and renovation of real estate in the household implying that they have no impact on the youth and their determination of reservation wage. Second reason is that the youth population is eager to be placed on the labor market and is carrier pursuant regardless the receipt of remittances. The same applies for the coefficient for other sources of income. The variable age of the sample is statistically significant in the second stage of the model indicating that the positive sign of the coefficient states that each additional year of age of the surveyed persons increases their reservation wage for 4%. Bloemen & Stancanelli (2001) and Prasad (2003) found a reverse U-shaped relationship where the reservation wage increases until individuals are in their 30s and then declines with age. The coefficient of the regional wage has also a negative sign indicating that the higher the regional average wage the lower the reservation wage. The perception is that young people get motivated of the increase of the regional average wage, so they get eager to be placed on the labor market, resulting in a decrease of their reservation wage. NEETS have 9% higher reservation wage than the youth that does not fall under this category. This might be a result of the non-presence of the NEETS on the labor market, education or training and their knowledge and perception of the market wages.

Table 7. Results of 2SLS model

Reservation wage- dependent variable	
Unemployment duration	-0.014*** (0.004)
Remittances	-0.126* (0.064)
RUR	0.001 (0.002)
lnAW	-0.255* (0.12)
NEETS	0.099* (0.045)
Other sources	-0.164*** (0.045)
Age	0.045*** (0.009)
Unemployment government help	-0.123 (0.102)
constant	11.246*** (1.178)
observations	592
(uncentered)	0.9983
Second stage F-test	11.73***
LM statistic (Anderson canon.corr)	36.644***
Sargan statistic	4.343

Source: Authors' calculations *, **, *** denote statistical significance at the 10, 5, and 1% level, respectively. The number in the brackets represents the standard error of the representative coefficient.

Conclusion

The high unemployment rate in North Macedonia, especially the high youth unemployment rate raises the question of what is the required price to put this youth on the labor market, i.e. the reservation wage. This study elaborates this phenomena and estimates its determinants and the interplay between the reservation wage and the unemployment duration.

The youth has 34% and 28% higher reservation wage than the minimum wage in North Macedonia for 2012 and 2014, respectively and 27% lower reservation wage than the average wage in 2012 and 42% lower reservation wage than the average wage in 2014. The older the person the higher the reservation wage. If the young person comes from a household with good financial situation, he or she will have longer unemployment duration and longer unemployment duration of the youth in North Macedonia decreases the reservation wage. The interplay between the reservation wage and the unemployment duration aligns with the literature, concluding that the longer the unemployment duration the lower the reservation wage. On the contrary, the higher level of education the shorter the unemployment duration. When considering the education, trainings and employment, a paradoxical finding of this study is that the NEETS have higher reservation wage than the youth that does not fall in this category. This might be a result of the non-presence of the NEETS on the labor market, education or training and their knowledge and perception of the market wages

In similar context, this study accesses the remittances and their influence over the reservation wage and unemployment duration. The remittance receivers have lower unemployment duration of 13 months. A young person decreases his/hers reservation wage by 16% if has other sources of income in the household. These indications primarily come from the fact that the sample is youth of the age 15-29 years. This youth are not direct receivers of the remittances.

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PART FOUR:
Entrepreneurship and Innovation

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The Relationship between Entrepreneurship and Unemployment in Republic of North Macedonia

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Abstract

In the last decade entrepreneurship has gained significant attention from both scientists and government, and it has been linked with economic growth and unemployment. After the economic crisis in 2008, one of the tools that Europe has been using to fight high unemployment has been entrepreneurship. In Macedonia, the main driver of the economy are private enterprises. 99% of Macedonian companies classify as small and medium enterprises, and the number of SMEs is increasing year by year. According to the Agency for promotion of entrepreneurship in Republic of Macedonia, SMEs are great contributors to the country's economy and an important factor for creating new jobs, creating innovative products and services, the increase of exports and a greater promotion of domestic products on foreign markets.

The objective of this paper is to explore the relationship between entrepreneurship and unemployment in Macedonia for the period between 2011 and 2017. Through empirical analyses we identify how the evolution of entrepreneurship has helped decrease unemployment in Macedonia through job creation, and what the different factors are that influence both entrepreneurship and unemployment.

Keywords: *Entrepreneurship; Unemployment; Employment; Youth Unemployment; Relationship; SME's; Macedonia.*

Introduction

The interaction between entrepreneurship and unemployment is analyzed through two-way communication, i.e. the unemployment push effect and the prosperity pull effect (Parker et al., 2004). According to the unemployment push effect, high unemployment reduces the chances to obtain a stable job, and an expected income from employment, so the unemployed person is “pushed” or forced to start a small business. Ritsila and Tervo (2002) claim that without unemployment push entrepreneurs will not start a business, and that entrepreneurship is probably not their dream but a choice of lesser “evil”, the other “evil” being the present unsatisfactory situation of unemployment. Scientific researchers found that unemployment is positively associated with entrepreneurship, i.e. increased unemployment encourages starting one’s own business (Blau, 1987). However, according to Remeikiene and Startiene (2009), if the country has a high unemployment rate, entrepreneurs face reduced demand for their products or services. The high unemployment rate weakens the consumers’ buying power which leads to increasing the risk of bankruptcy and entrepreneurs and be easily pulled out of the private sector. Lucas in 1978, cited in Remeikiene and Startiene (2009), explained that there is an inverse relationship between unemployment and entrepreneurship, meaning that unemployed people are generally the type of people who do not have the necessary expertise to begin start-ups and do not have the intrinsic characteristics of entrepreneurs. On the other hand, Parker and Robson (2004) state that unemployment has a contradictory effect on entrepreneurship. When unemployment increases, job opportunities become scarce or less attractive and unemployed individuals start their own businesses. As unemployment increases, more people believe that starting their own business will help them financially, and this makes the unemployment have a positive effect on entrepreneurship. However, a high unemployment rate can lower the economic activity, and people will feel more at risk when starting their own business. According to the prosperity pull, individuals will open a business if the country’s economic situation will allow thus reducing the unemployment rate (Remeikiene & Startiene, 2009). According to Muhelberger, (2007) in Remeikiene and Startiene (2009), individuals tend to be self-employed when unemployment is low, since the chances of returning to a wage labor are higher.

Factors that influence the relationship between entrepreneurship and unemployment

Studies claim that we cannot approach entrepreneurship and unemployment with a simple mathematical method, because the situation from one country to another is different. Economic and cultural factors have influence on both entrepreneurship and unemployment. According to Blau (1987), basic economic factors such as technological change and industrial structure lead to the development of a country. Benefits of large companies can be reduced through structural changes, creating better opportunities for small and medium enterprises

(Remeikiene and Startiene, 2009). However, Parker and Robson (2004) claim that if the employees are able to adapt to changing working conditions, the external technological factors may have no influence on the unemployment rate. Scientific researchers assume that unemployment should bring more new start-ups businesses, however this assumption is not proven in Europe. In Germany, only 3 percent of the unemployed think of becoming self-employed and only 1 percent decide to make the first step (Remeikiene & Startiene, 2009). On the other hand, according to Birch, (1987) in Amoros, Borraz and Veiga (2016), most of the new jobs created in the United States are from small businesses.

A gender gap is present in self-employment according to Acs, Audretsch and Evans (1994) in Parker and Robson, (2004). The study shows that self-employment is lower for women than for men. Gender stereotypes where women are seen as the caretaker in the family, is the main obstacle for women to integrate into the labor market, and maybe even start their own business (Remeikiene & Startiene, 2008). Remeikiene and Startiene (2008) also agree that the number of men in business exceeds the number of women, except in the service sector such as hotels, restaurants and financial intermediation, while men are more present in industry and construction.

The influence of entrepreneurship on youth unemployment

After the financial crises in 2008, Europe had for the first time more than 23 million unemployed, and majority of small and medium enterprises had not been able to jump back to the previous levels of employment (Rotar, 2014). According to data by Eurostat the youth unemployment rate was 23.9% (EU28) in the first quarter of 2013, and declined to 19.7% at the end of 2015. According to the International Labor Organization, the global youth unemployment rate was 16.6% in 2013, and in the EU youth unemployment increased by as much as 24.9% between 2008 and 2012 (Gopalakrishnan, 2016). Since the unemployment issue had appeared in Europe, EU member states have been using different tools to fight it. One of the tools that Europe has been using is entrepreneurship. Entrepreneurship plays an important role to tackle the unemployment, especially the youth unemployment (Rotar, 2014). Young people face a lack or a mismatch of skills and experience when entering the labor market. In the US there are 11 million unemployed people, and 4 million unfilled jobs, as a result of skills mismatch (Gopalakrishnan, 2016). Scientists agree that young people should have entrepreneurial education to prepare them for entering the labor market. Entrepreneurial education should spread an entrepreneurial culture among students and staff, foster innovation and innovative thinking and should find ways to encourage exchange and knowledge transfer between the university, industry, and the local communities (Sandri, 2016). But, in order to promote entrepreneurial activity among young people, it is crucial to learn more about young people's awareness of and attitudes and aspirations towards entrepreneurship and business (Schoof, 2006). According to a Euro barometer survey cited in Rotar, (2014), the number of young people interested in self-employed business surpasses the number of

middle aged people. It was found that middle age people generally do not want to take risks, they want to have stability in their job, and they are happier to have a regular fixed income versus an irregular variable income. On the other hand, young people are more interested in becoming self-employed because of personal independence, the desire to seek out new challenges, to earn more money, to realize an idea or vision, to gain more reputation, and to connect a passion with a job (Schoof, 2006). According to Rotar (2014), Slovenian young people are very interested in start-up businesses because they think about what they can do for themselves instead of what the government can do for them, and with some changes in labor market policy, the number of young entrepreneurs can increase in Slovenia.

From the statements above, we can conclude that youth unemployment is higher in Europe because of lack or mismatch of skills and experience. On the other hand, young people are more interested in starting their own businesses. With entrepreneurial education and help of labor market policies, young people can more easily enter in the labor market with their own businesses.

The effect of entrepreneurship on unemployment and economic growth in Republic of North Macedonia

According to the Agency for promotion of entrepreneurship in Republic of North Macedonia (APPRM), the main driver of the economy in our country is private enterprise. They are an important factor for creating new jobs, increasing exports and creating innovative products and services. In the Republic of North Macedonia after independence during the nineties privatization and market liberation came along, and many state companies that were not able to deal with the challenge of market liberation were closed. Many unemployed people decided to use their entrepreneurial ideas to start their own business. The decision to open their own business according to Markoski and Gosevska (2012) usually comes from the desire to have permanent jobs, free financial resources and the possession of an entrepreneurial spirit. Ramadani (2013) supports this view, stating that people are motivated to start their own business in order to earn more money, to be independent, to use a profitable opportunity in the market, the desire to be an entrepreneur, and the impossibility to find a better job with a higher salary.

The procedures for starting a new business influence entrepreneurship. In North Macedonia since 2005, the Law for one-stop-shop registration system has been functioning well. This system represents a single electronic register for the territory of the Republic of North Macedonia, and it creates easier access to information for the public. From one counter you can get accurate information about business partners, financial reports and the current condition of any legal entity. It has shown to offer many advantages to the business entities, because it is time and cost effective (APPRM, 2015). According to Doing Business of World Bank, North

Macedonia in 2011 was rated 38 out of 183 economies for ease of doing business, and in 2017 it was rated 10, better than Croatia, Bulgaria, Montenegro, the Czech Republic and Greece.

The Ministry of Labor and Social Policy, the Employment Agency of Republic of North Macedonia and the Agency for Promotion of Entrepreneurship Development Program of the United Nations established a self-employment program with a grant offering as a tool to increase entrepreneurship and to decrease unemployment. The grants were offered for direct support for procurement equipment and materials and basic entrepreneurship training. Also a part of the self-employment program was provided specifically for persons with disabilities. Within this program 1050 unemployed people were covered, and they were employed in 1000 newly-created micro enterprises. Besides the self-employment program, there is a start-up business program designed for young people up to the age of 29, as well as subsidies for SMEs. The start-up business program is focused predominantly in communication technologies, production, tourism and organic agriculture. The program has covered 196 unemployed young people that were employed in 140 newly opened micro enterprises. And the project for subsidizing of new jobs in SMEs as a part of the Operational Plan for Active Programs and Measures was created, with the purpose to create new jobs for active unemployed people. This program covered 250 unemployed young people up to 29 years old and people with disabilities. The program included exemption from the payment of contributions from compulsory social insurance and / or personal income tax for employers who will employ registered unemployed persons in accordance with the provisions of the Law on Employment and Insurance in Case of Unemployment (APPRM, 2017).

Research Methodology

Secondary data is used for this research. The secondary data for North Macedonia were accumulated from the State Statistical Office of North Macedonia, Agency for Promotion of Entrepreneurship in North Macedonia, European Commission and Global Entrepreneurship Monitor.

Results

The labor market of North Macedonia is characterized by high unemployment, low activity, and low employment. The unemployment rate has been high since the independence of North Macedonia, but it has been decreasing slowly through the years. In 2011 the unemployment rate was 31.4% and it declined to 22.4% in 2017; on the other hand the employment rate has increased by 5.2%. From 2015 to 2017 the growth of real GDP decreased from 3.8% to 0.2% (State Statistical Office of N. Macedonia), however the unemployment rate has continued to decrease from 26.1% to 22.4%.

Table 1: Rate of unemployment in Republic of North Macedonia

Year	2011	2012	2013	2014	2015	2016	2017
Unemployed	31.40%	31%	29%	28%	26.10%	23.70%	22.40%
Employed	38.90%	39%	40.60%	41.20%	42.10%	43.10%	44.10%

Source: *State Statistical Office of North Macedonia – Makstat database*

Even though the unemployment rate has decreased it is still high and represents a major cost for the economy of North Macedonia. Different factors are responsible for the unemployment rate high such as mismatch of supplied labor and demanded skills, low salaries, and cultural and traditional factors regarding women.

Table 2: Unemployment rate by age

Age	2011	2012	2013	2014	2015	2016	2017
15-24	55.3	53.9	51.9	53.1	47.3	48.2	46.7
25-29	40.6	41.5	40.5	39.3	39	35.2	33.9
30-34	30.1	29.6	29.5	28.9	25	23.2	23.6
35-39	26.1	29.4	25.8	21.2	22.9	20.6	16.9
40-44	26	24.5	22.3	21	19.6	18.6	17.2
45-49	23.6	23	19	20.7	18.7	17.8	14.9
50-54	24	23.6	22.1	22.1	21	16.3	16.4
55-64	28.2	25.1	24.1	22.7	20.9	17.7	16.6
65 and over	6.8	9.4	7.4	6.8	0	1.1	1.2

Source: *State Statistical Office of North Macedonia – Makstat Database*

Table 2 shows the unemployment rate by age in North Macedonia. The transition from school to work, the lack of skills and the desire to take risks and find their ideal job make the rate of youth unemployment high. In North Macedonia even though the youth unemployment rate has been decreasing through the years, it is still high. The youth unemployment rate in Macedonia in 2017 was 46.7%, which is at much higher rate than EU28, which was 16.1 % in November 2017 (Eurostat, 2019). According to Petreski et al. (2017), in North Macedonia usually young people live longer with their parents, so if the family financial situation is good, the child tends to stay unemployed longer as a result of looking for a better job, but on the other side if the young person stays longer without a job, it becomes more difficult for him/ her to find a job. On the other hand, the unemployment rate is lower for people aged 35 and over. The data give us evidence that people over 35 have the needed skills to have a permanent job, and are less interested in experimenting with changing jobs and professions.

Table 3: Number of people employed in private enterprises

Size of Company	2011		2012		2013		2014		2015	
	Number	Share	Number	Share	Number	Share	Number	Share	Number	Share
Micro	121988	44.8%	111288	33.4%	113536	33.3%	114079	32.4%	119026	32.33%
Small	55059	20.2%	73252	22.0%	75758	22.2%	77789	22.1%	82079	22.29%
Medium	44266	16.3%	70623	21.2%	72234	21.2%	68450	19.4%	72706	19.75%
SMEs	221313	81.2%	255163	76.6%	261528	76.6%	260318	73.9%	273811	74.37%
Large	51092	18.8%	77782	23.4%	79838	23.4%	91767	26.1%	94348	25.63%
Total	272405	100%	332945	100%	341366	100%	352085	100%	368159	100%

Source: *EU Commission – SBA Fact Sheet of FYROM 2013-2017. The data cover the non-financial business economy such as construction, industry, trade and services, except agriculture and other non-market service sectors such as health and education.*

Table 3 shows that SMEs are the main employers in the business entities in North Macedonia, with micro companies being the ones that create the most jobs. Although, the number of people employed in SMEs has been decreasing starting in 2011 until 2015, from 81.2% to 74.3%. On the other hand with the entrance of more foreign direct investments (FDIs) in Macedonia the number of people employed in large companies has increased. However, there are no data given for the number of people employed in SMEs for 2016 and 2017.

Table 4: People employed according to the economic status

Year	Employee			Employer			Self-Employed		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
2011	71.8%	58.1%	41.9%	5.7%	75.2%	24.8%	13%	82.1%	17.9%
2012	73.2%	58.6%	41.4%	4.8%	73.8%	26.2%	13.6%	81.2%	18.8%
2013	71.9%	58.4%	41.7%	4.7%	71.6%	28.4%	14.5%	79.6%	20.4%
2014	73.3%	58.2%	41.8%	3.9%	76.6%	23.4%	14%	84.4%	15.6%
2015	73.9%	57.5%	42.5%	4.3%	75.2%	24.8%	13.9%	81.6%	18.4%
2016	75.9%	58.6%	41.4%	4.4%	75.1%	24.9%	13.2%	79.3%	20.7%
2017	76.3%	58.6%	41.4%	4.5%	77.5%	22.5%	12.9%	81.6%	18.4%

Source: *State Statistical Office of North Macedonia – Makstat database*

Most of the working population in North Macedonia is employees, with 76.3% in 2017. The percentage of employees in North Macedonia decreased in 2013 by 1.3% from the previous year; however it again increased by 4.4% by 2017. The data above show us that the percentage of employers is lower than the percentages of self-employed. Most of the employers are

men, and their percentage has increased from 2011 to 2017 for 2.3%. On the other hand, the percentage of women employers is lower than the percentage of men employers, with the highest percentage being 28.4% in 2013. However, in 2017 the percentage of women employers decreased to 22.5%. From the data above we can conclude that men are dominant in every field, and we prove the theory from the literature review that self-employment is lower in women. This is a result of the influence from different factors such cultural and traditional habits, the lack of skills and education, and the availability and the cost of childcare services.

Table 5: Entrepreneurial Behavior and Attitude

Entrepreneurial Behavior and Attitude	2012	2013	2015	2016
Perceived Opportunities Rate	30.79	37.15	37.77	38.36
Perceived Capabilities Rate	55.11	49.69	54.44	54.50
Fear of Failure Rate	39.43	35.57	34.33	34.44
Entrepreneurial Intentions Rate	27.74	29.11	23.32	24.85
Total early-stage Entrepreneurial Activity (TEA)	6.97	6.63	6.11	6.53
Established Business Ownership Rate	6.73	7.29	5.91	7.2
High Job Creation Expectation Rate	27.73	25.54	22.2	19
High Status to Successful Entrepreneurs	66.73	67.89	57.07	58.5
Entrepreneurship as a Good Career Choice Rate	69.59	69.49	67.1	64.8

Source: *Global Entrepreneurship Monitor Data*

The decision to become an entrepreneur is influenced by many factors that are sometimes difficult to define. Some people opt for starting their own business, while others are afraid of failure (GEM, 2013). The rate of entrepreneurs that see opportunities to start a new business increased by 7.57 % from 2012 to 2016. However, even though the rate of people who believe they have the required skills and knowledge for starting a business decreased in 2013 to 49.69, it increased again to 54.5 % in 2016. On the other hand, the fear of failure determines whether a person will start a new business or not. In 2012 39.43% of the respondents stated that the fear of failure would stop them from starting a new business, however in 2016, 34.44 % of the respondents stated that. Also in 2012, 27.74% of the respondents stated that they plan to open new company in the next 3 years; however this data decreased to 24.85% in 2016.

TEA which is one of the most famous indicators of GEM presents the percentage of people who are either nascent entrepreneurs or owner-manager of a new business. The TEA index was characterized by a downward trend until 2015. In 2012 it was 6.97 %, in 2015 it declined to 6.11 %, however in 2016 we can notice a small increase reaching to 6.53%. Also,

the percentage of entrepreneurs in TEA that expected to create 6 or more jobs in the next 5 years has fallen, going from 27.73% in 2012 to 19% in 2016.

In North Macedonia 66.73 % of the respondents believe that successful entrepreneurs enjoy high status in the society, however this indicator has declined to 58.5% in 2016. Also, in 2012 69.59 % of the respondents stated that entrepreneurship is a good career choice, and even though in 2016 this number fell to 64.8%, it is still relatively high.

Conclusion

The purpose of this article was to analyze the relationship between entrepreneurship and unemployment in North Macedonia. An empirical analysis from secondary data was made for the period 2011-2017. After its independence in the nineties, North Macedonia faced high unemployment, and many people fought unemployment by opening new companies. Even though unemployment has been decreasing through the years, it is still high with 22.40% in 2017. The highest unemployment rate is among young people, and among people with 4 year secondary school education.

On the other hand, from the given data we can conclude that the main employers in North Macedonia are SMEs, even though the rate of people working in SMEs has declined, while the rate of people working in large companies has increased. The TEA index shows us that the percentage of new companies in Macedonia was decreasing until 2015, but in 2016 it increased again, however there is a need of further data for 2017.

In order to fight unemployment and encourage the development of entrepreneurship the government of North Macedonia in 2005 made the procedures for registration of a new company fast and low cost and it offers grants for self-employment, which is mostly for young people and for people with disabilities. However, in order to encourage entrepreneurship especially among young people, the government should continue to offer the grants for self-employment, it should add more programs for entrepreneurial education, and the trainings for entrepreneurship and grants should be promoted more intensely.

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Impact of Education on Entrepreneurial Intentions among Students in Republic of North Macedonia

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Abstract

Entrepreneurship contributes to the development of small businesses which play a crucial role in the economic growth, productivity gains and job creation. Many authors argue that education is one of the main factors which may stimulate entrepreneurial intentions. Therefore, in this paper we explore the educational impact on entrepreneurial intentions among students in Republic of North Macedonia. We build the research on the basis of the Ajzen's Theory of planned behavior (TPB) that explains intentions by means of attitudes, perceived behavioral control and subjective norms.

The research instrument and the sample were adopted from Global University Entrepreneurial Spirit Students' Survey from 2016th and the sample envisaged 124 students from 3 universities on the territory of Republic of North Macedonia.

The results identified that Perceived behavioral control differs between the students being exposed to entrepreneurial education and those who were not. Also, we identified that the university atmosphere is connected to the entrepreneurial intentions and students with entrepreneurial skills and knowledge possess higher entrepreneurial intentions. Attitude toward behavior has positive correlation with university atmosphere so exposing students to entrepreneurship training is expected to mobilize their attitudes and to have a positive effect on intentions to start a new business (Armitage & Conner, 2001)

Keywords: *GUESSS; Entrepreneurial education; University atmosphere; Theory of planned behavior; RNM.*

Introduction

Entrepreneurship has become 'flavor of the month' both in practice and in the development of policy in political, industrial, educational and other domains (Ball, 2005). As one of the leading promoters of economic development it influences on creating new markets, companies, jobs and on generating new opportunities (Ćoćkalo, Đorđević, Bogetić, Sajfert & Minovski 2013; Singh & Singh, 2014). Furthermore, entrepreneurship represents a way of thinking and acting in a global environment, which boosts production, enhances social capital, and fosters technological progress as well as innovation (Dabic & Pietrzykowski, 2011).

Some authors define the entrepreneur as a dynamic force which unsettles the economic equilibrium through innovation by initiating an entrepreneurial process (Singh & Singh, 2014). Further on, entrepreneurs acquire knowledge by engaging in formal education and by taking part in courses related to different fields of interest, which are important for managing and growing the business (Antoncic, Scarlet & Erzetic, 2004). It's essential to equip the young people with skills and educate them to be active in a business as well as to contribute to its growth with informed and clear decisions to maintain the wealth and the well-being of a society on the long run (Dabic & Pietrzykowski, 2011). Entrepreneurship education and training has become the key tool for achieving higher and, above all, quality entrepreneurial activity (Rebernik & Shirec, 2011). However, understanding how and why some entrepreneurs succeed remains a major challenge for the entrepreneurship research community (Aldrich & Martinez, 2001).

Given the business environment and the issues that the business community is facing, the research objective of this paper is to identify the relationship between entrepreneurial education and the entrepreneurial intentions.

Entrepreneurial Intentions

An individual's intention is stronger when attitude and subjective norm are more favorable and higher perceived behavioral control level is demonstrated (Ajzen, 1991). Thus, Entrepreneurial intention is a necessary prerequisite both to becoming an entrepreneur and for carrying out specific behaviors after the start-up phase (Linan & Chen, 2009). An individual intention to perform a specific behavior represents a central factor in the Theory of planned behavior (Ajzen, 1991). Grant (1996) found out that entrepreneurial intentions are closely related with the proactive personality of an individual, such as age, gender, education and role models. All of them influence towards entrepreneurial intentions (EI) and decision of becoming future entrepreneur.

Krueger & Brazeal (1994) argue that entrepreneurial potential is a prerequisite for entrepreneurship, as seen from Figure 1, while Rebernik & Shirec (2011) stated that EI are prerequisites for entrepreneurial activity and of great importance for understanding the en-

entrepreneurial process. The entrepreneurial potential is the first factor that appears and leads to entrepreneurial intention, where both open opportunity for developing entrepreneurial behavior. According to Krueger and Brazeal, the Model of entrepreneurial potential suggested in 1994, based on Shapero's Model for entrepreneurial event (1982), starts with perceived desirability including social norms, attitude and perceived feasibility including self-efficacy, forming credibility with influence of propensity to act, leading to the potential where the precipitating event or displacement shapes the intentions. The basis of that framework suggests that it is the state of mind that directs and guides the actions of an entrepreneur towards the development and implementation of the business concept or EI. Noel (2012) in his research found out that education has big influence towards entrepreneurial intentions and students enrolled in entrepreneurial business programs have stronger intentions to open a business than both non-entrepreneurship business majors and non-business majors at two- and five-year-time horizons. It was Gallant, Majumdar & Varadarajan (2010) that affirmed that entrepreneurial education and entrepreneurial knowledge increases entrepreneurial capabilities of students for opening new venture, thus education and knowledge related with entrepreneurship increases the entrepreneurial intention.

University entrepreneurship education

Education is the clearest path to individual opportunity and societal growth, and entrepreneurship education is especially vital to fueling a more robust global economy (Sowmya & Majumdar, 2010). The competitiveness of an economy depends on its ability to produce future leaders with entrepreneurial skills (Dimovski & Znidarshic, 2011), which contribute to fostering competition, innovation, economic growth, job creation and the wellbeing of the citizens (Raposo & Paco, 2011). Entrepreneurship and management education are important in developing knowledge and skills of entrepreneurs (Antoncic et al., 2004), in educational meaning, they both represent a source of new skills, knowledge, experiences and possibilities (Ćóćkalo et al., 2013). The extent to which entrepreneurial education could have an indirect effect on students' intentions to start a new business is a topic of great relevance among scholars (Izquierdo & Buelens, 2008). Entrepreneurial education and training have become the key tool for achieving higher and, above all, quality entrepreneurial activity (Rebernik & Shirec, 2011). Davey, Hannon & Penaluna (2016) have concluded that entrepreneurship education can influence the thinking and acting of an academic or a student. Entrepreneurial programs and modules offer students the tools to think creatively, effectively solve problems, analyze a business idea objectively, as well as to communicate, network, lead, and evaluate any given project (European Commission, 2008). Entrepreneurs acquire knowledge by engaging in formal education and by attending courses related to different fields of interest, which are important for managing a business (Antoncic et al., 2004). Academically educated entrepreneurs play key role in the development of the regional economies (Sowmya & Majumdar, 2010) because they are more self-confident and are not afraid of failure compared to the

entrepreneurs with a less formal education (Dimovski & Znidarshic, 2011). Universities contribute to the entrepreneurial mind setting in four primary ways: through entrepreneurship education, development of entrepreneurial thinking and acting, supporting entrepreneurial activity and stimulating entrepreneurial leadership (Davey et al., 2016).

According to the mentioned authors, for the students, education may lead to new venture creation during their studies, immediately after graduating or at some point in the future. Exposing students to entrepreneurship training is expected to mobilize their attitudes which, in turn, can have a positive effect on intentions to start a new business (Izquierdo & Buelens, 2008). Through analyzing the two models, authors concluded that students who possess higher entrepreneurial self-efficacy beliefs and enroll in entrepreneurial education, following the process, they gain increased attitudes toward entrepreneurial acts which may lead to higher intentions for opening new venture. Therefore, self-efficacy and attitudes are important predictors of intentions (Boyd & Vozicky, 1994; Izquierdo & Buelens, 2008).

Country perception

Republic of North Macedonia is a transitional economy moving towards free market economy (Kostovski & Hristova, 2016). Small and medium sized enterprises are key factor for economic growth, industries and employment (Tomovska Misoska, Dimitrova & Mrsik, 2016; Xhemaili & Shabani, 2016).

Further on, Kostovski and Hristova (2016) identified that graduates from higher educational institutions lack entrepreneurial mind-set and are not psychologically prepared for starting new ventures. The authors also found that schools offer basic entrepreneurial training, or teach entrepreneurship rather as theory and not as practice. To add, Debarliev and Janevska-Iliev (2015) stated that entrepreneurial intentions are most important predictors for entrepreneurial activity given their research on antecedents of entrepreneurial intentions in Republic of North Macedonia. Using the TPB by Ajzen as research methodology, the authors found out that only gender has significant influence on EI. On the opposite, Tomovska Misoska et al. (2016) found that entrepreneurial knowledge has significant influence toward the variables of Ajzen's TPB. Moreover, students with entrepreneurial knowledge demonstrate higher entrepreneurial intentions. However, Xhemaili & Shabani (2016) concluded that the entrepreneurship in North Macedonia is as slow pace and it would require greater support to improve its progress.

Theory Planned Behavior

Ajzen's Theory of planned behavior (TPB) is well grounded theory as intention-centered theory, that strongly predicts a wide variety of planned behaviors (Krueger & Carsrud, 1993). It represents an extension of the TBP (Ajzen & Fishbein, 1980; Ajzen 1990; Fishbein & Ajzen, 2005) and it explains intentions by means of attitudes, perceived behavior control,

and subjective norms (Van Gelderen, Kautonen, Wincent & Biniari, 2008). As it originates from the Theory of reasoned action, a central factor in the TPB is the individual's intention to perform a given behavior (Ajzen, 1991). The TPB and the Theory of reasoned action are both considered intentionally processing models that imply people's attitudes formed after careful consideration of the available information (Conner & Sparks, 2005).

The central idea of TPB is to determine behavior from behavioral intentions, which are functions of independent TPB constructs, in particular attitude toward behavior, subjective norm, and perceived behavioral control (Barua, 2013). According to the theory, intentions play a central role because they directly influence an individual's behavior. Intentions on the other side are a consequence of individual motivational factors that influence behavior. The link between intention and behavior reflects the fact that people tend to engage in behaviors they intend to perform (Conner & Sparks, 2005).

Perceived behavioral control plays the most important role in the TPB and is referred to as an individual self-confidence of performing the behavior. Perceived behavioral control (PBC) depends on the control beliefs or beliefs about the presence of factors that may facilitate performance of the behavior and perceived power of those factors (Ajzen, 1991). PBC is included as an exogenous variable that has both a direct effect on behavior and indirect effect on behavior through intentions (Madden, Ellen & Ajzen 1992). Additionally, in the theory, there are two more determinants that influence toward intention and achievement of the behavior. The first one, attitude toward behavior (ATB), is explained as favorable or not favorable appraisal toward achievement of the main behavior. ATB depends from the behavioral beliefs or in other words beliefs about the likely outcomes of the behavior and the evaluations of these outcomes (Ajzen, 1991). The second factor is the subjective norm (SN) or social factors that influence toward the achievement of the main behavior. SN depends from normative beliefs, normative expectations of others and motivation to comply with those expectations (Ajzen, 1991).

Research instrument and sample

The research instrument used in the research is questionnaire drawn from the Global University Entrepreneurial Spirit Students' Survey (GUESSS). The population targets university students in the Republic of North Macedonia. It was distributed in the period June-July 2016, and we obtained a sample of 124 university students, a combination of graduate, undergraduate and PhD students, from 3 Universities in Republic of North Macedonia. GUESSS research is about student entrepreneurship, entrepreneurial intentions and entrepreneurial activities worldwide. The theoretical framework of the research is based on the TPB and remains unchanged for the survey done in 2016th (Sieger, Fueglistaller & Zellweger, 2014), shown in Figure 2. The model shows that University context, Family context, Personal motives and Social/cultural context are four factors that influence the ATB, SN and PBC, later leading to

Career choice intentions (Sieger et al., 2014). In relation to the entrepreneurial competencies of students, the project aims to increase the quality of universities that participate in the research and to influence towards students' entrepreneurial intentions. Further statistical analysis based on three already validated constructs ATB, SN and PBC would be considered (Maresch, Harms, Kailer & Wimmer-Wurm, 2016). Additionally, fourth construct was added i.e. University atmosphere.

Research Questions and Hypothesis

The main research question is whether students, who are enrolled or who completed an entrepreneurship education program, demonstrate higher entrepreneurial intentions than those who did not. In the further analysis students who are enrolled or who finished an entrepreneurship program are classified as Participants and those who are not enrolled in entrepreneurship program are classified as Non participants. Based on the TPB the two hypotheses were defined:

H1: University atmosphere results in positive relationship with ATB

H0: There is no relationship between ATB and the entrepreneurial atmosphere at the university.

H2: University atmosphere results in positive relationship with PBC

H0: There is no relationship between PBC and the entrepreneurial atmosphere at the university.

Initially, we have tested for Cronbach Alpha to explore the internal reliability of the constructs, developed by Lee Cronbach in 1951. High degree of internal consistency is demonstrated when the coefficient of α value is closer to 1 (Tavakol & Dennick, 2011). If the coefficient is $\alpha < 0.5$, it is defined as poor or unacceptable. Cronbach Alpha for the first construct ATB, consisted of 8 statements, and was found to be 0,854 which indicated good internal consistency as in Table 2. The second construct SN, consisted of 3 statements, Cronbach Alpha was found to be 0,547. In order to improve the internal consistency of the second construct, the statements which were below $\alpha < 0,5$ were excluded from the dataset i.e. one statement was excluded to increase the Cronbach Alpha increased to 0,703 (see Table 3 and 4). To continue, the Cronbach's Alpha test of the third construct PBC shown in Table 5 was found to be 0,939 which indicate high internal consistency. The value of the internal consistency for the fourth construct University Atmosphere consisted of 8 items was found to be 0,958 (Table 6) indicating excellent internal consistency. We have then compared the results as well as the means of the individual statements given the constructs comparing the participant and non-participant populations.

The results for ATB, show that this construct it is not influenced by the entrepreneurial education of the students to a high degree. There are differences but both groups are demonstrating entrepreneurial spirit. Majority of both groups of students or participants and non-partic-

ipants are able to protect their personal interests, can pretty much determine what will happen in their life and consider that career as entrepreneur is attractive; meaning that if they had the opportunity and resources they would become entrepreneurs because being an entrepreneur would entail great satisfaction for them (Graph 1). Results from SN indicated that both groups of students have the quite similar attitude about the reaction of their living environment, indicating if they pursue carrier as entrepreneurs in the future the reaction of their close family, friends and fellow students will be positive (see Graph 2). The analysis of PBC showed differences in the answers between participants and non-participants. The differences indicated that students with entrepreneurial education are ready to do anything to become entrepreneurs because their professional goal was to become entrepreneurs. Both groups felt positive about starting and running business someday but the intention among the students who have received entrepreneurial education is somewhat stronger, see Graph 3. University atmosphere data analysis indicated that participants studying at the universities where entrepreneurial favorable climate exists advanced their practical management skills for starting a business. However, there is more to be done. To add, non-participants consider some elements of the university atmosphere was even more favorable for starting their own business as well as for developing networks and opportunities. Concluding that university atmosphere as a construct influences toward entrepreneurial intentions of students' behavior regardless that they did not received targeted entrepreneurial courses, see Graph 4.

Further on, we used Spearman correlation as statistical test in order to identify existence of correlation between University Atmosphere and ATB and PBC. In Table 7, we depict the correlation matrix which indicates that relationship between ATB and University Atmosphere. There is a moderately positive ($r=0,427$) relationship between the two constructs at significance level of 0,01. These statistical tests support the hypothesis that there is positive relationship between ATB and entrepreneurial atmosphere at the university. Further on, we have tested the relationship between PBC and University atmosphere and it was found to have moderately positive correlation ($r=0,301$) at a significance level of 0,01. This result supports the second hypothesis indicating that there is a positive relationship between PBC and the entrepreneurial atmosphere at the university. Overall, we could conclude that there is a positive relationship between University atmosphere and the constructs ATB and PBC as determinants of entrepreneurial intentions.

Conclusion

ATB depends on individual's behavioral beliefs or beliefs about the likely outcomes of the behavior (Ajzen, 1991) but does not depend from entrepreneurial education of respondents. The correlation analysis showed that there is a positive relationship between ATB and university atmosphere concluding that exposing students to entrepreneurship training is expected

to mobilize their attitudes and to have a positive effect on intentions to start a new business (Izquierdo & Buelens, 2008) as well as increasing the self-confidence and decreasing the fear of failure (Dimovski & Znidarshic, 2011).

SN do not depend on entrepreneurial education of an individual. Both groups of students have positive normative expectations of others. This claim is supported by the correlation analysis that showed weak to moderate positive relationship between SN and University atmosphere concluding that SN construct is generally found to be a weak predictor of intentions (Armitage & Conner, 2001).

Regarding the third construct or PBC it was found that participants have greater control beliefs such as self-confidence in comparison to non-participants (Ajzen, 1991), concluding that entrepreneurial education has influence toward control beliefs of students.

The university atmosphere construct showed that there is a difference between participants and non-participants attitude towards the understanding of the entrepreneurial actions. University atmosphere has greater influence toward participants' entrepreneurial intentions, concluding that entrepreneurship education can influence the thinking and acting of the students (Davey et al., 2016). Through the applied research model in the paper, we can conclude that students who possess higher PBC and enroll in entrepreneurial education gain increased intentions for opening new venture. Therefore, PBC and university atmosphere are important predictors of intentions.

Moreover, these results are in line with the previous research of Noel (2012) who found that students with entrepreneurial educational background have stronger entrepreneurial intentions. Entrepreneurial education and knowledge have influences toward entrepreneurial capabilities of students (Gallant et al., 2010) thus students with entrepreneurial knowledge demonstrate higher entrepreneurial intentions (Tomovska Misoska et al., 2016).

Overall, as more favorable the university atmosphere is and the greater the PBC where the intentions are stronger.

Our findings are in line with previous research stating that education and development of entrepreneurial thinking (Sowmya & Majumdar, 2010) increase the economic growth, job creation and the wellbeing of the citizens (Raposo & Paco, 2011; Dabic & Pietrzykowski, 2011; Kourilsky, 1995). Entrepreneurs acquire knowledge by engaging in formal education (Antonicic et al., 2004) thus entrepreneurial education and training has become the key tool for achieving higher and, above all, quality entrepreneurial activity (Rebernik & Shirec, 2011) and can have considerable influence on entrepreneurial orientation (Frank, Woroch & Curran, 2005) as well on intentions of becoming self-employed (Babatunde & Durowaiye, 2014).

The research findings suggest future investment into building an entrepreneurial mindset in the country. Hence, Universities to offer more programs and courses in entrepreneurship while government to support, develop and implement successful national entrepreneurial

strategies. Implemented recommendations will further contribute to economic development of the country and society on long run which explains the great importance of this paper.

In respect to the limitations of the study, we could point out that the sample was limited in responses and represented only few different schools. One of the reasons for this limitation could be that the research was conducted for the first time in Republic of North Macedonia and another that the survey is lengthy and many did not have the patience to finish it. The future research should include participation of more universities in the country and students with different educational background to be able to take into consideration the wider picture for the Republic of North Macedonia.

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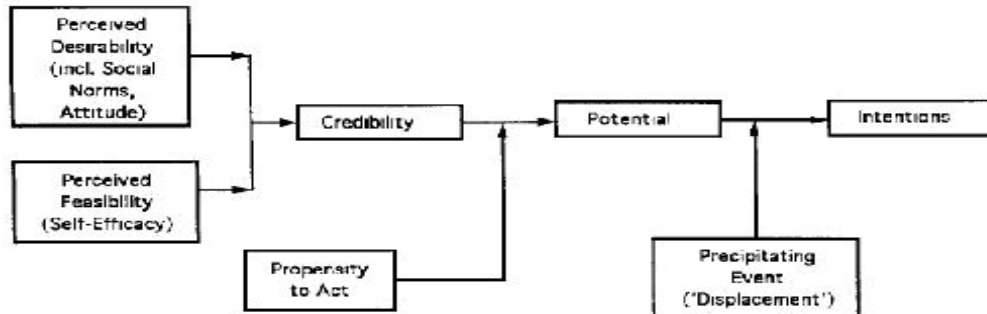
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Appendix 1- List of Figures

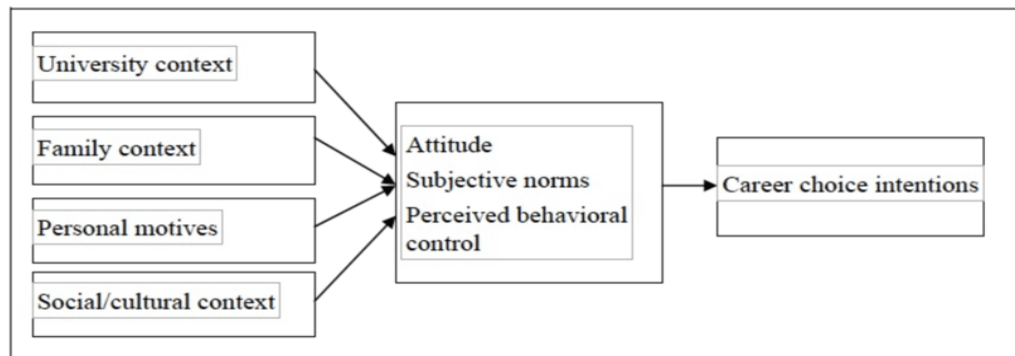
Figure 1: Model of Entrepreneurial Potential

Model of Entrepreneurial Potential (simplified)



Source: *Entrepreneurial potential and potential entrepreneurs* (Krueger and Brazeal, 1994)

Figure 2: Theoretical framework of GUESSS research instrument



Source: *Student Entrepreneurship Across the Globe: A Look at Intentions and Activities* (Sieger et al., 2014).

Appendix 2 - List of Tables

Table 1: Variable description

Variable	Survey Items
Entrepreneurship education program *Participants *Non-participants	Entrepreneurship education program Entrepreneurship courses as compulsory part of the studies Entrepreneurship courses as elective part of the studies Not attending to any entrepreneurship program or courses
Attitude toward behavior	Eight items with seven -point Likert scale (from 1=strongly disagree to 7=strongly agree) Please indicate your level of agreement with the following statements: 1 I am usually able to protect my personal interests. 2 When I make plans, I am almost certain to make them work. 3 I can pretty much determine what will happen in my life. 4 Being an entrepreneur implies more advantages than disadvantages to me. 5 A career as entrepreneur is attractive for me. 6 If I had the opportunity and resources, I would become an entrepreneur. 7 Being an entrepreneur would entail great satisfactions for me. 8 Among various options, I would rather become an entrepreneur.
Subjective norm	Three items with seven-point Likert scale (from 1=very negative to 7=very positive) If you would pursue a career as entrepreneur, how would people in your environment react? 1 Family 2 Friends 3 Students
Perceived behavioral control	Six items with seven-point Likert scale (from 1=strongly disagree to 7=strongly agree) Please indicate your level of agreement with the following statements 1 I am ready to do anything to be an entrepreneur. 2 My professional goal is to become an entrepreneur. 3 I will make every effort to start and run my own business. 4 I am determined to create a business in the future. 5 I have very seriously thought of starting a business. 6 I have the strong intention to start a business someday.
University Atmosphere	Eight items with seven -point Likert scale (from 1=strongly disagree to 7=strongly agree) Please indicate your level of agreement with the following statements 1 The atmosphere at my university inspires me to develop ideas for new businesses 2 There is a favorable climate for becoming an entrepreneur at my university 3 At my university, students are encouraged to engage in entrepreneurial activities The courses and offerings I attended... 4 ...increased my understanding of the attitudes, values and motivations of entrepreneurs 5 ...increased my understanding of the actions someone has to take to start a business 6 ...enhanced my practical management skills in order to start a business 7 ...enhanced my ability to develop networks 8...enhanced my ability to identify an opportunity

Table 2: Reliability statistics – Attitudes toward behavior

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.854	.851	8

Source: *Authors own research*

Table 3: Reliability Statistics-Subjective Norm

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.547	.554	3

Source: *Authors own research*

Table 4: Reliability statistics- Subjective Norm-one item excluded

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.703	.712	2

Source: *Authors own research*

Table 5: Reliability statistics -Perceived behavioral control

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.939	.939	6

Source: *Authors own research*

Table 6: Reliability Statistics-University Atmosphere

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.958	.958	8

Source: *Authors own research*

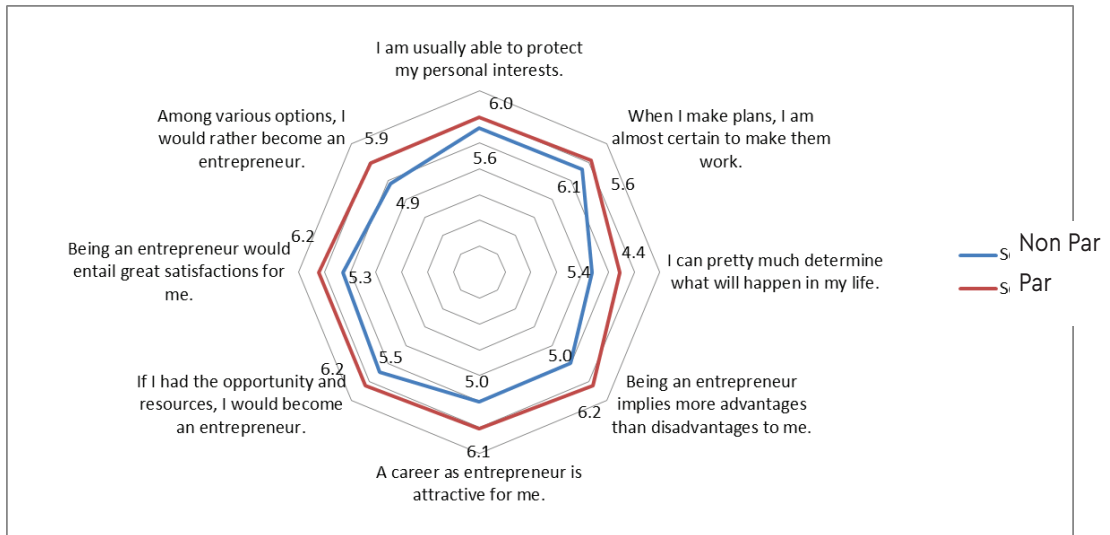
Table 7: Correlation Matrix

			UNIATMOS1	ATB	PBC
Spearman's rho	UNIATMOS1	Correlation Coefficient	1.000	.427**	.301**
		Sig. (2-tailed)	.	.000	.002
		N	121	103	101
	ATB	Correlation Coefficient	.427**	1.000	.649**
		Sig. (2-tailed)	.000	.	.000
		N	103	104	101
	PBC	Correlation Coefficient	.301**	.649**	1.000
		Sig. (2-tailed)	.002	.000	.
		N	101	101	102
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: *Authors own research*

Appedix 3- List of Graphs

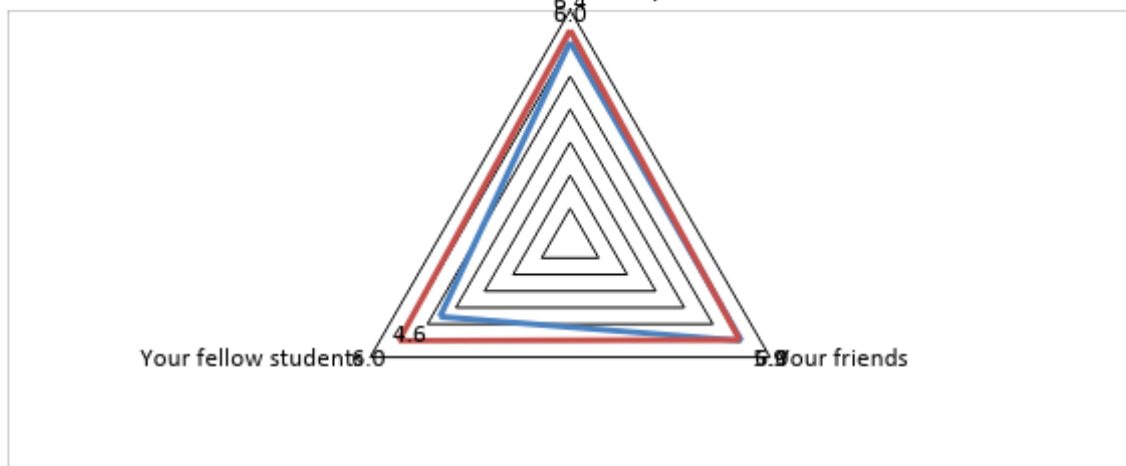
Graph 1: Average values of Attitude towards behavior comparing participants and non-participants



Source: Authors own research

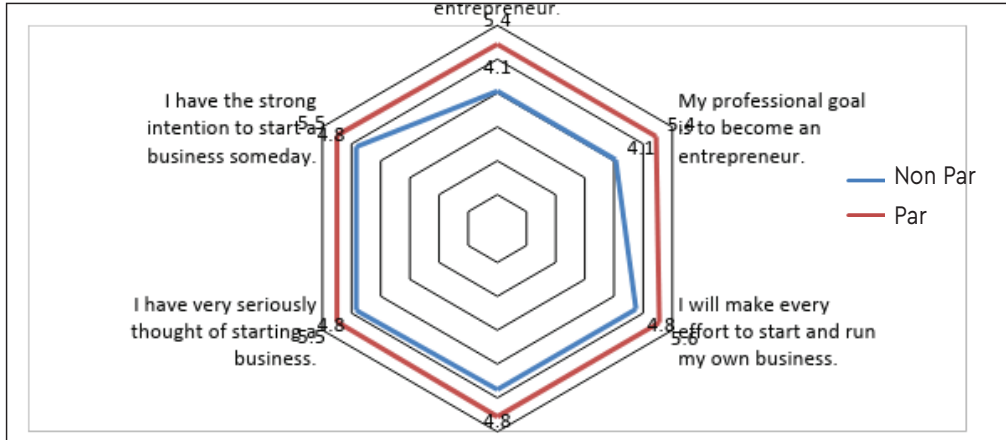
Graph 2: Average values of Subjective norm comparing participants and non-participants

If you would pursue a career as an entrepreneur, how would people in your environment react?



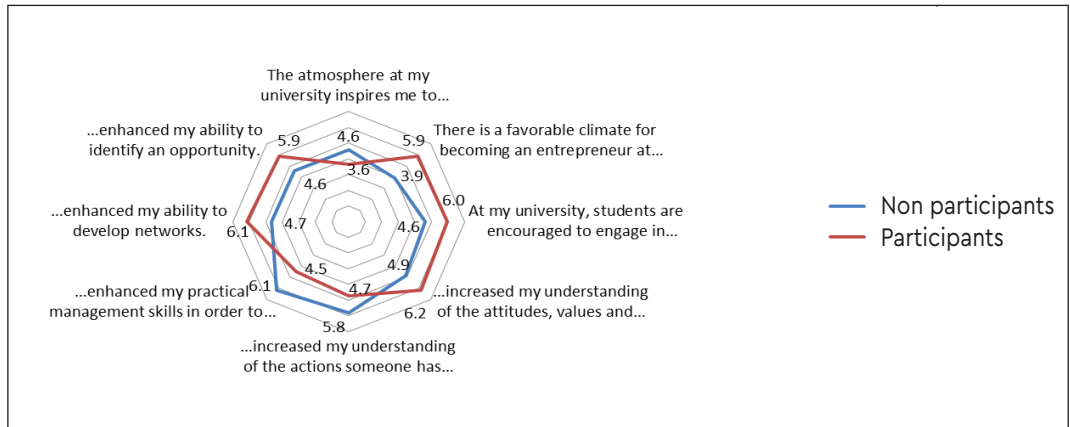
Source: Authors own research

Graph 3: Average values of Perceived behavioral control comparing participants and non-participants



Source: Authors own research

Graph 4: Average values of University atmosphere comparing participants and non-participants



Source: Authors own research

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