ADVANCES IN BUSINESS-RELATED SCIENTIFIC RESEARCH JOURNAL

ABSRJ

ISSN 1855-931X

VOLUME 6 (2015), NUMBER 1

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ABSRJ - mednarodna znanstvena revija ADVANCES IN BUSINESS RELATED SCIENTIFIC RESEARCH JOURNAL ISSN 1855-931X	*Copyrights: GEA College – Faculty of Entrepreneurship* *Editor: Bostjan Antoncic* *Issued and published by: GEA College – Faculty of Entrepreneurship, Kidricevo nabrezje 2, SI-6330 Piran, Slovenia* *Volume (Year): 6 (2015)* *Number: 1* *Electronic publication:* *www.absrc.org* *Number of issued CDs: 200*

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ISSN 1855-931X

VALUE-BASED FAMILY ENTERPRISE CULTURE: THEORY CONSTRUCTING FROM THE FAMILY PERSPECTIVE

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Abstract

This paper examines the major constituent parts of the value-based family enterprise culture from the family perspective. The use of the value-based approach and family perspective can be mainly explained by the cultural, historical, and socio-economic preconditions of the modern society. The elements, factors, and characteristics of the family enterprise culture are theoretically considered. The main contributions of this paper are the conceptualised principles of the family values' continuity in family-owned enterprises, elements of family-owned enterprise culture, and concepts of the family business good and its constituents. In addition to the main results, this paper deals with the issues of social development, socio-economic, historical, and cultural preconditions of the family enterprise culture.

Keywords: family business; family business good; family business values; family enterprise culture

Topic Groups: Entrepreneurship; Social sciences and business

INTRODUCTION

For the European countries' markets, presence of family ownership is mostly typical in micro-businesses and small businesses (e.g., Nordqvist & Melin, 2010). Investment of family assets, as a rule, presupposes that parents, spouses or other representatives of two adjacent generations will also run the business apart from owning it. At the same time, long-term perspectives of development of such family-owned enterprises are usually omitted. Therefore, this paper refers to the long-term development of enterprises in the hands of several consecutive generations of a family. In addition to that, it is assumed that family-owned enterprises are sustained in the domain of family values as the connecting attributes of its historical development.

The subject matter of the inquiry is a family business in its value-based understanding as an element of the family enterprise culture. *Family enterprise culture* can be defined as a set of continuously developing codes of conduct shared among the members of enterprising families, particularly in running, owning and succeeding their family enterprises (Nemilentsev, 2013a). It is studied from the value-based perspective of ownership, management and transfer of the family-owned business across generations (Koranen, 2002). Any enterprise culture bears the value meaning in one form or another. In the present paper, the term "*value-based*" implies human and in particular family values. These are precisely people who create, run and perpetuate their family or nonfamily enterprises by means of their selfless labour. In general, *value-based family enterprise culture* is a type of the family enterprise culture where values of the enterprising family are central in making managerial, ownership and family-specific decisions. This type of culture emphasises an axiological nature of family entrepreneurship. There can be also norm-based, task-based, result-based and other family enterprise cultures (e.g., Emlen, 1995; Gomez-Mejia et al., 2011; Micelotta & Raynard, 2011).

Considering a family enterprise as a system, we pay an increased attention to the *family perspective* that is a family system, according to the three-circle model (Tagiuri & Davis, 1992, 1996). Nevertheless, we clearly understand and demonstrate in this paper, in what way the family system interacts with two other systems – business and ownership.

It is barely possible to assign the leading position to one of the three mentioned systems (and consequently, three perspectives) in the family business context. However, a value-based culture exists in the enterprise in case of the harmonious involvement of the family in the process of the company development with the clearly traceable human relationships, interpersonal collaboration, worship of the founders' past merits, organic connection of the past with the future through representatives of the present generation (i.e. "business conductors"), and the realisation of family relations in the long-term traditions and rituals (Naldi et al., 2007).

Contrary to the value-based culture, we could mark out an enterprise culture, which is based on the process side of relationship (i.e. *process-based*) (e.g., Micelotta & Raynard, 2011). People here are considered sooner as units of a single chain (Miller et al., 2008). A formal tone prevails in the work relations. As for the time horizons, managers and employees see their future prospects as of key priority. Therefore *business (management) perspective* is typical for the process-based enterprise culture. However, it should be acknowledged that the owning family can choose the process-based way and formalise family relations which have become too emotional and bring interpersonal conflicts.

There are other types and varieties (i.e. mixes of the several types simultaneously) of the enterprise culture, and among them we could distinguish innovation-based (or idea-based), hierarchy-based, and competition-based cultures (e.g., Žitkus & Junevičius, 2007). However, the above-listed types come affront in certain, relatively short periods of the enterprise's existence (as a matter of fact, within one generation). At the same time, value- and process-based enterprise cultures lay in the foundation of the business development strategy and managerial philosophy across generations (Koiranen, 2002). An *ownership perspective* can be characteristic of both the value-based and process-based types of the enterprise culture. It all depends whether the institutes of family and ownership are clearly fixed and secured at the state level, whether collective and in particular family values are applied in the family business context, and whether the society shares the long-term vision of the concepts of family, labour, and life in general.

Ontologically, a family enterprise culture is socially constructed and develops over time (Nemilentsev, 2013a). Following epistemological considerations of this paper knowledge of the family enterprise culture can be created by studying the values, identity and behaviour of family enterprises and business-owning families.

The main objective of this paper is to define theoretically what constitutes a value-based family enterprise culture from a family perspective. The research question is thus following: *how is the value-based family enterprise culture built from the family perspective?*

CORNERSTONES OF THE VALUE-BASED FAMILY ENTERPRISE CULTURE AND FAMILY DYNAMICS

Cultural View of Family Entrepreneurship

When a value-based family enterprise culture is constructed from the family perspective, culture-specific aspects should be taken into consideration. Culture binds all layers of population, which is in part involved in the processes of exploitation of new opportunities and creation of innovations (Shane, 2012). At the same time, entrepreneurs differ in opinions on the type of work (i.e. either individual or collective type of labour relations), nature of connection, perception of changes, solutions of conflict situations, and psychology of relations in terms of gender. The contexts of entrepreneurship (Mason & Harvey, 2013) are correlated within and between cultures, in the view of procedural structuredness and evaluation of the effect from the use of alternative opportunities.

Being socially engendered structures, institutes seem to be quite flexible to various responses of entrepreneurs in the definition of the regulating norms as well as maintenance of the continuous well-being (Bruton et al., 2010). Cultural influence can be traced within the community where an entrepreneur acts. In addition to that, when one compares such communities between each other, more sources of influence can be opened up (Jennings et al., 2013; Shane, 2012).

Cultural norms that contribute to the development of entrepreneurship are both micro- and macro-oriented by nature. On the one side, they (i.e. norms) make a direct effect on the generation of new ideas, implementation of the earlier unacceptable plans. However, on the other side, cultural norms, which were born inside the state, renew the state organism, and send the society back to its origins for the sake of comprehension of the role that the cultural heritage plays in the society. The cultural embeddedness of entrepreneurship in the process of social changes impel researchers to use mixed methods of analysis and take into account the role of national and global cultures in the context of venture creation (Thornton et al., 2012). Comprehension of entrepreneurship as an intelligent activity also involves elements of organisational psychology and sociology (Aldrich and Cliff, 2003).

Family Business Domain within Entrepreneurship Research

Family-owned companies do not simply represent a cultural artefact in the world of business, but they are an important element of market relations. They differ in the principles of activity and purposes of management from non-family businesses, which is articulated in the literature on family business (e.g., Astrachan & Jaskiewicz, 2008; Gomez-Mejia et al., 2011; Miller et al., 2008). At the same time, a cultural aspect differentiates companies from the range of family-owned businesses depending on the national peculiarities (Zellweger et al., 2011).

From the perspective of entrepreneurship as a process of opening and realising opportunities under the conditions of limited resources (Venkataraman et al., 2012), family businesses can be considered over-conservatively (Naldi et al., 2007), with the absence of thoughtless risks and excessive balance of decisions made traditionally on the past principles. As a counterbalance, one can point to the abundant advantages of the long-term targeting in terms of the preservation of the ownership wholeness (Aldrich & Cliff, 2003; Tagiuri & Davis, 1992) created exclusively on the traditional (i.e. not hasty, new) owners' principles.

Based on the concept of socio-emotional wealth, behavioural patterns are considered to be embedded in the system of family business (Zellweger & Dehlen, 2012). Gomez-Mejia et al. (2011) showed that the non-material side of business is primary to family-owned companies incorporating the concepts of trust, human relations, and ascription to one's own labour. Owners strive for preserving an emotional balance, whereupon (or at the same time) they deal with the issues of business (Berrone et al., 2012).

In the context of family business culture and the theory of socioemotional wealth, the emotional constituent is especially acute in cases of discrepancy from the participants' expectations (Gomez-Mejia et al., 2011). Different opinions of the future development of the family business anticipate family-work conflicts (Kellermanns & Eddleston, 2006). The bivalency of relations inside family-owned companies, which was postulated by Tagiuri and Davis (1992) in their conceptual work, creates overrated although justified expectations of owners about the value (i.e. not the price) of their company. Therefore a continuous investment in the family business is considered as an immediate managerial characteristic of the company's founders (Zellweger & Astrachan, 2008; Zellweger & Delen, 2012).

Every active generation of family business owners feels a behind-the-room responsibility (i.e. although it can be clearly written in the ethical will) for the company's future (Miller et al., 2008; Zellweger et al., 2011), preservation of its reputation, and family status for their children and grandchildren. The length of planning in family companies on average exceeds planning horizons in non-family companies, since the former see the business as a continuing phenomenon where they have a role of conductors in the future (Berrone et al., 2012; Miller et al., 2008).

Family Anthropology and Family Business Values

Culture does not simply have an influence on the learning process, but also helps to explain differences in the life principles of individuals. In this respect, anthropological and ethnographical ideas about development of the internal world of an individual are mutually contiguous (Brenneis & Ellison, 2011). Cultural values make up an individual imperfection (Fryberg, 2012), compensate for the physical lack of knowledge by offering an individual to refresh himself with the new ideas in social interaction (Stephens et al., 2012). Full cultural correspondence is achieved when an individual's attitudes fit the dominating social ideas and values. At the same time, an individual's attitudes can be more complete in terms of its content than the attitude shared in the society.

Family relations (i.e. familiness: Habbershon & Williams, 1999) are featured in the multi-format of ties between owners and key stakeholders. Such relations engender socially dominant advantages in the form of open communication inside the social networks (i.e. social capital). In consistence with available studies (Chrisman et al., 2008), social ties among family business members guarantee a competitive force for owners and let them act more actively in the market. In general, a concept of social capital (Steier, 2009) is related to the constructs of familiness (Habbershon & Williams, 1999). In both cases, family is centrally placed in business and the private life of an individual.

According to the cultural studies done by Hofstede (2001) and a trinity system of family business (Tagiuri & Davis, 1992), the higher the level of collective values and traditions in the society, the more a family business is considered as an object of attachment (Zellweger & Astrachan, 2008). Additionally, the F-PEC scale presented by Klein and her colleagues (2005) gives certain answers regarding family relations as a strategic resource of family business.

The cultural backgrounds of a family as well as its traditional values that stem from the past generations have an effect on the structure of business goals (Sorenson et al., 2009). Although the family culture is quite a constant phenomenon, its purposes change much quicker under the influence of different generations of the family, progressing level of education, changing traditions of upbringing (Kellermanns & Eddleston, 2006), and effect of fashion in business (Micelotta & Raynard, 2011). Research in the field of organisational culture (Aldrich & Cliff, 2003) explains how businesses differ. In particular, family-owned companies stress the strength of family values and identity shared by its employees. Members of family business divide their organisational culture in unequal parts in terms of family and labour values (Koiranen, 2002). Consequently, a part of family-owned companies share the same or quite similar organisational qualities (Miller et al., 2008). Additionally, depending on the prevailing family and religious traditions, the meaning of family business can be different (Steier, 2009).

According to the studies in the area of family business and value research (e.g., Koiranen, 2002; Micelotta & Raynard, 2011; Rokeach, 1937; Zellweger & Astrachan, 2008), the principles of family business and family entrepreneurship are built in the value world of the owning family. In most cases values are viewed as desirable conditions and ascribed to the realisation of the individual’s behaviour (e.g., Rokeach, 1973). In successful dynasties (i.e. companies which are run sequentially by three and more generations of the same family), the family system usually dominates (e.g., Koiranen, 2002; Micelotta & Raynard, 2011), a respective code of ethical behaviour is developed, and an entrepreneur compares the risk with the non-economic value from subsequent innovations.

THE FAMILY BUSINESS GOOD’S CONCEPT WITHIN THE FAMILY ENTERPRISE CULTURE

In the entrepreneurship process, the owner’s culture is characterised by the emotional side of decision making to the larger extent (Chrisman et al., 2008). Entrepreneurs are bound emotionally with their enterprises and thus they achieve general satisfaction (Ikävalko et al., 2010). As such, love for work (i.e. business in case of family business owners) acts as one of the key indicators of success for entrepreneurs. Since owners in family business are accountable for the success of their creation, cultural paradigm received a wide acknowledgement in terms of the business well-being (e.g., Baba, 2006; Fryberg, 2012).

Humanisation of business in its socio-economic view has long ago been solved by means of the anthropological theories (e.g., Fryberg, 2012; Mason & Harvey, 2013). Understanding the business as a developing organism, with its drawbacks and strengths, with the delineation of the business genotype and phenotype – are all issues of the business (or industrial) anthropology (Baba, 2006). Values, cultural codes and samples of owners represent organisational artefacts (Koiranen, 2002) that are included in the system of family business. Such a vector of research has an ethnographical interest (Fryberg, 2012). We focus on the development and evolution of family business in terms of the cultural triad.

The good's concept is everything that bears a certain positive meaning and answers to human interests, goals and value orientations (e.g., Sala, 2011). Based on our conceptual approach, *the good of the family enterprise culture* is a category that consists of the family good, the business-ownership good and the state-social good (Nemilentsev, 2013b). The family good features all positive experience, the present and the future of an individual in his family, whereas the business-ownership good incorporates positive labour and ownership characteristics in business. Finally, the state-social good characterises the positive features of a national culture as well as the degree of individual's involvement in the social life.

The problem of defining the good in family business is increasingly given attention in the modern research (Berrone et al., 2012). Especially in the developing economies, business held by the closed family circle renders an opportunity for attaining family happiness and professional self-fulfilment of family members (Berrone et al., 2010; Zellweger & Dehlen, 2012). Additionally, items of control, distribution and accumulation of capital, career development and networking are bound with the concept of culture (Jiang & Peng, 2011). Actions of an individual acquire a deeper meaning if he or she follows the ethics of virtues, as it is stated in the work of Sison et al. (2012). Emotions and an intuitive experience thus direct the man on his life track.

Prevalence of the value-based family system in the trinity of "family-business-ownership" (Tagiuri & Davis, 1992) revitalizes the organisational good. Traditionally, in the beginning of the family business planning process, there is a value-centred culture followed by the vision of strategic perspectives, management and investment (Kellermans & Eddleston, 2006). By achieving the family and the business good in conformity of work and home interests (Berrone et al., 2012), people get united upon the principle of their involvement in the working process.

By means of creating the good in the present time, we preserve the heritage of the foregone cultures (Brenneis & Ellison, 2011). Speaking in the anthropological terminology, we re-create the value of the past good for its maintenance, preservation and re-creation in the future generations (Fryberg, 2012). A degree of self-identification with the created good depends on how we perceive the object of cultural inheritance: what we have created; what we believe in; what we are ourselves (Brenneis & Ellison, 2011; Nemilentsev, 2013b). Such a step helps connect together the cultural value and ownership value of the object of inheritance.

SYSTEMIC FRAMING OF THE VALUE-BASED FAMILY ENTERPRISE CULTURE

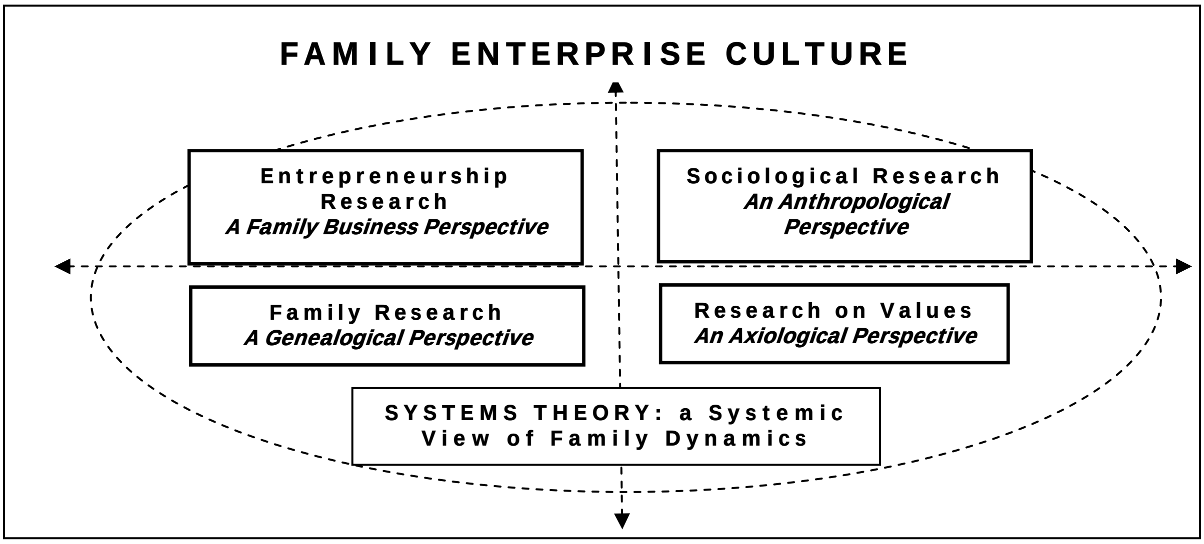
Developments in the field of general systems theory are made in terms of the deeper cognition of interfamily relationships. Bertalanffy (1949, 1969) is considered to be a founder of the systems theory. A system is defined in the interaction of its components in consistence with the predetermined laws (Bertalanffy, 1969, 69; Drack & Schwarz, 2010). Based on the principles of deduction and formal mathematical laws, Bertalanffy (1949) described systems' functioning in various areas from biology to economic processes, highlighting the universal nature of this theory. In terms of the defined rules, however, there is a periodic need for the transformation or absorption of new elements without changing a way of the system's development (Drack & Schwarz, 2010).

According to the evolutionary theory of the family (Emlen, 1995, 8092-8093), reproduction of family-specific cultural patterns is mediated by the genetic connectedness and social inclusion of the family interaction. A genetic contribution of family members is preserved and multiplied in the younger generations (Kansikas & Nemilentsev, 2010). Acquisition of the generational continuity helps to preserve family memories about joint events and challenges that were overcome in the past (Gomez-Mejia et al., 2011).

In the evolutionary view of the family, the distribution of roles between the family subsystems is given in-between generations (Koiranen, 2002). Connections are also studied by means of determination of generalisations or discrepancies between generations (Kansikas & Nemilentsev, 2010). Family generations are thus featured as continuously developing systems. Being an extension of the general systems theory, family systems theory serves as an explanation of connections between the elements of the family system (i.e. between consanguineously related individuals) (Fingerman & Bermann, 2000, 13).

By taking a closer look inside the family business system and figuring out the individual-family, business-ownership and state-society-culture interconnections, it would be possible to connect the studied system theory's developments with the present research of the family enterprise culture.

Figure 1: Theoretical positioning: family enterprise culture through the lens of value domain



The theoretical positioning of this paper is based on the intersection and complementary influence of four research pillars presented in the following figure (see Figure 1). Semantic ties presented in Figure 1 are found in the system interdependence (i.e. in accordance with the systemic view of family dynamics) and can be explained through the main topic of the paper. Entrepreneurship incorporates studies about family businesses, whereas sociology accounts for an anthropological perspective. In turn, axiology formed the studies of values in the intersection of ethics and aesthetics, and family research revealed the continuity of family in genealogy. Altogether, studies in the domain of family business, business (i.e.

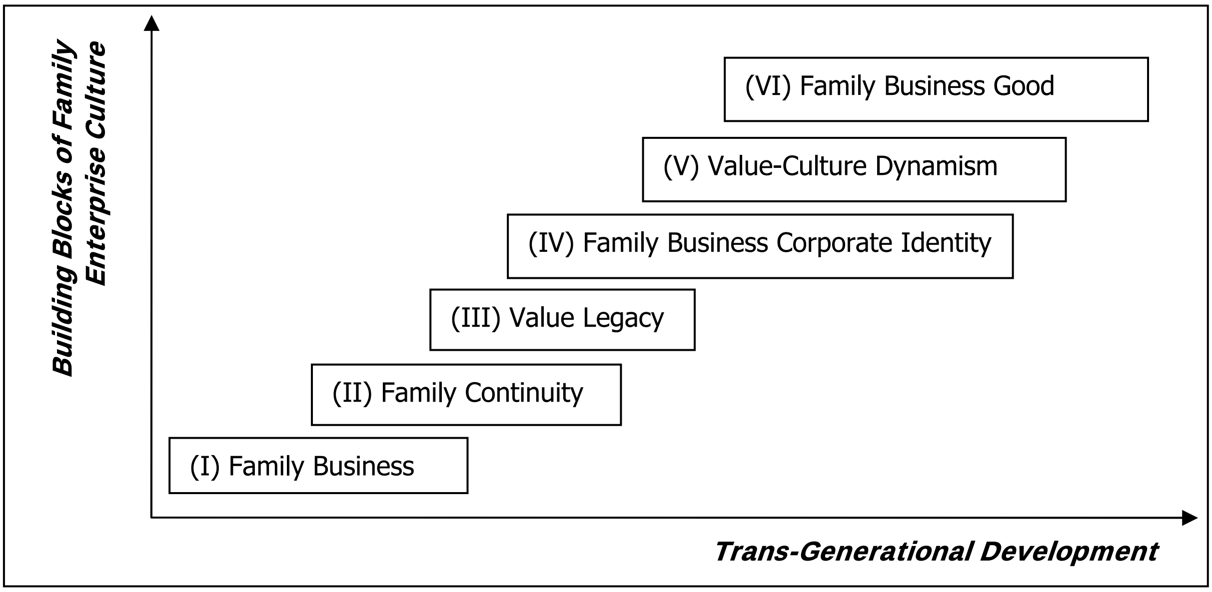
industrial) and cultural (i.e. socio-cultural) anthropology, and the values of family and kinship explain the family enterprise culture.

CONCLUSION

In accordance with the main research question (i.e. *how is the value-based family enterprise culture built from the family perspective?*), we identified an enhancing culture-specific path, onto which a responsible, pro-active owner can build a successful family enterprise culture in his or her enterprise (see Figure 2).

Trans-generational development of the family business and construction of its family enterprise culture could go in the way described below (see Figure 2). However, we should understand that it is our vision based on our theoretical/conceptual investigations as well as our practical experience of working in and with family-owned enterprises.

Figure 2: Building family enterprise culture from the value-based perspective



1. Norms of *family business ownership* are transferred from the previous generations to the next one. The family business ownership involves simultaneous senses of accountability, entrepreneurship, and profitableness, which characterize of what turns out to be critical for the ownership continuity in a family-owned enterprise. Thus the family business ownership includes the norms of responsible ownership (Nemilentsev, 2010). The latter is an obligation to be reliable economically and ethically. Values play a significant role in defining the responsible owner. However, such norms' continuity progresses differently depending on the age and maturity of the family business. In the first-generation succession of ownership, entrepreneurial orientations of founders dominate over the process of decision making (Koiranen, 2002; Miller et al., 2008). However, in the course of time the innovativeness and emotionality of the founders are substituted by the formal rationalism of the next-generation family members (Nordqvist & Melin, 2010).

2. Values and traditions of *family continuity* are secured for the family enterprise's future. The longitudinal nature of family and family ownership can be expressed in the delicate

attitude of the next-generation owners to the family enterprise's key stakeholders kept from the era of the currently retired or gone owners (Steier, 2009; Micelotta & Raynard, 2011). Values framing the family enterprise culture are created and re-created depending on the dominating family and other non-economic (i.e. sociocultural) traditions that mark out the family enterprise from the wide range of its allies and competitors (Steier, 2009).

3. *Value legacy* (e.g., spirituality as one of the leading elements of the value legacy was found in the studies concerning multigenerational family business dynasty (Nemilentsev, 2013c) has a strong impact on the family values, and the family values affect the family enterprise culture to the greatest extent. Value continuity articulated within and beyond the family enterprise extends the horizons of personal responsibility shared by the members of the owning family (Koiranen, 2002; Nemilentsev, 2010; Rokeach, 1973).

4. Family enterprise culture is strongly related to *family business corporate identity*. Values reflecting the corporate identity are for instance stakeholder thinking, pro-activeness, and long-term orientation (e.g., Kansikas & Nemilentsev, 2010). Construction of the business identity represents one of the strategic streams and consists of both economic and non-economic elements (Astrachan & Jaskiewicz, 2008; Gomez-Mejia et al., 2011). By means of understanding their own place in the business (Micelotta & Raynard, 2011), family business owners develop their entrepreneurial opportunities and stakeholder thinking in a more effective way (Jennings et al., 2013; Shane, 2012)

5. Although family values are dynamic and can change over generations, inter-generational family values constitute the family enterprise culture to a great extent. *Value-culture dynamism* of the leading family values strengthens the enterprise's cohesion from generation to generation (Koiranen, 2002), and sets priorities of whether economic or non-economic relations will be dominating in the construction of the family enterprise culture in the future (e.g., Berrone et al., 2012).

6. Comprehension of what is regarded good for the family, family-owned business and society (i.e. *family business good*) is present in the family enterprise culture (Nemilentsev, 2013b). Value guiding points increase the total quality of perception of the modern life (Zellweger & Dehlen, 2012), regulates the relations between the enterprising family and the society (Miller et al., 2008). As a result, the family enterprise culture is positioned in accordance with the spirit of time (Inglehart, 2008).

DISCUSSION AND FUTURE RESEARCH

In this paper, we analysed the theoretical construct of the value-based family enterprise culture. The research was done from the family perspective. However, other perspectives were also presented. A factor of kinship, parallel growth of several branches of the family (Naldi et al., 2007), and tangles of inter-relations of family members at home and inside their organisation represent an anthropological-cultural interest (e.g., Baba, 2006). Additionally, the cultural and socio-economic aspects of the family enterprises' development were explained in the historical unity of the main research paradigms and contemporary achievements in the family business, anthropological and value fields of academic and practical research. The cultural side of entrepreneurship can be more rationally studied on the basis of sociological principles, according to which a social effect on the reproductive capabilities of entrepreneurs is considered as one of activity's priorities (e.g., Jennings et al., 2013; Micelotta & Raynard, 2011).

As for the contributions of this research paper, concepts of the family enterprise culture and family business good were introduced and elaborated. However, certain difficulties might occur in the determination of what is good for a family, business, and society in-between individualistic and collectivistic cultures (Fryberg, 2012; Hofstede, 2001; Inglehart, 2008). In the longer perspective, semantic connections of the generations, disunion, and a combination of family members' opinions and beliefs of their family and business past, present and future will lead to the identification of the fundamental elements of the family enterprise culture.

The selected value-based approach enables evaluating constituent parts of the family business goods in the aggregate of its subsystems – family, ownership, and business (Tagiuri & Davis, 1992, 1996). It could eventually lead to the development of entrepreneurship and especially family business research. Culture based on mutual support of the employees who work in the same business forms a more positive perception of work reality in general (e.g., Berrone et al., 2012). As Voydanoff clarifies, the business good is a powerful organisational resource (2005).

This paper could be also practically useful for creating a longitudinal culture within multigenerational family-owned enterprises. Children loan and reconsider their parents' evaluation of the values that represent the ethical fundamentals of the foregone epochs (Koiranen, 2002), which secures the continuity of the family ideology in the family enterprise's context (Kansikas & Nemilentsev, 2010). The members of the owning families as well as the major stakeholders of the family-run and family-owned enterprise could benefit from following the trans-generational developmental pattern presented above.

In the future research, it would be significant to analyse transformations of family business values under the influence of the geopolitical and socioeconomic processes of the late 20th – early 21st century. Additionally, quantitative metrics for anticipating the interconnectedness between different perspectives of owning family enterprises need to be worked out and tested (Klein et al., 2005). Finally, a cultural in-depth view of family business was elaborated, which added anthropological implications and brought some clarity to the socio-psychological socio-cultural anthropological implications of Kuhl (1981) and Levi-Strauss (1966).

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ABSRJ

ISSN 1855-931X

EFFECTS OF BRAND ORIGIN, FASHION CONSCIOUSNESS AND PRICE-QUALITY PERCEPTION ON LUXURY CONSUMPTION MOTIVATIONS: AN EMPIRICAL ANALYSIS DIRECTED TO TURKISH CONSUMERS

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Abstract

Brand origin, fashion consciousness and price-quality perceptions are some of the concepts which have great importance for the branding and consumption of luxuries. On the other hand, consumption motivations are critical factors which directly affect consumption. Therefore, within the scope of this study, the effects of brand origin, fashion consciousness and price-quality perceptions have been analyzed in relation with pleasure seeking, status seeking an uniqueness seeking luxury consumption motivations. The empirical research has been directed to a sample of Turkish consumers. While the luxury market is rising its importance in developing countries, it is necessary to have more research on luxury consumption within the framework of countries such as Turkey. To contribute in this process, the research model has been analyzed with multiple regression analysis and the results were reported with academic and managerial implications.

Keywords: Brand origin, fashion consciousness, price-quality perception, luxury consumption motivations, Turkish luxury consumers

Topic Groups: Humanities and arts and business, Marketing and consumer behavior, Social sciences and business

INTRODUCTION

According to previous research on luxury brands (Danziger 2005; Jung, Shen 2011; Kapferer 2001; Okonkwo 2007; Silverstein, Fiske 2003), the market is gradually rising its importance in developing countries. Currently, the luxury market in many European countries is in its maturity stage. In developing countries, luxury market is in its fast growing stage (Okonkwo, 2007:4). According the fact that Turkey is an economically growing country with a young population, it is anticipated that in the following years, Turkey is going to be one of the important countries where the luxury market will gain a serious growth. Therefore, in the case of Turkey, it is a necessity to have research on luxury brand management and the motivation for luxury consumption. While there are few studies on luxury brands and luxury consumption in Turkey, the whole field needs more research.

It is necessary to have research on luxury consumption focusing on Turkey for two reasons: First, it is expected that, in the following years, existing luxury brands with west origin are going to take more place in the Turkish market. Second, to be able to create managerial implications for the development of Turkish luxury brands. In this way, it would be possible to develop strategies in accordance with the dynamics of the Turkish market.

In this research, the effects of brand origin, fashion consciousness, price-quality perception on luxury consumption motivations have been undertaken, with an empirical research directed to Turkish consumers.

1. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1.1. Luxury Consumption Motivations

Consumption motivations are fundamental to understanding consumer behavior. Consumers are motivated to fulfill a need or desire (Odabaşı 2006: 30). The motivation process of consumers is both a rational and an emotional process. Within the case of luxury brands, mostly, emotional motives are more effective (Odabaşı, 2006: 113-119). To be able to understand luxury consumption motivations, it is necessary to have an overview of the important theories in the field. Most striking theories on luxury consumption motivations are: Veblen’s conspicuous consumption theory, snob and conformist effects and Vigneron and Johnson’s classification for luxury consumption motivations.

"In order to gain and to hold the esteem of men, wealth must be put in evidence, for esteem is awarded only on evidence" (Veblen, 1899: 24). Consequently, Veblen effect occurs when one wants to signal wealth with showing a willingness to pay a higher price for a functionally equivalent good (Bagwell&Bernheim, 1996: 350). Veblen’s conspicuous consumption has been distinguished between two motives: ‘invidious comparison’ and ‘pecuniary emulation’. In invidious consumption, members of higher classes consume to distinguish themselves from members of lower classes. In pecuniary emulation, members of the lower class consume conspicuously with the willingness to reach the members of the upper classes (Bagwell&Bernheim, 1996: 350). In both invidious consumption and pecuniary emulation, there is a process of comparing self with the others. However, in invidious consumption there is a tendency to recede from certain groups (lower classes), on the other hand in pecuniary emulation, consumers try to reach other groups (higher classes).

Conformist and snob effects are other important motives for luxury consumption (Chaudhuri&Majumdar, 2006;Kastanakis&Balabanis, 2012; Vigneron& Johnson, 1999). Conformist and snob effects are very similar to invidious consumption and pecuniary emulation. In conformist effects, consumption occurs to be able to belong to a group and fit with fashion. Conversely in snob effects, consumers try to distinguish themselves and have exclusivity (Khabiri, et. al., 2012: 12672-12673). So, in all of these motivations, there is either a tendency to distinguish or to relate the self with others.

Vigneron and Johnson's classification for luxury consumption motivations include; status, uniqueness, conformity, quality and hedonic motivations (Vigneron & Johnson, 1999).

Status motivation is a commonly associated concept with the purchase of luxuries. Status consumption is defined as "the desire of individuals to improve their social standing through the conspicuous consumption and / or non-conspicuous consumption of luxury consumer products that are perceived to confer and symbolize status both for the individual and / or surrounding significant others" (Allison, 2008: 22). Status consumption is a motivational process in which people consume conspicuously to show out their status to others (Kilsheimer, 1993: 341). Uniqueness motivations within the concept of luxury consumption are individuals's willingness to show their uniqueness and exclusivity to others by consuming products which are perceived to be luxurious (Allison, 2008: 26). Hence, luxury consumers with a uniqueness motivation are prone to consume rare products do distinguish themselves. The willingness to have acceptance of others lies at the center of conformist consumption motivations. Consumers with conformist motivations consume products/services to be accepted by others and to enter social groups. In quality motivations, consumers are mostly interested in the technical and performance features of products and services. Hence, in quality motivations utilitarian features are more important than hedonic features. Hedonic consumption is one of the most important research fields in luxury studies (Allison, 2008; Dubois, Czellar&Laurent, 2005; Hagtvedt&Patrick, 2009; Snell&Varey, 1995; Vigneron& Johnson, 1999). Hedonic consumption is described as "those facets of consumer behavior that relate to the multi sensory, fantasy and emotive aspects of one's experience with products (Hirschman & Holbrook, 1982)". Hedonic consumption is closely related with emotions, rather than rationality and is associated with concepts such as; pleasure, arousal, fantasies, feelings, fun and the role of the individual (Hopkinson & Pujari, 1999: 274). In luxury consumption, consumers choose products/services which enable them to feel positive emotions and have experiences.

In this research, the scales of pleasure seeking, status seeking and uniqueness seeking luxury consumption motivations were used from the study of Allison (2008). The model of motivation for consuming luxuries developed by Vigneron and Johnson was empirically tested by Allison in his doctoral thesis on a cross cultural study of motivation for consuming luxuries, in which he had a comparison of consumers from New Zealand and Thailand. In this study, three of the dimensions which luxury consumption motivations dimensions which appeared in Allison's research were used (pleasure seeking, status seeking, uniqueness seeking).

1.2. Brand Origin

Brand origin can be defined "as the place, region, or country to which a brand is perceived to belong by its target consumers (Thakor & Lavack, 2003)". In another definition, brand origin is defined as "the country which the brand is associated with by its target consumers regardless of where it is manufactured (Thakor & Lavack, 2003)". In short words, brand origin represents the country of origin which the consumers are likely to see a strong strong connection with the brand.

Many brands use their national origins for positioning their brands. While many luxury brands tend to build their brands on a strong focus on brand origins, the issue of 'brand origin' is one of the important subjects handled in research on luxury (Chevalier & Mazzalovo, 2008). The attribution of brand origin provides an appealing perspective for most luxury firms. Use of European brand origins in their marketing strategy gives many luxury brands an opportunity to increase trust and charge premium prices (Chevalier& Mazzalovo, 2008; Oetzel & Doh, 2009 as cited in Shukla, 2011: 245). This fact may be seemed looking at some of the most popular luxury brands in the world: Ferragamo, Gucci, Versace, Armani (Italian), Chanel, Dior, Hermès, Louis Vuitton (French).

Consumers in developing markets are more likely to prefer foreign brands (Batra et al., 2000). According to Batra, et. al. (2000), this preference is mostly driven by symbolic motives, in particular status. According to Zhou, Hui and Zhou (2007: 24) "when the distinction between local and non-local brands in terms of both product features and symbolic image is blurred, there is likely to be a considerable amount of confusion regarding the origin of the brands". Right along with this fact, it would be an interesting outcome to see the effects of brand origin on luxury consumption motivations among Turkish consumers. Therefore, the first set of hypothesis are created:

> *H1a. There is a positive relationship between brand origin and pleasure seeking motivation.*
> *H1b. There is a positive relationship between brand origin and status seeking motivation.*
> *H1c. There is a positive relationship between brand origin perception and uniqueness seeking motivation.*

1.3. Fashion Consciousness

Fashion is a form of collective behavior that is socially approved for a certain amount of time but is expected to change after a while " (Summers, Belleau, & Wozniak, 1992). Fashion consciousness is defined as "a person's degree of involvement with the styles of fashion products (Nam et. al., 2007: 103)".. "Researchers have further referred to fashion conscious consumers as those individuals who are characterized by a deeper interest in fashion brands and products as well as in their physical appearance (Gutman & Mills, 1982)". Though fashion and luxury definitely indicate different concepts, they are closely related terms. Therefore, it is expected that a consumer's fashion consciousness will be effective on luxury consumption motivations.

Luxury and fashion are concepts which are very close but at the same time different from each other. Though fashion and luxury have some issues in common and a relationship, they represent different concepts. Both luxury and fashion are ways for self differentiation but, fashion involves much more people while luxury involves less. In this sense luxury is more likely to be seen as a way for social differentiation (Kapferer&Bastien, 2009: 98). With luxury, consumers reach more rare products. Luxury trickles down from upper-classes to lower classes. New luxuries are first accepted by the upper-class, in a while it spreads to middle classes (Danziger, 2005). This process has a strong relationship with the formation and widespread of fashion.

Considering that fashion and luxury are related terms and have a mutual relationship, it is anticipated that fashion consciousness has a positive relationship with luxury consumption motivations. Hence, the second group of the hypothesis are as follows:

H2a. There is a positive relationship between fashion consciousness and pleasure seeking motivation.

H2b. There is a positive relationship between fashion consciousness and status seeking motivation.

H2c. There is a positive relationship between fashion consciousness and uniqueness seeking motivation.

1.4. Price-quality Perception

It would be a mistake to define luxury products just depending on their prices. The price strategies of luxury products are much more different compared to other products. Traditionally, higher prices have negative impact on consumers' purchase decisions. In opposition with the other markets, in the luxury market, many times the product/service is more important and the demand to it is higher when the price is higher.

Price-quality relation is defined as: "The generalized belief across product categories that the level of price is related positively to the quality level of the product (Lichtenstein, Ridgway & Netemeyer, 1993: 236) Price-quality perceptions stand out as important factors which affect consumers' perceptions of luxury. Especially for the consumption of luxuries, price-quality perception strike out as an important effect. It is known that consumers tend to judge luxuries upon their high prices. Therefore, within this research, the relationship between price-quality perception and luxury consumption motivations is investigated with the following hypothesis:

H3a. There is a positive relationship between price-quality perception and pleasure seeking motivation.

H3b. There is a positive relationship between price-quality perception and status seeking motivation.

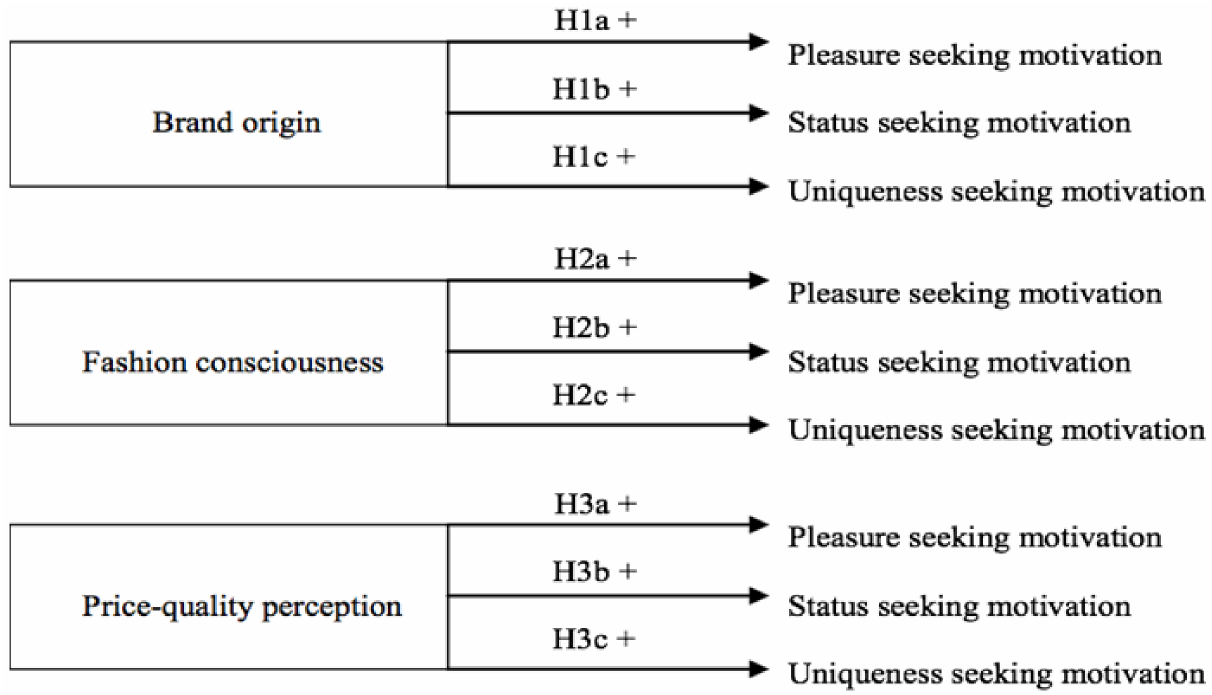
H3c. There is a positive relationship between price-quality perception and uniqueness seeking motivation.

2. METHODOLOGY

2.1. Research Objectives and Model Development

To detect the relationship of brand origin, fashion consciousness and price-quality perception with pleasure, status and uniqueness seeking motivations, the research has been designed with a descriptive and relational model. While descriptive research models aim at detecting a situation concerning a subject (Erdoğan, 1998: 60-61), relational models aim at investigating the relation between variables (İftar, 2000). The research model may be seen below on Figure 1.

Figure 1: Research Model



2.2. Measures

Scales of pleasure seeking, status seeking and uniqueness seeking luxury consumption motivations were taken from Allison's (2008) doctoral thesis on a cross cultural study of motivation for consuming luxuries. The scale used to measure brand origin was derived from Batra, et. al.'s research (2000) by Shukla, 2011. To measure fashion consciousness, scale developed by Sproles and Kendall, 1986 and revised by Bhardwaj (2010) was used. Finally, price-quality scale revised by Garretson and Burton (2003), depending on Lichtenstein's scale (1993) was used.

2.3. Development of the Research Instrument

The translation of the research instrument is a critical process. "Generally, direct translation of an instrument from one language to another does not guarantee content equivalence of the translated scale (Brislin 1970, Sechrest & Fay 1972 as cited in Cha, Kim & Erlen, 2007: 387)". Therefore, in this research, translation methods suggested by experts were used to ensure the validity. As it is suggested by experts to combine different translation techniques to overcome limitations of a single technique, in this research, the back-translation method and the pretest method were used, (Cha, Kim & Erlen, 2007). In his well-known method, Brislin (1970) recommended a repeated independent translation and a back-translation from different translators. The second translation method used for this research is the pre-test method. This method is a pilot study to foresee any problems, which may accure in the clarity of the research instrument.

The research instrument was first translated from english (original language) to Turkish (target language) and then by another person, it was translated from the target language to the original language. The two translations were compared for concept equivalence. 4 problematic items occurred in this process and they were eliminated with the translation of another translator. Translations were done by experts from the foreign languages department of Ege University. After the back-translation, the pretest method was used to make sure that there are no problems with the clarity of the questions. The questionnaires were filled by 60 participants among the sample and it was proved by the consistency of the answers and low number of missing that there were no misunderstandings of the research instrument.

2.4. Sample

The sample of the study included 387 Turkish consumers. As seen on Table 1, the majority of the sample are women (60.5%). Most of the participants are in the 18-25 age interval (42,1%). 18-25 age interval is followed by 26-35 age interval (36,2%). Most of the participants are university graduates (59,4%). And most of them has a monthly income of 1501-3000 Turkish Liras (38%). As a result of the demographic analysis, it is seen that the research sample mostly includes well educated young participants with a middle income level.

Table 1: Demographics of the Sample

		Frequency (n=387)	Percentage (%)
Gender			
	Female	234	60,5
	Male	153	39,5
Age	*<18*	2	0.5
	18-25	163	42,1
	26-35	140	36,2
	36-45	31	8
	>45	51	13,2
Education	*High school*	17	4,4
	University	230	59,4
	Master's	94	24,3
	PhD	46	11,9
Montly Income *(Turkish liras)* *(In the period of research, Turkish liras equaled to approximately ½ of euros).*	*<1500*	128	33.1
	1501-3000	147	38
	3001-6000	69	17.8
	6001-12000	28	7.2
	>12001	15	3.9

2.5. Findings

The results of the research have been analyzed using SPSS 17. Reliability analysis and exploratory factor analysis were done. After the factor loadings and reliability tests were proved, further analysis have been carried out. Means and standard deviations of each dimension have been determined. Finally, a series of multiple regressions were carried out to test the hypothesis.

Using exploratory factor analysis and reliability analysis, the factor loadings of each item and cronbach alpha values have been determined. The results may be seen on Table 2.

Table 2: Factor Loadings and Cronbach Alpha Values

Status Seeking Motivation		
Cronbach's Alpha (ɑ)		,853
ss2	I hope people think I am wealthy when they see me with a luxury product	,820
ss3	It is important that people know that a luxury product that I own was expensive	,811
ss1	It is important that I advertise my success by owning luxury products	,724
ss4	A luxury product is worth more if people think it is a status product	,775
ss5	Peopler are more likely to accept me if they see me with a luxurious product	,724
ss6	Sometimes it is necessary to purchase a luxury product to gain membership of a group	,550
Pleasure Seeking Motivation		
Cronbach's Alpha (ɑ)		,850
ps3	Luxury products should give me pleasure	,839
ps2	My reason for consuming luxuries is that it puts me in a good mood	,830
ps1	A luxury product is more valuable to me if it has the ability to make me feel better about myself	,823
Uniqueness Seeking Motivation		
Cronbach's Alpha (ɑ)		,686
us3	I am attracted to rare things	,833
us2	I am more likely to buy a luxury product if it is unique	,739
us1	I enjoy shopping at stores that carry merchandise that is unusual	,689
us4	I tend to be a fashion leader rather than a fashion follower	,528
KMO		***,837***
Sig.		***,000***
Brand origin		
Cronbach's Alpha (ɑ)		,797

bo2	If the luxury brand is originating from a country of which I have a favorable image I will be more inclined to buy that luxury brand	,896
bo1	The country that a luxury brand is originating from is important for me in making the final choice	,890
Fashion consciousness		
Cronbach's Alpha (α)		,815
fc3	I usually have one or more outfits of the very new style	,843
fc2	I keep my wardrobe up-to-date with the changing fashions	,821
fc1	Fashionable, attractive styling is very important to me	,754
fc4	To get variety, I shop different stores and choose different brands	,728
f5	It's fun to buy something new and exciting	,533
Price-quality perception		
Cronbach's Alpha (α)		,831
pqp3	The price of a product is a good indicator of its quality	,881
pqp1	Generally speaking, the higher the price of a product, the higher the quality	,809
pqp4	You always have to pay a bit more for the best	,776
pqp2	The old saying "you get what you pay for" is generally true	,724
KMO		***,772***
Sig.		***,000***

KMO value shows weather the data is appropriate for the analysis. The KMO value may differ between 0 and 1. It is expected that the KMO value is at least 0,60 (Pett, Lackey, Sullivan, 2003). If it is between 0,5 -0,7 it is considered as normal, a KMO between 0,7- 0,8 is considered as good, a value between 0,8-0,9 is considered very good a value above 0.9 is considered to be perfect (Field, 2005). According to the results of the factor analysis, luxury consumption motivations have a very good KMO value and brand origin, fashion consciousness and price-quality perception have a good KMO value.

A Cronbach Alpha value more than 0,70 proves the reliability of the scale, but in cases where there are less questions, this value is 0,60 (Sipahi, Yurtkoru, Çinko 2008:89). As seen on Table 3, all dimensions have Cronbach Alpha values greater than the suggested value of 0.60. In fact, many of them are above 0,80 which prooves their high reliability.

Total item correlations are between 0.52 – 0.89, which indicates they are much more higher than Saxe and Weitz (1982) have suggested (0.32). This proves that the instrument purveys the minimum standards for collision validity.

In table 3, means and standard deviations of the independent variables (brand origin, fashion consciousness, price-quality perception) and dependent variables (pleasure seeking motivation, status seeking motivation, uniqueness seeking motivation) may be seen. All items were designed on a 5 point likert scale. (5=strongly agree, 1=strongly disagree). As seen on Table 3, the mean values of pleasure seeking (3,17), uniqueness seeking (3,25) and fashion consciousness (3,08) dimensions represent 'neither agree nor disagree' with a tendency to 'agree'. The mean values of brand origin (2,85) and price-quality perception (2,96) are very close to 'neither agree nor disagree'. Lastly, status seeking dimension's mean value (2,08) represents a sample who is more likely to 'disagree'.

Table 3: Means and standard deviations

Dimensions	Pleasure seeking	Status seeking	Uniqueness seeking	Brand origin	Fashion consciousness	Price-quality perception
Mean	3,177	2,088	3,256	2,851	3,0868	2,961
Std. Deviation	1,151	0,943	0,903	1,214	0,902	0,960

To be able to test the relationship of brand origin, fashion consciousness and price-quality perception with luxury consumption motivations, multiple regression analysis have been applied. With these multiple regressions, hypothesis and the research model of the study have been tested.

In multiple regression, R2 value shows how much the independent variables are able to test the dependent variable. Standard error shows the standard deviation in the distribution of the results. P value shows the significance of the model. Durbin Watson is used to test autocorrelation. Values close to 4 indicate a very negative correlation, values near to 0 indicate a very positive correlation, values near to 2 show that there is no autocorrelation. Hence, the expected value is between 1,5 and 2,5. (Kalaycı, 2010: 264-268). All of these indicators have been shown in the the results of the multiple regressions (Table 4, 5, 6).

Table 4: Relation of brand origin, fashion consciousness, price-quality perception with pleasure seeking motivation

R^2= 0,183 Standard Error = 1,04442 P<0,001 Durbion-Watson = 1,978				
Independent variables: *Brand origin, fashion consciousness, price-quality perception* ***Dependent variable:*** *Pleasure seeking motivation*				
Independent Variables	Std.Err.	Beta[a]	t-value	Sig.[b]
Brand origin	*,045*	*,178*	*3,731*	*,000*
Fashion consciousness	*,063*	*,196*	*3,949*	*,000*
Price-quality perception	*,060*	*,225*	*4,505*	*,000*

In Table 4, the results of the relation of brand origin, fashion consciousness and price-quality perception with pleasure seeking motivation may be seen.

The independent variables explain the 18,3 % (R^2) of pleasure seeking motivation. There is a significant relationship between all three independent variables with the dependent variable pleasure seeking, while the p value (sig.) is smaller than 0,05.

All three independent variables turned out to have a positive relationship with pleasure seeking motivation. Hence, H1a, H2a and H3a are supported.

Price-quality perception has the strongest effect on pleasure seeking motivation (β = 0,225 t-value = 4,505). Price-quality perception is followed by fashion consciousness (β = 0.196, t-value = 3,949) and brand origin (β = 0,178 t-value = 3,731). As a result, among brand origin, fashion consciousness and price-quality motivation, price-quality motivation stands out with the most important positive relationship with pleasure seeking motivation. This result indicates that, for Turkish consumers, when the price-quality perception is higher, the pleasure seeking motivation for the consumption of luxuries increases in a strong way.

Table 5: Relation of brand origin, fashion consciousness, price-quality perception with status seeking motivation

R^2= 0,223	Standard Error = ,83521		P<0,001	Durbion-Watson = 2,051
Independent variables: *Brand origin, fashion consciousness, price-quality perception* ***Dependent variable:*** *Status seeking motivation*				
Independent Variables	Std.Err.	Beta[a]	t-value	Sig.[b]
Brand origin	*,036*	*,190*	*4,071*	*,000*
Fashion consciousness	*,051*	*,205*	*4,234*	*,000*
Price-quality perception	*,048*	*,264*	*5,426*	*,000*

In Table 5, the results of the relation of brand origin, fashion consciousness and price-quality perception with status seeking motivation may be seen.

The independent variables explain the 22,3 % (R^2) of status seeking motivation. Which means that, 22,3% of the status seeking motivation is related with brand origin, fashion consciousness and price-quality perception.

There is a significant relationship between all three independent variables with the dependent variable status seeking, while the p value (sig.) is smaller than 0,05. All three independent variables turned out to have a positive relationship with pleasure seeking motivation. Hence, H1b, H2b and H3b are supported.

Price-quality perception (β = 0,264 t-value = 5,426) has the strongest positive relation with status seeking motivation as it was also for the pleasure seeking motivation. Afterwards, fashion consciousness (β = 0.205, t-value = 4,234) and brand origin effects (β = 0,190 t-value = 4,071) also have positive relations with status seeking. As a result, it may be said that, price-quality perception is a strong factor for status seeking motivation, just like it is for pleasure seeking motivation. Which actually means that, a higher price-quality perception increases the status seeking motivation.

Table 6: Relation of brand origin, fashion consciousness, price-quality perception with pleasure seeking motivation

R^2= 0,290 Standard Error = ,76346 P<0,001 Durbion-Watson = 1,882				
Independent variables: *Brand origin, fashion consciousness, price-quality perception* ***Dependent variable:*** *Uniqueness seeking motivation*				
Independent Variables	Std.Err.	Beta[a]	t-value	Sig.[b]
Brand origin	*,033*	*,185*	*4,138*	*,000*
Fashion consciousness	*,046*	*,494*	*10,672*	*,000*
Price-quality perception	*,044*	*-,071*	*-1,528*	*,127*

In Table 6, the results of the relation of brand origin, fashion consciousness and price-quality perception with uniqueness seeking motivation may be seen.

The independent variables explain the 29 % (R^2) of status seeking motivation. There is a significant relationship between brand origin and fashion consciousness with the dependent variable uniqueness seeking, while the p value (sig.) is smaller than 0,05. On the other hand, the relationship between price-quality perception and uniqueness seeking motivation did not turn out to present a significant result (p = 0,127)

While there is a positive relationship between brand origin, fashion consciousness and uniqueness seeking motivation, H1c and H2c are supported. However, the relationship between price-quality perception and uniqueness seeking motivation did not turn out to be significant. Therefore, H3c is not supported. Even if the relationship level was significant, the result showed a negative relation between price-quality perception and uniqueness seeking motivation.

Fashion conscious has the strongest relation with uniqueness seeking motivation (β = 0,494 t-value = 10,672). As seen from the beta and t-value, the positive relationship between fashion consciousness and uniqueness seeking motivation is on a very high level. This proves that, fashion consciousness is a very important variable for uniqueness seeking. In accordance with the theoretical information and antecedents of existing research, this result also proves that, fashion has an important role for uniqueness seeking. Brand origin also turned out to have a positive relation with uniqueness seeking motivation (β = 0.185, t-value = 4,138) This shows that brand origin is seen as a factor to increase uniqueness seeking.

3. DISCUSSION AND IMPLICATIONS

This research has been directed to the relation of brand origin, fashion consciousness and price-quality perception with pleasure, status and uniqueness seeking luxury consumption motivations. The sample of the research included Turkish consumers, who represent a population of a developing country with a developing luxury market.

To test the hypothesis of the study, three multiple regression analysis have been carried out between the variables. The results of the hypothesis may be seen below on Table 7.

Table 7: Results of the hypothesis tests

Hypothesis	Result
H1a. There is a positive relationship between brand origin and pleasure seeking motivation.	Supported
H1b. There is a positive relationship between brand origin and status seeking motivation.	Supported
H1c. There is a positive relationship between brand origin perception and uniqueness seeking motivation.	Supported
H2a. There is a positive relationship between fashion consciousness and pleasure seeking motivation.	Supported
H2b. There is a positive relationship between fashion consciousness and status seeking motivation.	Supported
H2c. There is a positive relationship between fashion consciousness and uniqueness seeking motivation.	Supported
H3a. There is a positive relationship between price-quality perception and pleasure seeking motivation.	Supported
H3b. There is a positive relationship between price-quality perception and status seeking motivation.	Supported
H3c. There is a positive relationship between price-quality perception and uniqueness seeking motivation.	Not Supported

Results of the research showed that, brand origin, fashion consciousness and price-quality perception have positive relations with pleasure seeking, status seeking and uniqueness seeking motivations except for the relation of price-quality perception with uniqueness seeking motivation. The relation between price-quality perception and uniqueness seeking motivation did not turn out to have a significant result. Even if the result was significant, the regression analysis turned out to show a negative relation between the two concepts. But, all other relations turned out to have a strong positive value. Also, looking at the R squared levels, the effects of these relationships seem pretty important.

As a result, this research shows that, within the concept of Turkish consumers, brand origin, fashion consciousness and price-quality perception have important positive contributions on pleasure, status and uniqueness seeking motivations, which are some of the most important luxury consumption motivations. Therefore, future studies on the subject targeting Turkish consumers can be carried out to have a more in-depth understanding of these relations. As a managerial implication, results prove that for luxury brands who are in the Turkish market or looking forward to enter the Turkish luxury market, should pay attention to brand origin, fashion consciousness and price-quality perception variables while they affect luxury consumption motivations and in this way luxury consumption. In other words, brand should pay attention to these concepts in their branding strategies and communication. While it is expected for the luxury market to grow in Turkey, more research on the issue is necessary both for the academic and managerial development of the sector.

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ISSN 1855-931X

THE DETERMINANTS OF SUCCESSFUL CONFLICT MANAGEMENT ON THE INSURANCE MARKET IN POLAND, FROM THE PERSPECTIVE OF THE EXPLORATIVE RESEARCH[1]

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Abstract

The paper discusses successful seller-buyer conflict solving, including the measurement issues. Its purpose was to explore the antecedents of effective conflict management on the insurance market in Poland. It allowed for the enrichment of the multidimensional measuring model of perceived justice of complaints handling as well as for the adaptation of the model to the insurance industry in Poland. There were some new antecedents of effective conflict management found, which should be included in measures of justice, e.g.: providing the client with the possibility of choosing compensation, a single-person complaint handling, the competence of the personnel. The good management practices include, among others, the isolation of special units in the company's structure dealing with complaints handling along with the empowerment of the employees, which would effect in the positive outcomes of the complaint.

Keywords: conflict management, justice theory, complaints, insurance market

Topic Groups: marketing and consumer behavior, conflict management

1. INTRODUCTION

Modern-day firms realize the value of long-term relationships with customers, and considerable evidence exists that validates the profit impact emanating from strong relationships (Barry et al. 2008). The creation of long-term relationships with customers requires knowledge of the dimensions contributing to the establishment and maintenance of such relationships. The quality of relationship between company and its customers is determined for example by communication, trust, commitment, empathy, satisfaction and shared values (Sin et al. 2002; Mitręga 2008; Theron & Terblanche 2010). Studies show that conflict fundamentally influences the quality of the company-customer relationship, and its

[1] Project financed with the resources of National Science Centre on a basis of decision no DEC-2012/07/N/HS4/00269

effective management can contribute not only to maintaining the relationship but even to deepening it (Gruber et al. 2010, s. 360, Palmatier et al. 2006).

Conflicts are an universal phenomena, they are present in a variety of contexts and situations. Although in recent years more and more authors draw attention to the importance of this issue, there is still a need for further research (Palmatier et al. 2006, p. 152, Orshinger et al. 2010).

The professional literature depicts the conflict in a variety of ways relating the phenomenon to the emotional states, cognitive states or conflict behavior of the participants (see Samaha, Palmatier & Dant, 2011; Wall & Callister 1995; Gaski 1984). In an attempt to define a conflict between buyer and seller we may assume that a conflict indicates disrupted understanding between a company and a consumer, generated by their diverging stands, the clash of aims and opinions and manifested by acting in response to the disruptions. One of the obvious expression of a conflict between a client and a company is submitting a complaint by the client. Therefore, the literature in the area of complain management were used in the research.

The aim of this paper was the exploration of determinants of effective conflict/complaint management on the insurance industry in Poland. It was due to the need to adapt the measurement model to the polish insurance industry. The author uses justice theory to achieve this aim.

2. CONFLICT – ASPECTS OF MEASUREMENT AND THE NEED OF RESEARCH ON POLISH INSURANCE MARKET

Prior studies show that conflict, which is most often manifested by rising a complaint, affects customers' positive and negative behavioral intentions. Among destructive outcomes of conflict the following can be mentioned: the termination of the relationship with a company, spreading negative opinions about the company, the desire for revenge and the desire for avoidance (e.g Blodgett, Hill and Tax, 1997; Ward & Ostrom, 2006; Grégoire et al. 2009). The effective coordination of the course of conflict may, in turn, result in the increase of overall satisfaction, positive word of mouth and deepening of the relationship (e.g. Maxham & Netemeyer, 2002; Maxham, 2003; Homburg & Fürst, 2005). Considering the above, it seems important to identify the factors determining the effective conflict resolution in buyer-seller relationship. Justice theory appears to be dominant theoretical framework applied to complaint handling. In most of studies, the three dimensions of justice are investigated (e.g. Maxham & Netemeyer, 2002; Davidow, 2003; Wirtz & Mattila 2004; Homburg & Fürst, 2005; Hocutt, Bowers and Donavan, 2006; Siu, Zhang and Yau, 2013). These are: distributive justice which refers to the perceived outcome, procedural justice which refers to perceived fairness of the policies and procedures used by decision makers in arriving at the outcome of a dispute, and interactional justice which refers to perceived manner in which the customer is treated (Mattila, 2001). The effect of justice constructs on the results of conflict is indirect via their effects on satisfaction with complaint handling (SATCOM). In meta-analysis conducted by Orshinger et al. (2010) it was found that among the studies that consider the joint effects of all three justice dimensions, the majority (61%) identifies distributive justice as the most strongly related to SATCOM (e.g., Homburg and Fürst 2005; Smith et al. 1999). 30% of the studies indicate that interactional justice is stronger (e.g., Tax et al. 1998; Smith and Bolton 2002) and only 9% of studies find procedural justice as the most related to SATCOM (e.g. Maxham and Netemeyer 2003).

However, one may notice that justice dimensions' definitions are highly "capacious". Nevertheless, the specific wording and scaling used for each measure of justice is very limited. Moreover, a few recent studies analyze the impact of perceived justice which include informational justice as an independent variable (Mattila & Cranage, 2005; Mattila, 2006; Ambrose, 2007;). Informational justice refers to the perceived adequacy and truthfulness of information explaining the causes for unfavorable outcomes (Colquitt, 2001; Mattila & Cranage, 2005). Lee and Park (2010) claim that the lack of an explanation and dishonest information provision are the main reasons for lowering the customer satisfaction level. Other studies indicate that there is a positive relationship between informational justice and post-recovery satisfaction (Mattila & Cranage, 2005; Ambrose, 2007) and negative relationship between informational justice and switching intentions (Nikbid et al., 2012).

Furthermore, previous studies on the negative aspects of the relationships were related to different sectoral and cultural contexts, which means that, they did not include the specificity of Polish reality of running a business such as: the influence of the so called real socialism on the customer service culture, as well as the impact of the specific Polish national culture. Meanwhile Orshinger, Valentini and De Angelis (2010) maintain that cultural differences should be taken into account, since the results of research on factors determining the results of complaint situation depend on these differences. For example, in high individualistic cultures (e.g. USA) the specific behavior of the contact personnel plays a crucial role (Mattila & Patterson, 2004)

The research was conducted on the insurance market. Two aspects were taken into consideration while considering the market. First of all, to the best knowledge of the author, there had been no research concerning conflict/complaint management conducted on the market. Restaurants, hotels, and health care are among the service categories most investigated (eg. Smith & Bolton 2002; McColl-Kennedy & Sparks, 2003; Wirtz & Mattila, 2004; Mattila & Cranage, 2005; Back & Shanklin, 2005; Hocutt et al. 2006; Ambrose et al. 2007, Alavarez 2011; Siu et al.. 2013). Second of all, the market of insurance services is a specific one. The insurance services' consumers, who decide to purchase an insurance policy, wish to obtain a sense of security. The occurrence of an insured event, triggers strong emotions and high expectations towards the insurance company. It means that any shortcoming/failures on the part of the company may result in violent reactions from the customers. What is more, on one hand, the majority of Polish insurance companies understate the compensation (Ciężkie grzechy ubezpieczycieli… 2014), on the other hand the market is prone to extorting compensation by clients[2]. Hence, some subconscious prejudices may appear in a complaint situation, which hinders successful conflict management.

The following paper presents the first phase of the research conducted by the author, the qualitative research, whose aim was to explore the antecedents of successful conflict management. The research enabled to enrich the measurement model of a multidimensional justice of complaint handling assessment, and to adjust the model to the insurance industry in Poland.

3. QUALITATIVE RESEARCH DESCRIPTION

Qualitative research was aimed at the exploration of determinants of effective conflict management in the relationship between an insurance company and a consumer. An interpretive approach was used. Qualitative research was chosen since it is best suited for

[2] The Polish Chamber of Insurance estimates that in 2012 fraudsters tried to extort more than 110 million PLN.

studying complex and dynamic social phenomena, knowledge of which is small. Moreover, using the qualitative approach enables the recognition of many nuances in the attitudes and behavior, which may not be noticed by the researchers applying other methods (Babbie 2008, p. 312-322)

A total of 26 in-depth interviews were conducted: 9 with consumers and 17 with employees who represented 7 insurance companies. Individual interviews are the optimal method in the studies of controversial and intimate issues, towards which the respondents have an emotional attitude. The consumers who were willing to participate in the research were initially found on portals devoted to the subject of insurance matters. The recruitment of the insurance companies' representatives was possible thanks to GoldenLine network[3] and author's acquaintances' personal contacts. Additionally, the letters with requests to take part in the research were sent to the headquarters and branches of every insurance company in Poland along with 30 insurance agencies.

The selection of the participants for the research was purposeful. The consumers who made a complaint against their insurance company in the past two years took part in the research. Another requirement was the fact that the insurance company against which the complaint had been made, was at that time the major provider of insurance services for that particular consumer. The greatest demographic diversity was maintained. The duration of the relationship with the insurance company was also taken into account. In the case of the insurance companies representatives, interviews were conducted with first-line employees (among others: the customer service workers and the compensation section) together with the middle and senior managers of marketing and sales departments. There was a condition that the respondents had to represent companies with a key position on the market (as measured by the share in premiums) and with a diverse origin (the country from which the capital was obtained). The position and job experience were also taken into consideration.

The interviews were transcribed in full and then they underwent a coding process. Also so-called theoretical notes were formulated. It is consistent with the principles of so-called qualitative data analysis - QDA (Myers, 2013).

4. RESEARCH RESULTS

The names of antecedents of effective conflict/complaint handling (inductive codes) and narratives are included in table 1. Quotes are given only for the variables, which were identified during the interviews but which were not used by authors in measurement scales in prior studies. Gray shade marks those variables which were used in the measurements scales in prior studies. Additionally, the first column indicates which of the justice dimension corresponds to the given factors of effective conflict management.

[3] This is a website designed for people looking for work and is an open database of CVs, where one can find people performing specific occupations.

Table 1: Antecedents of effective conflict/complaint handling and narratives.

	Name of antecedents	**Narratives***
distributive justice	Complying with the terms of the contract The fulfillment of client's requests Finding a solution to the reported problem Compensation	
	The possibility of choosing compensation	I was harmed, it was the insurer who messed up, so someone should suggest some compensation choice. They should have a range of proposals.
procedural justice	Speed of resolving customer complaints Prompt consideration of the matter Procedures' flexibility	
	Single-person complaint handling	Given complaint should be handled by a single person. Like a person, with whom one can talk, but not a case when a new person responds to an e-mail each time and the conversation starts all over again. The conversation brings no change.
	Being informed about the status of the complaint	I wish to be informed about all the phases of the complaint procedure. I wish to keep my finger on the pulse.
	Initiating the contact by the company	If all the communication channels are available, why is it only me who uses them? The insurer forgets that he can send an e-mail, respond, call. One needs to reach their clients.
	Empowerment	Since the lady could do nothing about the case, the conversation made no sense
	Not anonymous contacts	During the conversation he gave his name straight away. I knew his phone number so I could phone him any time. He wasn't hiding behind any helplines or some other things.
	The opportunity to communicate face to face	Everything is done via e-mail (…) no branch, no representatives, no direct contact. And that is often a problem.
	Handling the complaint on the spot	They adjusted the complaint, but they could have done it when I phoned them for the first time, because it was obvious and they could have handled it on the spot.
interpersonal justice	Politeness Honesty Willingness to help Empathy Showing respect Being interested in customer's problem Ability to listen to a customer Apology	
	Personnel competence	The employee was very competent and he was telling me thoroughly and incisively what I was to do.

	Procedural knowledge	The most important thing is to know what one sells and what steps can be taken when a failure occurs. One needs to know what can be done for a client, what the procedures comprise. (ICE)
	Product knowledge	Without the knowledge of the product it is impossible to have a professional conversation and reach an agreement with the customer. (ICE)
	Take customer seriously	I had the impression that I was not being treated seriously and thus, as I stated, the incident resulted in a reduction of my satisfaction with the cooperation with the insurer and consequently led to my giving up on the cooperation.
	Patience	I believe that one can learn patience, expressing oneself calmly, these are the features I expect from the employees who attend upon our most problematic customers. (ICE)
	Being nice	That man was really nice and he was even joking in a nice way.
	Cultural behaviour	The person who attended upon me was cultured, so it also resulted in a quiet approach to the issue, without shouting or unnecessary comments.
	Optymistic attitude to a customer	The man was even joking pleasantly (…). He was an example of a constant optimist, I guess. The right person doing the right job. He defused stress.
informational justice	Explanation of complaint and decision procedures Reasonable explanations	
	Using language understandable to the client	All those justifications, explanations are mostly nothing but law, some parts of an Act or the terms and conditions of the insurance, which the customer does not understand. One needs to use language understandable to the client.(ICE)

* The quotations, which are the statements of the insurance companies' employees are marked by the ICE symbol.

The research conducted reveals that the variables identified by means of empirical interviews fall into the definitions of justice dimensions. One part of the variables was used in the measures of justice, but there appeared to be a lot of variables which enrich the measurement models and seem to have a significant importance when it comes to the insurance market. For instance, handling the complaint by a single person enriches/complements the procedural justice dimension and seems to be important for two reasons. First of all, in the past 10 years there has occurred an evident outsourcing process in the customer service through the medium of telephone. In case of outsourcing projects, there appears to be an ongoing problem of constant employees turnover as well as careless matching of the consultant with the project. People, working in the call centres often do not possess the basic knowledge of insurances. Therefore, the evaluation of the process will aggravate in the eyes of the clients. Second of all, the research indicates that consumers expect the agent to handle the complaint, meanwhile, due to a varied degree of decision-making in insurance companies, the role of an agent often comes down to informally speeding up and monitoring the case.

Empowering employees seems to be of particular importance as well. Most of the customers that were interviewed complained that the lack of empowerment leads to extending of the complaint handling process. The procedures and systems often do not let front-line employees take even the easiest appropriate interventions without informing/asking the management. On the other hand the first line employees in insurance companies do not possess the authority to make decisions while a conflict with a customer happens. The employees emphasized that the clients did not understand and did not approve of the complexity of the decision-making process.

The issue of communication with clients in conflict situations seems to be important as well. Majority of consumers have reported a number of defects in this area. Initiating the contact by the company along with informing the client about the status of the complaint, would influence the client's perception of the procedural justice in a positive way. Most of representatives of insurance companies admitted that clients often call or write e-mails in order to ask about what is happening with the complaint they made.

Product and procedural knowledge may also be of significant importance, due to a high level of complexity of financial services (for instance, the form and volume of contracts). Clients often seek advice and guidance from front-line employees, who receive the complaints. The majority of clients and insurance companies' employees emphasized that the personal knowledge of the staff influences successful solving of their problems. The interviews have also revealed that another determinant of effective conflict management is treating customers seriously. Underestimating or ignoring the client results in a series of negative emotions such as anger, irritation and stress which, in turn, increases the severity of the assessment and the customer reaction, making it difficult to resolve the dispute. These variables could enrich the interpersonal justice.

Most of the customers have also complained about the incomprehensible language, the insurance companies use, formulating their decisions and explanations mainly on the basis of the general insurance terms, the Civil Code and the procedures existing in the company. Using language understandable to the client seems to be very important. This variable would complete the informational justice dimension.

The research has additionally revealed that majority of customers think that the compensation is a nice touch in the unpleasant situation. Some of the insurance companies' representatives reported that customers' expectations in the field of compensation are diverse and difficult to meet. Nevertheless, the decision about compensation is rarely made and depends mostly on the prior cooperation: how long has the customer been with the company for, the loss ratio and premiums paid. Providing the client with the possibility of choosing compensation would enrich the distributive justice.

In the research moderators between the antecedents and outcomes of effective conflict management were additionally identified. The strength and direction of these relationships are affected by, among others: customer knowledge of consumer law, the time needed to find another attractive offer, the duration of the relationship with the insurance company, type of personality, importance of the service, prior experience or company image. However, due to the volume size limits, only the antecedents of effective conflict management were widely presented.

5. DISCUSSION

Conflicts are inevitable in buyer-seller relationships. It is impossible to eliminate them, however it is possible to manage conflicts effectively so that the negative consequences will be minimized and positive outcomes maximize. Varied factors which affect effective conflict management between an insurance company and customers were indentified in the exploratory research. The research reveals that the variables identified by means of empirical interviews fall into the definitions of justice dimensions. One part of the variables was used in the measures of justice, but there appeared to be a lot of variables which enrich the measurement models and seem to have a significant importance when it comes to the insurance market.

For example, prior research conducted on the insurance market showed that personnel product and procedural knowledge plays a significant role (Gayathri et al. 2005, Kaur & Negi 2010, Siddiqui & Sharma 2010, Gera 2011). The study confirms that it is also important while complaint situation, so it is recommended to include this variables in interpersonal justice. The reason of that is probably the high complexity of the market and insurance matters and the increasingly demanding customers. The lack of personnel knowledge about products and procedures may result in making some mistakes and it leads to the state of customer dissatisfaction. Donoghue and de Klerk (2009 p. 463) emphasize that before staff can handle complaints, they should first gain proper product knowledge to facilitate them in recognizing product problems since many employees sell products and handle complaints about products that they have never owned or used themselves.

A meta-analysis conducted by Orishinger (2010) reveals that most of the research concerning fairness of complaint handling identifies the distributive justice as having the strongest influence on the satisfaction coming from complaint handling. The exploratory research shows that clients did not expect a compensation from the insurance companies, but they expected the company to comply with the terms of the contract.

Nevertheless the research reviled that the possibility of choosing compensation may play important role while handling the complaint. Some respondents claimed that they would have been more satisfied with the compensation when given the opportunity to choose from alternatives. It confirms the research conducted by Mattila (2010), in which it was emphasized that service organizations might benefit from offering several choices among recovery options instead of merely compensating for the failure with a standardized recovery method.

Moreover, understanding of the customer is the key attitude of the personnel of insurance companies what is consistent with prior studies that investigated variables which affect consumer satisfaction on the insurance market (Gayathri et al. 2005, Gera 2011). There are certain situations and contexts in which empathy should cause particularly positive customer reactions and complaint situation is one of them. The authentic sympathy and empathy can save from escalation of the problem.

Customer apologizing skills are attributed great importance, although the literature provides different opinions on the subject (see Davidow 2003). Apologizing alleviate the negative customer reactions and influence the customer’s assessment of the company, whether it is rigorous or not, during the complaint handling.

The research has also indicated that in the process of successful conflict management, serious customer treatment is of significant importance, as well as, the ability to actively listen. All these antecedents were confirmed by the research conducted by Gruber (2006) but also by the Polish authors writing on the subject of insurance marketing (among others Nowotarska-Romaniak 2012).

In addition, most of the customer reported claims in relation to the procedures of the company with which they were in conflict. The remarks concerned mainly delayed complaints processing. Meanwhile, time was for the customers a major indicator of well-functioning complaint systems within the insurance company. Meanwhile, high uncertainty avoiding cultures, such as Poland, need call for immediate and professional response in unclear situations (Reimann et al. 2008*).*

The customers' expectations regarding one person complaint handling seem interesting. According to the customers it would influence the efficiency and rapidity of dispute solving. De Vyre (1994) claims that 70% of the customers is satisfied if the problem reported by them is being dealt with by one person in the company. If they need to discuss the problem with two employees, the number of satisfied customers drops to 61% and when more employees responsible for problem solving appear, the number of satisfied customers gradually decreases.

Allocating one person to the complaint resolving requires transferring some decision-making power. Empowering the employees in another factor determining successful conflict management, which confirms the research by Boshoff and Leong (1998). Front-line employees are often not permitted to get involved in complaint handling. As Hart et al. (1990, p. 150) point out, they are often not expected to use their discretion or to participate actively in unusual or unexpected situations which customer complaints inevitably are.

Moreover, providing customers with the information of the status of the complaint influence customers' satisfaction with complaint process. As a result, the procedural justice dimension could be enriched with these elements.

The issue of giving customers clear information and appropriate explanations seems to be very important on the insurance market what is consistent with research conducted by Pashaie et al. (2013) and Witkowka (2008). They emphasized that insurance companies should provide customers with transparent and clear explanations since insurance matters are highly complicated. Lee and Park (2010) claim that the lack of an explanation and dishonest information provision are the main reasons for lowering the customer satisfaction level in the context of online retailing. Taking this into consideration it is reasonable to use informational justice in the model of effective conflict management on the insurance market.

6. CONCLUSIONS AND IMPLICATIONS

The customers-companies relationships are current and popular research issues, in the management science, especially in marketing. The research and findings help enrich the existing limited stock of knowledge on complaint management in relationships between company and its customers by offering a deep insight into determinants of effective conflict management. The study especially advances academic understanding of a company's complaint management by introducing new antecedents of effective conflict/complaint handling that should be included in the dimension of perceived justice in the specific culture and on the particular market.

The research allows for the enrichment of the measures of perceived justice of complaint handling and for its adaptation to the specificity of the Polish insurance market. Although the exploratory research represents a substantial value in the social science, its main disadvantage is the fact that it does not provide definite answers. It merely indicates the answers and suggests what are the means to obtain them (Babbie 2013, p. 109). Therefore quantitative researches are recommended. Further research should focus on the construction and testing of the effective complaint handling measurement tool. The scale items used for the previous research ought to be taken into consideration. New scale items, that result from the words/terms appearing in the explorative research, should also be included. The quantitative research would enable the verification of the relationships on the Polish insurance market. For instance, it would permit the verification of the dimension of justice which plays a crucial role in restoring customer’s satisfaction. For instance, we may assume, that the clearness and fairness of the complaint handling procedures will be particularly appreciated since Poland is the country where it is common to avoid uncertainty. It is also important to include factors moderating the relationship between determinants and outcomes of conflict which appeared in the study. For example, we may expect that the longer the duration of the customer-company relationship, the greater influence the four dimensions will have on the satisfaction from the complaint resolution.

The study enables to formulate some management recommendations. Conflicts are not solely some disturbances which need to be overcome in order for both parties to return to the pre-conflict functioning. Understanding the sources of conflicts and working out how to best manage them can have a positive effect on quality relationship between insurance company and its customers. Thus, it is appropriate to accept the inevitability of conflicts occurrence and consequently develop rational methods of manage them, so the negative consequences are minimized and all possible benefits of conflict are achieved. It seems unavoidable to monitor the effectiveness of the complaint handling process as well as to restore patency of the communication channels used to connect with the client making the complaint. Companies should develop clear and transparent complaints handling procedures and introduce internal appeal units into the process of complaint management. It also seems necessary to train personnel and invoke in the employees the feeling that the customers’ complaints are an easily accessible source of information about the market and the company’s image, and it should be used to enhance the quality of action. Since customers want employees to have both an understanding of the company's products and those policies and procedures that relate to complaint management in a company, there is a clear need for the regular personnel trainings in this area but also for the precise selection of employees in contact centres. It seems worthwhile to take actions leading to the enhancement and unification of the complaint management process through developing a sectoral approach to this issue. The development of the good practices for the system of customers’ complaints management would be helpful for all parties of conflict.

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ISSN 1855-931X

PREFERRED NEGOTIATION STYLES: A STUDY OF TOP AND MIDDLE MANAGERS IN THE SULTANATE OF OMAN

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Abstract

The study identifies the preferred negotiation styles of top and middle-level Omani managers and the process they follow when negotiating. Semi-structured interviews were used to collect data. The findings suggest that the majority of Omani negotiators apply the integrative approach because they are considerate to the objectives, needs, priorities, and preferences of their counterparts and seek to maintain long-term relationships with them.

Keywords: negotiation styles, integrative negotiation, distributive negotiation, Oman, negotiation process

Topic Groups: International business, Managerial and organizational cognitions and psychology, Organizational behavior

INTRODUCTION

As defined by Thompson (2000), negotiation is "an interpersonal decision-making process by which two or more people agree how to allocate scarce resources" (p .2). Negotiation is also used for collaboratively resolving conflicts by exploring the range of alternatives available and acceptable to the parties. For these reasons, negotiation has become an essential aspect of organizational life. Within corporations, leaders negotiate with their subordinates (Dansereau, Graen, & Haga, 1975), committees negotiate when managing complex organizational issues (Benson & Hornsby, 1988; Gronn, 1985), and heads of divisions negotiate with their peers (Chalos & Haka, 1990). Similarly, executives negotiate both hierarchically and laterally to balance the frequent demands that lie on their shoulders (Rand, 1987). Managers devote 20% of their time to negotiation and most likely this 20% impacts the remaining 80% of their activities (Byrnes, 1987). Therefore, the importance of understanding negotiation and negotiation styles cannot be underestimated.

Recent research highlighted the fact that the ways negotiations are conducted differ across the globe. These dissimilarities are due to the fact that negotiators from different countries may have divergent visions, ideologies, and differing cultural orientations (Brett, 2001). Every culture has its own distinct identity defined by the behaviors of its members, their mindsets, backgrounds, and distinctive communication patterns which affects their negotiation styles (Wall & Blum, 1991). The purpose of this study is to identify negotiation styles of Omani managers and describe the processes they follow when negotiating.

THEORY

Numerous studies explored negotiation styles used by managers in many countries including Japan, and China (Chen, 1993). However, there have been no empirical attempts to investigate negotiation style and practices in the Sultanate of Oman. Over the past several decades the Sultanate has seen a remarkable economic growth achieved through a successful collaboration of local workforce and expatriates. Because the local business environment has grown to become truly international, there is an urgent need to examine what styles are typically employed by Omani negotiators. The purpose of our study is to contribute to negotiation literature by examining preferred negotiation styles of top and middle-level managers in Muscat metropolitan area, Sultanate of Oman.

At the first stages of a negotiation encounter, participants try to clarify the goals, identify conflicting issues, and seek mutually advantageous solutions that are acceptable to both parties. In order to generate reciprocally beneficial solutions, participants structure the issues and develop alternatives to resolve problems through discussing offers and counteroffers or by offering alternatives to attain mutual gain. After participants have developed all possible solutions, they agree on the one "best option". This requires establishing a set of rules jointly agreed upon by all parties. If for any reason such rules do not exist, the merits of various alternatives will be inconsistent (Boehm, Grunbahcer, & Briggs, 2001).

Depending on the nature of the conflict and the issues at hand, different negotiation strategies and styles can be adopted. Generally, there are two distinct styles of negotiations in Oman: integrative and distributive. Distributive negotiation is a competitive interaction between the parties as each side tries to claim the maximum amount of valuable outcomes at the expense of the other. It is a zero-sum situation in which, if one party gains, the other loses (win-lose situation). As a consequence, when one party develops an alternative which is more attractive than negotiating with a current counterpart, there is often less concern about reaching an agreement. This means the party with less bargaining power is usually more motivated to reach a settlement even if the terms are not optimal (Holbrook, 2010). Because of its nature, distributive negotiation is more likely to occur between the parties which do not expect to have a relationship in the near future or between those who has never had one before. This affects their processes of sharing of information and communication. The accuracy of shared information regarding objectives and interests, thus, tends to be low. For instance, distributively engaged parties may give incomplete, inaccurate, or misleading information and might even intimidate the other side with threats.

According to Holbrook (2010), the process of distributive negotiation is as follows: each side has a negotiation range with a target point, a starting point, and a stopping point; however, they do not disclose their target or stopping points to each other. To limit the other side's expectation in regards to the negotiation range, one party may choose to be the first to make an opening offer. After the parties have disclosed their starting points, they typically expect to go back and forth in the bargaining process as one party gives an offer and the other introduces a counteroffer until they come to an agreement, or reach a deadlock. In this sequence of making offers and counteroffers, parties are forced to adjust their positions, which narrows the negotiation range. During this type of negotiations, each party has the ability to infer their counterpart's target point because the difference between the target and starting points will eventually become discernible. Therefore, if negotiators are capable of discovering the other side's stopping point, they will gain a strategic advantage. Some ways of ascertaining the counterpart's stopping point is by giving inaccurate information about one's own stopping point, manipulating the relationship through threats or flattery, or by putting pressure on the other side to make unintended concessions or commitments. Another way to find the counterpart's stopping point is by identifying their BATNA (Best Alternative to a Negotiated Agreement) because that is the point at which they would probably stop bargaining and exit negotiation.

In contrast, integrative negotiation occurs when the parties believe they can create mutual gain, which makes the negotiation a non-zero-sum, or a win-win, situation. Hence, the main objective of integrative negotiation is to create value for both parties by coordinating the use of the available resources and/or trying to identify the new ones. As a consequence, integrative negotiation requires both parties to recognize their mutual goals, bring their interests to the surface, generate alternatives, and then choose the best alternative that maximize the outcome for all parties. This means that negotiators need to set aside the less significant issues and interests, and concentrate on the most important ones. As Holbrook (2010) states, parties must be engaged in problem solving to reduce the interpersonal conflict and be able to work in a cohesive, cooperative atmosphere. Due to the collaborative environment between negotiators in the context of integrative negotiations, there is a flow of accurate and reliable information; and sharing of interests, priorities, needs, and wants.

METHODOLGY

The research methodology was based on a qualitative approach. We used semi-structured interviews to collect data from a group of top and middle managers in Muscat metropolitan area, Oman. The interviews were transcribed *verbatim* and analyzed for recurring and unique themes related to preferred negotiation styles and negotiation process used by Omani managers.

FINDINGS AND DISCUSSION

The results indicated that more than half of the Omani managers show great concern not only about their own but also about the other party's interests, needs, priorities, and preferences. They strive to ensure that all parties get the best possible outcomes and everyone wins. They also tend to be interested in developing and keep long-term relationships with the other party. Omani negotiators achieve this by being considerate of all that matters to their counterpart and by viewing them as partners rather than rivals. The prevalence of the integrative negotiation style is due to the fact that Oman is a collectivistic culture and managers seek to cultivate a positive image of their organizations by getting the best deal for everyone.

We also found that slightly less than 30% of the Omani managers use a combination of both styles. To illustrate, Omani negotiators switch between the integrative negotiation and distribute bargaining depending on their negotiation position. If they are in a position of power, they pursue a competitive negotiation style. By setting their own demands and putting pressure on the other party they strive to achieve what they consider as most beneficial to them. However, if those managers are not in a position of power, they use a collaborative style to reach an agreement. Some of the interviewees also stated that they use the integrative style when they negotiate inside their organizations, but shift to the distributive negotiation style when they deal with someone from outside their respective institutions.

The Negotiation Process

Since the majority of Omani managers tend to use the integrative style, we explain only this process in terms of planning, interpersonal relationship building, exchanging task-related information, persuasion, and agreement.

Planning

Omani managers tend to begin their negotiations by gathering all necessary information, clarifying their objectives, and generating as many alternatives as possible. Because the majority of the managers prefer to use the collaborative negotiation approach, they seek to identify common grounds with the other party before considering the differences between them.

Interpersonal Relationship Building

Omani managers not only reveal the vital information about themselves. They also try to encourage their counterparts to share information about their objectives, priorities, preferences, needs, and wants. This is taken into consideration when establishing long-term relationships with each other.

Exchanging Task-Related Information

All of the interviewees referred to transparency as one of the major factors for successful negotiations. For example, they share information with the other party as much as possible to reach an agreement which is satisfactory for both parties. Interestingly, Omani negotiators strive to do so even though some would prefer to keep the level of mutually shared information to a minimum. This is an indicator that Omani negotiators try to reach an agreement that best suits all the parties by maintaining a reasonable level of information exchange.

Persuasion

Omani managers appear to have good communication and problem solving skills, which they use to understand their counterpart's negotiation position, objectives, needs, and priorities. By developing a clear understanding of these issues, they manage to persuade the other side to follow a course of action which leads to maximization of joint gains.

Agreement

Most of the interviewees stated that they like discussing one issue at a time. After they have finished discussing a particular issue, they move on to discuss other important issues and this allows them to stay focused and attain best outcomes for both parties.

CONCLUSIONS AND IMPLICATIONS

This paper defined negotiation as a process of resolving conflict and distributing resources between two or more parties. We discussed two types of negotiation: integrative and distributive. Distributive negotiation approach assumes there is a zero-sum situation in which for one party to win and the other must lose. In contrast, integrative negotiation approach is non-zero-sum view which ensures all parties attain satisfactory outcomes. Each negotiation approach is characterized by a specific process followed by negotiators. For instance, a distributive negotiation process requires parties to decide on a target point, a starting point, and a stopping point. This is followed by a bargaining phase until the parties reduce the distance between their starting and target points and reach an agreement that is in the best interest of a more powerful party, or reach an impasse. In contrast, the integrative negotiation process starts by building a common ground between the parties and attempts to understand the objectives, interests, needs, wants, and priorities of each other. Then, alternatives are generated and the one that best serves the interests of both sides is chosen and implemented.

Considering the Omani context, it has been found that the vast majority of Omani managers prefer using the integrative approach. The motivation underlying this preference is the desire to build long-term relationships with the other party, and achieving the best possible outcomes for all involved. Because Omani negotiators use the integrative style, they are transparent with each other, considerate of each other's objectives and priorities, and seek to find the best possible outcomes for themselves and the other party.

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ISSN 1855-931X

MARKETING CAPABILITIES-EXPORT MARKET ORIENTATION AND EXPORT PERFORMANCE RELATIONSHIP: ESTABLISHING AN EMPIRICAL LINK

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Abstract

This study examines the effects of marketing capabilities and export market orientation on export performance. In this regard, suggesting hypotheses about the relationships between these variables, the model has been proposed. Using survey data of 416 manufacturing firms based in Turkey that are exporting to international markets, the model was tested by confirmatory factor analysis and structural equation modeling. Results indicate that product development and channel management marketing capabilities are significantly affect export market orientation. Also, there is a strong relationship between export market orientation and three dimensions of export performance: financial performance, strategic performance and satisfaction with export venture.

Keywords: marketing capabilities, export market orientation, export performance

Topic Groups: Business strategy, international business, marketing and consumer behavior

1. INTRODUCTION

Being successful in international markets cannot be easy every time due to the fact that international marketing environment is more complicated, dynamic and muti-dimensional. In order for the firms to gain sustainable competitive advantage and reach superior performance in foreign markets, they need to develop capabilities appropriate for international market environments. Firms need to find new markets, adapt their products in line with the needs of these markets and/or develop new export products, determine pricing strategies, select appropriate distribution channels and pursue promotional activities in order to be long-term and permanent in foreign markets. This can be possible through the presence of marketing capabilities. Besides, in order to get a regular and continuous success in exporting performance, firms need to follow-up the rivals, customers and other environmental conditions in the foreign market according to their resource and capabilities as being export market oriented (Murray et al., 2007). The purpose of this study is to examine the relationship among firms' marketing capabilities, their export market orientation and export performance. In this respect, this study aims at examining the extent to which export performance in foreign markets are affected through firms' marketing capabilities and export market orientation. The integrative model suggested for the purpose of removing single way model approaches detected in both theoretical and experimental in the former studies on the factors affecting export performance and the discussions to be made within this framework are thought to be the contributions of this study to the relevant literature. In this study, the content of dynamic capabilities approach the relevant literature was explained. Next, in light of the theoretical information, the hypothesis and the research model were developed. Later, a questionnaire was prepared for the validity of the hypothesis and the research model and it was conducted with the member firms of Turkish Exporters' Association, which was selected as the sample. Data obtained were analyzed and finally interpretations were made regarding the finding.

2. LITERATURE REVIEW

Dynamic capabilities approach was developed to find an answer to the question why some firms cannot be successful in maintaining their competitive advantage in the long run although they have relatively superior resources in the dynamic markets (Teece et al., 1997). In this respect Teece et al., (1997) defined dynamic capabilities as the firm's capability to create, integrate and reconstruct internal and external abilities. Griffith and Harvey (2001) examined this term in a global framework and defined as creating inimitable resources that can ensure worldwide competitive advantage to the firm and include effective coordination of its inter-organizational relationships. Morgan et al., (2012) based the effectiveness of export marketing plan as the main factor that effecting export performance on dynamic capabilities theory. According to dynamic capabilities theory, the most important factor that ensures the implementation effectiveness of the planned marketing strategies is the capabilities the firm has (Morgan et al., 2012). Firms use these capabilities to transforming marketing strategies decisions into appropriate tactics and resource allocation for current and future potential markets. In this way dynamic capabilities enable firms to take advantage with new ventures and the strategies they developed are entering new market areas, performing successful mergers, learning new skills, overcoming stagnation and producing new technologies with research and development units (Zahra et al., 2006). Such activities also increase organization's agility and market responsiveness. Also, dynamic capabilities facilitate and encourage internalizations. To further generalize, dynamic capabilities have a great importance for firms especially in the international markets for creating new ventures, successfully entering markets and survival. Thereby in this paper the relationship among firms' marketing capabilities, their export market orientation and export performance explained in the context of dynamic capabilities approach. Marketing capabilities are value creation mechanisms which are static and inimitable (Morgan et al., 2009a), Morgan et al., (2009a) examined the relationship between the marketing capabilities such as brand management, market sensitivity and consumer relationships and firm's profit, based on dynamic capabilities theory. As a result, the stronger brand management and market sensitivity capabilities, the higher will be the profit growth rates. However, consumer relationships capabilities have a negative impact on the profit growth rates. According to Morgan et al., (2012), the dynamic capabilities theory emphasizes the view that the company's different organizational capabilities may be complementary characteristics and can create additional economic gain. As a result of their studies, Morgan et al., (2012) found that marketing capabilities would enable the company to successfully implement its export marketing strategy as it planned and therefore enhance its export performance. Marketing capabilities are based on "market knowledge about the experiences and customer needs" that the firm obtains while estimating and meeting customer needs through market orientation (Morgan et al., 2012). In this respect, these capabilities were generated by the information that is hard to copy by rivals and that is secretly held (Murray et al., 2011). Marketing capabilities became a unique by combining the employees' knowledge and skills with their past experiences in new product development, sales and distribution activities. As a result, these capabilities cannot be easily imitated by the rivals and assist firms for achieving sustainable competitive advantage. Blesa and Ripolles (2008) point out that marketing capabilities facilitate knowledge of customers, product development and adaptation, as well as meticulous manipulation of key marketing tactical elements to target foreign customers with quality, differentiated goods. Blesa and Ripolles (2008) found that marketing capabilities have a positive impact on the company's international commitment, entry modes and economic performance. Katsikeas et al., (1996) used production and marketing capabilities as a factor of competitive advantage and found that marketing capabilities have a positive effect on export performance. Similarly Vorhies and Morgan (2005)'s study demonstrates that there is a positive relationship between marketing capabilities and business performance. According to the researchers, certain capabilities mentioned in the literature as inputs used in producing valuable outputs are the elements of conventional marketing mix. Based on the literature, the researchers included 'sales, management of the market information, marketing planning and implementation' as elements of marketing mix. Scope of the resource-based approach, Nath et al., (2010) searched the firm's functional capabilities as 'marketing and operational capabilities' and 'product, service and international diversification strategies' effect on the financial performance in the logistics sector. They found that, marketing and operational capabilities of firm's enhance their business performance. On the other hand, Krasnikov and Jayachveran (2008) assumed that different capabilities do have different impacts on performance. They concluded that there is a positive and significant relationship between the firm's marketing, R&D and operational capabilities and performance, and also found that the effect of the marketing capabilities is higher than the other capabilities. Slotegraaf and Dickson (2004) define marketing planning capabilities as the ability to anticipate and respond to the market environment in order to direct firm's resources and actions in ways that align the firm with the environment and achieve the firms' financial targets. They found that marketing planning capabilities have a direct, curvilinear and negative effect on the financial performance. Desarbo et al., (2005) assume marketing as a one of the strategic capabilities and measured with variable such as "knowledge of customers and competitors, integration of marketing activities, skill to segment and target markets and the effectiveness of pricing and advertising programs" then investigate its effect on firm's performance. They found that understanding interaction of capabilities and environmental factors' by the managers have a significant effect on the SIBs' performance. Depending on this body of knowledge, there are a wide range of studies (Katsikeas et al., 1996; Blesa and Ripolles, 2008; Murray et al., 2011; Morgan et al., 2012) supporting the positive impact of marketing capabilities (product, price, distribution, marketing communication, sales, market information management, marketing planning and implementation) on export performance. However, there is limited number of studies with regard to the effect of export-market orientation on marketing capabilities. For instance, according to Day (1994), marketing capabilities depend on the "past experience" accumulated during the anticipating and responding the demands of the consumers via market orientation and "market information" about the customer demand. Murray et al., (2011) suggests that the development of unique and valuable capabilities is a difficult process as it increases the firm's knowledge requirement in its complicated export environment. According to Murray et al., (2011), market orientation is a leading factor in developing the marketing capabilities in terms of the generating, disseminating and responding the required export intelligence. In this respect, they examined the mediator role of marketing capabilities (new product development, pricing and marketing communication) between export market orientation and export performance. As a result of their study there is a significant relationship between export-market orientation and marketing capabilities. In particular, they determined a relationship between new product development capabilities and product and strategic export performance. Besides they discovered a relationship between the pricing capabilities and financial and strategic export performance. In this respect, they proved an indirect relationship between export market orientation and export performance with a mediator role of marketing capabilities. Therefore, the following hypothesis is proposed:

> *H1: The possession of marketing capabilities relating to product development, pricing, channel management, selling, delivery management, marketing communication and post-sale service is positively associated with the export market orientation.*

Export market orientation is a market oriented strategy executed in the export environment. Cadogan et al., (2009) defines it as firm's efforts to integrate its marketing concept into their export operations. Akdeniz et al., (2010) relates it to the capabilities of building and managing the communication and the relationship with the consumers. According to Kohli and Jaworski (1990), Narver and Slater (1990) and Cadogan et al., (2001), export market orientation refers to the firm continuously and regularly activity of monitoring the consumers, rivals and other environmental factors in the international market environment in order to develop and offer products meeting the demands of consumers in the export market (Murray et al., 2007). Cadogan et al., (2002) defined *export market orientation activity* as "the generation of market intelligence pertinent to the firms exporting operation, the dissemination of this information to appropriate decision makers and the design and implementation of responses directed toward export customers, competitors and other extraneous export market factors which affect the firm and its ability to provide superior value for export customers". In this respect, if firms' level of export market orientation is high, it is expected that they can reach more information about the needs of consumers in export market. Also, firms would better understand strategies of rivals in export markets and could respond them better (Dodd, 2005). Hence, export market oriented behavior assist firms to gain the ability to create superior value for their foreign customers. If the firm could continuously identify and respond to current and future needs and preferences of their customers, it achieves better position by satisfying their customers than its rivals (Cadogan et al., 2002). According to Murray et al., (2008), export market orientation is a valuable resource for developing and implementing effective pricing and promotion strategies as well as the new product development. It is seen that interest towards export market orientation, which is the indicator factor of export success, in the field of export performance research has gradually increased from the second half of 1990s (Sousa et al., 2008). Thus, researchers (Cadogan and Diamantopoulos, 1995; Cadogan et al., 1999; Collins-Dodd, 2000; Cadogan et al., 2002; Akyol and Akehurst, 2003; Cadogan et al., 2003; Cadogan and Cui, 2004; Knight and Cavusgil, 2004; Dodd, 2005; Murray et al., 2007; Cadogan et al., 2009; Murray et al., 2011) mostly aim to explore the relationships between exporting firms that adopted export market orientation behavior and their export performance. Cadogan et al., (1999) developed the existing market orientation scales which had previously been designed in relevant literature (Kohli and Jaworski, 1990; Narver and Slater, 1990), more comprehensive and adapted to export markets and examined its cross-cultural consistency. Cadogan et al., (1999) found a positive and significant relationship between export market orientation and export performance (sales, goals of management and global evaluation of firm's export successes). Murray et al., (2007) improved the studies of Cadogan et al., (1999) examined whether export market orientation and export performance scales differ among domestic and foreign firms manufacturing and exporting in China through a cross-cultural analysis. As a result they determined the scale's stability. Also in their studies, they found that the effects of export market orientation factors on export performance (satisfaction with export venture and financial performance) differed among foreign and domestic firms in China. It was concluded that there was a positively significant relationship between the generation of market intelligence and export performances of the foreign firms in China. In addition Cadogan et al., (1999) declare that there is no significant relationship between dissemination of this information and export performances of the domestic and foreign firms in China although there is a positive and significantly relationship between responding the export intelligence and export performances of the domestic firms in China. Murray et al., (2011) examined the relationship between market orientation, marketing capabilities, internal and external factors, competitive advantages for effects on firms export performance (financial, strategic and product) in China. They found that marketing capabilities had a mediator role between export market orientation and export performance. Cadogan et al., (2002) analyzed the moderator role of export market environment between export market orientation and export performance. As a result of their study, export performance was positively related with the activities of export market orientation without the effect of environmental factors. Cadogan et al., (2003) investigated the effect of export market orientation behavior on firms' export performance in unstable and dynamic export market environments. Researchers detected a positive relationship between market orientation behavior and export growth performances. Also they found an indirect relationship between market orientation behavior levels and export profit performances of exporters driven by growth. Moreover, they concluded that *competitive intensity and technological change* in export markets had a moderate the effect on the relationship between exporters' market oriented behaviors and export performances. Similarly Akyol and Akehurst (2003) and Dodd (2005) found a positive relationship between export market orientation and export performance. Knight and Cavusgil (2004) revealed that born global firms could achieve success in international performance through the strategies they developed with the scope of their international market and entrepreneurial orientations. In other words, there is an indirect relationship between international market orientation and international performance. On the other hand, Cadogan and Cui (2004) concluded that export performance of export agencies high levels of export market orientation behavior in China decreased as the level of export market orientation increased. Cadogan and Cui (2004) argued that the reason why their hypotheses were not supported with analysis was the insufficiency of research models. Similarly, Cadogan et al., (2009) revealed that as the export market orientation level of the exporting firms extremely increased, their export performance would decrease. Cadogan et al., (2009) explained the reason of this result as investing in EMO behavior, for increasing its level, represents an opportunity cost because it is drawing on resources that would be better employed elsewhere (e.g., investing in developing greater technological orientation or other market-driving approaches) for providing customers with value. Francis and Collins-Dodd (2000) found a positive and significant relationship between proactive export orientation of high-tech (information and telecommunication) SME's export performance. It was also concluded that passive export orientation has a negative and significant relationship with *export intensity* and *export sale,* indicators of export performance, but no relationship with *growth in export intensity* and *gross export profit* (Francis and Collins-Dodd, 2000). According to Cadogan et al., (1999) and Murray et al., (2011), the complexity of export market environment leads to increase the requirement of information. In this respect, within the studies examining export performance, it is necessity to consider firms' market orientation in the export markets. In light of this information, it is expected that market oriented firms continuously obtain appropriate export market information, share this information with export staff or other decision makers in the organization and they may increase their export performance by rapidly responding to changes in the export market (Murray et al., 2011). Thus, the final hypothesis is as follows:

H2: Export market orientation is positively associated with the export venture's financial performance, strategic performance and satisfaction with export venture.

In relevant literature, no studies have been observed to investigate the effect of marketing capabilities on firms' export performance through export market orientation by measuring in various dimensions. For instance, in the study by Morgan et al., (2009b), it is detected the effect of marketing capabilities and market orientation on firm performance in common and separately, but their effect on each other wasn't examined. In a study of Murray et al., (2011), it was concluded that export market orientation affected "new product development, pricing and marketing communication capabilities" in a positive way. However, in contrast with the reviews and discussions in literature, in this research and model, export performance was measured within the scope of "the effect of marketing capabilities on export market orientation".The suggested model towards removing the mentioned gaps is shown in Figure 1.

Figure 1: Conceptual model of the relationships among marketing capabilities, export market orientation and export performance.

3. METHODOLOGY

3.1. Research context

Following the suggested hypothesis and the research model in this study, it is planned that the firms operating in any sub-branches of the manufacturing sector in Turkey were selected as sample on condition of continuously and regularly exporting. According to the regulation published by the Republic of Turkey Ministry of Economy; "Real or legal persons that would export are obliged to be a member of the closest Exporter's Association which operates in the sector of the goods they would export and where there are the center or branch addresses registered to the trade registry" (http://www.tim.org.tr/tr/kurumsal-tim-ve-birlikler-yasasi.html). Thus, the population of this study is the member firms of the Turkish Exporters' Association. However, it is not possible to reach the entire Exporters' Associations. There are thirteen Exporters' Association General Secretariat serving exporters and Exporters' Associations in Turkey (http://www.ekonomi.gov.tr). Due to the contact information list of the exporting firms can be provided from Aegean, Antalya, Denizli, Central Anatolian, Southeast Anatolia, and Black Sea Exporters' Association General Secretariat web sites, the database of 21344 firms, members of Exporters' Association in July 2012, are the sample framework of this study. Therefore, the sector, the size and source of the capital (foreign/domestic) are not taken into consideration.

3.2. Measure development

In this study, marketing capabilities measured with the dimensions of "product development, pricing, channel and delivery management, marketing communication, selling and post-sales services", using the architectural export marketing capabilities scale of Morgan et al.,(2012), in order to examined marketing mix strategies as a whole. In this respect, marketing capabilities are measured with a five-point scale comprised of 28 items and 7 dimensions (1=much worse than competitors; 5= much better than competitors). The firms were asked to consider the assessing their export marketing capabilities relative to major competitors in the export markets. Market orientation was examined within the scope of export, employing exploratory research by the pioneer study of Cadogan and Diamantopoulos (1995) in the relevant field. Following an empirical research was conducted by the same authors in 1996 (Cadogan et al., 2002). Cadogan et al., (1999) defined export market orientation with four variables such as "generation, dissemination, and responsiveness of export intelligence and coordinating mechanism". In this research, the scale of Cadogan et al., (2009) was preferred which was reviewed and improved without including coordination mechanism to the export market orientation scale of Cadogan et al., (1999). Thus, depend on Cadogan et al., (2009) export market orientation is measured on a five-point scale, from 1=strongly disagree to 5=strongly agree, with 14 items. Zou et al., (1998) argued that a major cause controversy with regard to how export performance should be measured is lack of integrative and comprehensive scale in export performance. According to Akyol and Akehurst (2003), important advancement can be made in the relevant literature, using both subjective and objective measures to evaluate the export performance. In order to make export performance findings comparable and eliminate the inconsistencies in the literature, Zou et al., (1998) developed a generalized export performance measure, the EXPERF scale that can be applied to multiple countries. This comprehensive scale integrates both objective (financial and strategic) and subjective (satisfaction with the export venture) measures. Murray et al., (2007) adapted the export performance scale of Zou et al., (1998) in their studies to figure out whether export market orientation and export performance scales differ among domestic and foreign exporter in manufacturing sector. In this study, export performance scale of Zou et al., (1998) was used and in filling out the portion of the questionnaire dealing with export performance, managers were asked to provide their own assessment of the performance of a recent venture into a foreign market. For this construct, nine items measured by using a 5 point scale, from 1=strongly disagree to 5=strongly agree.

3.3. Data Collection

As mentioned before, in this study sample frame was Association of Exporters' data base of 21344 exporting firms. The questionnaire was send with an e-mail to a great majority of the firms (21274). The target contact was the export marketing manager, marketing manager, chief executive officer, or employee working in other positions would know most about the firm's exporting operations. Also in the 70 export firms that could be reached easily, the target contact was interviewed in person. 346 usable responses were returned by email. As a result, the analysis of the study was conducted with the 416 usable responses, 70 of them obtained in-person and 346 of them administered using email. 23 of the firms, the questionnaire was sent by email stated that they only performed good/services sales and marketing activities in free zone so they didn't do any exporting actually. Moreover, a part of the firms declared that they exported to subsidiaries in foreign markets. Thus, these firms were excluded from this research. It is seen that a wide range of manufacturing industries responded to the survey, mostly including firms in the following subsectors: 21,2% food; 17,3% metal; 14,2% textiles; 11,1% machinery; 4,1%chemical; 3,8% furniture; 1,9%

automobile. Number of employees between 50 and 249 in the firms sampled was consist of 36.3% and 5 or more exporting staff consist of 35,8%. Besides 24,6% of the firms had been exporting for 20 or more years and 43,8% of the firms' ratio of export sales to total sales is 50% or more. In this respect, it can be said that a majority of the firms in the sample deal with exporting continuously and regularly.

4. FINDINGS

Assessing the reliability of the scale, Cronbach's alpha correlation coefficients were used. It was observed that the scale of the marketing capabilities (product development 0.91, pricing 0.89, delivery management 0.85, channel management, marketing communication, selling and post-sales services 0.92) export market orientation (export intelligence generation 0.80, export intelligence dissemination 0.74, export intelligence responsiveness 0.70) and export performance (financial performance 0.84, strategic performance 0.93, satisfaction with export venture 0.90) reliability estimates range from 0.70 to 0.93 appropriate for the critical value of 0.7 recommended by Hair et al. (2006:778). To evaluate the measurement properties of the scales, it is estimated a confirmatory factor analyses (CFA). The fitness indices suggest good fit ($\chi2$=1985.39; df=709; $\chi2$/df=2.8; RMSEA=0.066; CFI=0.91; IFI=0.91; NNFI=0.91) for the construct model. However, some goodness of fit statistics (NFI=0.87; GFI=0.81; AGFI=0.78) indicate that the model is not acceptable. In other words, as a result of the confirmatory factor analysis, it was found out that items in the questionnaire didn't measure or explain the latent variables sufficiently and significantly. Also, the dimensions of marketing capability (except the product development and channel management) are not significantly related to the export market orientation. At this point, it should be noted that through the eliminating "pricing, delivery management, marketing communication, selling and post-sale service" dimensions' of marketing capability from the researched model, an alternative model was developed, dedicated to the literature (Figure 2). There is a consensus about using structural equation modelling that if goodness of fit statistics are not acceptable or the factor loadings for each individual indicator on the respective constructs are not statistically significant, by making necessary corrections and reporting all the results, the model can be re-tested (Şimşek, 2007: 107-122). Thus, it is supposed that findings to be obtained through the alternative model would increase the contribution to literature. Hence, in this study, based on the literature, an alternative model was developed towards the mediator role of export market orientation in the relationship between the two dimensions of marketing capabilities "product development and channel management" and export performance.

Figure 2: Alternative Model

It is refined the measures, assessed the reliability and then run CFA to verify the construct structures of alternative model. As a result, the Cronbach's alpha score for the marketing capabilities and expert performance scales were above 0.84 is considered as being a good level of reliability (Hair v.d., 2006:778). In terms of reliability, "export market orientation" scale range was 0.60 to 0.70 may be acceptable (Hair et al., 2006: 778). In the relevant literature, it is observed that Cronbach's alpha value was accepted above 0.60 (Choi and Eboch, 1998; Day et al., 1998; Lonial and Raju, 2001; Shin et al., 2000; Anwar and Sohail, 2003). The most of the fitness indices suggest good fit for the measurement model ($\chi 2$/df=1.83; RMSEA=0.045; SRMR=0.03; CFI=0.98; IFI=0.98; NNFI=0.97 and NFI=0.95). Also, some of the goodness-of-fit indicators (GFI=0.94 and AGFI=0.91) acceptable fit to the data. Thus, it can be said that the model generally represents a good fit to the data.It is reported the standardized solution and t-values to the correlation between latent variable and observed variable, and also explained variance (R2) regard to each of observed variables in Table 1.

Table 1: Results of Confirmatory Factor Analysis: The Alternative Model

Variables	Dimensions and Items	Reliability (Cronbach's Alpha)	R^2	t -Values	Standardized Solution β
Marketing Capabilities	**Product development**	0.91			
	PD1		0.66	19.53	0.81
	PD2		0.67	19.90	0.82
	PD3		0.79	22.69	0.89
	PD4		0.73	21.15	0.85
	Channel management	0.92			
	CM1		0.77	22.19	0.88
	CM2		0.80	22.91	0.89
	CM3		0.77	22.30	0.88
	CM4		0.67	19.98	0.82
Export Market Orientation	**Export market orientation**	0.60			
	EMO1		0.69	16.74	0.83
	EMO2		0.15	7.36	0.39
	EMO3		0.38	12.24	0.61
Export Performance	**Financial performance**	0.84			
	FINP1		0.42	14.14	0.64
	FINP2		0.74	21.21	0.86
	FINP3		0.81	22.66	0,9
	Strategic performance	0.93			
	STRP1		0.77	22.44	0.88
	STRP2		0.86	24.55	0.93
	STRP3		0.81	23.35	0.9
	Satisfaction with export venture	0.90			
	SEP1		0.80	22.77	0.89
	SEP2		0.80	22.76	0.89
	SEP3		0.65	19.42	0.81

Goodness of Fit Statistics; $\chi 2$ = 284.91; df = 155; $\chi 2$ / df = 1.838; RMSEA= 0.045;

SRMR = 0.033; CFI =0.98; IFI= 0.98; NNFI=0.97; NFI=0.95; GFI= 0.94; AGFI=0.91

Standardized solution indicates each observed variable's power to represent their latent variable (Şimşek, 2007:85). For instance, the parameter regarding the item of strategic performance "export venture strengthen our global strategic position (STRP2)" was 0.93. In this context, standardized solution exposed the items' relative importance to the latent variables. Also, in order the model to be accepted, all of the standardized solution values should be less than one (Hair et al., 1998:610; Şimşek 2007:85). As it can be seen in Table 1, all of the standardized solutions are below this level. In the model, the t-values of the path defined from latent variables to the observed variables should be above 1.96, which is the critical value at 95% reliability level (Hair et al., 1998: 610; Şimşek, 2007: 86). In the analysis, the results of t-values are more than 1.96. Thus, the parameters are significant at 95% reliability level. In this study, the explained variance values were also investigated. It is observed that financial performance was mostly explained with the item "this export venture generated a high volume of export sales (FINP3)" (R^2= 0.81); and it was the least explained with the following item "exporting venture has been very profitable (FINP1)" (R^2 = 0.42). Overall the results suggest that the measurement model fits the data well and the constructs exhibit sufficient measurement properties for further analyses. Thus, it is tested the hypothesized model (alternative model) using maximum likelihood estimation in a structural equation model. It is reported that the correlations in Table 2.

Table 2: Result of Structural Model: Alternative Model

The Suggested Alternative Model	Standardized Solution β	t- Values
Product development → Export market orientation	0.35*	5.44
Channel management → Export market orientation	0.36*	5.50
Export market orientation → Financial performance	0.85*	9.18
Export market orientation → Strategic performance	0.88*	10.80
Export market orientation → Satisfaction with export venture	0.89*	10.85
Goodness of Fit Statistics; χ2 = 512.21; df = 164; χ2 / df = 3.12; RMSEA= 0.072; CFI=0.95; IFI= 0.95; NNFI = 0.94; NFI=0.92; GFI= 0.89; AGFI=0.86		

* p<0.001

The goodness of fit indices for the hypothesized full alternative model CFI=0.95; IFI=0.95 suggest good fit and χ2/df=3.12; RMSEA=0.072; NNFI=0.94 and NFI=0.92) suggest acceptable fit. However, some of the goodness of fit statistics (GFI=0.89 and AGFI=0.86) were found to be below the acceptable values. GFI=0.89 goodness of fit indicator is close to the generally accepted threshold of 0.90. The similar result also observed in study of Morgan et al., (2006), CFI=0.893 was considered as acceptable. Besides according to Şimşek (2007:124), researcher can decide which of the goodness of fit statistics can be used for reporting the results with a condition of stating reasons and references. When related literature is examined, it is seen that various goodness of fit statistics were used. For instance; Morgan et al., (2012) preferred χ2/df, CFI and RMSEA and RNI etc. Thus, it can be said that the model propose an acceptable overall fit (Table 2). As a result of the alternative model, marketing capabilities dimensions "product development (β=0.35; p<0.001) and channel management (β=0,36; p<0.001)" effect export market orientation significantly. It is crucial to state that, as it mentioned before, due to the market capabilities effects on export market orientation loses its significance when dimensions of all marketing capabilities are included in the model, alternative model has been developed. So "pricing, delivery management, marketing communication, selling and post-sale service" dimensions' of marketing capability effects on export market orientation couldn't be examined through the alternative model. Hence, it is found partial support for the positive effect of marketing capabilities (*product development, pricing, channel management, selling, delivery management, marketing communication, post-sale service*) on export market orientation, therefore H1 is partially supported. Export market orientation has a positive and highly significant effects on the financial performance (β=0.85; $p<0.001$), strategic performance (β=0.88; $p<0.001$) and satisfaction from export venture (β=0.89; $p<0.001$). Therefore it is obtained strong evidence for the effects of export market orientation on the export performance, thus supporting H2. Theoretical and managerial implications will be discussed below.

5. CONCLUSIONS AND IMPLICATIONS

Marketing capabilities are necessity for firms' export market orientation as an important determinant of the export success. In fact, findings reveal that among the dimensions of marketing capabilities especially "product development and channel management" have positive and significant effect on export market orientation. For instance within the framework of product development capabilities in the export markets, firms should tend towards R&D investments that would enable them to develop and launch new and innovative products earlier and more successfully than their competitors. Besides it is important to attract and retain the best dealers (distributors, retailers etc.) with channel management capability in the export venture market to gain sustainable competitive advantage in foreign markets. Also satisfy their needs and closeness in working with them create superior value on distributers and retailers in export markets, thus; have positive effects on increasing their exporting performances. In the relevant literature, it hasn't been observed that various dimensions of marketing capabilities direct relationship with export market orientation. For instance, Morgan et al., (2009b) examined the effect of diverse dimensions of marketing capabilities and market orientation on firm performance in common and separately, but without their effect on each other. Murray et al., (2011) found that export market orientation positively affected "new product development, pricing and marketing communication" capabilities. However, in contrast with the examinations and discussions in literature, as it seen in this research model, the effect of marketing capabilities on export market orientation was investigated. In this respect, it is believed that it has made a significant contribution to export performance literature even if the findings obtained regarding the positive effect of only the two dimensions of marketing capabilities on export market orientation. Obtaining and developing unique, valuable, inimitable and rareness capabilities increases the firms' requirement of information in complicated the export environment. In this respect, firms need to set up, develop and strengthen their marketing information systems rapidly and effectively. If firms' export market orientation level is high, it is expected that they access more information regarding the needs and of consumers in the export market. Also, firms would noticed and respond the strategies of rivals in the export market superiorly (Dodd, 2005). Thus, export market oriented firms would continuously determine their customers' current and future needs and preferences and could satisfy them better than their rivals and obtain superior export performance (Cadogan et al., 2002). In line with this, firms need to be export market oriented by periodically review the likely effect of changes in the export markets before they occurs and act beforehand in order to achieve superior export performance permanently. The findings suggest that export market orientation has a strong and positive effect on export performance. It is believed that it has been made a significant contribution by finding a strong and positive effect of export market orientation with dimensions such as "generation, dissemination, and responsiveness of export intelligence", on both objective (financial and strategic) and subjective (satisfaction with export venture) export performance measures as a result of a comprehensive analysis made with the exporting firms which operate in any sub-branch of manufacturing sector in Turkey. Because in the relevant literature, it has been observed that the studies on revealing the relationships between export market orientation and export performance (Cadogan and Diamantopoulos,1995; Cadogan et al., 1999; Collins-Dodd, 2000; Cadogan et al., 2002; Cadogan et al., 2003; Caldogan and Cui,2004; Knight and Cavusgil, 2004; Dodd, 2005; Murray et al., 2007; Cadogan at al., 2009; Murray et al., 2011). However, it has been seen that a limited number of studies (Shoham et al., 2002; Akyol and Akehurst, 2003) using both subjective and objective measures to evaluate the export performance. According to Das (1994), Zou et al., (1998) and Akyol and Akehurst (2003), export performance should be considered with objective and subjective measures together in order to ensure significant improvements in the literature. As a result it should be emphasized that firms could increase their performances especially in export markets with their market orientation that they would develop and implement in line with their marketing capabilities. It is also suggested that firms should be strengthen their capabilities and export market orientation level in competitive intense foreign markets or avoid such competitive environments.

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Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ISSN 1855-931X

THE MOTIVES AND BENEFITS OF USING CUSTOMER EXPERIENCE LED DIFFERENTIATORS IN THE RE-LAUNCHING OF A FAILED PRODUCT: A CASE STUDY OF CRANES & COMPONENTS (P) LTD

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Abstract

Cranes and Components (India) Ltd. (Case Company) expanded their product portfolio through a downward line extension when they launched the BAS range of products comprising chain hoists, rope hoists and crane kits. The range is targeted for use in lower duty conditions that do not call for the PRO range of Case Company's products. The distribution and sale of the BAS range is mainly through the dealer and OEM channel as opposed to the direct sales that the traditional portfolio uses. The first introduction, the DC BAS was well-accepted in the market and the sales performance exceeded expectations. The DR BAS was launched on the back of this in 2011. However, it did not make much headway and continues to lag sales expectations. While launching the DR-BAS all the traditional marketing approaches and best practices were utilized, yet the results were less than satisfactory. The Customer Experience approach was then decided to be followed so as to understand what are the Customer Experience gaps that are impacting sales of DR BAS, and how can the DR BAS experience be meaningfully differentiated for the end-customers. It was found that the Case Company engaged its end-customers well in the initial stages of the customer journey aided by its strong brand image and good pre-sales/pre-association interactions. The end-customer experience faltered in the post-purchase stage, though – with poor experiences around Delivery and Erection & Commissioning.

Keywords: Customer experience, product re-launch, business to business, qualitative research, marketing, India

BACKGROUND

Cranes & Components (P) Ltd (Case Company) is a global player with locations in all over the world and subsidiaries and many partner agencies in India. They offer a complete range of cranes, drives and handling technology for every application – optimized by comprehensive sales and service support. Their solutions provide customers with valuable quality and efficiency benefits. Their extensive product range includes a wide range of solutions for specific industries for travel applications, load handling at the workplace and material flow in production and storage.

The Case Company crane experts always focus on the benefits for their customers – the greatest possible efficiency and reliability, optimum availability and maximum performance.

The Case Company has a long tradition of functional product excellence that dates back over their long history since 1840, when they started manufacturing overhead travelling cranes, concentrating on the production of cranes and crane components at an early date, also including hoist units with an electric drive since 1910.

The Case Company expanded their product portfolio through a downward line extension when they launched the BAS range of products comprising chain hoists, rope hoists and crane kits. The range is targeted for use in lower duty conditions that do not call for the PRO range of Case Company's products. The target market for the products are the traditional High-Value (M1) market that the Case Company already addresses and the next level, the M2 market, which is a new market for the Case Company. The launch of this range also signifies Cranes and Components (India) Ltd's entry into a hitherto unrepresented segment, where the current competitors are Electromech, CHPL, Indef and Lifttech. These competitors ostensibly compete largely on price. The first introduction, the DC BAS was well-accepted in the market and the sales performance exceeded expectations. The DR BAS was launched on the back of this. However, it did not make much headway and continues to lag sales expectations. Both products are standard BoM, standard Price list products.

The study seeks to understand how the Case Company can leverage its core brand strengths seeking to differentiate the DR-BAS range from competition on the basis of a superior customer experience within the Buying Experience as well as the Consumption Experience.

OBJECTIVES OF THE STUDY

This research aims to explore the perceptions of the case company's customers about their experience of purchasing & using with Case Company's DR-BAS rope-hoist product & how this experience impacts the perception that Case Company's customers hold about the Case Company. The objective is to examine the benefits of customer experience as a competitive differentiator from customers' perspectives in order to gain a better understanding and valuable information for the creation and implementation of an effective customer experience process for the Case Company which will eventually help boost the sales.
The objectives of this research will include:

a. To examine the current experience being delivered by Cranes and Components (India) Ltd, as perceived by its Customers
b. To identify customer's motives and goals for considering a vendor for the product such as DR-BAS
c. To determine the attributes of interaction that serve as enhancers or detractors towards a competitive customer experience

In this research, customer experience is analyzed by using semi-structured in-depth interviews with customers, examining the literature and previous studies. The primary focus of this research is obtained from the perceptions of participants.

THE RESEARCH PROBLEM

The Case Company is an established & reputed global provider of cranes, drives and handling technology in the material movement & handling space. As the Indian economy & B2B industry has become more complex and challenging than ever before and the pace of change has been relentless, the expectations for organizations in this space have continued to evolve accordingly. Customers today consider functional excellence & positive brand image as a table stakes (Schmitt, 1999).

They expect their vendors to deliver engaging experiences that they can relate to (Schmitt, 1999). Experience in a given situation is a sum total of a customer's "cognitive, affective, emotional, social and physical responses" (Verhoef, 2009). Such responses are also guided by the unique context that each customer brings to the situation. (Schmitt, 1999; Gentile, Spiller and Noci; 2007).

The aim of this research is to explore Cranes and Components (India) Ltd's customers' experiences and perceptions about their engagement with the Case Company. The study explores and identifies the motives in the customers' minds when considering a specific vendor for their rope hoist requirements. The study also explores in detail important Customer Experience drivers and Case Company's deliverables on these drivers across Experience Delivery Touch points spanning Customer Journey through the Purchase Cycle as well as the Consumption Cycle.

The value of delivering superior customer experience that is relevant to the customer and its competitive for the Case Company is thus discussed. The learning from participants' outcomes is aimed to help inform the planning, development and implementation of customer experience efforts for the case company which currently does not have a standard process towards crafting & delivering memorable & relevant customer experiences.

In order to accomplish objectives of this study, the following research questions will be addressed. There are two main research questions and one sub-question:

- What are the motives for considering a specific vendor for a rope hoist purchase in the minds of the customers?
    - What are the goals and critical success factors in the purchase of a rope hoist as described by the customers?
- What are the perceptions of Case Company's customers with respect to the experience of purchasing and using their rope hoist?
    - What are the attributes and features of a customer's interaction with the Case Company that work as experience drivers

- o What are the attributes and features of a customer's interaction with the Case Company that work as experience detractors

Based on the study of these research questions this study aims at providing guidelines and recommendations to the case company for the planning, creation and implementation of an effective customer experience delivery across its sales & delivery processes. This may be of use by other similar organizations looking to use customer experience as a competitive differentiator.

LITERATURE REVIEW

Encountering, undergoing or living through situations creates experiences. They connect the company and the brand to the customer's context. They place customer actions and the purchase occasion in a broader social & motivational context (Schmitt, 1999).

As stated by Schmitt in his book "Experiential Marketing (1999)", "Experiences provide sensory, emotional, cognitive, behavioral & relational values that replace functional values". Companies in the twenty first century are witnessing a revolution in the manner in which business is executed. Customers are becoming increasingly sophisticated in their expectations. Functional features, quality & a positive brand image are increasing considered as a given (Schmitt, 1999). The traditional assumption, that customers are merely seeking benefits based on functional features and that buying decisions are driven by comparing functional features & benefits, is no longer valid. Customers are seeking engaging experiences that stimulate, entertain, educate and/or challenge. In the minds of customers brands that can provide such experiences are clearly more valuable as compared to brands that don't (Schmitt, 1999)

The Definition & principles of Customer Experience

According to "Beyond Philosophy" (www.beyondphilosophy.com), customer experience is an interaction between an organization and a customer as perceived through a customer's conscious and subconscious mind. It is a blend of an organization's rational performance, the senses stimulated and the emotions evoked and intuitively measured against customer expectations across all moments of contact.

Importantly:

- A customer experience is not just about a rational experience (e.g. how quickly a phone is answered, what hours you're open, delivery time scales, etc.).
- More than 50 percent of a customer experience is subconscious, or how a customer feels.
- A customer experience is not just about the 'what,' but also about the 'how.'
- A customer experience is about how a customer consciously and subconsciously sees his or her experience

The basic principle of this approach lies in the understanding that customers are emotional beings in addition to being rational and logical & that buying decisions also rely significantly on emotional assessments of available choices in addition to an assessment of facts, features & benefits (Schmitt, 1999). The approach, therefore, considers consumption holistic experience & uses numbers driven (quantitative) as well as contexts, motivations & feelings driven (qualitative) methods to understand the consumption process of customers (Schmitt, 1999).

The approach requires organizations to understand how customers sense, feel, think, act & relate to the purchases they make & use this knowledge to enhance the value they deliver to their customers as well as to differentiate themselves from competition (Schmitt, 1999)

The Customer Experience Framework

The Customer Experience framework referenced in this study is illustrated below:

Figure 1: Customer Experience Framework

This is a five step framework and has been adapted from the framework proposed by Bernd Schmitt, in his book “Customer Experience Management” (2003).

A brief explanation, as provided by Bernd Schmitt (2003) & specific to the context of business-to-business (B2B) markets for each of the above steps is included below:

Step 1: Analyzing the experiential world of the customer- Involves understanding and analyzing the motivations & business contexts driving the requirements & therefore the expectations from the solution & solution providers. This step also requires relating the broad-based organizational & industry context to the usage trends.

*Step 2: Building the experiential platform-*Involves specifying an experiential value promise that the customer can expect from the organization. It includes a dynamic, multidimensional depiction of the desired experience over all the possible touchpoints through which a customer can interact with the organization.

Step 3: Designing the experience- This step consists of designing the experiential features to ensure that the experience delivery is indeed in-line with the experiential value promise intended to be communicated to the customer. For a B2B scenario, this includes features like, brand & product messaging, collaterals, product aesthetics, communication aesthetics, service interactions, customer facing processes as well as customer support processes.

*Step 4: Structuring the customer interface-*This step consists of implementing customer interface systems to support all manners of dynamic exchanges & contact points with the customer so as to ensure a consistent & coherent delivery of customer experience across all touchpoints. The objective is to ensure that the customer receives the desired information &

service in the right interactive manner & therefore initiatives in this step must also consider voice, attitude & behavioral style of customer facing teams.

Step 5: Continuous Innovation- This includes all the small & large changes that an organization can bring in to its systems, processes & products that make the business customers' work life easier. They can range from small changes to product forms, creative launch & communication initiatives to major inventions & feature additions to products. The objective here is to plan, manage & market all innovation in manner so that they improve customer experience.

This study is therefore consists of using the above framework towards understanding the experience as perceived by the customers of the Case Company and further using this knowledge & insight to provide recommendations that the Case Company can utilize towards boosting its sales of the DR-BAS product line.

THE METHOD

This research is conducted employing a qualitative methodological framework. The aim is to investigate the research topic in an in-depth manner in the specific context of the case company. While the findings from this research may be applicable for other organizations similar in nature & context, such an extension as well as generalization is not the primary intent of this study. It is deemed appropriate to employ qualitative research when trying to gain understanding of the perceptions, reasons and motivations behind human behavior under specific situations & contexts (Malhotra & Dash, 2011). When the intent of the research is to understand or interpret the perceptions & meanings others have about the context/situation under study and thereby to develop a theory towards human behavior, qualitative research is recommended (Creswell, 2009).

This study attempts to understand the role of experiential factors of a business to business buying scenario on post purchase cognitive dissonance. Experience in a given situation is a sum total of a customer's "cognitive, affective, emotional, social and physical responses" (Verhoef, 2009). Such responses are also guided by the unique context that each customer brings to the situation. (Schmitt, 1999; Gentile, Spiller and Noci; 2007)

Therefore, it is necessary to construct an in-depth understanding of the experiential factors of the purchase & post purchase scenario. An exploratory study consisting of one-to-one in-depth interviews with purposively chosen respondents is undertaken to explore the following aspects of the business to business purchase process:

- Factors that drive the motivation to purchase a specific vendor for the DR-BAS purchase
- Specific factors that create a perception of enhancement or deterioration of experience

Further to understand the effects of above factors on the decision making activity and, a combination of case study method and phenomenological research approach will be followed. This approach involves in-depth inquiry into a specific program, event, activity, process across multiple cases, where in cases are bound by time & activity (Creswell, 2009). As the study aims to gather an in-depth understanding of buying experience & post purchase cognitive dissonance in the specific context of business to business high value buying, the scenario and the activity under study is fairly well defined & specific, making the case study approach suitable for this study. The inquiry around the experiential aspects of the buying decision, within individual cases will be based on phenomenological research approach & will involve understanding the nature of experiences endured by the participants, their perceptions about the same & the factors contributing to these experiences & perceptions, while being involved in making high-value purchase decisions (Silverman, 2011).

It may be reiterated that the aim of the study is not to generate or derive any abstract theories based on the views of the participants; therefore the grounded theory approach is not followed for this study. The study also requires the researches to set aside their own experiences & seeks to understand the specific context of high-value purchase decisions in business to business buying scenarios from an experiential & post-purchase cognitive dissonance standpoint. The study does not therefore require building extensive narratives based on lives of respondents & therefore the narrative research approach is not utilized for this study. Given the confidential nature of business to business buying and of the process of such evaluation, it is highly unlikely that the respondent would allow any direct, *in-situ* observation of the process by the researcher. The insight from the respondent will necessarily be *post-facto*. Therefore, an ethnographic approach to qualitative research is also not being adopted (Creswell, 2009).

The chosen qualitative method for this study is the case study approach, one of the most commonly used tools of qualitative research. The research approach will be phenomenological. This approach is chosen as the author will examine multiple perspectives of customers (leaders) who have experienced an purchase or post purchase interaction with the Case Company. The “deep” information and perceptions will be gathered through in-depth interviews and participant observations. The collected information represents the perspective of the research participants. By gaining the understanding of subjective experiences, insights into participants’ motivation and perceptions provide valuable information for this research. The focus is in the interviewees’ point of views and the researcher wants rich and detailed answers in order to achieve a deep understanding of the research topics.

- The research method is semi-structured in-depth interviews as it is optimal for collecting data on individuals’ perspectives and experiences.
- Interview format includes open-ended questions, as the interview form has a set of identical questions that need to be answered by the participants. However, participants’ responses affect how and which questions they will be asked next. This allows flexibility in the interviews as well as may provide some additional information.
- The data format of this research is field notes from the semi-structured in-depth interviews. An interview form and guide is developed to guide key points in each interview sessions.

DATA COLLECTION

One-on-one, face-to-face in-depth semi structured interviews were used as the primary method of data collection. The primary data was collected over a single interview with each participant and the interviews required one to one and a half hour of the respondents’ time. The interview was conducted in the respondents’ office and done in the context of a single, most recent purchase / usage support interaction executed by the respondent on behalf of his /her organization.

All interviews were conducted in English and were digitally recorded. The interviews were transcribed within 2 days of the interview taking place. Assistance was taken from other fellow researchers for peer-review & spot checking of transcripts to further ensure the accuracy of transcripts.

In addition to the primary data collected as above, secondary data sources such as tender documents for the said purchase, the vendors' proposals & justification documents, email exchanges with the case company's representatives & internal team in relevance to the purchase was used. The first secondary source was the official documents that were exchanged between the buyer and the case company, while the second source was the e-mail exchanges and internal teams. These were used for triangulating the veracity and robustness of the data (O'Donoghue and Punch,2003).

In addition, the study sought to base the implementation of Moustakas' strategy for conducting interviews (1994): "a phenomenological interview begins with a social conversation or a brief meditative activity aimed at creating a relaxed and trusting atmosphere" (p. 114). The interview were be principally focused on gaining information on the participants' lived experiences with a focus on the emotions experienced.

Credibility and Utility

The study uses the framework of naturalistic criteria to ensure credibility & utility proposed by Lincoln (1981) and Guba's (1985) 'naturalistic' criteria.

The use of Lincoln and Guba framework indicates that the trustworthiness of a research involves establishing the following aspects and evaluation techniques (Lincoln & Guba, 1985).

SAMPLE SELECTION

The sample selection is based on purposeful sampling where the researcher specifically selects the individuals who can purposefully help to build the understanding of the phenomenon of interest. Thus, the participants must best represent and have the knowledge of the research topic.

The sample organizations are all "Private Limited" organizations & as such enforce strict regulations of information & data confidentiality. Therefore the confidentiality was emphasized to all participants as well as enforced through appropriate Non-Disclosure & Informed consent documents, in order to be able to recruit the right participants and to receive honest answers to the interview questions.

As personal face-to-face semi-structured in-depth interview is the chosen method, the respondents are chosen from the DR-BAS customer base of the Case Company. An additional criterion is that the chosen customer organization must have purchased the DR-BAS product from Cranes and Components (India) Ltd & should be at differing stages of usage, i.e., installation & commissioning; within warranty & post warranty. Thus 3 customer organizations across each of the stages of usage were selected.

From each of the organizations, 2 respondents were chosen, first being the person who was completely involved in the purchase process & second being the person who is closely involved in the usage & maintenance of the DR-BAS product. This enabled the researcher to get an end-to-end insight into the complete engagement (pre-purchase, purchase, post purchase) experience.

Thus, the research comprised of in-depth interviews of 18 respondents from the DR-BAS customer base of the Case Company.

DATA ANALYSIS

The data is collected, analyzed and interpreted by focusing to find answers to previously stated research questions and objectives. The data analysis process followed for this study was adapted from the qualitative analysis flow as suggested by Punch (2005).

The interviews were conducted without obstacles, confirming that the period, procedures and the interviewees had been chosen well. A total of 18 in-depth interviews were conducted during the data gathering process. All the interviewees were willing and open to share their experiences, feelings and information with regards to their engagement with the Case Company. Each interview was approximately 1.5 hours. During interviews, observations were made and face-to-face dialogue offered more information and clarity as interviewees were able to ask questions as well.

The results and key findings of the research questions are presented below. There are two main research questions. The first main question has one sub-question & the second main question has two sub-questions. To aid ease of reading, both sub-questions for the second main question will be discussed in a combined manner.

The motives for considering a specific vendor for a rope hoist purchase in the minds of the buyer

The first main research question of this master thesis was to understand what are the various criteria that lead to any vendor being considered for the purchase of rope hoist. This is a vital question in order to gain a better understanding how does a vendor even make it to the consideration set for a buyer in terms of a DR-BAS purchase. The question was:

RQ1: What are the motives for considering a specific vendor for a rope hoist purchase in the minds of the buyer?

As a short summary, the most common motives for considering a vendor for the purchase of a rope hoist as elicited from the interviews are listed below:

- Quoted Product performance on reliability & safety
- Past experiences (own or references) with the vendor, on service & support
- Knowledge of customers' application (production line & its requirements) demonstrated by the sales people in the initial interactions
- Knowledge of own product (relevance of features, extent of customization possible, limitations) demonstrated by the sales people in the initial interactions
- Quoted delivery timelines
- Price

The Goals and the Critical Success Factors in the purchase of a rope hoist

The sub-question was focusing on the specific goals and critical success factors of the rope hoist purchase:

SRQ1: What are the goals and critical success factors in the purchase of a rope hoist as described by the buyer?

When the sample group was asked what were the goals of the rope hoist purchase the typical answers were as follows:
- Hassle-free experience
- Seamless material handling operation
- Negligible downtimes

All the interviewees had extensive experience of the process of purchase and usage of a rope hoist & identified the critical success factors. Based on the answers of the interviews the most often mentioned success factors were:
- Accurate solutioning from the vendor to ensure that appropriate specification definition for the requirements of the end-application
- Guaranteed 99% product uptime for the defined operational parameters
- Negligible/ low learning curves for operators
- Tested & certified Safety parameters
- On time delivery
- Ease of installation & commissioning
- Lucid instruction manuals towards operation & first level issue resolution

The experience perceptions of the Case Company's customers

The second main research question of the study was to explore the perceptions Case Company's customers hold about the Case Company, with respect to the purchase & usage of their DR-BAS product. The research question was:
RQ2: What are the perceptions of Case Company's customers with respect to the experience of purchasing and using a Cranes and Components (India) Ltd DR-BAS rope hoist?

While describing their perceptions, most interviewees used certain specific common attributes & adjectives. These are listed as under:
- Strong brand
- Better than competitors at solutioning
- Better than competitors at engaging customers during the "pre-purchase" phase
- Very high on process orientation
- Processes have scope for improvement on functional effectiveness
- Post purchase account management negligible
- A mere functional expert, not really focussed on solving customers' concerns
- Attitude project is as if, because we are small customers, we are not important

Experience drivers & detractors

The two sub-questions aim to explore what were the experience attributes that the customers see as contributing towards a positive experience & enhancing the interaction quality for them as well as those factors which cause the experience to be not so encouraging.

The two sub-questions were:
SRQ1: What are the attributes and features of a customer's interaction with Cranes and Components (India) Ltd that work as experience drivers?

SRQ2: What are the attributes and features of a customer's interaction with Cranes and Components (India) Ltd that work as experience detractors

The common aspects of experience indicated as "drivers" or enhancers of experience by the interviewees are indicated as below:

- Pre-purchase solutioning
- Pre-purchase sales interactions
- Product safety & aesthetics

The common aspects of experience indicated as detractors of experience by the interviewees are indicated as below:

- Approaches the hoist sale as a "one-time" component sale
- Service turn-around time
- Ineffective communication during problem analysis (root cause)
- Ineffective communication during problem resolution (service execution)
- Product reliability & robustness
- Ineffective Documentation

DISCUSSION

This section discusses the implications of the findings for each of the research questions. These implications form the basis of recommendations being provided to the Case Company in the subsequent section

The motives of considering a vendor – research question one

The typical customer for this product offering from the Case Company is a "Tier 2" manufacturer. Such a customer is typically a supplier himself to larger manufacturers and therefore, for him manufacturing cost attributes are constantly under pressure.

The rope hoist is key equipment in their manufacturing set-up to the extent that incorrect configurations, bad product quality and sub-optimal performance lead to manufacturing losses. Additionally, it was observed that these customer environments are lacking in in-house technical & engineering capabilities towards appropriate configuration-sizing, installation-designing and commissioning.

Thus when considering a vendor to supply the rope hoist, typically the parameters considered in addition to price are around product performance and the knowledge that the vendor team can bring to the table in terms of designing an optimal material handling solution. In the absence of prior in-house experience of a vendor, they also look for references from other similar manufacturers who might have experienced a brand under consideration.

They are essentially looking for a vendor who can bring in a reliable high performance product which they can utilize in the "buy-it-fit-it-forget-it" mode.

Goals & critical success factors in the purchase of a rope hoists

Given the context of purchase environment, the primary expectation of the customers is that of a "hassle-free" experience. This includes not only the core product performance but also extends to all the interactions with the customer facing teams, service teams, warranty & support teams as well as interactions related to spares replenishment & replacement.

In light of these goals, the customers consider a vendor organization as successful when the organization can provide products that are reliable & robust as well as support such a product with pro-active and effective delivery of services & support. In addition the customers believe that if the specification for the rope hoist & its supporting structure are correctly designed keeping in mind all the typical as well as extreme performance requirements of the application, it helps in higher uptimes & low MTBFs. The customers expect the vendors to bring such a design capability to the table.

Experience Perceptions - research question two

The perceptions of customers about the Case Company are positive in the pre-purchase & purchase stage. The global brand image of the case company as a process driven, standards compliant engineering & design expert contributes significantly to this pre-purchase & purchase perception. This also sets a benchmark for expectations towards the post purchase phase.

However the perception towards the post-purchase experience is not very encouraging for the Case Company. The negativity in perception is primarily driven by the expectation of a hassle free interaction, an expectation that the Case Company is not able to deliver too. The perception is further impacted by the expectations set in the pre-purchase stage. The customers perceive the excessive process adherence by the Case Company as a hassle especially because the Case Company's processes are not aligned to cater to the needs of the "Tier 2" market which needs a higher amount of handholding as compared to the "Tier 1" market.

Experience enhancers & detractors

The Case Company comes through as a strong brand with high share-of-heart in the target-market. In the case of customers who have experienced the Case Company in the past for other products, it is vendor-of-first-choice and they would not consider any alternatives seriously unless the Case Company is unable to meet their needs on the product availability or price front. Thus, with such customers, the order is the Case Company's to lose.

The global standards & approaches that the Case Company brings to the table during the pre-purchase phases are very strong experience drivers. The knowledge levels and knowledge sharing exhibited during the pre-purchase phase adds significant value to the customer & this is seen as a strong experience enhancer. However the same global approach & stringent process compliance in the post purchase phases is seen as inflexibility by the customers. The customers' context requires a more empathetic approach from the Case Company especially when providing spares, support & service.

The customers today find the Case Company's approach as very transactional & are suspicious that the Case Company takes this approach because they are less attractive as compared to their "Tier 1" customers.

CONCLUSION

The purpose of this qualitative study was to explore the motives & experiential expectations customers have from the Case Company and explore the areas of strength & weakness the Case Company has so as to utilize this insight towards improving the sales of the rope hoist product.

The Case Company is a leading player in cranes, hoists and related technology in the Indian market. Until recently its portfolio of products catered to the top end of the market – in terms of the application requirements and the price. The brand stands for high standards of engineering leading to robustness and reliability of product.

A strategic decision was taken to expand the market footprint by addressing the middle tier of the market – the M2 segment. To cater to this market a new range of products has been conceived – the BAS range.

The BAS range of product portfolio is intended to:
- Be a downward line extension of the PRO range
- To cater to M2 market (M2 being defined as customers / applications that do not require some of the high-end features of the PRO range, are more price-sensitive and have less arduous duty-conditions)

The products introduced in the BAS range so far are the DC BAS (Chain Hoists), DR BAS (Rope Hoists) and LC BAS (Light Crane Systems). The PRO products have been de-featured to create the BAS range. While the PRO range has in the past been marketed through a direct sales force with spares being marketed through a dealer network, new channels in terms of OEM's are being developed. The BAS range is intended to be sold mainly through the OEM and dealer network and not the Direct Sales Force.

The first introduction, the DC BAS was well-accepted in the market and the sales performance exceeded expectations. The DR BAS was launched on the back of this however, it did not make much headway and continues to lag sales expectations.

The Case Company comes through as a strong brand with high share-of-heart in the target-market. It is seen to be strong on processes but performing poorly on outcome-orientation of the processes. Its approach to the market is perceived as transactional with little relationship orientation.

End-customers expect DR BAS to be a benchmark for competitors – they expect a product that is more reliable and robust than that of competitors, delivery, service and all related processes to be of global standards of professionalism and competence. Their expectation reference-settings are of MNC and global companies like Misumi and Atlas Copco.

In practice, it was found that the Case Company engaged end-customers and channel well in the initial stages of the customer journey aided by its strong brand image and good pre-sales/pre-association interactions. The end-customer experience falters in the post-purchase stage – with poor experiences around Delivery and Erection & Commissioning. In the Consumption / Use stage the experiences on product reliability and usability do not match up to the expectations set in the pre-purchase stage.

The overall experience takes a turn for the worse in the event of complaints. Processes as well as outcomes for complaint resolutions and service recovery are leaving the customers extremely unhappy. At this stage, the customer is left feeling slighted, ignored, helpless, angry, questioning his earlier beliefs about the Case Company. His attitude towards the brand is negative and despairing and results in behavior in brand interactions being aggressive, antagonistic and dis-trustful. The main experience drivers in the current context are interaction experience, product reliability & safety, delivery and service handling.

Given the above, for improving the customer experience it is recommended that:

- To build a leadership position in the newer markets the Case Company change its approach from component-sales view to solutions-provider. Market DR-BAS as part of a complete solution to the customer – from crane design to fabrication through installation, commissioning and servicing. See its own role as a system-enabler and not system-owner.
- Own the customer relationship through creating engagement strategies and service offerings that leverage the knowledge leadership it has in this product-category.
- The current channel strategy – from design to composition and roles - needs to be re-viewed in the light of the above
- Align systems, processes and organization structure to have visibility and performance tracking till final sale points
- Focus on closing operations level gaps on basic experience drivers that are currently detractors - product performance, delivery, service-support and channel enablement
- Begin a shift from product-feature and benefit towards value-centred conversations – internally and externally

The selected empirical research method poses certain limitations to this study. Firstly, the research was conducted in only one company so it may not be relevant to other settings. It would be better to research many companies from different industries.

The study was conducted in the specific B2B industry of industrial equipments, which currently is in a particularly dynamic state and therefore might have affected the motivation of the interviewees in a way that might not have occurred in a less change oriented environment. Furthermore, since the study was conducted by the author, it is unavoidable that in this study, certain degree of subjectivity can be found.

This study has confirmed that experiential aspects of an interaction have a significant impact on the perception customers have of their vendors. It also comes out from the study that these expectations are routed in the context of the purchase which is dynamic & ever changing.

Thus experiential strategies can be used for creating better customer engagements, boosting sales & creating competitive differentiators. Given that customer experience as an area is extremely context specific similar as well as more in-depth studies in other industries will boost the utilization of customer experience strategies towards creating higher value for businesses as well as their customers.

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COMPANY HOMEPAGES

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APPENDIX A (INTERVIEW GUIDE)

PROFILE QUESTIONS

Industry
Name of the company
Type: Indian local company, Indian MNC, Global MNC
Nature of their end customers
Quality & Safety Certification, Environment Standards etc
Location (Geographic, plant location of the respondent)
Respondent Name
Designation
Respondent Reporting Manager Designation
Current CRANES AND COMPONENTS (INDIA) LTD installed base
Current rope hoists intalled base
Turnover
Applications for Rope hoist [Maintenance, Production line, Material movement]
Lift Tonnage
Duty Cycle & FEM Rating
People (Names & Designations) in the rope hoist buying chain
Is it a customer / target or lost customer for Rope Hoist

ATTRIBUTE MAPPING

When you look at `rope hoists' of less than 10 MT, what are the aspects that are valuable to you? Of this set of cards, pick 5 that you feel are what vendors should focus on delivering to you.

NOW GIVE SUB CARDS OF THE 5 CHOSEN.

Of these pick the ones most valuable.

Now of these pick 5. Distribute 100 points over these 5 in terms of how much they should focus on these. How do you think Cranes and Components (India) Ltd performs on value delivery on these? 1 to 5 rating with 5 being best

Who is the closest alternative you would consider? (Note name) Do the rating for closest perceived competitor too.

What are the top 3 things Cranes and Components (India) Ltd should work on to become your preferred rope hoist vendor

CUSTOMER EXPERIENCE RATINGS

Were you involved in a rope hoist purchase / use / maintenance / service / disposal at any stage?
(Note: Tick which aspects respondent mentions experience of. If no experience, skip this question)

The table in this sheet lists a number of experience points you would have had. Which in your opinion are the top five that define the overall experience for you?
(Note: Rate these as `5'on importance, Explore what respondents understanding of the term is. If person ticks something outside experienced area, validate.)

On a scale of 1 to 5 with 5 being the best, how would you rate your experience of Cranes and Components (India) Ltd on this aspect?
(Note: Probe reasoning)

Who do you consider is best at this? (any vendor, not necessarily hoist / crane equipment). Where would you rate your experience with them? *(Note: Probe reasoning)*
Which of these other aspects have you experienced? How important is it? (rate 1 to 4). Where do you rate Cranes and Components (India) Ltd experience (1 to 5)? What is best-in-class experience (1 to 5)? WHO is best-in-class?

CH1: 1

What in your opinion are the minimum safety features a RH MUST have for your kind of application? Do you think Cranes and Components (India) Ltd RH have those features? Do you think they have safety features that are extra and over and above the required minimum? Which are those features?

CH1: 2

For a RH to be called "Reliable ", what qualities should it have? What MINIMUM features ? Does Cranes and Components (India) Ltd have these ? Does Cranes and Components (India) Ltd have extra and more? Which features? How does this compare with say, Indef? Will you call Indef Reliable?

CH1: 3

Which are those features that in your opinion have the potential to create service issues and breakdowns, why?

CH2:1

When you placed /will place an order with Cranes and Components (India) Ltd for RH, what do you expect that you will get? (On Product, On Service, On Intangibles)

CH2: 2

Who do you see as the closest alternative you would consider? When you order with (alternative) what do you expect to get?

CH2:3

What do you contact Cranes and Components (India) Ltd the most for? How do you find their speed of response? (Probe: Expectation & benchmark)

CH2:4

Do you find the Cranes and Components (India) Ltd team knowledgeable? (Probe which interaction point, variations; time permitting: which company is best). Are they similar to / much better than / poorer than (competitor name). In what way has their being knowledgable helped your business?

CH2:5

In your experience, does Cranes and Components (India) Ltd stick to promises it makes? (Probe for which is the problem area/ good area - timelines: quote subsmssn? Delivery? Erecn & commsng? Spares? Other?; (For whichever is mentioned get expected time?) Product performance? Cost benefits?prices? Processes? Other? (Assess which are critical in terms of impact)

CH3:1

In your opinion, how much time and effort should it take for:

a)The Process of buying a DR BAS (as opposed to a Pro)
b)The Installation of DRBAS
c)The on going Maintenance of DRBAS
d) Repair of DRBAS

CH3:2

Would you be okay if your vendor took complete responsibility of b-d of the above without you even getting involved in the details? If not, why not?

CH6: 1

Given that DR BAS is more expensive than others, in order to justify this price what all do you think CRANES AND COMPONENTS (INDIA) LTD should offer you and include for the price to be justifiable ?

CH6:2

Among all the Rope Hoist vendors, who do you see as `different'? Why? Do you / will you pay a different price to them because of this?

CH7:1

What are the different equipments that your team maintains currently

CH7:2

From all the RH that you have knowledge on, which one do you think is the most sophisticated in terms of Design? Why do you say this?

CH7:3

Would you say this sophistication leads to complexity?

CH7:4 (and CH1)

(If challenges reported re instlln, c omm. Maintenance) What is the impact of this (delay)? How do you think this impact can be reduced/managed?

CH10:1

Complete delivery means ____________
(a) Product delivery (b) Installation (c) Commissioning (d) Documentation

CH10:2

What would you say is a desirable time frame for yr defn of `complete' delivery

Advances in Business-Related Scientific Research Journal (ABSRJ)
Volume 6 (2015), Number 1

ISSN 1855-931X

HISTORICAL EFFECT IN THE FOOD ENTERPRISES OF UKRAINE

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Abstract

The problems of activity of the Ukrainian food enterprises to strong competitive conditions and production in the article are described. The functionality of the other food businesses for identifying economic hysteresis-effect is analyzed.

Keywords: food enterprises, sustainable development, economic hysteresis, efficiency

INTRODUCTION

The problems of producing goods at affordable prices for consumers are distinctive in every business. Some fields can stay in a rather stable condition, while others could be at the edge of extinction. Is it all about innovations? It is generally known that in order to reach innovation-based development one should at least have: financing sources, innovative thinking of the parties concerned (innovators, investors, consumers or government) and the access to the information about the world's progress achievements. The state of the said factors is specific for each field of the national economy of every country. Let us consider food industry, which is the most vital for the population wellbeing and living.

The implementation of innovations in Ukraine has been cumbersome for more than 20 years. In the studies of domestic scientists Yatsenko (2003), Heier (2006), Kholod (2008), Kholod (2010) and others, the emphasis is placed on government investments. However, the members countries of the Organization for Economic Co-operation and Development also have the deficiency of government incentives for innovational activity: up to 0.35 % of GDP of a country (maximum 0.21 % of GDP in Canada, indirect support of the government via tax remissions for innovational businesses, 0.17 % of GDP in the USA, direct support of the government via scientific researches financing). As the innovations in food industry did not get any funding from the government in 2008 – 2014 (Daineko and Sheludko, 2014), there is no question of large-scale government support of the innovative projects in Ukraine in the period ahead.

It is customary to assume that the prices for the processed products go down when the volumes of raw material resources within the country go up, in other words, it is profitable to process own raw material, reducing the level of import dependence at the same time. Is it really so in Ukraine?

THE OVERVIEW OF PRODUCTION AND ECONOMIC ACTIVITY OF FOOD ENTERPRISES

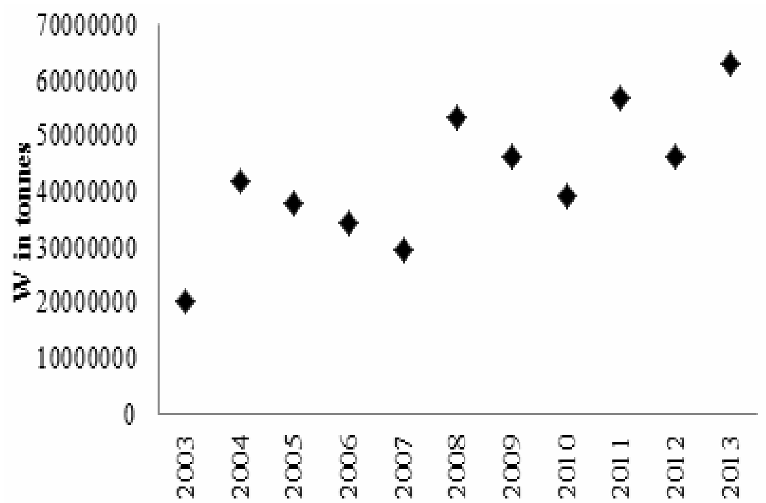
Here and below are used in the calculations and the chart data of State Statistics Service of Ukraine.

The production of pasta technically and economically depends on the flour suppliers, as flour is the main component. The secure on-time deliveries of flour of the strictly defined quality are essential for pasta goods. Whereas, the production of flour depends on the volume of wheat production (as the most popular raw material). Let us view the matter of Ukrainian pasta production in the aspect of continuity of the chain: wheat (W) – flour (F) – pasta (P) (Figures 1-3).

The Ukrainian ranking by per capita wheat production is close to Germany, Great Britain and Russia. In recent years, the average yield of wheat in Great Britain amounts to 77.8 centner per hectare, in Australia – 13 centner/ha, and in Ukraine and Argentina – about 25 centner/ha. China, India, Russia and the USA have the biggest areas sown to wheat (20 – 25 million hectares), the half of the amount is in Australia (about 12 million hectares), Canada has even less, Ukraine, Argentina and France follow after them (5.3 – 6 million hectares), then – Germany and Great Britain. The territory of Ukraine is favorably located in several climate zones, and that facilitates growing of all kinds of grain crops and the formation of export potential.

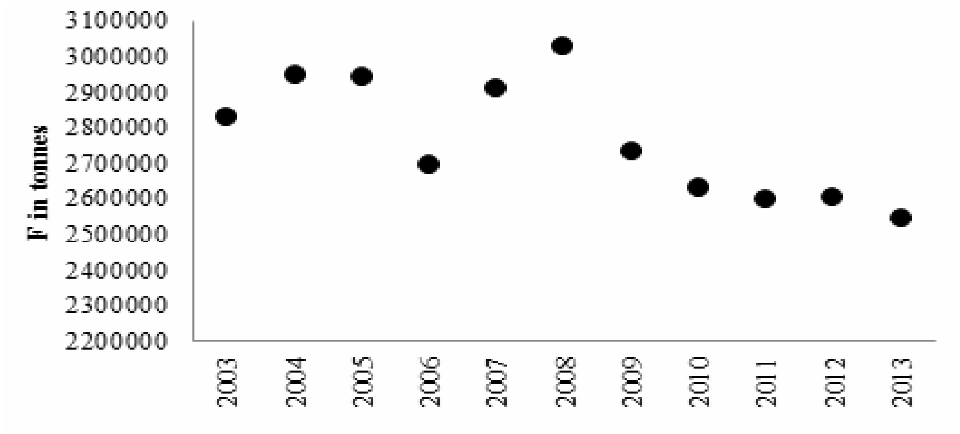
Alongside this, there are for about 600 flour milling enterprises in Ukraine. Flour production capacity keeps pace with 11 million tn, and that is much more than needed for internal consumption. Furthermore, major flour milling enterprises manufacture about 70 % of general flour production.

Figure 1: The production of grain crops in Ukraine



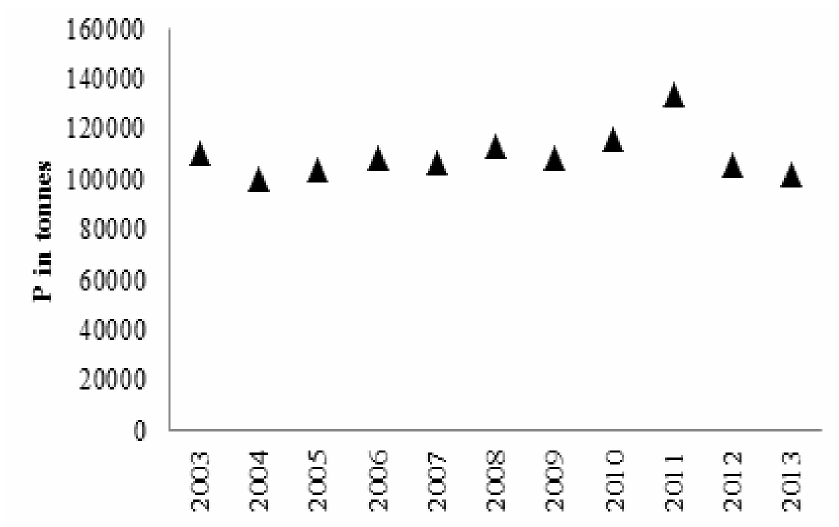
Being in the list of the major grain crops exporters, Ukraine sells less than 5 % of its flour on the world market nowadays. Ukraine does not belong to I.P.O. (International Paste Organization) regarding pasta goods export for a range of reasons. One of them is the production of non-durum wheat pasta (whereas Italy, USA, Brazil, Turkey and other countries use durum wheat). This significantly reduces the strategic progress of the enterprises economy.

Figure 2: The production of wheat flour in Ukraine



Ukrainian pasta production capacity is represented by 71 enterprises that produce up to 30 tons of pasta per day. The average level of the wear of the main assets of the enterprises is 65 %. Decline in prices for production is logical when supply is increasing, provided that other conditions of market economic management are fixed. In Ukraine, the change of "other conditions" (as employment, population income, number of population) worsens the state of economy. That is why economic hysteresis makes possible the non-concurrence of tendencies in resource potential and manufactures appliances of pasta production.

Figure 3: Pasta goods production in Ukraine



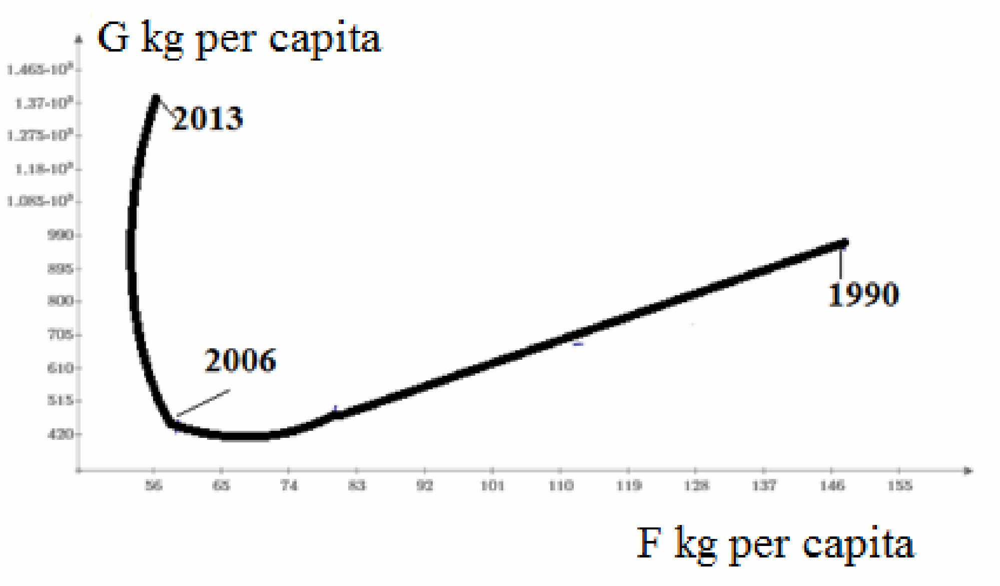
THE IDENTIFYING ECONOMIC HYSTERESIS-EFFECT

This phenomenon means the response of the system to the influence on it, at the same time, the delay of the results of the influence on the system is largely defined by the previous history of the system development. Hysteresis (Elster, 1976, Dixit, 1992, Cross, 1993) is intrinsic to almost all systems, including economic and commercial ones. Food industry is no exception, as it is also a system.

Let us consider the combination of per capita agricultural raw material production and final product of the food enterprises. To plot a graph, let the ordinate axis denote the annual per capita production of raw material (grain, flour, sunflower, meat), and let the abscissa axis denote the per capita production of flour, pasta, sunflower oil and sausage goods. The assumed combination of statistical data forms so called hysteresis "loop".

Consider next the combination of per capita production of grain and flour (Figure 4).

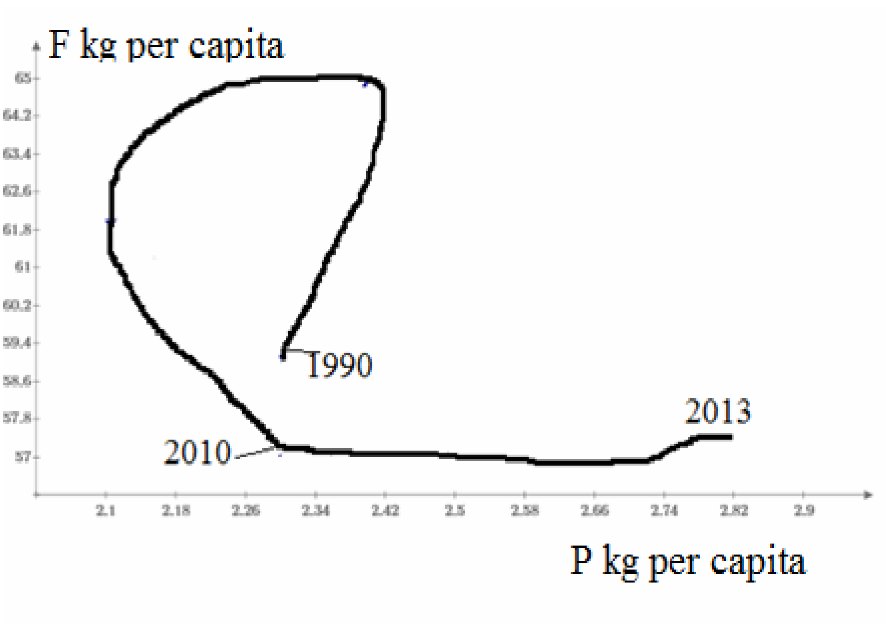
Figure 4: Hysteresis loop (approx.) grain-processing industry, where G – per capita production of grains, F – per capita production of flour



As we see on Figure 4, no significant increase in flour volumes has been observed, although the volumes of grain increased after 2006. There is a wide range of reasons for that: the obsolescence of the technical assets of the enterprises, population to the consuming preferences to vegetables and crops (during the period, the yield of this agricultural raw material significantly increased in Ukraine), the instability of the quality of grain and, consequently, of flour.

As it is seen at Figure 5, the production of pasta goods has slightly increased in recent years, and the level of flour production was low.

Figure 5: Hysteresis loop (approx.) of the of pasta goods enterprises, where F – per capita production of flour, P – per capita production of pasta

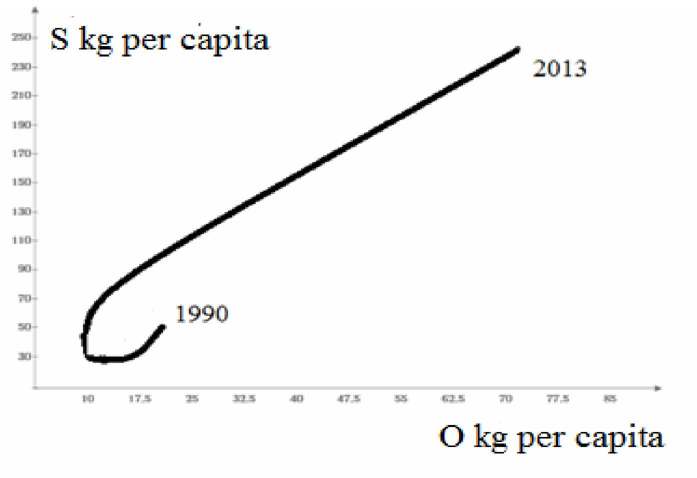


The main reason is the following. Import product makes up for about a quarter of the pasta goods market of Ukraine, and its volumes were increasing year after year. The dynamics of imported pasta goods volumes was positive up to 2013; however, according to the results of the first half of 2014, the number of import production has decreased by 4 %, as compared with the first half of 2013.

Conversely, the volume of production in Ukraine has increased by 2.8 % according to the results of the beginning of 2014. The Russian Federation is the main consumer of pasta goods of Ukrainian producers on the international market, consuming 38 % of the general export volume of products according to the results of the beginning of 2014. Almost one third of Ukrainian pasta goods is consumed by Moldova, namely 32 %, and one third goes to the United Arab Emirates, 20.8 %. Thus, more than 90 % of Ukrainian export of pasta goods is supplied to three countries; it is the evidence of poor diversification of supplies of the said production and accompanying risks. For instance, in case of the cancellation of the supplies of Ukrainian products to Russia in the context of complicated military and political situation, the search for partners, for instance, in African countries, can somehow reduce the loss because of business interruption.

Let us compare the present WFPE situation of the enterprises, engaged in successful business of sunflower oil production (Figure 6) with the enterprises, engaged in less successful (from the position of resource potential regress) meat-processing industry (Figure 7).

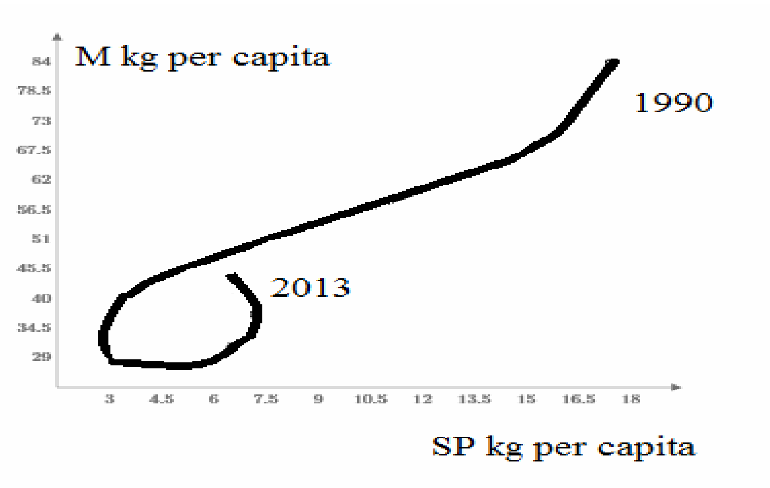
Figure 6: Hysteresis loop (approx.) of the sunflower oil production enterprises, where S – per capita production of sunflower seed, O – per capita production of vegetable oil



Economic and managerial analysis of the enterprises that produce vegetable oil and animal fat has shown that two thirds of them were established in the period after the breakup of the USSR. All these enterprises are medium and big by the number of employees. They were established or underwent complete reconstruction and re-equipment in the period when the hysteresis loop began to form according to Figure 6 (after 1994). Thus, for about 70 % of the said economic objects strengthened their positions in the period of positive changes in the field. Natural and climatic conditions in Ukraine and the technical potentials of the enterprises played in favor.

Economic and managerial analysis of meat and meat goods production enterprises has shown that the majority of them were created in the period of the breakup of the USSR; all the enterprises are medium and big by the number of employees. In the period when the loop of hysteresis began to form according to Figure 7 (after 2001), a number of enterprises were established, which became bankrupt, were reopened in 2007, and were completely re-equipped in 2009. These enterprises have undergone 34 acts of reconstruction, enlargement and technical re-equipment over the period of their existence.

Figure 7: Hysteresis loop of meat-processing industry, where M – per capita production of meat, SP – per capita production of sausage products



CONCLUSIONS

The examples of the development of Ukrainian food industry allow making several conclusions: the effect of economic hysteresis is intrinsic to the majority of processing industries. Hysteresis loop, made by an economic system, defines the direction and stability of business development. The sustainability is most noticeable in fat and oil industry; the production of sunflower oil is export-oriented and the competition is rather tough, but the business has been sustainable since 1994.

Nowadays, WFPE of Ukraine is the most unsustainable considering hysteresis-effect: the hysteresis loop has not been completed during the period of the independent economic management of the country. The competition is tough enough; however, new leaders continue to appear on the market. High-scale structural changes in the field management and production are not observed. Pasta products business is particularly problematic, as the leaders here have not been differentiated by quality and quantity yet. That is, all the significant changes in this field are in the prospects still, including the changes, which should improve the quality of the products; otherwise they could not withstand the competition of European goods.

IMPLICATIONS

The implementation of new strategies for the enterprises that belong to the fields of possible innovation-driven growth (WFPE also fits in this category), in our point of view, depends on the innovative thinking of the managerial stuff.

The analysis of the majority of business entities of different capacities and territory locations in Ukraine, engaged in grain-processing, flour milling, fat and oil production, meat-processing and pasta production industries, has been carried out. The results are the following: the changes of economic strategies elements occur most often in grain-processing industry (5 times within 1999 – 2013); however, the general conception of the entities development did not changed within the analyzed period, the changes of development concepts and appearance of innovations in products, technology or marketing in fat and oil production and flour milling industries happened three times a year on average; the fundamental changes of technologies, equipment, logistics, marketing and management has been observed in pasta production industry not more than two times for the last 10 years. It seems paradoxical that innovations are implemented more often at the enterprises with regressive resource potential (according to the analysis of 32 business entities); on average, 5 – 6 innovations were implemented at meat production enterprises for the last 6 years. Thus, stagnation and downswing of the agriculture give impulse to the innovative activity of processers and investors.

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