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THE BANKING INDUSTRY AND DIGITAL INNOVATION: IN SEARCH OF NEW BUSINESS MODELS AND CHANNELS

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ABSTRACT

The financial sector plays an essential role in the development of the contemporary economy, which is not likely to ever change due to its systemic nature. However, conventional banking is becoming a thing of the past as significant changes in demographic, societal, technological, economic, regulatory and legitimacy-related aspects of banking reality change the feasibility of present business models, pressuring for radical adjustments. Banks are also finding themselves under pressure from shadow banks, FinTech firms and lower-cost challenger banks as entries to the sector have risen. Non-bank financial institutions have different advantages over traditional banks due to different competencies and while they pose a threat of disruption, they also covet some of the resources that banks have access to. This article is an attempt to review and categorise the main trends affecting the environment of the financial industry basing on various empirical and non-empirical works of other authors, followed by a synthetic overview on how incumbents and entrants are innovating in a race to design a new valid business model. We aggregate those insights to assess the potential of disruption *versus* equilibrated cooperation using Disruptive Innovation Theory and Core Competencies theory and conclude that convergence between the two types of financial entities is likely, bringing an end to banking as we know it. We project that the business models will be evolving towards an opti-channel approach, whereby continued innovation enables the emerging alliances of banks and FinTech companies to reach the customer via their most preferred channel and offer a highly individualised service.

Introduction

Bill Gates made the famous statement that “Banking is necessary, but banks are not” (1994). An academic refinement of this statement can be seen in Merton (1995), who claims that financial intermediaries fulfil 6 key universal roles imposed by the systemic order of the global economy (see Table 1). The functions need to be performed with as much economic efficiency as possible, but not specifically by any particular type of entities. Banks as we know them emerged through the ebb and flow of history to obtain profits by providing the core functions to the rest of economy, and have been doing so efficiently for a long period of time – as competitive pressures from other entities and the users of the financial system should rectify any long run inefficiency.

Table 1. The six essential functions of financial intermediaries

Six universal functions of the financial system
Providing a payment system
Providing a way to pool funds to undertake and finance large projects
Providing a way to transfer resources across time, geographical regions and industries
Providing a way to manage uncertainty and risk
Providing a price information to enable decentralised decisions across the economy
Providing a way to manage information asymmetries and incentive asymmetries

Source: based on Merton (1995).

However, we agree with Merton (1995) that the context for this efficiency is set by the broader macro environment. The logical consequence of this statement is that *the way* in which the functions are performed would evolve whenever the environment would substantially change. The potential gaps in the competitive landscape brought by changes would incentivise new approaches by offering the possibility of superior economic profits for better stewardship; the economic profit can be received either by a) incumbents who develop the necessary capabilities or b) distinctively new companies entering the sector.

We believe that recent changes warrant a deep economic necessity to adjust business models beyond the classic banking paradigms. Even market imperfections such as high barriers to entry can no longer guarantee survival as the potential economic profit significantly increases due to systemic considerations, which are an order of magnitude greater than any firm-specific abilities to defend its market position. Thus, banks as we know them will either evolve or be replaced due to the significant profit-capture opportunity. The subsequent section will provide a detailed overview of the changes and elaborate our logic of the functional perspective.

Overview of the changes – the pressures on Business Models

The consensus among the commentators of the financial sectors is that conditions affecting the banking industry have been changing considerably over the past decades. Incremental changes, often too small to be noticed individually, have been accumulating to escalate into significant perturbations, especially in consumer-related aspects. We categorize those changes into following groups: societal and demographic, technological, economic, regulatory and legitimacy-related.

Societal and Demographic changes

The ultimate end-users of financial services are the people. As Ghose et al. (2016) estimate, 46% of all profits in the sector come from retail banking and 35% come from corporate banking – given that those two are converging at an increasingly accelerating pace (Fejes, 2014), with some banks already abolishing the separation of those divisions, we can expect that as societal and demographic realities change fundamentally, so will the expectations towards financial services providers and their products.

King (2010) delineates some of those shifts in detail – the appearance of the instant convenience and immediate availability paradigm, already adopted by other industries, from ride-hailing to retail to travel, coupled with the meteoric rise of social media, lifestyle changes, and technology penetration have fundamentally transfigured the desired attributes of a financial service. Capital adequacy, branch network or rates have lost importance for the sake of accessibility, convenience, customization and ease-of-use (Schwarz et al., 2015), the flagship traits of the modern economy that are explicitly observable in its other sectors.

In addition to that, as emphasised by Bergers et al. (2014), the opening of the emerging markets (especially China and India) to a wide variety of financial services that had not been previously widely provided and the emergence of the global middle class, which is projected to increase from 1.8 bn people in 2009 to 4.9 bn people in 2030 (Pezzini, 2012) warrant profound shifts in both the potential aggregated demand size as well as its structure. Therefore, banks no longer serve the same customer they served six or five years ago - the customer's qualities have changed and will change substantially.

Technological changes

Technological advancements affecting the industry have been monumental and their second-order consequences can be seen as reverberating through all the other of our five categories. Among the first-order changes, however, we can categorise the rise of mobile technologies and omnipresence of smartphones and tablets that open radically new and previously unavailable channels of interaction with the customers (Gibbard, 2014).

The rise of computational power has also enabled more sophisticated information gathering and analysing in order to understand the consumer needs. As Big Data in banking industry becomes available, new solutions to old problems will emerge, most notably in respect of risk management and marketing (Schwarz et al., 2015).

Technological advancements also warrant a possibility to redesign internal operations and digitalise workflows. A classic study of Brynjolfsson and Hitt (2000) links them with more efficient managerial systems that support more complexity and other industries have already seen the positive effects of operations digitalization. Yet, the opening of the digital realm also brings threats in terms of security or cyber terrorism.

Economic changes

Economic factors that warrant feasibility of business models have changed considerably as well. The nascent era of low-yields and the prospects of its continuation affects the feasibility of spread-based models, leaving little room to compete with standard banking product attributes. It also changed the way in which customers make saving and investment decisions, often deterring them from making banking deposits for the sake of alternative investment opportunities.

We could also observe falling transactions costs brought by the internet and maturing market interfaces, with outsourcing becoming more economically feasible (Laube, 2016), concurrent with the proliferation of professional services firms. This changes the make-or-buy calculus, favouring disintermediation and downsizing.

In addition to that, barriers to entry to the sector have lowered - while still considerable on their own, technology has rendered them easier to surpass, which, coupled with proliferation of entrepreneurship and rising startup culture in many developed countries, allows for new entries, especially from FinTech companies (Bergers et al., 2014),

The economic changes are especially important for our functional reasoning – the less imperfect industries become, the quicker the changes to the *modus operandi* of financial intermediaries will be as competitive pressures become more enunciated.

Regulatory changes

The post-crisis regulatory reform has focused on two objectives: to reduce the probability of bank failures and to lower the social cost of failures (Jackson, 2016). This affects the amount of risk that banks can take, and innovation is inherently risky.

Regulation has in general become tighter (Schwarz, 2015). Capital requirements imposed by Basel III and the need of more robust liquidity impact core financial products revolving around balance sheet intermediation hinder the effectiveness of classic revenue generating services.

This is coupled with tighter consumer protection laws and the requirement to treat clients more equally. With the necessity to further separate banking activities and become more transparent to regulators, a revalidation of classic business models is even more urgent.

Legitimacy-related changes

Another repercussion of the recent banking crises, from the major economy meltdown to money-laundering or bribery, is the gradual depletion of legitimacy of banks. The scandals are often linked with the high-gearred incentive schemes and governance issues, which Dobbin and Jung (2010) name as one of the two significant causes of the financial crisis. Folkman et al. (2007) even assert that present financial intermediaries have ceased to dutifully serve the economy: due to the incentives disparity and compensation structures, they have started to act adversely against other entities, creating a need for constant reorganization and profiting from fees from needless M&A transactions. The multifaceted criticism has harmed legitimacy both directly and indirectly, translating itself into lower customer loyalty and worse perception of banks, (Berges et al., 2014); thus, the relationships with customers require more attention.

The changes in public perception of banks are also manifesting themselves in talent acquisition, with the allure of a finance career considerably diminished compared to the first decade of 21st century. Incumbent banks are facing significant difficulties to recruit graduates from top business schools – as The Economist (2014) reports, in 2007 44% of Harvard's MBAs chose to join the financial sector; in 2013, only 27% embarked upon this career. With increased costs of talent acquisition, gaining competitive advantages becomes more difficult.

For a significant period of time, the 6 essential functions were delivered by the large banks. However, the scope of the delineated changes has opened a number of market gaps to provide more efficient serfdom of the economy changing the context of efficiency and thus demanding business models adjustment. The next part of the article will aim to achieve two things – (a) show that we indeed observe increased activity regarding innovation

amongst incumbents as well as multiple entries into the finance sector and (b) cast an overview of the anatomy of innovation done by two of those groups.

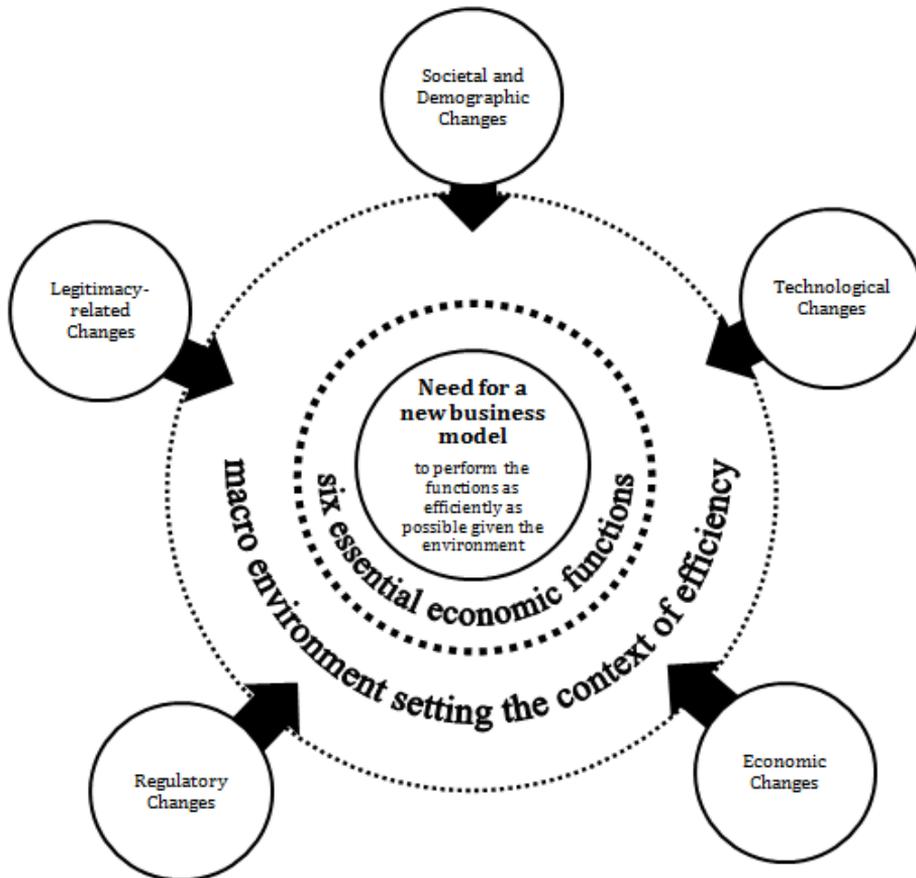


Figure 1. Key trends pressuring a change of business models

Source: own elaboration, based on Bergers et al. (2014).

The Anatomy of Innovation

For the sake of simplicity, we categorise the entities in financial industry into two groups – the incumbents and the entrants. We will cast an overview of the whole value-chain, segmenting it into 4 steps, starting from the user end. We define innovation as a new solution that increases the value delivered by the offered services. Our findings are presented at the end of this section in figures 2 and 3, which are used to segregate innovation as radical (being a departure from previously used solutions) versus incremental (building on previously employed solutions) and competition-oriented vs cooperation-oriented. These insights are used to support our final conclusions.

The way in which banks innovate has indeed changed considerably, largely in response to the changes in environment, increased industry competitions and the FinTech boom, a classic example of entrants who claim to be attempting to dethrone incumbents (note the comment of J. Dimon, the CEO of JP Morgan's to his stakeholders on this issue: "they all want to eat our lunch. Every single one of them is going to try"). The issue of disruption is not so simple however (see The Economist Intelligence Unit 2015 surveys on this issue), and will be discussed in the final part.

In (1) Customer-facing aspects, involving interfaces and interaction channels, innovation of banks has been a mixture of radical and incremental, with more stress on the latter. A distinct feature is the multi-channel and opti-channel approach (Gibbard, 2014) that presents a departure from the old business model, reinforced by increased innovation in designing end-user software, such as mobile apps, which has greatly grown on importance (Marous, 2015a) and now allow for the use of other companies' products as well, enabling cooperation. However this still incremental innovation is followed by a radical one, the wearable technology, coupled with radically new security measures. In this category FinTech is outpacing the banks, with better designed apps and more on-line presence (Marous, 2015b).

In (2) Core Services, the innovation of banks is incremental, if there is any at all. Classic depositing or borrowing mechanisms have remained largely unchanged, with most innovation focused on their packaging rather than improving the actual product (note the impact of Low-Yield Environments). However, some banks, most notably those with investment banking branches, have shifted the focus of their revenue generation to advisory, offered as an extension of classic products, and innovate in CRM aspects to ensure that business relations are maintained to maximize gains from non-banking activities. FinTech's major innovation in this category was the platformification enabling peer-to-peer solutions and crowdfunding (Heap, Pollari, 2015) and revolutionary payment systems, but there has been a degree of imitation as well (more lucrative personal accounts, bank-in-a-box, money transferring, more personalised services). We could conversely observe some banks experimenting with peer-to-peer platforms, although on a fast-second basis in reaction to entrants innovation (for the discussion of this strategy, see Markides, Geroski, 2004).

In (3) Back Operations, the outdated IT infrastructures of banks and high switching costs are largely inhibiting radical innovation. However, one distinct example of such is the progressing automatisisation of internal operations (Laube, 2016) and implementation of AI. We also observe a trend to down-size balance sheets, introduce big data analytics (Marous, 2015b), although rather speculatively, and introduce more sophisticated management and collaboration systems.

The (4) architecture of inter-divisional interaction for banks has changed as well, largely in response to the operational necessities of the multi-channel approach. Most incumbent banks have also created Venture Capital funds specialising in FinTech funding, support and eventual acquisitions (Laube, 2016), reinforcing the view that they see entrant companies as becoming a stable element of the industry (see The Economist Intelligence Unit, 2015 for a report on this issue). This is accompanied by inceptions of market-watch units (Marous, 2015a), meant to eye potential disruption and seek grounds for partnerships, and occasional independent units whose purpose is radical innovation (see Christensen 1997 for his discussion of such structural solutions), or a pursuit of a fast-second strategy.

Regarding the categorization of innovation done by incumbents, our qualitative review presented in Figure 2 is rather consistent with a classic study of Tushman and Anderson (1986) – we see banks innovate incrementally

more than radically, or, put in the words of those authors, their innovation is more competence-enhancing rather than competence destroying. However, we also see some attempts at ambidexterity (see Tushman and O'Reilly 2008 for a discussion of this concept).

We also find that banks accept the end of their hegemony and in their innovation prepare to cooperate with entrant companies. We find this result astounding, as such cooperation in face of potential disruption is unusual.

Regarding FinTech innovation, taking the industry mainstream as a reference point, the innovation is more radical, but not entirely so. Quite distinctively, FinTech companies almost always specialise in one service rather than trying to offer plenty and are not bound by legacy technology; this may explain the operational edge over incumbents.

For incumbent banks	Driven by Competition	Driven by Cooperation
Radical	Automatisation and use of AI Multi-channel approach Implementing some peer-to-peer aspects in core services Wearable Tech and new security Introduction of Big Data Analytics	Establishment of Venture Capital funds specialising in acquisition of FinTech Companies Establishing Market Foresight teams to eye potential disruption and recommend buys
Incremental	Further development of mobile apps and online platforms Reinvention of the existing physical outlets Balance Sheet minimization Expanding Core Services (Bank in a Box logic) and offering advisory and non-banking services CRM measures to retain trust	Allowing FinTech companies to utilise apps issued by banks Using FinTech platforms to deliver old services such as payments Using FinTech platforms as their end users, for example participating in peer-to-peer lending as a lender

Figure 2. The qualitative breakdown of incumbent innovation

Source: own elaboration.

For entrant companies	Driven by Competition	Driven by Cooperation
Radical	Peer-to-peer platforms and crowdfunding Payments with smartphones, wearable tech and high-tech devices AI advisors and investment managers Measuring risk with Big Data Entirely virtualising operations Leveraging partnerships with non-financial companies such as retailers Individually tailored service	Actively seeking banking investors Keeping structural architecture open to facilitate potential purchases
Incremental	Advancing the excellent app interfaces Social Media integration Offering personal classic banking products with more appealing secondary attributes (money transfers, individual accounts, stock trading accounts) Cybersecurity with new modes of authentication	Allowing banks to use platforms and apps to transpose their services into the FinTech world Allowing banks to participate in peer to peer lending and funding as one side of the transaction Designing structures with a focus on scalability

Figure 3. The qualitative breakdown of entrant innovation

Source: own elaboration.

Implication for the future of business models

We can see how an extrapolation of the trends and the actual direction of innovation in both product and individual business-model aspects corresponds to improvement in efficiency of the core six functions of Merton (1995), with our explicit prognoses presented in Table 2. In this section, we will attempt to answer the question of potential equilibrium in the financial industry and assess the likelihood of a large-scale disruption versus adaptation of incumbents and their coexistence with entrant FinTech companies.

Table 2. The future of 6 core functions

Core Function	The Past	The Future
Providing a payment system	Physical currency, credit and debit cards, medium degree of security	Contactless and mobile payments, integration with smartphones, great degree of security
Providing a way to pool funds for large projects	Exclusive - only certain groups of people able to make informed investments	Inclusive - investments open to new groups of people via crowd-funding and trading platforms; automated advisory helps with the information barrier
Transferring resources across time, regions and industries	Loans and deposits intermediated by the bank	Direct transfers between agents, low degree of intermediation; peer to peer lending, uberisation, convenience, availability
Enabling management of uncertainty and risk	Using the balance sheet to provide liquidity and absorb risk with a "Big Numbers" approach	Big Data analytics used to price risk and uncertainty more accurately
Providing price information to manage decisions across various sectors of the economy	Exclusive - information expensive and available to certain groups	Inclusive - updated in real-time, available to more groups of people via on-line means
Providing a way to deal with information asymmetries	Absorbing information asymmetry costs with the balance sheet; limited cooperation between both sides of the transaction	Information gathered both ex ante and ext post from more sources and analysed more thoroughly; cooperation between both sides of the transaction to resolve the problem

Source: own elaboration, based on Merton (1995).

As hinted before, a peculiar dichotomy emerges from the analysis of the anatomy of innovation of incumbent banks vs. innovation of entrant companies.

First of all, if the Disruptive Innovation Theory of Christensen and Bower (1995) is applied, it may seem that the entrant companies are well poised to cause a disruption that could wipe away incumbent banks. The original theory and its revisited versions (Christensen, 1997; Yu, Hang, 2009) stipulate that disruption is likely when a) entrants create new markets and market channels, b) their value proposition is unique and novel compared to incumbents, c) the innovation comes from down-market (and this is true as initially most FinTech services were risky but more inexpensive alternatives to services of incumbents) and d) the primary attributes of the product are initially considered inferior to those of incumbents' product (in this case, considered less safe and trustworthy, especially in the long-run), but at the same time some secondary attributes are superior, even though they are initially underappreciated (in this case, significantly more convenient and user-friendly service interfaces). Those traits are visible in our analysis of the financial industry (see King, 2010 for more evidence). Therefore, a potential disruption could be expected.

However, if we view this conundrum through the prism of Core Competencies approach (Prahalad, Hamel, 1990) and the Resource-Based Theory of the Firm (Conner, 1991), both incumbents and entrants possess some valuable and unique resources that the other group does not have access to, nor could easily acquire.

Banks still have (1) considerable customers trust, especially of those with large wealth, (2) large present customer bases and (3) size and capital (see the self-assessment in The Economist Intelligence Unit, 2015) – entrant companies can utilize those resources efficiently, and the observed cooperation is a proof of that. While many customers may be tempted by cheaper or more convenient personal accounts offered by some entrants, they are not going to risk their monthly salary by using them as a main account; by partnering with banks, FinTech companies can address this issue. Entrant FinTech companies (1) have access to the top technical talent, (2) are specialised in interfaces and apps design and (3) are allowed to take more risk, thus having more room to innovate. By partnering with them, banks can reach entirely new markets and groups of customers that had been unreachable before, such as emerging markets (Rizzo, 2014) and vastly improve their efficiency. Thus, “fintegration” has become an important goal for both the banks and FinTech companies as both groups begin to realise that cooperation makes them both better off due to resource concerns, presented in Figure 4.

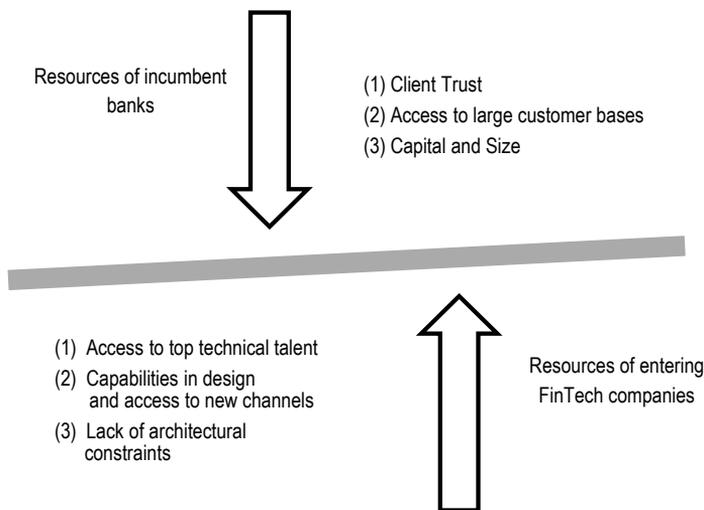


Figure 4. The peculiar resource dependencies of incumbents and entrants

Source: own elaboration.

Thus, we can predict that banks, still largely bound by path dependencies, outdated infrastructures (Haycock, Richmond, 2015), their enormous size and cognitive industry framing effects (see Tripsas 2009 for a study on this) will innovate more incrementally rather than radically even despite their attempts to develop ambidexterity. They will continue to slowly reinvent themselves while entrant companies will fill the gaps and expand the markets, growing on importance and cooperating more closely. We believe that the result of this study points towards future convergence of both of those groups that will result in symbiotic systems of bank-fintech alliances. The unanswered

question is how the timeline of this transformation will look like and which group will secure a greater share of the new profit.

Conclusion

We believe to have shown that while the banking system will continue to play a pivotal role in modern economy, it may soon function without banks as we know them. There is no question that technology and other 4 large sources of environmental pressures are changing banking. The new customer – impatient, sceptical, cynical – is the ultimate validator of the new business model, and they are not going back to the old ways.

Beyond multi-channel or omni-channel delivery, an “opti-channel” experience, where the solutions is delivered using the optimal channel based on the customer’s individual need seem to be the ultimate business model, towards which the innovation is trying to lead. Rather than utilizing all channels for a specific solution, big data will allow to direct the consumer to the channel that will provide the best and most personalized experience. This may eliminate financial products as we know them today altogether (Marous, 2015b). The challenge for banks is how to find the right balance between mobile and physical branch and how to utilize external competencies of FinTech entrants while not ceding the profits entirely. Thus, we also point to a need to develop new organizational structures that enable successful adoption of the new business model and will not conflict with the results of innovation.

The final conclusion is that the winner of this conundrum should be the customer, who can expect more innovative products and better service in a banking system that will no longer rely on banks as we know them.

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INNOVATIVE APPROACH FOR TOURISM ENTERPRISE IN ALBANIA

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ABSTRACT

The purpose of this study is to examine the current challenges and barriers to the Albania tourism enterprises (such as; travel agencies, hotels and bar/restaurant) and attempts to reveal innovative approaches to cope with these recent challenges and barriers. Innovation is at the heart of any successful company so it is very worthy to discuss on the role that innovation plays in providing competitiveness.

The data were collected from some tourism enterprises that operate in Albania, like travel agencies, hotels and bar/restaurant using a self completed questionnaire. The data gathered illustrate that the innovation in these enterprises is driven basically by the owner-manager ambition to improve the existing facilities and services to satisfy customers and develop a successful and reputable business. The research results can contribute to travel agencies, hotels and bar/ restaurants management both academically and practically.

Introduction

Like other countries, Albania has promoted tourism as a major source of national income. However, this industry has experienced lots of difficulties and challenges during these years (Kruja, Lufi, Kruja, 2012). In the last 20 years the tourism industry has also faced the change of consumer demands, consumer demography, increased competition and unstable global geopolitics, etc. To deal with these current challenges and barriers, Albania tourism

enterprises reveal innovative approaches as a solution. But still now there is a lack of studies about innovative approach on tourism enterprises in Albania. Over the past couple of years, the term “innovation” has increasingly been used to describe the behavior of tourism enterprises, destinations, and the tourism sector (Hjalager, 2001, p. 1). Innovation is at the heart of any successful company. Innovation is a mean of enhancing competitiveness and business performance of tourism enterprises.

The objectives of this research are:

- To identify the actual conditions and challenges of Albania tourism enterprises.
- To clarify the word innovation and to explain how does it cope with this challenge?
- To identify the barriers to innovation.
- To investigate the impact of innovative practices on performance and other outcomes of tourism enterprises in Albania.

The research questions are:

- What are the indicators of innovation?
- How are innovative ideas generated?
- What are the outcomes of innovation for the tourism enterprises in Albania?
- What are the barriers holding back innovation?

Albania Tourism Industry and Tourism Enterprises

Albania has unique ecological features that provide significant but under-utilized tourism potential, including coastal areas, mountainous terrains, rivers, parks, and protected areas. These natural features have the potential to attract tourists seeking ecological and cultural experiences. The tourism industry in Albania is currently focused on coastal areas. And in the recent years, an increasing number of foreign tourists are visiting Albania. This country has become a regional tourist destination after shaking its prolonged communist-era isolation, during which it fell into obscurity (Kruja, Hasaj, 2010, p. 1).

Tourism has been recognized as one of the driving forces of Albania’s economy – providing jobs and income to thousands of families (Kruja, Gjyzezi, 2011). There is special interest in tourism development in the small regions. The contribution of tourism as a driver for economic development and growth at the regional and national scales has been widely acknowledged. However, less attention has been given to the role of tourism in facilitating and enabling regional knowledge transfer and innovation (Weidenfeld, Hall, 2014).

The direct contribution of Travel & Tourism to GDP was ALL82.3 bn (5.9% of total GDP) in 2014, and is forecast to fall by 2.1% in 2015. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. Travel & Tourism generated 50,500 jobs directly in 2014 (5.3% of total employment) and this is forecast to remain the same in 2015 at 50,500 (5.1% of total employment (WTTC, 2015).

Innovation Process and Definition

Innovation is a broad concept that has been defined using many approaches. It is a process by which firms add value through successful exploitation of a new idea for the benefit of a part or whole business, industry or the

nation (Feeny, Rogers, 2003). A common definition describes innovation as involving the creation or application of new ideas (McCosh et al., 1998; Feeny, Rogers, 2003).

Table 1. The indicators of innovative capacity

A record of significant growth, and having growth strategies in place	Covin, Slevin, 1991 Baldwin, Johnson, 1995 Chandler, Keller, Lyon, 2000 Mahemba, De Bruijn, 2003
Competent management as shown through skills, knowledge of industry, past experience and the application of experience. Further, an effective awareness of contemporary issues in the industry obtained through active environmental scanning	Baldwin, Johnson, 1995 Davis, Moe, 1997 McAdam, Armstrong, Kelly, 1998 Mahemba, De Bruijn, 2003
The existence and maintenance of external relationships by the manager and the knowledge of the importance of these relationships	Rothwell, 1992 Cooper, 1995 Hine, Ryan, 1999 Breen, Bergin-Seers, Jago, Carlsen, 2003 Mahemba, De Bruijn, 2003
The successful management of information within the business	Cebon, Newton, Noble, 1999 Hine, Ryan, 1999 Feeny, Rogers, 2003 Mahemba, De Bruijn, 2003
The provision of unique products and services and the ability of the manager to recognize the importance of product differentiation as a source of competitive advantage	Cooper, 1986 Baldwin, Johnson, 1995
The recognition of the value of employees as an essential factor in business success	McAdam, Armstrong, Kelly, 1998 Hine, Ryan, 1999 Baldwin, Gellately, 2003
The acknowledgment of customer relations as an important factor in business success; responsive consideration and action on suggestions from customers	Cooper, 1986 Jones, Tilley, 2003
Market knowledge and the existence of marketing plans; awareness of the various media available for advertising and appropriate use according to market segment	Cooper, 1986 Cooper, 1995 Breen, Bergin-Seers, Jago, 2003
A systematic new product development process	Cooper, 1995 Hine, Ryan, 1999 Feeny, Rogers, 2003
An awareness of barriers to innovation that the owner/operator sees as relevant to their business (having had or going to have to overcome) and the capacity to minimize political, operational and cultural barriers to change	Baldwin, Johnson, 1995 Cebon, Newton, Noble, 1999 Radnor and Robinson, 2000 Baldwin, Gellatly, 2003 Bessant, 2003 Feeny, Rogers, 2003

Source: Breen, Bergin-Seers, Roberts, Frew, Carlsen (2006), p. 7.

The Austrian economist Joseph Schumpeter is a pioneer when we talk about innovation management. Without doubt Schumpeter develops important ideas with regard to innovation: innovation as source of economic change (Schumpeter, 1928; 1942, pp. 81–86; 1947), technological innovation as source of business cycle (Schumpeter, 1912; 1939). Early at 1934 Schumpeter identified five different types of innovation (as cited in Lewis, 2007, p. 36):

1. The introduction of a new product or a qualitative change in an existing product.
2. Process innovation new to an industry.
3. The opening of a new market.

4. The development of new sources of supply for raw materials or other inputs.
5. Changes in industrial organization.

Economist and management consultant Peter Drucker once said, "An established company which, in an age demanding innovation, is not capable of innovation, is doomed to decline and extinction". Innovation has become a buzzword, regularly cited to convey any improvement made, regardless of the extent of newness (Brooker, Joppe, 2013). Today, many companies are taking steps to strengthen their ability to innovate – innovating to renovate the innovation process itself. In short, such companies are developing a reliable operating system for innovation, a key indicator of corporate sustainability (Smith, 2005).

Innovation may seem to be the preservation of big business. But it is an approach that can be used by all companies, especially start-ups and small businesses. After all, when a business comprises just the owner-operator or a handful of partners or employees, it lacks diversity of mind. Yet, diversity feeds creativity and innovation (Baumgartner, 2011).

It is widely held that innovation is a process that involves the actual vision to create new ideas or improve on existing resources and the knowledge and skills to implement them (Kuratko, Hodgetts, 2001; McCosh et al., 1998).

The following 10 indicators of innovative capacity are used as the basis to analyze the data collected during this study. The importance of these dimensions is then evaluated. Innovation is conceptualized not as a single event but as a process that produces ideas and transforms these to useful benefits. These benefits could be measured in terms of improved performance such as an increase in growth rate, market share or profitability.

Methodology

This study has used the primary and secondary data. The secondary data were achieved through an extensive literature review on innovation, what drives and motivates innovative behavior, the indicators of innovation and outcomes of innovative practices. Internal and external influences on the innovation process were also researched.

The primary data was collected through an online survey, which was distributed to some tourism enterprise in Albania. Data were collected from these enterprises using a self completed questionnaire, which included also Likert-scale questions. It was built in Qualtrics and distributed online.

Using questionnaire as research instrument enables the collection and analysis of quantitative data using descriptive statistics. The quantitative research method is a research on social and human problems, based on testing a theory of comprised of variables, measured with numbers and analyzed with statistical procedures, in such a way to gauge whether the theory forecast can be generalized (Creswell, 1994, p. 1). These data collected through questionnaire construction can be used to suggest possible reasons for certain connections between variables and to create models of these relationships (Saunders et al., 2011, p. 144). Khandwalla (1977) states, that there is no research method that can be considered the best. The survey of these tourism enterprises in Albania was conducted in two weeks, from 12 to 25, September 2015. The questionnaire was pre-tested by 5 managers of tourism enterprises in the area.

The population for this study is all travel agencies, hotels, bar-restaurants that operate in Albania. For the selection of the sample has been used the databases available on Tax Office in Tirana, of all tourism entities like travel agencies, hotels and bar/restaurants that operate in Albania. A list of these businesses was created and then the sample from 200 enterprises was using the Simple random sampling. Simple random sampling is best used

when you have an accurate and easily accessible sampling frame that lists the entire population, preferably stored on a computer (Saunders, Lewis, Thornhill, 2011).

From these questionnaires delivered only 173 were replied. The response rate is about 86.5%. Given the response rate and representation of many tourism enterprises in different areas, the sample was considered to be the representative.

Based on Albania law travel agencies, hotels and bar/restaurants are defined as:

- "Travel agency" means any physical or legal person who, directly or as an intermediary, undertakes to offer tourists and other people, as individuals or organized group, any travel service, including accommodation in host structure for tourists, consulting and provision of air travel, the land of the sea, of organized excursions, as well as a range of other ancillary services related to the tourism industry. Travel agency develops its activity based on contracts for the sale of mediation services provided by the suppliers of travel services and/or consultancy contract with the customer (KRSH, 2015).
- The "hotels" are considered building with no less than 6 rooms, where accommodation and services like food, drinks etc. provided by a qualified staff, at a set of price (KRSH, 2015).
- "Restaurant" is an enterprise that supplies food available to the public, where the main purpose is the sale of food for consumption outside or inside a bar (environment), and offer a table or bar service in accordance with established standards (KRSH, 2007).

Research Findings

From the business surveyed, 85.7% were travel agencies, 15.8% hotels and the rest 8.4% were bar and restaurants. The majority of them 71.4% are positioned in urban areas, while 28.6% in rural area. 57.14% of these tourism enterprises have about 4 to 10 years operating in this industry. The average yearly growth in turnover (over the past 2 years) was 1–10% for 57.14% of these enterprises, 11–20% for 28.57 % of them, and for only 14.29% were 0% of growth. The growth is a significant predictor of innovation.

About the use of information technology, the most common applications used in their businesses were emails (95.7%), basic PC applications (71.42%), Booking Reservation System (86%) and websites (85.7%). Zero percent of these enterprises use a customer management system/database.

The management styles is expressed with a continuum of a seven-point scale from (traditional) placing emphasis on marketing of tried products and services, with a rating of 1 to dynamic or placing emphasis on research, technological leadership and innovation, with a rating of 7. A small percentage of respondents expressed a tendency towards a traditional style (average 3.36).

Table 2. Ratings of innovative tendency (%)

Traditional: placing emphasis on marketing of tried products and services 1	2	3	4	5	6	Dynamic: emphasis on research, technological leadership and innovation 7
8.8	17.5	30.7	22.1	14.3	1.7	4.9

Source: survey results.

Another question considers the offer of new products and services in these last two years. This question was a seven point scale, from no offering new products and services (1) to many new offering (7). Low innovators were defined as including scores between 1 and 2.5; medium included scores between 3 and 5; and high included scores between 5.5 and 7.

The scores were very concentrated in the middle with the highest percentage 32.1 and with (overall average 3.97). This result show that this enterprises are medium innovative, they create new products and service but not many.

Table 3. Ratings of new products and services introduced (%)

No new products or services have been introduced 1	2	3	4	5	6	Many new products and services have been introduced 7
6.8	8.5	21.7	32.1	18.1	2.1	10.7

Source: survey results.

Important to consider too, is that some of these tourism enterprises are managed by the owner and the process of developing new products and services was developed by themselves, or taking in consideration the support of some other employees. So, the innovation in these enterprises is driven basically by the owner-manager's ambition to improve the existing facilities and services to satisfy customers and develop a successful and reputable business. The manager plays the central and crucial role in ensuring that innovations occur. Keeping ahead of competition is a continuing concern of innovative managers.

For an innovative business is extremely important to get informed about its business environment. For this reason was asked these enterprises the information gathering techniques used to know about their business environment. The scale ranging from never (1) to frequently (7) was used. From the reply the most commonly used practices were routine gathering of information from customers (5.1), routine gathering of information from suppliers (4.9) and industry publication (4.7). Specific market research studies (2.1) were used least frequently.

These results show that tourism enterprises that operates in Albania didn't do research to know about business environment. Maybe this happens because the research is considered from them expensive, they do not consider it important, or they do not know how to do it.

To know the barriers of the innovation was asked a question about the factors that restrict the ability of these businesses to introduce new products and services. The scale ranging from not at all restrictive (1) to extremely restrictive (7) was used. In rating the restrictiveness of various aspects affecting their ability to introduce new products and services the most restrictive aspect was considered the availability of quality employees (5.71), and local government regulations (4.7).

Conclusions

From the research that was done in innovative approach for the tourism enterprise in Albania, we arrived to some conclusions as follow:

- The tourism enterprises in Albania are made up of mostly small and medium operators.

- The innovation in these enterprises is driven basically by the owner-manager's ambition to improve the existing facilities and services to satisfy customers and develop a successful and reputable business.
- Customer's suggestions are the primary source of innovation ideas.
- The analyses also determined that more innovativeness is associated with businesses that are growing, have more employees, have ease of access to finance for developing their businesses, and are aware of competition.
- The adaptation of the innovation in these enterprises will create more satisfied and loyal customers. As a result, these enterprises which innovate, achieve business sustainability by most tourism enterprises in Albania.
- At the centre of innovative enterprises, one finds attentive managers that initiate and implement required innovations. These managers are sometimes the owner of this business.
- From this research, it was also found that the attitudes of those considered as the "high innovator" differ, compared to those "less innovative". The high innovators network with external people to develop new products and services. They demonstrate active networking and environmental scanning behaviors.

The research results can contribute to travel agencies, hotels and bar/ restaurants management both academically and practically.

Some suggestion to these tourism enterprises that operate in Albania will be:

- To be more customer oriented.
- To become member of more associations, the affiliation is a significant predictor of innovativeness.
- To have more dynamic management style because it is a significant predictor of innovativeness.
- To proactively seek innovative ideas. To do this through keeping close to customers and getting their feedback and suggestions, and through networking with external stakeholders.
- To consider continuously the suggestions that comes from employees, who are also recognized as a source of innovative ideas.
- To become more proactive in gathering information about the business environment.

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CURRENT STATE, PROBLEMS AND TRENDS OF DEVELOPMENT OF THE BULGARIAN HOTEL INDUSTRY

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ABSTRACT The paper examines the development of Bulgarian hospitality industry after the changes in 1989, followed by substantial investment in reconstruction of privatized hotels and the construction of new modern hotel facilities with interesting architecture, exterior and interior design. Based on analysis of statistics, mainly for the period 2008–2015, it outlines the main issues regarding this development, namely, seasonality in the use of the hotel superstructure, low average income of nights spent, excessive construction of big seaside and mountain tourist complexes, relatively low quality of hotel services. It emphasizes the importance of international hotel chains entering the market, their influence on the Bulgarian hotel industry concerning applying best practices and new technology in hotel services. The result being enhanced quality and competitiveness of Bulgarian hospitality industry. The emergence of Bulgarian hotel chains and brands is indicated as a positive trend. The paper addresses the small family hotel business, and its trends of positive development. The advance of small family-owned hotel businesses is an important prerequisite for the development of alternative types of tourism in Bulgaria. The article examines the regulatory framework of categorization of accommodation establishments in the Republic of Bulgaria and the problems that arise in the process of categorization underlining the inefficient government control over the quality of the hotel product. The strengths and weaknesses of the national hotel product are outlined and possibilities for improving its quality and competitiveness are suggested.

Introduction

In recent decades the international hotel industry has shown a growing development. A trend that can be outlined currently is an increase in hotel demand and supply. In various destinations supply and demand have been growing at a different pace depending on the phase of the hotel product life cycle. In many destinations supply of hotel products significantly exceeds or has started to exceed demand for hotel services, leading to stagnation in

the tourism industry, as well as growing competition, especially in its non-price dimensions. The number of hotel chains and their influence is increasing, which have proved more competitive due to the high standards of quality, an established brand name and unified financial and marketing policy. There is a trend towards specialization of the hotel product or a shift from mass-orientated to individualized market through product segmentation and differentiation. The trend most strongly manifested is the appearance of theme hotels. The increased requirements of customers in the tourism and hospitality business for environmentally clean surroundings, on the one hand, and overdevelopment of certain tourist areas being targeted at the mass tourist, on the other hand, create an urgent need of respecting the principles of sustainable development. More and more researchers in tourism focus on these problems (Sloan et al., 2013; von Freyberg et al., 2013; Sidorkiewicz, Pawlicz, 2015; Milewski, Pawlicz, Sidorkiewicz, 2010), but unfortunately, the practical results are still unsatisfactory.

The present review paper analyzes the current state, problems and trends of the contemporary hotel industry in Bulgaria against the background of the outlined international trends. A comparative method has been applied for the analysis of collected data and materials.

In its development the modern Bulgarian hotel industry has followed the trends in the development of the international hotel industry. After the changes of November 10, 1989, the process of privatization of the hotel facilities started and this process ended in the mid-90s of the 20th century. Since that period the reconstruction and modernization of privatized hotels and building of new ones has begun. The increased interest of local and foreign investors has led to a trend of rapid growth in the number of accommodation establishments and the number of beds in them. According to data from Bulgarian National Bank (BNB) (www.bnb.bg) in 2009, when construction of hotel facilities was very intense, the amount of foreign direct investment in tourism and hospitality reached 561 million Euros, which is 25% of total foreign direct investment in Bulgaria. According to the National Statistical Institute (NSI) in Bulgaria (www.nsi.bg) the number of accommodation establishments has risen from 1,250 in 1990 to 3,202 in 2015. (an increase of approximately 40%). In 2015 the number of beds available, according to official statistics, has reached 322,465 beds, which shows an increase of over 100% compared to the year 2000. For the period 2008–2015 the number of beds in accommodation establishments increased by 117%, this growth was achieved despite the global economic crisis (see Table 1).

Table 1. Statistical data on hotel industry in Bulgaria (2008–2015)

Year	No of accommodation establishments	No of beds available	No of bednights (in thousand)	Total No of nights spent (in thousands)	No of nights spent by foreigners only (in thousands)	No of nights spent by Bulgarians (in thousands)	Average annual occupancy rates (in %)	Revenue on nights spent (in thousands)	Average revenue per nights stay (in levs)
2008	3,217	276,586	60,765	18,294	11,802	6,493	30.8	740,999	40.50
2009	3,533	287,423	61,801	15,372	9,472	5,900	24.9	626,492	40.80
2010	3,540	283,641	57,564	16,261	10,565	5,992	27.0	653,737	34.70
2011	3,776	283,251	58,855	18,855	12,461	6,394	32.0	733,053	38.90
2012	2,758	301,140	56,211	20,252	13,451	6,801	36.0	836,210	41.30
2013	2,595	302,433	58,740	21,617	14,370	7,247	36.8	919,831	42.50
2014	3,163	314,257	61,396	21,698	14,078	7,620	35.34	998,345	46.00
2015	3,202	322,465	62,394	21,398	13,352	8,046	34.29	1,033,528	48.30

Source: composed by the author according to NSI data: <http://www.nsi.bg/bg/content> (2008–2015).

As shown in Table 1, the average annual occupancy rate of accommodation facilities in the Republic of Bulgaria for the period (2008–2015) varies between 30% and 36% and can be estimated as low. In comparison, it should be noted that the region of Europe in 2014 had the highest average annual occupancy rate of its hotel facilities – 68.8%. (www.statista.com)

Low is the average revenue from an overnight stay for the period 2008–2015 – between 40–48 Levs, and in 2010, during the economic crisis, it fell to 34.07 lv. Considering the above indicators it can be concluded that the hotel facilities are not used efficiently, the majority of hotel business is seasonal, which, in turn, makes return on investment in Bulgarian hospitality industry more difficult. Here we should note the fact that in 2014 69.8% of the beds were in 3, 4 and 5-star accommodation establishments. So sales at higher prices and higher average income from an overnight stay were supposed to be generated. The reasons for the low average income of an overnight stay, despite the relatively high proportion of high category hotels are: the image and the market position of Bulgaria on the international tourism market primarily as a cheap tourist destination. The distribution of the Bulgarian hotel product for holiday recreation is done mainly through foreign tour operators by the formula “all inclusive”, who negotiate significant discounts for pre- and post-season in our seaside and mountain resorts. Table 2 presents the average stay in days of 1 tourist in a hotel, which is between 3.50 to 3.68 days. Efforts should be made to extend the average length of stay in a hotel. This can be achieved by attractive offers and leisure packages to stimulate consumption and longer stays in hotels.

Table 2. Statistics of number of nights spent, arrivals and average stay of a tourist in accommodation establishments in Bulgaria (2008–2015)

Year	No of total nights spent (in thousands)	No of total nights spent – foreign tourists (in thousands)	No of arrivals in accommodation establishments – (in thousands)	No of arrivals in accommodation establishments – foreigners only (in thousands)	Average stay per one tourist (in days)	Average stay per one foreign tourist (in days)
2008	18,294	11,802	5,025	2,226	3.64	5.31
2009	15,372	9,472	4,391	1,948	3.50	5.13
2010	16,261	10,565	4,412	2,084	3.68	5.06
2011	18,855	12,461	5,045	2,423	3.73	5.14
2012	20,252	13,451	5,494	2,632	3.67	5.11
2013	21,617	14,370	5,837	2,819	3.70	5.10
2014	21,698	14,078	5,946	2,792	3.65	5.04
2015	21,398	13,352	6,279	2,864	3.41	4.66

Source: composed by the author according to NSI data: <http://www.nsi.bg/bg/content> (2008–2015).

The hotel superstructure comprises the physical facilities for the provision of hotel services. The content of the hotel superstructure is reflected in the different accommodation establishments – hotels, villas, guest houses, campsites, etc., which are characterized by great diversity. Quantitatively the hotel superstructure is expressed by the number of beds in the accommodation establishments (Dabeva, 2013). Investments in the hotel superstructure in Bulgaria were focused mainly to the seaside resorts – Slanchev Bryag, Golden Sands, Riviera and in the mountain resorts: Bansko, Borovets and Pamporovo. Parallel with them a number of spa resorts were modernized in the towns of Velingrad, Devin, Hissar, Sandanski and others. In our four major spa destinations in Bulgaria –

Velingrad, Devin, Sandanski and Hissar there is a total of 52 hotels with mineral water with a total bed capacity of 4,841 beds. (www.hotel359.com). According to the Bulgarian Union of Balneology and SPA tourism in the last 10 years Bulgaria has invested over 1 billion Euros in the spa industry (www.econ.bg/Новини). In the larger cities – Sofia, Plovdiv, Varna, Rousse, many city and business hotels were built, a number of which are within international hotel chains - Hilton, Sheraton, Holiday Inn, Best Western, RadissonBlu, Ibis, Novotel Sofia, Kempinski-Grand Arena Bansko, Ramada, etc. In the field of holiday recreation we have also observed the rise of international hotel chains like – RIU, Sol Melia, Iberostar, Prima Sol, Barcelo, Calimera, LTI, Sentido and others. The operation of international hotel chains in Bulgarian hotel industry helped transfer best practices and technological experience in hotel services, and in this way enhance the quality and competitiveness of the Bulgarian hospitality industry. According to Euromonitor data in 2013 only 31 hotels in Bulgaria were part of international hotel chains, which is 2% of the hotel facilities. However, they generate much higher average annual sales of hotel unit, 2.3 million levs, than independent hotels – 828,000 lv of hotel unit. (www.euromonitor.com/passport-travel-accommodation-in-bulgaria/ august 2013). The creation of Bulgarian hotel chains and brands can be pointed out as a positive trend. In 2015 there were 18 hotels and a total of 80 hotel complexes involved in them. (Ivanov, Ivanova, 2015). These are the hotel chains: Sharloповhotels, Victoria Group, Grifidhotels, Festa Hotels, Lion, E Hotels, FairplayProperties, Acquahotels, MPM Hotels, Imperial Hotels Group, HVD Hotels and others. Up to 1.05.2015 the number of hotels included in chains in Bulgaria (Bulgarian and foreign) were 132 or 4.17% of all hotels in the country. In comparison “the group of chain component of the hotel sector accounts for a rise of 10% of property stock in most European countries” (Fletcher, Fyall, Gilbert, Wanhill, 2013).

There is a massive concentration of hotel establishments in and around the large and established seaside and mountain resorts, which leads to a problem of overconstruction. As a result, about 47% of the beds in the country are located in our bigger seaside and mountain resorts (www.nsi.bg/otrasal). Revenues from nights spent for the whole country during the months of June, July and August (active summer season of 2012) were 727,503,000 in levs, which represents 60% of revenues from nights spent in the whole country, and it shows the strong seasonality of the hotel business.

Alongside with investing in large-capacity hotels owned by big business in Bulgaria and abroad, in the late 80s and early 90s of the 20th century the development of **small family hotel business** was started. The family hotel business is an important factor for the development of alternative types of tourism in Bulgaria such as rural tourism, eco tourism, health, sports, culture, hiking, etc. The advantage of family hotel business is associated with increasing the elasticity of the tourism offer in seasonal concentration of demand in peak periods, as well as generating additional revenue for the local population and it partly helps overcome unemployment. According to the official register of the categorized tourist sites by Mayors of Municipalities (www.mi.government.bg) in Bulgaria officially registered and categorized are family-owned accommodation establishments (family hotels, boarding houses, guest houses) are more than 4,000. As it is clear from the data, the number of sites representing small businesses in the hospitality industry, including family hotels in Bulgaria, is significant and their product positioning on Bulgarian and international markets enhance their competitiveness. The majority of these family hotels have good facilities. The buildings were designed in interesting and original architectural styles. They maintain good hygiene and safety and security of customers is ensured. The prices at which that type of small family hotels are sold are affordable and reasonable for the mass clientele. The main problems related to the quality of “family hotels” product in our country are: unsatisfactory condition of general engineering infrastructure, lack of professionalism

in service due to low professional and language qualifications of the staff, the seasonality issue for most of hotels, which in turn leads to the inability to provide year-round staff and to maintain a sustainable level of quality. As a result of all of this, it is difficult for the small family hotel business to achieve profit margin enabling better return on invested funds and the desired efficiency.

Legislative regulation of the hospitality industry in Bulgaria is performed by the existing Tourism Act, passed by Parliament on 26.03.2013, with recent amendments in 2015 (www.tourism.government.bg). Chapter Four, Section Three of this Act regulates the conditions and procedures for the two main tourism activities – hotel and restaurant business. In Bulgaria there is a government regulation on the requirements for accommodation and catering establishments and on procedures of identifying the category, denial, reduction, suspension and termination of the category. It was adopted by Council of Ministers Decree № 217 of 17/08/2015, promulgated in the Government Gazette. No. 65 from 25 August 2015. According to the Regulation, the rating system is compulsory for all of the accommodation establishments in Bulgaria, regardless of form of ownership. Exceptions are only mountain chalets that are classified in categories one to three Edelweisses, according to a separate regulation for categorization. The recommended five-star rating system of the World Tourism Organization has been adopted. The accommodation establishments, according to the Ordinance for classification are divided into two groups. Accommodation establishments Class “A” – hotels, motels, apartment hotel complexes, holiday villages, tourist villages and villas. Accommodation establishments Class “B” includes family hotels, hostels, boarding houses (B&B), holiday homes, guest houses, guest rooms, guest apartments, bungalows and camping sites. Along with the advantages of the mandatory state regulation categorization of accommodations in Bulgaria determining basic parameters of the hotel product, there are some shortcomings, which need to be outlined. In the National Ordinance it is not terminologically explained and there are no standards provided for boutique hotels, condominium hotels, budget hotels and others, which are representatives of alternative accommodation and are becoming more widely used in the international hospitality business, including Bulgaria. There is a lack of strict control mechanism in compliance with the requirements of the ordinance regarding already categorized accommodation. In some ways the Ordinance for categorization is contrary to the standards and specifications of international hotel chains operating in Bulgaria. Along with the Ordinance for categorization in Bulgarian hospitality it is appropriate to establish voluntary national and regional systems of certification and awarding brands for quality.

The characteristics of the Bulgarian hotel product may be summarized in the following areas:

It valorizes attractive natural and anthropogenic resources in Bulgaria, but not in line with their carrying capacity, despite of the state of law in the country on their conservation. This has led to overdevelopment of some areas, destroying valuable resources and oversaturation of the existing capacity. As a superstructure the hotel product features modern hotel buildings with interesting architecture, exterior and interior design. A large share of premium class hotel superstructure (4–5 stars), which is 38% of the beds in Bulgaria, does not match the profile of tourists visiting destination “Bulgaria”. Poorly developed engineering and transport infrastructure, which does not comply with the capacity and characteristics of the superstructure and has lead to deterioration of the quality of the hotel product. Better parameters of the technical aspects of the quality of hotel product have been achieved - modern construction technologies, advanced equipment with energy-saving machines and equipment, implementation of modern information technology and software development products, facilities for leisure and recreation. Unsatisfactory parameters of the functional aspects of quality – imperfect organization and operations technology of hotel service, lack of cozy unique atmosphere in hotels, insufficient empathy and responsiveness of staff to the

guests, the absence of a personalized approach to hotel guests. Problems with recruitment of qualified staff due to seasonality and low pay offered. Limited application of systems of quality management in the hospitality companies in Bulgaria, created to internationally recognized standards. Only 14 hotel companies in Bulgaria are certified in accordance with the international quality standard ISO 9001. Insufficient application of the principles of sustainable development and corporate social responsibility. Only one travel agency is certified according to the international standard for environmental protection, ISO 14001. 28 guest houses in Bulgaria are awarded the sign "Green House". "Green House" is a certificate that evaluates Bulgarian guesthouses and family hotels in terms of environmental protection in the international guidelines of the European Association for Rural Tourism "Eurogites".

Strategies for the future development of the hospitality industry in Bulgaria should focus on joined efforts of public, private and voluntary sectors to overcome the weaknesses of the hotel product outlined above in order to achieve its high competitiveness. According to the the Travel & Tourism Competitiveness Report, published by the World Economic Forum for 2015, Bulgaria occupies 49th place in the ranking of the competitiveness of the tourism industries of 141 countries in the world with an index of competitiveness of the travel and tourism sector 4.05 measured in values from 1 to 7 (The Travel & Tourism Competitiveness Report, 2015).

Conclusions

The hotel industry in Bulgaria is developing in line with the international trends in the hotel industry as a whole. There is an increase in investment in the hotel superstructure, increase in the number of specialized hotels – for mountain, sea tourism, spa – and wellness tourism. There is substantial growth of small family-owned hotels. Problems that have not yet been overcome are: the negative processes of seasonality in the majority of Bulgarian hotels, a relatively low average revenue per 1 tourist, low average revenue per nights stay and average stay of a tourist in the hotel. Better targeted tourism policy should be implemented, including at "destination" level, which can help diversify the hotel product and improve its distribution. Bulgarian hoteliers should be involved in the certified systems of quality management to ensure customer satisfaction and quality of service. Bulgarian hotels should put greater effort in applying the principles of sustainable development and corporate social responsibility aiming to increase the competitiveness of Bulgaria as a tourist destination.

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MARKETING ANALYSIS OF SOCIAL MEDIA – DEFINITION CONSIDERATIONS

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ABSTRACT Social media are playing an increasingly important role in the life of every internet user and the companies. They are one of the main source of information, provide interaction and/or integration. The authors present the history and evolution of social media which are the basis for further considerations. The objective of the paper is analysis of the definitions in the context of new communication channels or the functionality of already existing social media. The result of the analysis is the author's definition, includes the most important aspects of the currently existing social media.

Why can't you sell brotherhood like soap?
G.D. Wiebe (1951)

Introduction

The idea of using mass media in order to create some kinds of social group, movements and transform them into consumer trend has been the topic of many scientific discussion since the book of J. McGinniss "The Selling of the President 1968" (McGinniss, 1969) has been published.

In 1971, Ph. Kotler and G. Zaltman had pointed out, that social marketing (Kotler, 1975)¹ is a promising framework for planning and implementing social change and that the application of commercial ideas and methods to promote social goals will be seen by many as another example of business's lack of taste and self-restrained (Kotler, Zaltman, 1971).

After a decade the concept of implementation social marketing was still treated suspiciously by many researchers, i.a.: P. N. Bloom and W. D. Novelli (Bloom, Novelli, 1981).

Ph. Kotler and G. Zaltman noted that, the idea of that implementation will not disappear by ignoring it or rallying against it, and that the application of the logic of marketing to social goals is a natural development and on the whole a promising one (Kotler, Zaltman, 1971).

Today, thanks to the Internet and its effect – communication revolution and invention of people, like Mark Zuckerberg – the co-founder and CEO of the social-networking website Facebook, we know that the idea of using mass media (and nowadays – social media) as a channel of marketing communication happened to be the great and powerful trend which influence society and the whole market.

There are many issues related to Social Media considered and tested by many scientists around the world, i.a.: usage, barriers and measurement of social media marketing in B2B perspective (Michaelidou, Siamagka, Christodoulides, 2011) branding and marketing communication (Kaplan, Haenlein, 2010). and prediction of future models of Social Media usage (Asur, Huberman, 2011). The concept of Social Media and possibilities of its usage is the current issue- as an articles related to Social Media in many magazines connected with business practice and scientific journals; as a topic of many conferences and congresses.

The major distinguishing feature of the “new media” is the possibility of dialoguing with consumers, which is a great chance of brand idea development; however, if led improperly, such dialogues may also become threats (Mróz-Gorgoń, 2014). The meaning and use of Social Media is a very important element of marketing communication system in many companies- all over the world, especially in the era of companies which only operates through the social media channels (online).

As V. Dijk pointed out: “writing a critical history of social media is bound to be an endless, dynamic adventure” (Dijk, 2013). In 2010 A.M. Kaplan and M. Haenlein had published an article in which they proposed the definition and classification of social media; the authors also pointed out the challenges and opportunities of using social media (Kaplan, Haenlein, 2010). The article has been quoted more than 5 thousand times so far and different scientific research (social media study) had been made in many countries all over the world, and that also confirms the importance of study the phenomenon.

Through the process of systematic literature studies this article will cover the different ways of identifying Social Media in the context of their marketing communication. The main purpose of this paper is to analyze and to schematize the division of Social Media definitions.

¹ Ph. Kotler has defined social marketing as “the design, implementation, and control of programs seeking to increase the acceptability of a social idea or practice in a target group(s)”.

Methodology

As a result of the critical analysis of the literature will be presented a short history of social media and the main point of reference in the proposed social media definition. This allowed for the creation of a new definition of social media adapted to the current capabilities of their communication channels.

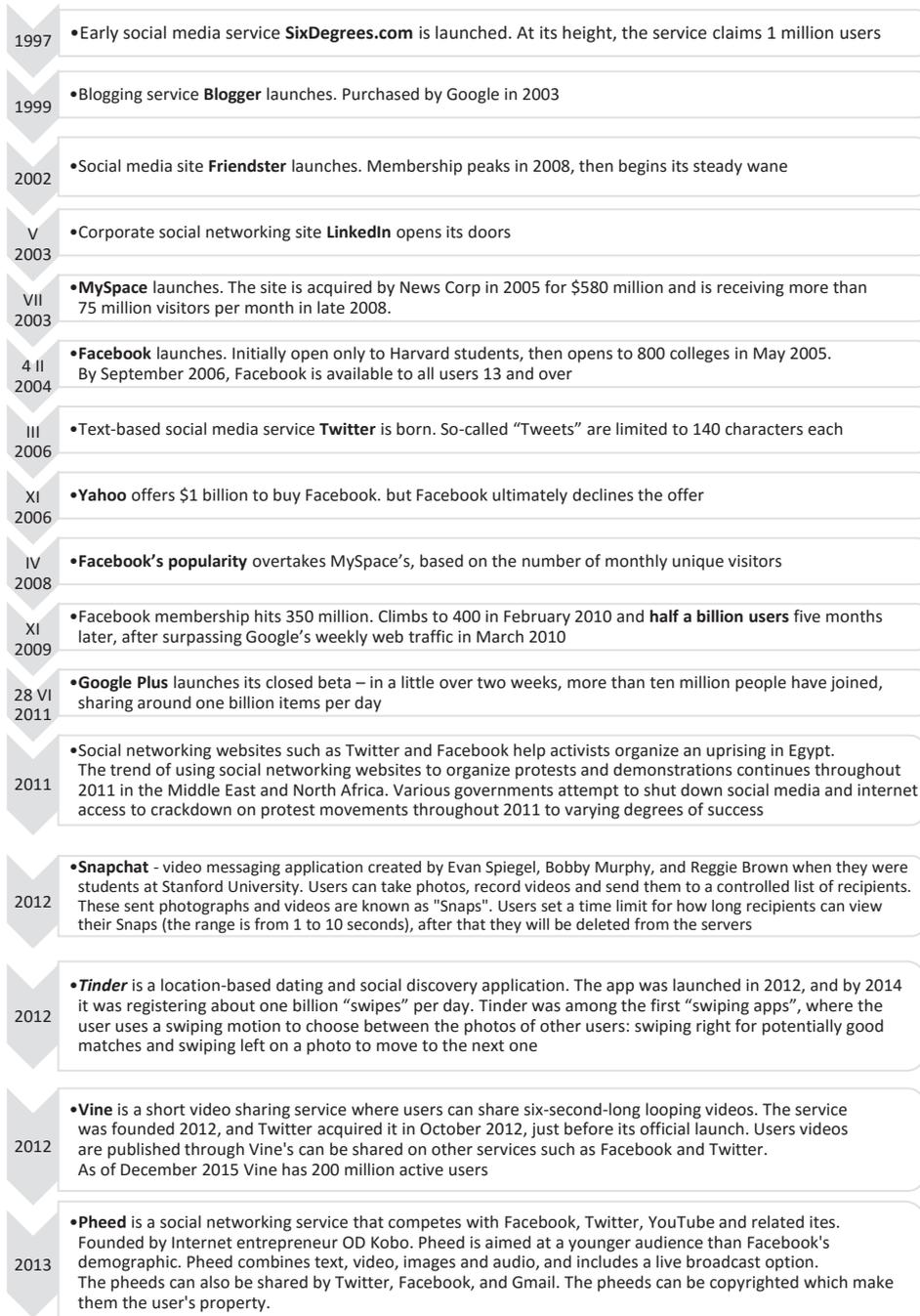
Main thesis of the authors in the article is: "Definitions of social media in contemporary literature do not reflect the current specifics of the phenomenon." Therefore, as the general purpose of article authors accepted the analysis of existing definitions of social media from the point of view produced in the time channels social media and to propose the current definition.

History and Evolution of Social Media

Social media was further developed during the 1970s. MUD, originally known as MultiUser Dungeon, Multi-User Dimension, or Multi-User Domain, was a real-time virtual world with role-playing games, interactive fiction, and online chat. MUD is primarily text based which requires users to type commands using a natural language. BBS was created in 1978, the same year as MUD. BBS is a synonym for bulletin board system. Users log in to the system to upload and download software, read news, or exchange messages with others. Bulletin boards were the predecessors of the World Wide Web (Kaplan, Haenlein, 2010). Today, in Facebook surround the greatest market leaders operates, while companies in the SME sector are in the initial phase of using social media marketing strategy (Shirky, 2011).

It is difficult to study social media without encountering the phrase social networking. Social networks have evolved over the years to the modern-day variety which uses digital media (Edosomwan et al., 2011). One of the pioneers of the network society study- J. Van Dijck (among others like: J. Martin (1978), S. Braten (1981), M. Castels (2000), explains that apart from their ability to collect (meta)data, the computational power of social media platform lies in their capability to include *algorithms* for processing data (Dijck, 2013) – social networks such as Facebook and LinkedIn are increasingly focusing on the opportunities to provide research services. Massmarket communities have a huge potential to develop research services (Smith, 2009). The widespread of presence of social media platforms drives people to move many of their social, cultural, and professional activities to these online environments (Dijck, 2013). G. Szymański emphasize, that social media is the place of free time, social conversations, browse the curiosities and gossips, and that differs it from the time spent on shopping (Szymański, 2013). Advertising in social media channels, as L. Gracz pointed out, gives advertisers additional benefits such as reducing the distance to the recipient, descend to the level of the caller, voluntarism and commitment of user interaction (Gracz, Ostrowska, 2014).

The following infographic shows the genesis and evolution of social media (Figure 1).



Figures 1. Short history of social media

Source: own elaboration.

Definition of Social Media and their Division

The concept of social media encompasses a huge range of communication. It can be defined as a set of relationships, behaviors, feelings, empiricism and the interaction between consumers, brands, in which there is a multidirectional communication, exchange of experience with advanced communication tools. They are allowing the media to support and implement communication and cognitive needs of man, having a huge impact on the world and active co-creation of information distributed by the media and companies (Peszko, Chra chol, 2011). Social networking sites give users a great amount of possibilities for interaction, integration and personalization of sites for Internet users in international and global dimension. The center of gravity from the Web has shifted towards user, who creates the service content, provides text, photos, music, comments, links to interesting websites. And that is the way to create the user community (Czubala, 2012).

Some of the authors claim, that in order to define the concept of social media, one must separately consider the importance of the two members forming the term (media and community). K. Fabjaniak-Czerniak (2012) underline, that the term media should be understood primarily traditional channels of information transmission, i.e. television, radio and newspapers. The term also refers to the way in which that information is provided to recipients media, for example: via broadcast signal, radio signal, written press and photography. However, each of these media not only disseminate information but also engages customers, linking them together in certain social groups, centered around a particular issue. Media therefore build informal communities, which are characterized by the solidarity around specific issues. Nowadays rapidly developing modern information technology made it possible to strengthen this type of relationship among members of these informal groups. In addition, a variety of mobile applications provide users of the network constantly improved tools for dialogue, which is a key element distinguishing traditional media, social media.

M. Jurkowski accentuated that social media represent the whole scope of behaviors, feelings, relationships and interactions between consumers and brands, and the omni-directional communication takes place in here in the exchange of experience using powerful tools. This type of media allows for the strengthening and implementation of communication and cognitive human needs, allowing the impact to the surrounding world and actively co information distributed by various entities (Jurkowski, 2013).

J. Kaznowski highlighted that meaning of the phenomenon can be describe as media consisting of social control that can be used on any scale, including both broadcast content and the possible points of view with regard to information (Kaznowski, 2014, as cited in Kr lewski, Sala, 2016).

Different approach of the definition has been pointed by T. Dryl, who emphasized, that the concept of social media refers to the socially controlled media, which are used in the communication process on any scale, direction and purpose. The difference between social and the mass media and is the ability to simultaneously communicate "one-to-many" and "one-to one". Social media are focused on dialogue, controversy, discussion and publication of information is only the beginning of the communication process. The information can be freely modified, transmitted in different directions over the next participants in the process who the recipients are broadcasting messages (Dryl, 2015).

In the article mentioned in Introduction, A.M. Kaplan and M. Haenlein defines social media as a group of Internet- based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content (Kaplan, Haenlein, 2010).

Social media platforms have unquestionably altered the nature of private and public communication (Dijck, 2013). Social media can be defined as a utilizing platforms – such as content sharing sites, blogs, social networking, and wikis – to create, modify, share, and discuss Internet content. This represents the social media phenomenon, which can now significantly impact a firm's reputation, sales, and even survival (Kietzmann et al., 2011). T. Smith is predicting that, as all content moves into the web then social media and consumer opinion will increasingly define the future of not just the web, but society as a whole (Smith, 2009). Table 1 presents the main points of reference being the basis definitions indicated by the authors.

Table 1. Main point of reference in the proposed social media definition

Years	The Authors of social media definitions	Main point of reference in the proposed definition
2007	Danah Boyd, Nicole Ellison	gaining a new contacts
2009	Safko, Brake	sharing information, knowledge, and opinions using conversational media
2010	M. Kaplan, M. Haenlein	applications that allow the creation and exchange of user-generated content
2010	Van Dijk	the idea of creating content and sharing it with other users
2010	Ph. Kotler	applications creating interaction between users
2011	Kietzmann, Hermkens, McCarthy, Silvestre	dialogue between market users
2012	A.Czubala	interaction, integration and personalization sites by users
2012	K. Fabjaniak-Czerniak	Communications recipients various social groups by improved mobile applications tools
2013	M. Jurkowski	multidirectional communication in the exchange of experience
2013	Nguyen, Phung, Adams, Venkatesh	media in which users assume a myriad of roles
2014	D. Kaznowski	media subject to social control
2014	M. Czaplicka	users interaction
2015	T. Dryl	media subject to social control and the dialogues between participants in the communication process
2016	Authors definition	Communication channels enabling the exchange of information, interaction and/or integration between the community network, which determines the communiqué availability

Source: own elaboration.

Based on analysis of existing definitions, as well as emerging and changing form of social media, the authors proposed his own definition of social media.

Social media is network community communication channels, allowing for the exchange of information, but also interaction or integration between network users (Internet users), or Internet users and brands. Published information is available to all users or to selected groups and undergo less or more social control.

The authors in the definition focused on three main aspects which relate to social media:

- communication channels network community – like every traditional media, network media have their communication channels – websites, blogs, microblogs, forums, etc.
- opportunities and the way of activities of individual channels – individual communication channels have different opportunities to involve network community. Sometimes it is only the transfer of information, other times interaction with or without integration of users, or users with brands.
- decides network community of the access to the communiqué – a community network determines the availability communiqué.

Conclusions

Social media have undeniably transformed and changed the character of private and public communication. Today, many companies all over the world operates only through the social media channels (online). To define the meaning of social media is of a great importance especially from the marketing point of view and it's communication perspective. Authors of this article have proposed the definition, that describes social media, as network community communication channels, allowing for the exchange of information, but also interaction or integration between network users (Internet users), or Internet users and brands. Published information is available to all users or to selected groups and undergo less or more social control.

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RISK MANAGEMENT ACCORDING TO THE STUDIES AMONG EXPORTING MICROENTERPRISES FROM WESTERN POMERANIA

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ABSTRACT

The activities of microenterprises differs significantly from the operations of small, medium and large companies, because of the size of the business. Most microentrepreneurs are single entities in which the owner is responsible for all decisions, so he has to be an expert in every field of knowledge associated with the enterprise.

Risk is an inseparable part of the operation of any enterprise, also microenterprises, which is why it is very important for microenterprises to be aware of the risk to which it is exposed. This knowledge will enable them to make right decisions to protect themselves against the risk in an appropriate manner, thus avoiding losses. In the literature, there are many common ways of securing the risk in export available for the microenterprises. Their diversity allow to adjust the appropriate method to the type of the business.

This article helps answer the question of whether microenterprises are making an analysis of risk in their business, and what type of risks they believe are the most troublesome. It also cross-present various methods available on the market, as well as identify the most common methods used by microenterprises.

Introduction

Microenterprises are the entities that employ fewer than 10 employees and have an annual turnover not exceeding 2 million Euro or annual balance sheet total does not exceed 2 million Euro (Dz. Urz. UE L 187, 17.06.2014). According to this definition, microentrepreneurs operating on the Polish market in 2013 were 95.6% of all operating companies (www.stat.gov.pl, 14.01.2016). It should however be noted that the majority of all active

microenterprises were single entities. This means that all the decisions, and therefore all knowledge, which is associated with entrepreneurship, rests on these individuals. Many times these people do not have such extensive knowledge and are guided by their own intuition. Lack of resources also prevents them from using the experts advices.

Despite the lack of funds and personnel, microentrepreneurs are strong group of entities, gaining competitive advantage thanks to their specific properties, which include:

- ability of quick respond on the changing business environment,
- opening business on innovation, which are more easily verified by the needs of the market,
- flexibility and speed decision allowing to use market opportunities,
- cost control by enterprises, as well as reducing them, allows them to be more competitive,
- more efficient flow of information inside the enterprise, than in larger entities, significantly streamline decision-making,
- the rate of organizing new places to work, which facilitate entering into cooperative agreements,
- responding to the specific needs of the local market.

Thanks to the above features microenterprises do well on the market and take significant share in the GDP. Unfortunately, every year many microenterprises are shutting down. Reasons of liquidation of the business are many, but the undeniable influence has, among others, the risks to which companies are exposed.

The risk exists in economic activity of every entrepreneur. Like most people, also most of the entrepreneurs noted the various risks that affect them. So they undertake activities to analyze the risk and to manage it. However, questions appears whether, despite of the obstacles, which are limited human and financial resources, microenterprises are managing risk or they work in an intuitive way, relying on their own experience and luck? The research described in this article are attempt to answer the question, which type of risk microenterprises are noticing in economic activity, as well as how they are managing it.

Literature review

In the literature there are many definitions of risk. T.H. Bednarczyk defines it as the possibility of occurrence of negative socio-economic phenomena (Bednarczyk, 2000). T.T. Kaczmarek defines it as the possibility of failure, and in particular the occurrence of events beyond the control of the acting subject, which he can not accurately predict and which can not fully prevent, and which – by reducing the useful results and/or by increasing expenditures – receive action entirely or partly attribute effectiveness and economic viability (Kaczmarek, 2005). Other definitions define risk as the possibility of circumstances, resulting in a loss or negative impact on property (Dudziński, Knap, 1999), as well as a combination of the likelihood of an event and its consequences (Atkins, Bates, 2008).

There are many risks of export activities, A. Bielawska distinguishes the following risks in foreign trade (Bielawska, 2006):

1. Individual risk – a result of contractors bad will or force majeure, which include:
 - a) the risk of counterparties – including difficulties in finding buyers for goods, discrepancy in quantity, quality or price of goods delivered from the earlier findings, delivery of goods in the wrong place, delayed, damaged or theft of stored items;
 - b) the credit risk – involving cash flow;

- c) the risk of contract – responsibility for manufactured products, conformity goods with the standards and safety regulations, and the proper use of the funds.
2. Market risk – refers to the existing situation and the development of social, technical and economic conditions in individual countries and can be considered as a general risk, economic risk and the risk of price changes on the financial market (Bielawska, 2006) Including:
 - a) the general risk – due to the diversity of socio-cultural and business framework conditions (eg.: language, mentality, rituals, culture, the tax system);
 - b) the economic risk – resulting from disparities in the economic development of countries;
 - c) the risk of changes in market prices – associated with changes in supply-demand relations, interest rates or exchange rates.
3. Country risk – occurs when a sovereign country does not want or can't meet its payment obligations. This risk can be divided into economic of the country (the reasons of default are economic) and political country (there is a danger that a foreign government suddenly breaks the agreement).

Numerous results of studies on the risk and lack of a universal definition of risk results in the lack of a coherent classification. Despite this, every company should analyze the risks faced by its activities and be able to manage it, because thanks to the right decisions and taking specific actions, the company can achieve an acceptable level of risk.

Among the many combinations of activities involving risk management process, on attention deserves a diagram presented in Figure 1.



Figure 1. Steps of the enterprise risk management

Source: own work based on Tarczyński, Mojsiewicz (2001).

According to diagram, enterprise risk management starts with the identification of all the risks to which may be exposed enterprise. Then, using available methods and tools enterprise should measure all risks to introduce appropriate safeguards. The third step is to choose methods of security operations and risk control, and the last stage – current reported about the level of risk that was identified at the beginning.

In the literature authors presents many divisions of forms of risk security. One of them identifies three groups (Thoyts, 2010):

1. Avoiding risk – operate in a way that minimizes or completely eliminates possible risks.
2. Reduction risk – remedial action to reduce possibility of appearing the risk.
3. Transfer risk – the risk transfer to another entity that is willing to bear the risk in return for a fee.

Another division presents T.T. Kaczmarek, shows six groups:

- include risk in price of product or service,
- creating a reserve,

- diversification of risk – by taking activities in different markets, producing different products or referral products for different consumer groups,
- transfer of risk – through commercial contract or insurance contract,
- compensation of risk – combination of transaction so that the risks associated with one transaction is the collateral for another.

Choosing the right option of risk management for microenterprises, is a much more difficult task, due to the lack of specialists in risk management. In large enterprises operate the office responsible for the export and risk management, while in microenterprises responsible for this rule is a person whose knowledge is often insufficient. (Williams Jr., Smith, Young, 2002) It should be noted, however, that the use of appropriate preventive methods by the microenterprises is dependent on the resources available for this purpose, and knowledge of managers. Risk management involves decision making and implementation of specific actions by the entity in order to achieve an acceptable level of risk. Businesses can therefore use different methods, which are widely available. (Jajuga, 2009) And the choice is very wide, including internal and external methods.

Internal methods include all the actions that enterprises can make by themselves. The most common forms of internal security can be divided into four groups:

1. Well-prepared commercial contract.
2. The use of modern systems and software. On the market there are a lot of companies offering systems and software for risk analysis activities, for example: Risk BPM offered by Blue Energy, E-business risk by SDPK, Comarch Asset Management by Comarch. Analyses carried out using a specially designed systems and software, enable the company to take an objective and fully informed decision, to reduce the risk. They do not replace people but help them. An important limitation is the price of such a system that is thousands of dollars.
3. Establishment of a specialized risk management units. The employee will affect the limitation of risks taken without the use of external assistance instruments and only by resource planning, for example: creating database of suppliers and buyers, invoicing sales to foreign customers in its own currency; using of leading or lagging; include risk in the price of goods or service; creating reserves.
4. Diversification of risk, involving entrance to the larger number of foreign markets, and as far as strengthening the position on them, systematically going out from unattractive markets and intensifying activities in profitable ones. Diversification can also mean diversity of the products themselves.

External security methods of risk means finding a way to transfer all or part of the risk to another business entity. Among the external forms of security risks most often highlighted are:

1. Insurance – a complex instrument that combines the elements of control, transfer, diversification, financing and risk retention (Michalski, 2000).
2. Hedging operations – involving the closure of open currency position by taking another position of the same size, but opposite to the hedged item (Misztal, 2004) Among them are four groups (Kudla, 2010):
 - options – gives the holder the right to buy or sell a specific financial instrument at a certain price and time,
 - a futures contract – a contractual agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular commodity or financial instrument at a pre-determined price in the future,

- swaps – financial instrument in which each of the two sides made on fixed dates in the future series of payments to the other party of the contract, at least one series of payments depends on the value base index (Jajuga, 2009),
 - warrants – the right to purchase shares or securities at a fixed price in the future, and to subscribe to future issue of shares. It is a speculative instrument that can bring profits when the price of the underlying instrument will rise, but if it falls, then the entity will sustain losses. (Owsiak, 2002).
3. Bank guarantees – a guarantee from a lending institution ensuring that the liabilities of a debtor will be met.
 4. Insurance guarantees – both parties enter into an agreement laying down the basic principles of cooperation relating to fees, duties, safeguards and possible claims (Michalik, Selig, 2001).
 5. Instruments of payments – the documents necessary to fulfill the function of money non-cash means of payment, for example: letter of credit, forfaiting, factoring.

Method

The research were conducted using the CAWI method (Computer-Assisted Web Interview) among the two hundred and ten microenterprises in West Pomeranian Province. Entrepreneurs were asked four questions closed, and two closed question multiple choice. Answers to the questions allow to point the methods used by exporting microentrepreneurs. In the research took part the largest share of entrepreneurs running from two to five years (63%), followed by young companies existing in the market for less than 2 years (30%), while 7% were entities operating for more than 5 years.

Results

On the first question, concerning the perception of risk in business, all responders answered that such a risk perceive. None of the study subjects did not reply that its economic activity is risk-free.

Definitely worse response where given on the next question about the use of any method of analysis of the risks. Only 34% said that it needs to use different methods of risk analysis on which is exposed their business. The remaining 66% of the surveyed businesses responded that there is no need to make such an analysis in its operations.

Table 1. Type of risk that are the most troublesome in the opinion of microenterprises (%)

Type of risk	Percent of answers
Mistakes in delivery	12
Liquidation of business partner	15
Delayed of debt repayment	18
Dishonest of business partner	18
Random events	4
Political decisions	8
Foreign exchange risk	19
Other	6

Source: own research.

Despite not making risk analyzes by microentrepreneurs, each of them could indicate which risks are the most troublesome for their business. Foreign exchange risk was the most frequently reported by the surveyed entrepreneurs. Second in the order were dishonest of the business partner and the risk of delayed of debt repayment. While less frequently respondents pointed to the risk of random events and political risk.

All responses indicate a high awareness of microentrepreneurs, on the risks faced by their business. However, they have no knowledge or belief of the legitimacy of the risk analysis, and its usefulness in the business.

The surveyed population was asked about methods of security the transactions. Over 40% of the surveyed companies indicated that there is no need to use any security methods. The remaining entities replied what is presented in Figure 2.

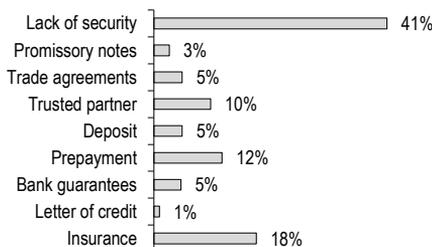


Figure 2. Methods of security of the transactions, used by surveyed population

Source: own research.

Among the methods of securing the export activity, entrepreneurs most common pointed insurance (18%). The second most common method was prepayment, which indicated 12% of the entities and concluding contracts with experienced and trusted partners (10%). 5% of entrepreneurs in order to protect the business are using the deposit, bank guarantees and trade agreements. 3% of respondents pointed to external form of security risks which are promissory notes. A single entrepreneur point letters of credit.

Limitations

The survey was conducted among companies in Western Pomerania, so the test results may or may not necessarily represent the views of microentrepreneurs throughout the country.

Conclusions

Microentrepreneurs are the largest group of enterprises on the market, who know how to adapt to changes, but despite its flexibility and speed decision-making, many microentrepreneurs are closing the company's business activities.

Research shows that although all tested entities are aware of the existence of risks in their business, only every third entity makes its analysis. The variety of methods available on the market allows to respond to the needs of entrepreneurs, but education about the use of this methods is needed. Many entrepreneurs do not use any form of protection of their business, unaware of the risks faced by their economic activity. Education and promotion

of knowledge about the risks and security methods can improve the situation and save many enterprises from liquidation.

It becomes important to raise awareness among microentrepreneurs of risk analysis, and importance of risk management. Useful in this would be campaigns aimed at this group of entrepreneurs, combined with the creation of special advisory points. A significant role in this play government, especially regional authority, that see the needs of the market in the region.

Risk analysis are also carried out multiple insurance companies, on the occasion of taking out an insurance policy by the microentrepreneur. Unfortunately, the level of insurance awareness among microentrepreneurs is very low. According to the report Qualifact „Finance SME 2013 – the market of insurance services”, only 73% of micro-entrepreneurs has any insurance policy, not necessarily related to the economic activity. Consequently, only few microentrepreneurs are buying insurance. Education and promotion can improve this situation.

It is important to use the centers of transfer of knowledge and technology parks arising from universities, where the entrepreneurs can use from knowledge of scientists for free. An example is the Centre for Knowledge Transfer Service Inter-Lab, located at the Faculty of Economics and Management Services University of Szczecin. These are new solutions that have a chance to develop and to influence real change. The changes are indeed necessary. Ways of achieving them are many, and intensify all these activities will definitely bring a notable result, which will be greater awareness of the need for risk management among the entities.

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STRUCTURE AND FUTURE DEVELOPMENT OF THE SERVICE SECTOR IN BANGLADESH

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ABSTRACT

Over the last four decades, Bangladesh has experienced significant structural changes in the economy. Contributions of industry and service sectors have expanded, while contribution of agricultural sector to GDP and employment has immensely decreased. Nowadays, agriculture fails to attract people due to the less profitability nature of agriculture. On the other side, jobs in service and industry are seems more lucrative and profitable to them. Generally, economic growth of the country is represented by flourishing industry and service sectors. Among the sub-sectors, expansion of 'wholesale & retail trade', 'transport, storage and communication', and 'financial intermediations' are mainly contributed the overall expansion of service sector in the economy. Household's participation in service sector has also increased day by day, which indicate the expansion of employment of this sector. It is projected that this trend will also continue in future and households will be more interested to participate in service sector than industry sector.

Introduction

For being developed, economy has to pass through various stages from traditional stage to high mass consumption stage (Rostow, 1960). Therefore, the basic shift in production from the primary (agriculture) to the secondary (industry) and further to the tertiary sector (service) represents the economic growth of the country. With the development of country's economy, agricultural sector's gross domestic product (GDP) contribution as well

as employment of labor declines and replaced by industry and service sectors (Kalirajan, Singh, 2013). Structural changes among these economic sectors are the result of the country's economic growth, which pushes labor from agricultural sector to the industry and service sectors. Due to land and labor market existence, small subsistence based agriculture replaced by commercial agriculture. Labor productivity in both agricultural and non-agricultural sector increases owing to balanced distribution of labor between sectors.

Service sector deals with intangible goods rather than general commodity. It provides a wide range of activities where people can improve productivity, sustainability and performance by using their knowledge and time (Wikipedia, 2016). This sector represents the largest part of the economy around the world. Not only in high income countries (like as USA, Japan, France and etc.), also low-income countries (like as Bangladesh, Pakistan, India, Nepal and so on) service sector dominates the economy (Mukhopadhyaya, 2002). For instance, the share of service sector to GDP was 49.62% in 1980, which is increased to 54.05 percent in 2013–2014 in Bangladesh. The expanding nature of this sector along with provision of greater employment opportunities, poverty reduction and rapid economic growth are highly expected to continue in future.

Moreover, the importance of service sector in the economy is also discussed by many empirical and theoretical literatures (Islam, et al., 2012; UNCTAD, 2015; Raihan, 2013). As a developing country, Bangladesh also recognize its significance and improvement of service sector's performance, especially public administration capacity, judiciary, financial sector, transport and communication has already selected as the overall development goals to achieve (FYP, 2015). By considering the importance of this sector, the aim of this article is to discuss the structure and trends of service sector over time. This study also analyze changing pattern of different sector's participation and forecast future service sector's participation situation. The rest of the article is organized as follows. Second section describes the dataset and analytical procedure. Third section provides a brief overview of the structure of service sector comparing with other sectors over the years. In section four, result of the forecasting is reported and concluding remarks are presented in the last section.

Data and empirical methodology

The main data source for this study is a panel dataset of three specific periods (1988–2000–2008), conducted by Bangladesh Institute of Development Studies (BIDS), International Rice Research Institute (IRRI) and Bangladesh Rural Advancement Committee (BRAC). In 1987–1988 the benchmark survey was conducted by BIDS on 1246 rural households from 62 villages in 57 districts (Hossain, Bayes, 2009). Later in 2000 and 2008, same households were interviewed by IRRI and BRAC. Moreover, other required secondary information for this article is obtained from different publications of Bangladesh Bureau of Statistics (BBS).

Due to lack of available data for a longer time period, stationary Markov chain (MC) model is used in this study to assess the changes and predict participation of rural households in service sector of Bangladesh. Following MC model, it can be assumed that the probability of farm movement from one category at the period t to another category at time $(t+1)$ is not depend on the earlier periods. Transition probability implies the likelihood for the movement of farm among categories in certain time period. A stationary first order Markov chain is presented as (Zimmermann & Heckelei, 2012):

$$n_{jt} = \sum_{i=1}^J n_{it-1} P_{ij} \quad (1)$$

This equation explains that, the number of farms n in farm category j ($j = 1, \dots, J$) at time period t is equal to the sum over the total number of farms in all farm categories i in the previous period ($t - 1$) multiplied by their respective transition probabilities P_{ij} ¹. Transition probability matrix, P ($J \times J$) is a combination of all transition probabilities P_{ij} :

$$P = \begin{bmatrix} P_{11} & P_{12} & \dots & P_{1J} \\ P_{21} & P_{22} & \dots & P_{2J} \\ \vdots & \vdots & \dots & \vdots \\ P_{J1} & P_{J2} & \dots & P_{JJ} \end{bmatrix} \quad (2)$$

The probabilities hold both non-negativity condition and adding-up condition:

$$1 \geq P_{ij} \geq 0 \quad (3)$$

$$\sum_{j=1}^J P_{ij} = 1 \quad (4)$$

Transition probabilities of a farm that moves from farm type i to farm type j can be estimated by:

$$\hat{P}_{ij} = \frac{m_{ij}}{\sum_{j=1}^J m_{ij}} \quad (5)$$

Where m_{ij} indicates the number of farm movements from farm category i to farm category j in a period of time. In this analysis, the term 'farm' is replaced by 'household' as the interest of this study is to analyze the changing pattern of household's participation in different economic sectors rather than farm size change. Therefore, farm movement from one farm category to another indicates household's movement from one sector to another.

Structure of the economy

Over the last three decades, with the liberalization of trade and promotion of foreign direct investment, Bangladesh economy has moved to the market-oriented from the controlled. In trade liberalization, service sector's liberalization especially in communication and financial sub-sectors has prioritized (CUTS, 2008). Expansion of service sector is considered as one of the influential factors for the economic growth of the country. During the last decades, industry and service sectors have been flourishing in expense of shrinking agricultural sector. The contribution of industry sector increased from 17.31 to 29.61% between the periods of 1980–1981 and 2013–2014 respectively, whereas agriculture's share declined from 33.07 to 16.33% (Table 1).

The contribution of service sector increased from 49.62 to 54.05% within these periods. Moreover, overall GDP was growing at a rate of 6.16% in 2013–2014, which was mostly possible due to the high growth rate of industry and service sectors. Comparing to other South Asian countries, a consistent growth of service sector is found in Bangladesh over the years. On an average the growth of the service sector was 5.83% in 2013–2014, which was increased gradually from 3.55% in 1980–1981.

¹ In this analysis, the numbers of household category indicates household's participation in different economic sectors or activities, which is equal to 3 in this case.

Table 1. Share of broad sectors to GDP and growth rate during the period of 1980–2014

Sectors	1980–1981	1985–1986	1990–1991	1995–1996	2000–2001	2005–2006	2010–2011	2011–2012	2012–2013	2013–2014*
Agriculture	33.07 (3.31)	31.15 (3.31)	29.23 (2.23)	25.68 (3.10)	25.03 (3.14)	19.01 (5.50)	18.01 (4.46)	17.38 (3.01)	16.78 (2.46)	16.33 (3.35)
Industry	17.31 (5.13)	19.13 (6.72)	21.04 (4.57)	24.87 (6.98)	26.20 (7.45)	25.40 (9.80)	27.38 (9.02)	28.08 (9.44)	29.00 (9.64)	29.61 (8.39)
Service	49.62 (3.55)	49.73 (4.10)	49.73 (3.28)	49.45 (3.96)	48.77 (5.53)	55.59 (6.60)	54.61 (6.22)	54.54 (6.58)	54.22 (5.51)	54.05 (5.83)
Total	100.00 (3.74)	100.00 (3.34)	100.00 (3.24)	100.00 (4.47)	100.00 (5.41)	100.00 (7.18)	100.00 (6.64)	100.00 (6.72)	100.00 (6.14)	100.00 (6.16)

Note: figures in the parentheses implies growth rate; * Provisional value.

Source: BER (2014).

Table 2 presents the GDP contribution of different sub-sectors under service sector. It is clear from this table that 'wholesale and retail trade', 'transport, storage and communication', 'real estate, renting and business activities', and 'community, social and personal services' are the major contributors to the higher GDP share of service sector. Though these four sub-sectors are contributed the major portions, the share of GDP contribution of 'real estate, renting and business activities', and 'community, social and personal services' sub-sectors are decreasing over the years.

Table 2. Sub-sectoral contribution of service sector to GDP between 2005–2006 and 2013–2014

Sub-sectors	2005– 2006	2006– 2007	2007– 2008	2008– 2009	2009– 2010	2010– 2011	2011– 2012	2012– 2013	2013– 2014
Wholesale & retail trade	24.51	24.94	25.29	25.48	25.57	25.67	25.71	25.88	26.05
Hotel & restaurants	1.37	1.36	1.34	1.36	1.37	1.37	1.36	1.38	1.39
Transport, storage & communication	18.27	18.77	19.22	19.76	20.15	20.56	21.07	21.21	21.35
Financial intermediations	5.59	5.59	5.49	5.23	5.25	5.48	5.89	6.09	6.27
Real Estate, rent & business	14.91	14.53	14.26	14.10	13.88	13.57	13.24	13.04	12.86
Public admin. & defense	5.54	5.65	5.69	5.79	5.94	6.10	6.14	6.20	6.27
Education	3.92	4.00	4.06	4.08	4.07	4.05	4.09	4.13	4.22
Health & social works	3.65	3.60	3.61	3.54	3.57	3.57	3.48	3.47	3.44
Community & personal service	22.24	21.56	21.04	20.65	20.20	19.63	19.03	18.61	18.17
Total service	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: BER (2014).

On an average, 'wholesale & retail trade', and 'transport, storage and communication' provides almost half of the service sector's total GDP share to the economy. Besides, the sub-sectors 'financial intermediations', 'public administration & defense' and 'education' have also increased gradually in the last decade. The economic growth of the country is triggered by the increasing share of these sub-sectors as well as whole service sector.

In case of employment, share of agricultural sector is still prominent, though it has persistently decreased since 1995–1996 (Figure 1). Within last three decades, this sector's share dropped from 63.82 to 47.5% (BBS,

2010). On the other hand, service sector's employment is much lower than its contribution to country's GDP. In fact there is a large gap exist between the service sector's employment in rural and urban areas. For instance, in the urban area about 34.4% households were engaged in government and private owned service activities compared to 8.9% in the rural area (BBS, 2010).

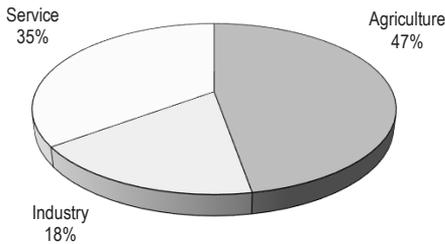


Figure 1. Sectoral composition of employment

Source: BBS (2010).

Table 3. Sub-sectoral composition of employment in service sector

Major Sub-sectors	Employment share (%)				
	1995–1996	1999–2000	2002–2003	2005–2006	2010
Trade & restaurants	11.17	15.64	15.12	16.46	15.53
Transport, storage & communication	4.21	6.41	6.77	8.44	7.39
Finance & business service	0.37	1.03	0.68	1.69	1.85
Public administration & defense			5.64	5.49	6.28
Community, social & personal services	9.34	13.08	6.09	5.49	4.25
Whole service sector	25.00	23.50	34.60	40.90	42.90

Source: BBS (2012).

However, employment in major sub-sectors of this service sector has shown an increasing tendency (Table 3). Employment in 'Community, social & personal services' is decreasing from 1999–2000 to till today, whereas other major sub-sectors are increasing over the years. Liberalization of telecommunication and financial intermediaries during the late 1990s and early 2000s mainly promoted the growth of employment opportunities in service sector. On an average, employment in service sector grew from 25 to 42.90% within last two decades.

Future development of the service sector

Households in Bangladesh are involved in different types of economic activities for earning their livelihood and they are also moving from one activity group to another over the period (1988–2000–2008). These sources of economic activities are broadly classified into following three sectors: (1) Agriculture, (2) Industry and (3) Service. The total number of observation is 510, which is collected and balanced from panel data set (1988–2000–2008). Table 4 presents the average transition probability matrix, where standard deviations of the transition probabilities across seven regions and 3 time periods showed by the small italic numbers below the mean probability values.

This transition probability matrix presents a typical pattern like other study on transition probability matrix (Zimmermann, Heckelei, 2012; Stokes, 2006), where the highest diagonal values of the matrix indicate the high probability to employ in the same sector like as previous time. In addition, the probability matrix also reveals lesser variability over time than region, which indicates changing sector's employment in different regions is much higher than they change it over time. Among the diagonal elements, highest value is found in household's employment in agricultural sector. Frequent movements among sectors are also found. Almost 20 and 25% of agriculture and industry based households are shifted to service based employment in 2008 as compare to 1988 respectively.

Table 4. Average transition probability of economic sectors (broad) change across regions & over time (%)

Economic activity in 1988	Economic activity in 2008			Total
	agriculture	industry	service	
Agriculture	67.95	11.88	20.17	100.00
SD region	0.058	0.03	0.04	
SD time	0.05	0.02	0.04	
Industry	18.63	56.54	24.83	100.00
SD region	0.04	0.10	0.08	
SD time	0.02	0.14	0.04	
Service	22.76	15.54	61.70	100.00
SD region	0.05	0.04	0.09	
SD time	0.03	0.08	0.02	

Source: own calculation based on panel data of 1988–2008.

To examine the future economic sector's structure, estimated transition probability matrix is used to forecast for the years 2018 and 2028 (Table 5). Both forecasts provide same direction of future sectoral changes of employment. Overall, the forecast suggests squeezing of agricultural activities and flourishing of industry and service sectors compared to the base period (2008). Household losing their interest on farming activities over the years, as farming is not a profitable business in Bangladesh nowadays. Moreover, household's participation in service sector will increase by 41.64% in 2018 and 58.31% in 2028, which are comparatively higher than industry sector in rural Bangladesh.

Table 5. Projected distribution of rural sectoral employment (%)

Economic activity	Percentage in base level (2008)	Projection for 2018		Projection for 2028	
		2018	change	2028	change
Agriculture	62.71	50.85	-18.91	44.07	-29.72
Industry	16.95	20.34	20.00	23.73	40.00
Service	20.34	28.81	41.64	32.20	58.31
Total	100.00	100.00		100.00	

Source: own calculation based on panel data of 1988–2008.

Conclusions

Expansion of service sector's contribution is one of the strengths of the country's economic development. Bangladesh economy has experienced significant change in the sectoral composition during last few decades.

Contribution of agriculture to GDP and employment has been decreasing in expense of increasing trend of industry and service sectors. Though overall service sector is improving day by day, there are some sub-sectors which are not expanding. Special attention should be provided on these sectors that will make service sector more forward. Besides, there are enough rooms for further improvement of service sector with the expansion of rapidly growing industry sector. For instance, export service, tourism, and hotel services are the area to be more developed in the near future.

Households, even rural households are now more interested to involve in service sector than agriculture or industry sector. Therefore, service activities should be decentralized and widely expand in rural areas. The requirement of education and financial services are increasing in rural areas and Bangladesh as well. Policy makers should consider all of these possible options to be make service sector and economy more developed.

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EVALUATION OF THE ORGANIZATIONAL ENVIRONMENT IN AN EDUCATIVE TECHNOLOGICAL INSTITUTION

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ABSTRACT

The organizational environment has been defined as the properties that affect the working environment in the coexistence between the worker and the structures or organizational processes. The objective of this research is to diagnose and analyze the organizational environment of the Administrative Staff in a Technological High School in Oaxaca, Mexico. The research was carried out based on the dimensions used by Bustamante Ubilla, Hernandez Cid and Yanez Aburto (2009). The results reported a general perception of the organization fairly favorable, identifying the dimensions identity, responsibility, supervision styles, support, warmth, work motivation, risk and structure were more favorable in relation to opportunity development, rewards, communication, job security as well as equipment, personnel and equipment distribution, influencing negatively on the organizational environment.

Introduction

The organizational environment has been defined as the properties that affect the working environment with bases for the perceptions that the worker has about the structures and organizational processes (Cárdenas Niño, Arciniegas Rodríguez, Barrera Cárdenas, 2009). The object was to diagnose and analyze the organizational environment of the administrative staff in a high school level institution, through the application of a survey used

by Bustamante Ubilla, Hernández Cid and Yáñez Aburto (2009) and by Domínguez Téllez, Tenopala ernández and Torres López (2013).

There are 71 items in the data collection instrument, which are distributed in fourteen dimensions: structure, responsibility, reward, risk, quality, support, conflict management, identity. Supervision style, motivation, work motivation, work stability, development opportunities, communication, just like equipment, the distribution of people and materials. These elements were taken from Bustamante Ubilla, Hernández Cid and Yáñez Aburto (2009) and it were applied to the administrative staff of the High School Institution "Centro de Bachillerato Tecnológico Industrial y de Servicios" N° 259 in Oaxaca, Mexico.

This paper is presented beginning with the literature review section, the research background on organizational environment in Mexico is presented, with analyzes of the concept and the indicators employed to evaluate the organizational environment. On the methodology section, the operational definition of the variables and the design of the collecting data instrument are included. Then, the analysis of the data is presented. At least on the results section, a table and a graph are presented for a better appreciation of the results.

Literature review

According to (Cárdenas Niño, Arciniegas Rodríguez, Barrera Cárdenas, 2009), the organizational environment has been defined as the properties that affect the working environment with bases for the perceptions that the worker has about the structures and organizational processes. The idea of organizational climate goes to the issues to determine the organizational effectiveness (Schneider, 1980) so that, there are theoretical perspectives referring organizational climate and organizational environment. As the theoretical research was made initially in Mexican Spanish, it is necessary to declare that authors refer to organizational environment in their studies instead of organizational climate.

For example, Martínez Méndez and Ramírez Domínguez (2010) developed one research applying a survey with five variables through the scale developed by Likert to a sample of 69 scholastics, finding as result that the motivational factors were different for the scholastics according to their workload, classifying the factors in economical (wages and salaries), social (groups and organizational environment) and psychological (accomplishments, power and self-esteem).

As well as Alcántara Enríquez et al. (2012) who tested and validated an instrument with 46 items grouped into six variables and he concluded that, with the validation of the model proposed, only by five of the six variables were allowed. González Herrera et al. (2014), analyzed the influence of leadership in the organizational environment and detected that the leadership exerts a greater influence over motivation and in a minor proportion in reciprocity.

Hernández Sampieri et al. (2014) constructed an instrument to measure the organizational environment in function of a model by values in competitiveness proven in a heterogenic sample of twelve organizations in 1,424 cases through a survey validated through the Mexican working environment using a likert scale type of two positive answers and two negative answers. The instrument was shown valid and trust worthy even though with a certain limit in the cultural hierarchy. By her part, Cruz Aquino (2014) realized an analysis of the organizational environment through three interviews with detailed questions and a survey proposal with 22 items, grouped in five dimensions and using Likert scale applied to 96 administrative workers of the Honorable Congress of Oaxaca State, resulting "work in a team" as the only one dimension to define the organizational environment. In this type of dependencies

leadership, the orientation of the results, feedback, and the motivation do not determine the organizational environment.

Bustamante Ubilla, Hernández Cid, Yáñez Aburto (2009) diagnosed the organizational environment of the regional hospital in Talca, identifying the variables and designing an instrument with fourteen dimensions and 71 items that allowed a gathering of information from the workers perspective, just like how to define the most important dimensions for the organization and to detect the dimension with a major difficulty in the organizational environment, working with an error of 5%, a level of trustworthy of 95% and with a variability of 0.25.

Later, in Huamantla Tlaxcala, Domínguez Téllez, Tenopala Hernández and Torres López (2013) used the same instrument designed by Bustamante Ubilla, Hernández Cid and Yáñez Aburto (2009) in a Textile Manufacturing Company dedicated to make swimsuits and sports equipment, in order to diagnose the organizational environment and to know the main factors that negatively affect the work environment, they found as result that the principal causes of inconformity in workers are risk, development opportunity and worker satisfaction.

Besides the many studies that have been developed in facts of organizational environment even in Oaxaca State, there is no research that lets us meet the organizational environment on a high school education institution with the purpose of quality and certification. Therefore, considering the dimensions proposed by the authors preceding us, it is important to diagnose the organizational environment for the administrative staff of the High School "Centro de Bachillerato Tecnológico Industrial y de Servicios" (CBTIS) No. 259. As result, the following question arises:

With a base on the dimensions proposed by Bustamante Ubilla, Hernández Cid and Yáñez Aburto (2009) and applied in the regional hospital of Talca and by Domínguez Téllez, Tenopala Hernández and Torres López (2013) in a textile manufacture company of Huamantla, Tlaxcala to focus in the administrative staff of the High School center "Centro de Bachillerato Tecnológico Industrial y de Servicios" (CBTIS) N° 259. What are factors that describe the organizational environment in a high school educative center in Oaxaca, Mexico?

Methodology

This investigation was based on a qualitative method with phenomenology analysis, in order to review the dimensions of the organizational environment and to obtain information close to the perception of study subjects with the example of the detailed interview to key informants in order to identify the main categories.

With the categories of the organizational environment and results from the qualitative analysis, a quantitative analysis was made, with one of the descriptive phases where the populations' indicators and statistics data were found. Under this, a factorial analysis was performed to analyze the scales' development and to establish the definition of the scales proposed and appropriate them in the qualitative phase. A correlation analysis was performed between the dimensions used in order to identify and define the organizational environment for the administrative staff in the educational center.

Three detailed interviews were realized with people known as key informers, parts of the organization, communication and administration in the institution. With the resulting categories from the qualitative analysis, a survey was designed based on the instrument used by Bustamante et al. (2009). A pilot test was applied and the reliability of the instrument was analyzed, a Cronbach's alpha coefficient of 0.713 was obtained.

Table 1. Statistical reliability

Cronbach alpha	Cronbach alpha base on the typified elements	Number of elements
0.713	0.710	71

Source: own elaboration.

The reliability coefficient of the instrument resulted close to 75% as the coefficient demonstrated by Bustamante et al. (2009), it proceeded to the implementation of the instrument in the whole administrative staff within 43 collaborators of the High School.

Data Analysis

According to the procedure followed by Bustamante et al. (2009), in order to obtain comparable data, the values were standardized in order that the average of each item was performed, not taking in mind the average of all items and the result divided by the standard deviation of the analyzed category, so this analysis allowed to determine how standardization near and far agrees with the final values of standard deviation (Bustamante Ubilla, Hernandez Cid, Yanez Aburto, 2009).

By observing the average dimensions, it can be seen that they are similar, reaching 3.05 points to all dimensions and standard deviation of 0.21.

Table 2. Absolute averages and Standardized Dimensions

No.	Dimensions	Average	Standardization
1.	Structure	3.08	0.12
2.	Responsibility	3.33	1.28
3.	Reward	2.87	-0.82
4.	Risk	3.12	0.32
5.	Quality	3.22	0.79
6.	Support	3.18	0.60
7.	Conflict management	2.84	-0.97
8.	Identity	3.48	1.99
9.	Supervision styles	3.21	0.73
10.	Motivation	3.13	0.37
11.	Work stability	2.83	-1.03
12.	Development opportunities	2.83	-1.03
13.	Communication	2.85	-0.94
14.	Equipment, human and material distribution	2.75	-1.41
All of the dimensions average		3.05	
Standard deviation		0.21	

Source: self-elaboration using SPSS.

According to the second table it is observed that the dimension “equipment, distribution of the people and materials” is the one that was found further below the medium with 2.75 points, equivalent to a standard of -1.41,

in which the statement “the number of people that work in the institution is appropriated for the quantity of work realized” emphasizes, with a -1.41 standard. On the positive side, the dimension “identify” shows 3.48 Likert points and a standardization of 1.99, highlighting the statement “I am interested in making this institution the best” with 1.15 standard points.

The rewarding dimensions such as Conflict Management, working stability, development opportunity and communication were found in the negative range of the standardization. The rewarding dimension represents an average of 2.87 with a standardization of -0.82 , up next the dimension of Conflict Management represents an average of 2.48 points and -0.97 standard points, afterwards the dimension of working stability and the development opportunities show an average of 2.83 points and a standardization corresponding to -1.03 standard points.

On the other hand, the dimension of communication holds an average of 2.85 with a standardization of -0.94 . The most representative statement in these dimensions is “in this institution we are informed about subjects that we should know” with -1.58 . According to the statement with a positive standard in these dimensions we find the statement “In this institution many critics exist” with a stander of 1.66.

The structure, responsibility, risk, quality, support, supervision styles and motivation dimensions were found in a standard positive range; the structure dimension shows an average of 3.08 Likert points and a standardization of 0.12, after words, the responsibility dimension holds an average of 3.33 and a standardization of 1.28; the risk dimension presents an average of 3.12 points and 0.32 in standard. Thus the quality dimension showed an average of 3.22 and a standardization of 0.79: the support dimension shows an average of 3.18 and a standardization of 0.60: then the supervision styles dimension presents an average of 3.21 with 0.73 standard points. At least, the motivation dimension that holds a 3.13 medium and 0.37 for standardization.

The most representative statement within these dimensions was “Those who lead this institution prefer that, if one is doing his job right, they should go forward with confidence rather than consult everything with them” with 1.77 standard points followed by the statement “In this institution people do not trust others” with a standardization of 1.57. As for the statements with a negative standardization was found that “The direction of this institution cares about people, how they feel and their problems” with a -1.71 standard points and “The best way to have a good relationship with the boss is to not contradict him.” With -1.32 .

With all the previous results, it was possible to determine, according to the main standard measurements that some dimensions show a major development in the organizational environment of the administrative staff in the High School, among the one that highlights the dimension “identity” with a 1.99 standard value and within it the expression “I am interested in making this institution the best” with 1.15 points, which shows the interest from the staff to aid the institution in which managers need to make proposals for improvements that allow them to grow as individuals and as an organization.

However, the respondents believe that people working in this institution is not appropriate for the amount of work done, which matches the information provided by the detailed interviews applied within the institution, in which according to their perception there are areas uncovered, therefore, it is important to make the necessary managements in order to attract a major number of administrative staff in order to cover the missing areas.

Hypothesis proof

The procedure for hypothesis testing began with a factorial analysis applied to the data resulting from the application of the survey. In order to analyze each of the variables using techniques that allowed the tabulation,

presentation and statistical analysis of data in the program SPSS (Statistical Package for the Social Sciences), where the extraction method of components was used with a level of perceptual descriptive research.

Table 3. Matrix components

Matrix of rotated components a				
no.	statement	components		
		communication	conflict management	structure
65.	Everything we have to do is clear because it is well explained and on time	0.883		-0.232
68.	There is a good communication between the different departments and units that work generally together	0.867		-0.133
51.	The bosses handout information to their workers depending on their job performance	0.844	0.120	0.183
61.	The institution is characterized by a constant concern about the development and training of staff.	0.808	0.234	0.188
6.	The basic criteria for assigning tasks in this institution is the ability of each person	0.766	0.187	
17.	In this institution there is greater concern for emphasizing a job well done than a bad one	0.714		-0.289
39.	Here we are encouraged to say what we think, even if we disagree with our leaders		0.916	0.160
64.	In this institution we are kept informed about the matters we should know		0.837	0.201
35.	The direction of this institution cares about people, how they feel and their problems	0.265	0.810	-0.181
4.	In some activities in which I have been asked to participate, I did not know exactly who my boss was	-0.338		0.820
60.	I believe that at any time I can lose my job in this institution	0.291	0.473	0.725
Extraction Method: Principal component analysis				
Rotation Method: Varimax with Kaiser Normalization				
The rotation converged in 4 iterations				

Source: own formulation.

As observed, the items were grouped only in three components and among them there are those that predominated such as Communication, conflict management and the 14 proposed by Bustamante Ubilla, Hernandez Cid and Yanez Aburto (2009) and by Dominguez Tellez, Tenopala Hernandez and Torres Lopez (2013) to measure the Organizational Environment. As a final test of reliability, Cronbach's alpha with the 3 components from 11 items resulting in a coefficient of 0.816, demonstrating its reliability.

Table 4. Statistical reliability

Cronbach alpha	Number of elements
0.816	11

Source: own formulation.

The results obtained were different among the dimensions considered in the Hospital of Talca, the textile manufacturing company in Tlaxcala and the Administrative Staff of the Educational Center, as the organizational environment was only defined by communication, conflict management and structure variables, that may be due to a smaller sample than those used in bigger organizations.

Conclusions formulation

Table 5. Summary by Dimension & Percentage

Position	Dimension	Highest points	Points	Percentage of the highest points (%)
1.	Identity	1,015	706	70
2.	Responsibility	1,160	771	66
3.	Supervision styles	870	558	64
	Support	725	461	64
	Quality	870	560	64
4.	Work motivation	435	272	63
5.	Risk	580	362	62
	Structure	1,015	625	62
6.	Development opportunities	435	258	59
7.	Reward	870	500	57
	Communication	725	413	57
	Conflict management	725	412	57
8.	Working stability	435	246	57
9.	Equipment, human capital and material distribution	435	239	55

Source: own formulation.

As we can observe with the previous analysis, all of the dimensions were found located in an average level of the organizational environment; even though we should highlight that the identity dimension is the most representative considering the highest points according to the number of questions (70%), followed by the responsibility dimension with a percentage of 66%, in third place the supervision styles, support, and quality dimensions are located with a score higher than 64%, as next work motivation represented with a 63%. The risk and structure dimensions were found in fifth place with 62%, development opportunity with 59%. In sixth place followed by reward, communication, Conflict Management and work stability dimensions were found with a 57% of the total score by dimension and in last place equipment and distribution of human capital and materials with a 55%.

While it is true that the dimensions show an average level of organizational environment, we recommend the managers of the institution, especially in the dimensions such as reward, communication, conflict management, work stability, equipment, and distribution of the human capital and materials, to implement meetings in order to inform the staff about the developments, guidelines and procedures to leave no doubt about them.

In the job stability dimension, the process of National Education Reform, approved in 2014 by Federal Government, has left uncertainty in the staff that could be causing insecurity to keep their jobs, so it is important

for managers to investigate, inform and train staff, so they might have a more stable working environment and a certainty about their work.

Regarding the dimension of equipment and distribution of human capital and material, it is necessary to identify the need of resources so that, if necessary, a staff redeployment can be made to take advantage of their capabilities and potentialities and in the meantime, let them get enough equipment and materials that promote their job performance on time.

Despite the previous result from the statistical analysis, which showed in the test conducted at the High School, the organizational environment is defined by three variables distributed under their degree of significance as Communication, Conflict Management and Structure, it is suggested to follow the questionnaire (Table 6) to measure the organizational environment, consisting of 11 items.

- strongly disagree,
- disagree,
- neither agree nor disagree,
- agree,
- strongly agree.

Table 6. Survey with validated items

No	Affirmations	1	2	3	4	5
1.	Everything we have to do is clear because it is well explained and on time					
2.	There is a good communication between the different departments and units that work generally together					
3.	The bosses handout information to their workers depending on their job performance					
4.	The institution is characterized by a constant concern about the development and training of staff					
5.	The basic criteria for assigning tasks in this institution is the ability of each person					
6.	In this institution there is greater concern for emphasizing a job well done than a bad one					
7.	Here we are encouraged to say what we think, even if we disagree with our leaders					
8.	In this institution we are kept informed about the matters we should know					
9.	The direction of this institution cares about people, how they feel and their problems					
10.	In some activities in which I have been asked to participate, I did not know exactly who my boss was					
11.	I believe that at any time I can lose my job in this institution					

Source: own Formulation.

Conclusions

According to the objectives in this investigation it was possible to diagnose and analyze the organizational environment in a High School Educative Center in Mexican South East, based on the dimensions raised by Bustamante Ubilla, Hernandez Cid and Yanez Aburto (2009), concluding that identity dimension is one of the most outstanding and it is above average in the diagnosis and analysis of organizational environment in the High School evaluated, along with the structure, responsibility, risk, quality, support, supervision styles and motivation dimensions are in the positive range of standardization.

On the other hand, among the dimensions on the negative plain below the average, the dimensions emphasized are equipment and distribution of human capital and material, which are found farthest from the average followed

by reward, conflict management, job stability & development opportunity and communication dimensions. It was also determined that identity, responsibility, supervision styles, support, quality, work motivation, risk and structure dimensions were more favorable in relation to development opportunities, reward, communication, job security and finally, equipment, and distribution of human capital and material dimensions.

When analyzing and comparing the dimensions used by Bustamante Ubilla, Hernandez Cid and Yanez Aburto (2009) and Dominguez Tellez, Tenopala Hernandez and Torres Lopez (2013) in which the purification of components was applied, it allowed to identify that only three of 14 dimensions proposed were able to define organizational environment, such as communication, conflict management and structure, within a Cronbach's alpha of 0.816, so it is proposed as a suitable instrument to measure organizational environment in educative institutions among others.

Regarding to the factors that influence negatively, it was identified that development opportunity, reward, communication, conflict management, work stability, in addition to equipment, and human capital & Material distribution dimensions interfere in a negatively way on the organizational environment of administrative staff in high school analyzed (Centro de Bachillerato Tecnológico industrial y de servicios No. 259). It is possible to define the organizational environment of the administrative staff in the high school establishing that it is on an average level from the scores obtained.

Regarding to the General Hypothesis, it was found that the organizational environment of the administrative staff in the High School is not defined by the following dimensions: structure, responsibility, reward, risk, quality, support, conflict management, identity, supervision styles, work motivation, work stability, development opportunity and communication. It is defined just by equipment and distribution of human capital & materials proposed by Bustamante et al. (2009) in the regional hospital of Talca and by Domínguez et al. (2013) in a textile manufacturer company in Huamantla, Tlaxcala, since the result of the exclusion method components it is only measured by Communication, Conflict Management and Structure dimensions.

Finally, as this study was applied to the administrative staff of the high school (Centro de Bachillerato Tecnológico industrial y de servicios No. 259) it is left open to the possibility of an after study on the organizational environment for scholastics in the same institution or other related institutions or organizations, where this can serve as a reference tool that may allow to know and implement development alternatives for these organizations.

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PROCESS OF CREATION SOCIAL INNOVATION AS A EXAMPLE OF INNOVATION IN SERVICES ACCORDING TO THE CASE OF CULTURE AND CREATIVE INDUSTRIES INCUBATOR IN SZCZECIN

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ABSTRACT

There is a growing need to reconcile the global discourse around the cultural and creative industries with the needs of the local community in building both creative places and initiatives, including the creation of social innovation which will contribute to make changes and building social capital which refers not only to the institutions, relationships, but also to norms that shape the quality and quantity of a society's social interactions. With respect to the local culture and creative industries in Szczecin, Culture Incubator was established to bring together artists working in the fields of culture, arts and heritage. The activities are concentrated in the Incubator of Culture to contribute to strengthening regional potential of cultural diversity and its ability to implement innovative solutions and services that improve the quality build added value to the life of the local communities.

Introduction

The article presents a case study Culture Incubator model in the regional market – Szczecin in Poland. On the basis of this case study model of social innovation has been deployed to carry out the changes in the local culture of innovation at community level and society. In this study business model approach was presented as a way of designing innovation in services in order to strengthen local artists in getting into the creative process of emerging

artistic community. The results show a lot of different drivers, and a combination of factors that determine success in the organization of creative culture in the regional market.

Literature review

The ambiguity of the concept of innovation provides many opportunities for its interpretation. This aspect offers the possibility of examining innovation on many levels, in a way convenient for many customers, and thus, brings the opportunity to grow economies through innovation, creative skills not only scientists, researchers, but also other members of societies in different forms not only technological developments but and social (Olejniczuk-Merta, 2013).

By analyzing models of innovation we can see that innovation is not only the result of the evolution of economic phenomena but also social processes involving people on many levels and from different backgrounds not only in economical approach. We can observe rapid development of the concept of innovation in a social context. Just as a general term innovation and also social innovation is defined broadly and in many ways.

According to the European Commission's concept of social innovation means developing new ideas, services, with the participation of public and private stakeholders, including civil society, to better solve social problems and improve social services (Figure 1). Considering the social innovation wider in general, it should be interpreted as new ideas, products, or models for actions that meet societal needs and create new social relations and cooperation between different interest groups in society (Kwaśnicki, 2013).

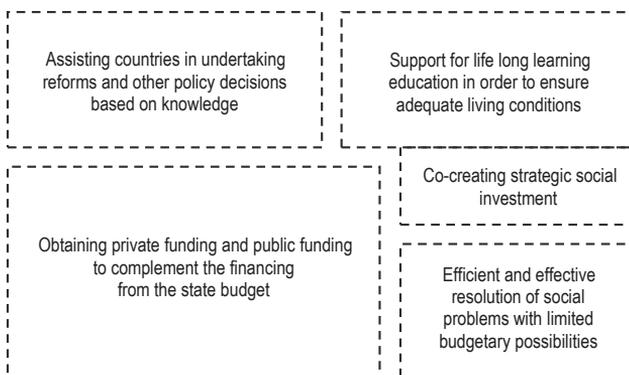


Figure 1. Social innovations possible areas of application

Source: <http://ec.europa.eu/social/main.jsp?>

It is noted that in order to ensure sustainable development socially, economically and environmentally new idea at social policy, health and employment policy is necessary. It is therefore necessary to develop innovative approach to education, training and skills development, supporting entrepreneurship, development of cities, regions, and many other issues. Social innovation can be a appropriate solution in this area. Social innovation will play a crucial role in addressing several key areas like supporting people in life long learning, strengthen evidence – based knowledge in policy making and also bring private and non-governmental partnerships.

The process of creating social innovation do not particularly entrenched by numerous of methodological requirements. According to the European Commission social innovativeness measures those activities that are based on the original use of the resources shown in the diagram below (Figure 2).

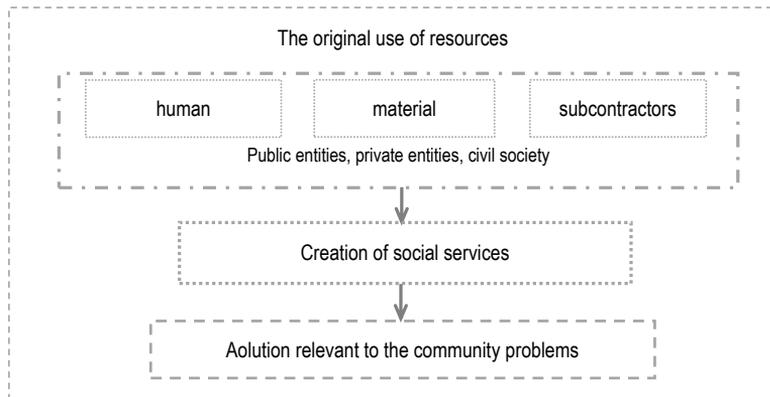


Figure 2. The process of creating social innovations

Source: own compilation based on Olejniczuk-Merta (2013), p. 21.

A characteristic feature of social innovation should be no restrictions in proposing new solutions. They should break the existing schemes, should be innovative in their approach to solving social problems. This may involve the use of both proven solutions for new social groups or activity area, as well as to develop fresh, and even experimental solutions for well-known but still important issues (Dabek, 2015). From year to year can be seen more and more examples of social innovation both in the European Union, as well as in Poland.

Method

Creative industry covers actions that stem from individual creativity and talent, and which are both potential wealth and employment creation through the generation and exploitation of intellectual property rights (Podwójna ochrona dla kreatywnych, 2015). The creative sector is recognized for several years as a sector that is going to be a motor for development in Europe, being among other things, one of the largest employers in Europe.

Creativity is crucial for sector and contributes actively to the creation and development of social innovations. What's more, the creative sector includes in its scope a number of industries (advertising, film and video, architecture, music etc.) that can naturally create social innovations based on the novelty, the use of new media, art and social inclusion. Multidimensionality is needed for development of innovation, social innovation as well as in the creative industries so that they can become an instrument of multiple layers of socio-economic development. Role of interaction design and interaction designers in social innovation is very important and should covers areas of activates creating creative communities, collaborative services, collaborative consumption, sustainability – ecological, social and economical, designing networks, policy and governance. Creative industries have lots of aspect which presents the figure below.



Figure 3. The dimensions of the creative industries

Source: „Analiza potrzeb i rozwoju przemysłów kreatywnych” made on behalf of the Ministry of Economy and „Newslettera przemysłów kreatywnych” formed under the Creative self-employed, *Przemysły kreatywne* (2015).

Social innovation through its interdisciplinary and innovative character are present in the creative sector entities not only in theory but also in practice. This connection can be observed through the application of design thinking tools in the development of social innovations. This application is a relatively natural because in order to successfully implementation of innovative solutions in the social space can not be done without empathy and a thorough understanding of the needs of society (Design Thinking, innowacje społeczne, kreatywność, 2014).

Designers have traditionally focused on enhancing the look and functionality of products. Recently, they have begun using design techniques to tackle more complex problems, such as finding ways to provide for example low-cost healthcare, environmental friendly production. Businesses were the first to embrace this design thinking approach and nonprofits organizations are beginning to adopt it too (Brown, Wyatt, 2010). Creativity plays a fundamental role in social innovation. Creative spill-over is a process by which the interactions between artists, creative professionals and industries and/or cultural organisations contribute to economic and/or social innovation in other sectors of the economy or society. The spill-over process takes place when creativity originating from culture and creative professionals and industries influences innovation in sectors where culture and creative professionals do not usually evolve. Spill-over is about processes questioning rigidity and contesting the systematic, relying on the unpredicted able or unwanted surprises born from the meeting of diverse skills and competences (European Commission DGEAC, 2010).

Results

Contemporary literature, especially the one from United States, is discussing issues related to innovation and the development of the company, stresses the importance of business models that determine the way in which the company/organization utilizing its resources and expertise, affects the market position and its growth. The business model can therefore be used to describe the company for which only innovative solution does not guarantee

success, if it doesn't have a customized network of partners, distribution channels, resources, key activities, offers, customer relations, customer segments, as well as the cost structure and income.

Osterwalder and Pigneur (2010) show the business model as a conceptual tool comprising a set of elements and their relationships, and allowed to characterize the company's business logic. However, few studies have focused on implementing the business models of organizations operating in the cultural and creative industries.

There are different approaches to the concept of business models that make it difficult to clearly identify those factors that have the greatest impact on companies operating logic. In addition, the business models are an important tool to facilitate decision-making. The exact structure of the current business model and an example of the logical components of enterprises "and determine the strategic direction of the organization.. The business model is also an open system organizations, including relationships with environmental organizations, with where supply is taken then converted outputs (products, services, funds), and then forwards them to the environment. There is a certain value of all the stages of transition, from conception – The idea of meeting the needs of the environment The key to success is planning and coordinating of strategies, in line with customer expectations. As well as controlling the activities, which the company introduced to the market in order to benefit on the basis of promises and uses what he receives in return. An example of definition where the money is the main theme is the definition of Malone (2004). The definition of this author says, that the business model describes what the company does to earn money. The business model by Afuah (2004) presents its as a set of actions, which the company leads the way and deadlines for their implementation so as to ensure benefits for customers and profit for themselves. As suggested by Oblój (2002), the business model is to combine technology and business strategic concept and its practical implementation. Osterwalder and Pigneur (2010) are the most popular authors recently writing and studying business models that assume that the business model is a tool that includes a set of components and their relationships, allowing to characterize the company's business logic. According to Osterwalder and Pigneur (2010) the business model of the organization canvas must be completed. To present these key activities are the following points taken into consideration: novelty, productivity, personalization, aesthetic value and quality of design, brand, price, cost reduction, risk reduction, accessibility and usability. Information on relationships with customers may be related to customer service, personalized customer service, self-service, and contribute to the leading product/service. The exact characteristics of the clients must also solve the problem: the mass market, niche market, multilateral segment of the market, market. The cost structure refers to the main sources of costs generated by the organization.

Results supply

"Media Dizajn" Association has used process of design thinking to create the Incubator of Culture. To achieve multi-perspective co-creative business model that suggested by Osterwalder and Pigneur was also used (2010). Culture Incubator funded by the local government Szczecin in 2011, focuses mainly on non-profit organizations working in the field of culture, arts, heritage and people working in the same area. The value proposition is to help those associated partners become self-empowerment organizations operating in the cultural and creative industries, in a period no longer than 30 months. In addition, the aim of the incubator is to support artists, becoming a reliable partner in business, science, public administration and industrial relations.

The authors considered Incubator of Culture in the ecosystem in order to create value and innovative solutions. Key partners of the incubator comes from three different fields and constitute a government – City Hall as

a founder and the Marshal Office of the West Pomeranian; Science – University of Szczecin and the Academy of Arts; business environment institutions Technopark Pomerania.

Activities of Culture Incubator are based as an experiment model to follow not existed before. Culture Incubator clients are organizations, informal groups and individuals that are new on market or those that have low competence management and require the support of the incubator. Cultural Incubator has three segments of creative workers: associations and foundations, informal group, individual artists.

All organizations, informal groups and individuals associated in the incubator have their seat and the possibility to use paid premises – key resources (offices, open space, rooms, cinema, guest rooms), technical equipment, and services for sharing data and knowledge. It is also possible to have in incubator only postal address (virtual office) for correspondence instead of having a seat.

Culture Incubator Key actions include education process, sharing knowledge and experience through participation in free workshops, seminars and consultations. This education in the field of accounting, finance, marketing, copyrights, applying for external funding, including grants and participation in projects. The aim of the creative workforce education is to prepare them in the incubation period for the management of autonomous non-profit organizations. Currently, new sessions are away, "let's go together" – multi-day trips for representatives of the creative class. In addition to the whole key activities of the Incubator of Culture, numerous relationships with customers, which are held every year are modified. The purpose of customer relationships is to strengthen cooperation between related organizations and continue it in the long run. The result is to establish long-term partnerships and build mutual trust based on a social contract. Accordingly, Culture Incubator includes various channels (newsletter, website and social media) to present the best practices in the field of cultural and creative industries and cross-border industrial cooperation. In 2014 the main subject is focused on cultural animation. The intention was to find a cultural animation leader – a person who – with his knowledge and social competence – is able to achieve long-term cooperation based on partnership relations and the environment. Culture Incubator cost structure is divided into two parts. The first part refers to the cost of maintaining the infrastructure: electricity, heating, rent and other media, which accounts for about 80% of all costs. The second part covers the costs of management and services, which is 20% of the total cost of the incubator. All costs are covered by revenue. Revenues came from the City of Szczecin Culture Incubator is a project of outsourcing public services conducted by the Media Dizajn Association. The idea of – this project is to revitalize Villa – based infrastructure in the city center, which should offer services in the cultural sector. As one of latest initiative of Incubator of Culture was project Recreation – Professional Social Manager. Intensive work, planning and acquiring leadership skills, and non – formal education. Recreation team creates a group of animators from the Szczecin Metropolitan Area and designated in the recruitment process. 21 leaders designed together 7 micro project that came directly from end users – citizens of city needs. Some ideas are still in operation even if the projects ends.

Conclusions

During the study we found that business model as a tool for containing conceptual elements and their relationships allowed the identification of non-profit organizations operating in the business logic in the cultural sector. These results extend those Osterwalder and Pigneur confirming that the logic of the local cultural industry structure, under which the organization makes a profit, and provides added value from the use of the environment, while meeting clients, determines the success of not – profit organizations in the cultural sector. In addition, we have

created an interdisciplinary team to meet the needs of potential customers within limited competition guidelines contained in an open discussion.. In connection with this study indicate that the process of design thinking can be extended to the business model to fully identify needs and create social innovations for the cultural and creative industries in the community. Results of our study provide evidence that Culture Incubator creates conditions for local artists to get creative process emerging artistic.

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