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FOREWORD

The Journal of Business Management includes papers devoted to a wide range of management topics: idea management, design management, etc.

A reasonable proportion of the papers in this issue are devoted to management possibilities which are connected with IT solutions.

It is also noteworthy that two of the papers are devoted to the concept of the value system and its connection with management solutions.

We believe that these research directions are becoming more and more important.

All the papers were double-blind peer reviewed. Following the necessary corrections and additions resulting from the review process, 11 accepted papers were included in the issue.

Head of the Editorial Board,
Professor Dr. Vulfs Kozlinskis
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IDEA MANAGEMENT AND ORGANISATIONAL EFFECTIVENESS: A RESEARCH GAP

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**Abstract**

*Purpose:* present an overview of idea management (IM) and organisational effectiveness (OE) literature trends, identify if there is a research gap, and make suggestions for future research in this field.

*Approach:* the research is based on a literature review. This detailed literature review has considered 75 scientific publications, conference proceedings, books and popular market reports published over 34 years, i.e., from January 1982 to February 2016, in all research fields about IM and more than 130 scientific publications about OE over the last 47 years, i.e., from January 1969 to January 2016.

*Findings:* it has been concluded that there is a tendency in literature to focus on internal IM, but from 2006 the situation started to change and more external and mixed IM application approaches have been researched; the authors have also summarized the main applied research methods and focuses. From 1969 till 2004 OE literature is fragmentary, but from 2004 there are substantive literature sources about OE. The research results show that OE has become especially topical in the last decade. The most frequently applied and mentioned OE models are the Goal Attained Model and the Competing Values Model, while the most commonly applied approach is the multidimensional approach. The authors have summarized 199 potential OE research dimensions. The results of the research revealed that there is a research gap – no studies focusing on the relationship between IM and OE. This is a topical theme and the authors have highlighted 5 main possible future research directions to bridge IM and OE, which shows that this topic has scientific potential.

*Research limitations:* data collection from 7 databases within these periods – IM literature from January 1982 to February 2015, OE literature from 1969 to January 2016.

*Value:* this paper fulfills an identified need to explore if there is a research gap between OE and IM research. The study also aims to clarify the domain of IM and OE by summarizing the main OE dimensions that are normally found in the OE literature and the main elements of IM. The concept of OE is encountered repeatedly in the organisational literature, but few serious attempts have been made to explain the construct either theoretically or empirically – this research has summarized 199 OE dimensions and is the largest scientifically gathered OE dimension list that aims to explain the OE construct. The added value of this research in an IM context: (1) explored the latest literature (published in 2015) on IM and IMS; (2) created a holistic view of IM and IMS. The main contribution of the research – it reviews IM and OE literature tendencies and synthesizes them to outline future research directions.

*Paper type – literature review*

*Keywords* – idea management, organisational effectiveness, literature review

**INTRODUCTION**

One of the main topics in management science is organisational effectiveness (OE) (Goodman & Saks, 1977; Biswas, 2010) and studies are mainly conducted to increase OE (Noruzi & Rahimi, 2010). In recent decades the topicality has grown rapidly based on increasing scientific and practical interest in the topic (Mausolf & Spence, 2008; Lecy, Scmitz & Swedlund, 2012). Researchers have concluded that OE is multidimensional (Angle & Perry, 1981; Campbell et al., 1974; Dension, 1990; Kataria, Garg & Rastogi, 2013) and OE dimensions and influencing factors may vary (Steers, 1977; Stevens, Beyer & Trice, 1978). The authors of this research would like to explore the level of research on OE and idea management (IM) or its systems (IMS) relations. The authors suppose that IM could influence OE,
because it is closely related to several results and benefits for an organization. For example, Karanjikar (2007) points out that IM is one of the elements that facilitate success in the information age, and Dorow et al. (2015) have noted that ideas are an endless source of competitive advantage. There are numerous literature sources with a modest literature review (most of this literature review sources have literature review elements) about IM (Rose & Jensen, 2012; Mikelsone & Liela, 2015) and OE (for example, Keeley, 1984; Lewin & Minton, 1986; Cunningham, 1977), but in these studies there is no evidence about the relationship between IM and OE. So the question arises – is there really a research gap? Previous IM literature research (Mikelsone & Liela, 2015) shows that there is, but it is possible that evidence of these connections could be found in OE or the latest IM literature. That is the reason why there is a need for a focused and up-to-date literature review. It is important to research this relationship, because OE and IM have been researched for more than 5 decades and nowadays the scientific topicality of these topics has only grown. OE is one of the main tasks in organizations, while IM could provide benefits in several outcomes through the process of idea generation, evaluation and development. In the last decade many leading world organizations have started to apply web-based IMS. The novelty of this literature review is that it not only focuses on IM and OE literature tendencies but also aims to clarify the domain of OE and IM/IMS by summarizing the main characteristics of IM/IMS and the main OE dimensions. Because these terms lack well-established definitions the authors have created definitions for them. The scientific problem dealt with in this article: to fill the research gap and to research both IM and OE literature to explore their previously scientifically explored connections (is there really a research gap?) and make suggestions for future research.

The research aim: present an overview of idea management (IM) and organisational effectiveness (OE) literature trends and identify if there is a research gap and make suggestions for future research in this field.

Research tasks: (1) to manage research in scientific databases to explore literature about IM and OE and to analyse if there is a research gap; (2) make conclusions and suggestions for future research.

Research method: the research is based on a theoretical research method – literature review.

Research base: literature sources from 7 databases: Scopus, ScienceDirect, Google Scholar, Sage Journals, EBSCO Academic Search Complete, Emerald, Web of Science. The research mainly uses secondary sources (scientific papers, books, etc.).

The review is structured as follows. First, the authors explain the scope and process of the review. Second, the authors analyse IM and OE literature trends. Third, they synthesise information to explore if there is a research gap and make suggestions for future research.

Research methodology

The research is based on a theoretical research method – literature review. The literature review was divided into 4 research stages: (1) to research 7 scientific databases to explore literature where “idea management” and “organisational effectiveness” are mentioned; (2) to select literature specifically about IM and OE; (3) to exclude duplicates; (4) to analyse the selected literature. In the first research stage 4,283,216 literature sources in which “idea management” and 1,029,401 literature sources in which “organisational effectiveness” was mentioned were found. In the second research stage literature specifically about IM and OE was selected and duplicates were excluded. 75 IM and 133 OE literature sources passed the third stage.

After Stage 3, the selected literature was analysed in a systematic review using a 3-step approach (Boiral, 2012): 1) development of a review protocol; 2) data extraction (separate IM and OE analysis); 3) and information synthesis (connections between IM and OE, research gaps, and suggestions for future research). The development of a protocol is essential to codify as precisely as possible the way studies have been collected to answer a specific research question, namely: (1) what is IM / IMS and OE – their research tendencies – and (2) is there a research gap?

Research results

1. IDEA MANAGEMENT

In previous studies (Mikelsone & Liela, 2015, 2015a) the authors conducted a detailed literature review on IM. The added value of the present research is as follows: (1) it explored the latest literature (published in 2015) on IM and IMS; (2) it created a holistic view of IM and IMS, since previous studies have analysed different aspects of IM and IMS separately. The authors of the research have concluded
that the latest literature supports and does not conflict with the results of previous research. The holistic view of IM and IMS is reflected in Table 1.

**Table 1**

**Holistic view of IM and IMS**

<table>
<thead>
<tr>
<th>IM dimensions</th>
<th>IMS type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea generation (preparation, capture/gathering of ideas, retention, enhancement)</td>
<td>IMS – tool, tool kit or complex system which provides a systematic, manageable process of idea generation, evaluation and development</td>
</tr>
<tr>
<td>Idea evaluation (screening, selection, retention)</td>
<td></td>
</tr>
<tr>
<td>Idea development (concept development, distribution of ideas, support during implementation with repeated IM and rewarding, retention)</td>
<td></td>
</tr>
</tbody>
</table>

**IM – systematic, manageable process of idea generation, evaluation and development**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Functions</td>
<td>Type of focus</td>
<td>General realization</td>
</tr>
<tr>
<td>Focus on idea generation</td>
<td>Unfocused process</td>
<td>Suggestion e-mail; real-life activities</td>
</tr>
</tbody>
</table>

The results of the authors’ previous research (Mikelsone & Liela, 2015a) revealed that definitions of IM have not changed fundamentally over time, but there is a wide variety of definitions of the terms IM and IMS, while there are some fundamental common characteristics – IM is viewed as a process which includes generation, evaluation and development of ideas. But there are some additional features proposed in some of the definitions, for example, Brem and Voigt (2009) – collecting/idea creating, idea profile, sifting, classifying; Boeddrich (2004) – adoption, clustering, screening, selection, improvement of ideas; Coughlan and Johnson (2008) – declared idea communicating stage; Saatcioglu (2002) – seeking of ideas and realization of ideas; Fritz (2002) – storage of ideas; Shani and Divyapriya (2011) – distribution of ideas; Bakker, Boersma, Oreel (2006) – selling and funding of ideas. The authors conclude that these features could be included in the definition of the term IM.

In a previous study based on an analysis of 70 literature sources (Miķelsone & Lielā, 2015a), the authors created a definition of the term IMS – IMS is a tool, tool kit or complex system that provides a systematic, manageable process of idea generation, evaluation and development. This definition is supported by the latest literature sources. The authors concluded that IM is a wider and more uncertain term than IMS and describes the process, while IMS is a more specific sub-term of IM and describes a method or a tool that provides a systematic approach to IM.

The authors have created a holistic overview of general IM and IMS research and application approaches and their research methods. The holistic view of IM and IMS research and application approaches and their research methods can be found in Table 2.
### Holistic view of the main IM/IMS research and application approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Focuses</th>
<th>Methods</th>
<th>Approach</th>
<th>Focuses</th>
<th>Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social</strong></td>
<td>Creation of new IMS, classification, model, evaluation of IMS effectiveness</td>
<td>Literature review, simulation, questionnaires, observations, case studies</td>
<td><strong>Internal IM</strong></td>
<td>IMS tests</td>
<td>Focus group, literature review, simulations, interviews, questionnaires, observations, case studies, studies, statistics, literature reviews, interviews, and statistical methods.</td>
</tr>
<tr>
<td>For example, Bailey and Horvitz, 2010; Barczak, Griffin and Khan, 2009; Bjork and Magnusson, 2009; Boeddrich, 2004; Coughlan and Jahanson, 2008; Flynn et al., 2003; Galbraith, 1982; Gish, 2011; Green, Bean and Snively, 1983; Nilsson, Elg and Bergman, 2002; Pundt and Schyns, 2005; Aagaard, 2012, 2013; Bansemir et al., 2009; Bassiti and Ajhoun, 2013; Bergendahl and Magnusson, 2014; Bettoni et al., 2010; Deichmann, 2012; Fatur et al., 2009; Glassmann, 2009; Iversen et al., 2009; Klein et al., 2010; Lower and Heller, 2014; Moss et al., 2011; Perez et al., 2013; Poveda et al., 2012; Selart and Johansen, 2011; Shani et al., 2011; Vagn et al., 2013; Zejnilovic at al., 2012</td>
<td><strong>Structural</strong></td>
<td>rodsourcing</td>
<td><strong>Mixed IM</strong></td>
<td>Correlations</td>
<td>Questionnaires, cases, studies, statistics, literature reviews, interviews, and statistical methods.</td>
</tr>
<tr>
<td>For example, Aagaard, 2012, 2013; Applegate, 1986; Ezrolan and Pavlins, 1998; Bakker, Boersma and Oreel, 2006; Bothos, Apostolou and Mentzas, 2012; Brem and Voigt, 2007, 2009; Fritz, 2002; Wood, 2003; Gamlin, Yourd and Paric, 2007; Goyal and Sampath, 2007; Yu, Chen and Shen, 2006; Lindross, 2006; Lu and Mantei, 1991; Rowbotham and Bohlin, 1996; Summa, 2004; Voigt and Brem, 2006; Zejnilovic, Oliveria and Veloso, 2012</td>
<td>semiclassical, model, evaluation of IMS effectiveness, influencing factors</td>
<td>Literature review, simulation, questionnaires, observations, case studies, studies, statistics, literature reviews, interviews, and statistical methods.</td>
<td>For example, Baez and Convertino, 2012; Brem et al., 2007; Brem et al., 2009; Enkel et al., 2009; Fritz, 2002; Narvaez and Gordoni, 2015; Nilsson et al., 2002; Sandriev and Pratchenko, 2014; Sandstrom and Bjork, 2010; Voigt et al., 2006; Westerski and Iglesias, 2012</td>
<td><strong>External IM</strong></td>
<td>Correlations</td>
</tr>
<tr>
<td>For example, Bothos et al., 2008, 2012; Tung et al., 2009; Westerski et al., 2011, 2013, 2013a</td>
<td>Creation of new IMS, classification, model, evaluation of IMS effectiveness, influencing factors</td>
<td>Literature review, simulation, questionnaires, observations, case studies, studies, statistics, literature reviews, interviews, and statistical methods.</td>
<td>For example, Bailey and Horvitz, 2010; Barczak, Griffin and Khan, 2009; Bjork and Magnusson, 2009; Boeddrich, 2004; Coughlan and Jahanson, 2008; Flynn et al., 2003; Galbraith, 1982; Gish, 2011; Green, Bean and Snively, 1983; Nilsson, Elg and Bergman, 2002; Pundt and Schyns, 2005; Aagaard, 2012, 2013; Bansemir et al., 2009; Bassiti and Ajhoun, 2013; Bergendahl and Magnusson, 2014; Bettoni et al., 2010; Deichmann, 2012; Fatur et al., 2009; Glassmann, 2009; Iversen et al., 2009; Klein et al., 2010; Lower and Heller, 2014; Moss et al., 2011; Perez et al., 2013; Poveda et al., 2012; Selart and Johansen, 2011; Shani et al., 2011; Vagn et al., 2013; Zejnilovic at al., 2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There is a tendency in literature to focus on internal IM, but from 2006 the situation started to change and more external and mixed IM application approaches have been researched. This could be explained by the growing popularity of open innovation, crowdsourcing, etc. Both structural and social perspectives of IM/IMS are researched. This research proves that the most common methods for researching different IM/IMS research and application approaches are literature reviews, interviews, questionnaires, case studies and statistical methods.

The research results prove that there is no evidence of exploration focused on the relationship...
between IM and OE in recent IM literature.

2. ORGANIZATIONAL EFFECTIVENESS

The concept of OE is encountered repeatedly in organisational literature, but there is only a rudimentary understanding of what is actually involved in the concept. In fact, although effectiveness is generally considered a desirable attribute in organizations, few serious attempts have been made to explain the construct either theoretically or empirically. So the objectives of this research are as follows: (1) analysis of general data about OE in literature; (2) perspective and OE model analysis; (3) OE dimension analysis.

2.1. GENERAL DATA ANALYSIS

The results reflect that OE is in the scope of researchers and mainly researched in the USA (43%), India (10%) and the UK (10%).

The first literature source that mentioned OE according to this research was published in 1969. From 1969 till 2004 literature is fragmentary, but from 2004 there are substantive literature sources about OE. The research results show that OE became especially topical in the last decade; this tendency is consistent with the Scopus (2016) data analysis, where a wider range of literature sources are included, for example, papers with accessible abstracts only.

Additional data in Scopus (2016) shows that the authors most cited about OE are R. E. Quinn and K. S. Cameron; the research results also show that the most used articles are “Spatial Model of Effectiveness Criteria: Towards a Competing Values Approach to Organizational Analysis” (Quinn & Rohrbaugh, 1983) and “Organizational Life Cycles and Shifting Criteria of Effectiveness: Some Preliminary Evidence” (Quinn & Cameron, 1983). Therefore, these authors could be considered the most influential researchers of OE. Also, Cameron (2010) has noted the leading researchers of OE – P. R. Lawrence, W. Lorsch, E. Yuchtman, S. E. Seashore, J. L. Price, D. Lawless, R. M. Steers, J. P. Campbell, W. R. Scott, R. E. Quinn, K. S. Cameron, A. Lewin, and J. W. Minton – and these authors are often cited in the researched literature as well.

2.2. PERSPECTIVE AND CONTENT ANALYSIS

Although there is evidence of increasing scientific interest in OE in the last decade, the scientific research is still characterized by a paucity of empirical studies, since more than half of all researched literature sources are theoretical sources. The authors have analysed OE literature according to several aspects: (1) theories applied and OE models applied or mentioned; (2) methods and focuses; (3) OE dimensions.

2.2.1. THEORIES AND OE MODELS

The authors have summed up and sorted literature and theories used in literature to understand basic sources of OE. The authors conclude that scientific knowledge is represented primarily in business and management literature (98%), but there are also articles in engineering, medicine, and psychology. The most frequently used theories and approaches in literature are classical theory (for example in Burns, 1998), social capital theory (for example, Nelson et al., 2007; Pors, 2008), the human relations approach, the culture-excellence approach, contingency theory (for example in Burns, 1998), organisational theory (Kataria, Rastogi & Garg, 2013), etc.

Different aspects can also be seen in literature related to OE, for example, creativity (for example in Bratnicka, 2015), job satisfaction (for example in Quinn & Thorne, 2014; Biswas, 2010; Kim, Kim & Kim, 2011), employee engagement (for example in Kataria, Rastogi & Garg, 2013a; Rieley, 2014), knowledge management (for example in Pee & Kankanhalli, 2015; Chidambaramathan & Swarooprani, 2015; Zheng, Yang & McLean, 2010; Yang & Wan, 2004), organisational commitment (for example in Angle & Perry, 1981; Kim, Kim & Kim, 2011); organisational affective commitment subscale (for example in Ashraf & Khan, 2013), organizational culture (for example in Gregory et al., 2009; Zheng, Yang & McLean, 2010; Nazi & Lone, 2008; An, Yom & Ruggiero, 2011), organizational citizen behaviour (for example in Braun, Ferreira & Sydow, 2013; Walz & Niehoff, 2000), information culture (for example in Choo, 2013), leadership (for example in Nayak & Mishra, 2005; Santra & Giri, 2008), non-profit OE (for example in Herman & Renz, 1999; Eisenger, 2002; Nolbie & Brudney, 2003; Sowa, Selden & Sandfort, 2004; Shilbury & Moore, 2006; Grabowski et al., 2015; Liket & Mass, 2015;
Willems, 2015), etc. The authors conclude that idea management is represented mainly in business and management literature and there are a lot of specific angles on how to explore OE.

Despite the large scientific interest in this topic there is no consensus on what OE is and how to correctly measure it. So there are different kinds of OE models. According to the research the most frequently applied and mentioned models are the Goal Attained Model and the Competing Values Model, while the most commonly applied approach is the multidimensional approach (for example in Wadongo & Abdel-Kader, 2014; Lecy et al., 2012; Quin & Thorne, 2014; Ullah & Yasmin, 2013; Ziebicki, 2013; Ashraf & Khan, 2013; Boiral, 2012; Zooga, Peng & Woldu, 2015; Braun, Ferreira & Sydow, 2013; Gerschewski & Xiao, 2015; Jiang & Liu, 2015; Kwantes & Boglarsky, 2014; Naor et al., 2014), which reflects the multidimensional concept of OE. The authors have gathered some of the most commonly used and mentioned OE models and approaches (see Table 3).

Table 3

<table>
<thead>
<tr>
<th>OE methods and approaches</th>
<th>Focus and approaches</th>
<th>Dimensions / sub-models</th>
<th>Applied or mentioned in, for example:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multidimensional / one dimensional</td>
<td>Goal Attained Model</td>
<td>Evaluation of ability to achieve goals, for example, cost-benefit analysis, MBO, output analysis, goals and means</td>
<td>Productivity, efficiency, profitability</td>
</tr>
<tr>
<td>Competing Values Model</td>
<td>Identification of key variables and determination of how variables are related – for a particular group, different priorities</td>
<td>Rational goal model, internal process model, open system model, human relations model</td>
<td>Quinn &amp; Baugh, 1983; Redshaw, 2000, 2001; Burns, 1998; Sharma &amp; Kaur, 2011; Gregory et al., 2009; Choo, 2013; Shoraj &amp; Llaci, 2015; Chermac, Bodwell &amp; Glick, 2015; Mason, Chang &amp; Griffin, 2005; An, Yom &amp; Ruggiero, 2011; Shilbury &amp; Moore, 2006; Grabowski et al., 2015</td>
</tr>
<tr>
<td>Multidimensional (Resource) Model</td>
<td>Systems Model</td>
<td>Analysis of resource distribution efficiency among various subsystems’ needs</td>
<td>Efficiency, stress, ability to acquire resources, revenue, expenditures</td>
</tr>
<tr>
<td>Open Systems Model</td>
<td>Analysis with a focus on flexibility and external orientation</td>
<td>Flexibility, growth, resource acquisition and external support</td>
<td>Sharma &amp; Kaur, 2011; Quin &amp; Baugh, 1983</td>
</tr>
<tr>
<td>Reputation approach</td>
<td>Analysis of perception of stakeholders</td>
<td>Subjective measures of perception of multiple key stakeholders</td>
<td>Wadongo &amp; Abdel-Kader, 2014; Lecy, Schmitz &amp; Swedlund, 2012; Willems, 2015</td>
</tr>
<tr>
<td>Internal Process Model</td>
<td>Analysis of organisational environment</td>
<td>Control, stability, information management, communication</td>
<td>Kataria, Garg &amp; Rastogi, 2013; Steers, 1977a; Sharma &amp; Kaur, 2011; Quin &amp; Rohraugh, 1983</td>
</tr>
<tr>
<td>HR Model</td>
<td>Analysis with an internal focus</td>
<td>Cohesion, morale, flexibility, HR development, recruitment</td>
<td>Sharma &amp; Kaur, 2011; Quin &amp; Baugh, 1983; Pors, 2008</td>
</tr>
</tbody>
</table>
But there are also different models applied and mentioned in the literature, for example, the Structural Functional Model, which characterises systems’ ability to forestall threatened aggressions or deleterious consequences from the actions of others (for example in Cunningham, 1976); the Organizational Development Model, which reveals organisations’ problem solving and renewal capabilities, the ability to work as a team and to suit the needs of its members (for example in Cunningham, 1976); the Managerial Process Model, which explores the ability to perform certain managerial functions effectively (for example in Cunningham, 1976); the individual or team effectiveness approach (for example in Machi, 1977; Tuffield, 1975, Smith & Kleine, 1987; Rieley, 2014; Vance & Tesluk, 1999); contingency models (for example in Burrell & Morgan, 1979); population ecology models (for example in Aldrich, 1979); the social justice model (for example in Keeley, 1978); an evolutionary model (for example in Zammuto, 1982); a power model (for example in Hrebiniak, 1978); a political economy model (for example in Nord, 1983).

2.2.2. METHODS AND FOCUSES

The authors also collected the most frequently used research methods in the literature sources. It has been concluded that the most frequently used data collection method is questionnaires, while among data analysis methods, statistical methods are most common. This classification is adapted from the classification developed by Beisell-Durrant (2004). The authors also conclude that the main focuses in the researched literature are as follows: (1) theoretical research on OE aspects; (2) empirical research on OE measurements and predictors. See the collected methods, objectives and some studies where they were applied in Table 4.

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Most frequently used methods and focuses in the researched literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcategory</td>
<td>Examples of objectives (main focuses)</td>
</tr>
<tr>
<td>Interviews</td>
<td>To study the relationship between organizational effectiveness and efficiency, commitment, etc. To examine the assessment of OE in a specific context.</td>
</tr>
<tr>
<td>Focus groups</td>
<td>To collect OE data. To discuss the results of the research.</td>
</tr>
<tr>
<td>Questionnaire</td>
<td>To examine links between OE and different factors, such as communication processes in SMEs, management processes, people, social capital, organisational culture, employee motivation, involvement climate, innovation, leadership style, face-to-face communication, commitment, knowledge management. To discover important OE elements. To investigate the role of performance measurement systems in organisational effectiveness. To explore the effects of OE on several subjects. To create an assessment of OE in a specific context. To assess mediators in OE and other factors.</td>
</tr>
<tr>
<td>Observation</td>
<td>To collect data to evaluate OE.</td>
</tr>
<tr>
<td>Audit</td>
<td>To analyse OE evaluation experience.</td>
</tr>
<tr>
<td>Case studies</td>
<td>To examine factors influencing OE.</td>
</tr>
<tr>
<td>Analysis of documents</td>
<td>To study the relationship between OE and other factors. To measure OE.</td>
</tr>
</tbody>
</table>
StatisticalRegression analysis – to create a hierarchical model of criteria of OE. To investigate correlates and predictors, mediators of OE. Factor analysis – to create a hierarchical model of criteria of effectiveness. To examine relationships between OE and dimensions, the mediating role. To examine OE measures. Principal component analysis – to examine OE measures, to analyse factors. Correlations – to examine OE measures, to analyse factors. Structural equation modelling – to examine the relationships between and among variables. To test direct and indirect influence on OE. To examine the anticipated model.

BenchmarkingTo identify how to achieve OE, determine which of the factors are actually related to OE. For example, in Jackson, 1998; Mason, Chang & Griffin, 2005

Literature reviewsTo consolidate the previous literature. To explore theories. To examine OE variables. To explore routes to OE. To examine the relationship between OE and variables such as transformative leadership, creativity, information culture. To develop a theoretical framework. To create a retrospective analysis of OE. To review problems of OE, model review. To clarify the logic of participant interest notions of OE. To create models and demonstrate how to use them. To create proposals. To evaluate tools which help to leverage organizations to OE. For example in Redshaw, 2000, 2001; Burns, 1998; Downey-Ennis & Harrington, 2002; Librian & Kleiner, 2001; Smith & Kleine, 1987; Lowe & Soo, 1980; Shepherd, 1989; Pounder, 2001; Wadongo & Abdel-Kader, 2014; Bratnicka, 2015; Amagoh, 2015; Kataria, Garg & Rastogi, 2013; Boiral, 2012; Steers, 1975; Keeley, 1984; Connolly, Conlon & Deutsch, 1980; Cunningham, 1976; Kilmann & Herden, 1976; Lewin & Minton, 1986; Zooga, Peng & Woldu, 2015; Choo, 2013; Jiang & Liub, 2015; Cross, Ernst & Pasmore, 2013; Yukl, 2008; Chermac, Bodwell & Glick, 2015; Vance & Tesluk, 1999; Bharadwaj, 2014; Boisot & McKevelley, 2011; Skrivastavat & Agrawal, 2003; Sowa, Selden & Sandfort, 2004; Liket & Mass, 2015

2.2.3. OE DIMENSIONS

There are many OE models, but there are even more OE dimensions, which we could use as indicators for OE. Accordingly research scientists seem to agree that OE is multidimensional (Angle & Perry, 1981; Campbell et al., 1974; Steers, 1977) and the determinants of OE vary (Steers, 1977a; Stevens, Beyer, and Trice, 1978). To sum up, OE is a broad concept encompassing a wide variety of dimensions. And its multidimensionality has made it difficult for researchers to reach consensus about its precise measurement. Also, Ziebicki (2013) claimed that OE is mostly presented as a multidimensional criterion and this makes it possible to identify various types of outputs and indicate reasons for a specific level of performance in a given organizational system. Secondly, OE has no objective reality, but is conceptualized based on one’s point of view. For example, economists or financial analysts define OE more in financial terms such as profits or return on investment, while employees define it more in such terms as motivation, control, flexibility, etc.

Researchers counted 30 dimensions in 1960s and early 1970s OE studies (Nayak & Mishra, 2005), but in this research we have concluded that there are more than 199 possible dimensions. These dimensions are analysed according to several factors: if they are (1) subjective (not directly measurable indicators, such as employee satisfaction, quality of work life, organizational climate, etc. (Sharma & Kaur, 2011)) objective (generally contended monetary success indicators (Ashraf & Khan, 2013) – these are monetary or numeric measures, for example, profit, production rate, etc. (Sharma & Kaur, 2011), (2) internal (an internal, micro emphasis on the functioning and development of the organization’s
people and their activities (Grabowski et al., 2015) / external (an external, macro emphasis on the functioning and development of the organization as part of the larger environment (Grabowski et al., 2015), (3) financial/non-financial, (4) if they are universal. See 199 dimensions and their apportionment by type (subjective/objective and external/internal) in Figure 1.

**Objective**

- Delivery (on time); business results; cash flow; cash out; employee turnover rate; new product development; operating efficiency ratio; operating expense/employee; operating expense/revenue; product maximization; productivity through people; profit margin; programme effectiveness; scrap material per unit; sub-units’ performance; technical efficiency; turnover; units produced; vehicle hour; viability; absenteeism; average assets; compensation; controllable expenses; creating efficient output from limited means available; efficiency; equity; expenses; financial performance; growth; increasing resourcefulness (open system); individual employee performance / efficiency; innovativeness / innovation / innovation capabilities; internal efficiency; optimal use of available resources; overall performance; performance management; personal effectiveness; productivity; achieving goals; stability; survival

**Subjective**

- Accuracy of customer orders; appropriateness; aspects of identity; beliefs; bias for action; bringing the planned strategic actions to a good end; leveraging of resources; close to customers; cohesion; commitment and involvement; commitment towards learning and development; deployment of predefined strategy; determine reward distribution; employees’ levels of ambiguity regarding customers; equipment supply; evaluate the effects of change; immediate supervision; improving internal processes; independence of board; leadership contingency fit; leadership for quality; leadership management; legitimization; management of scarce resources; need for independence; organizational environment fit; productivity through worker satisfaction; programme effectiveness; project design, implementation, evaluation; provide information for decision-making; quality and its improvement; reliability; responsiveness; employee retention; right decisions at the right times for the right reasons, satisfaction through attention to needs, selectivity; staff attitude; staff complaints; stakeholder involvement; sub-units’ performance; supervisor support; supplier welfare; task orientation; teamwork; technical excellence; timely implementation of change; transformative leadership; turnover rate animation; talent; unity of command and direction; viability; ability to accomplish core mission; ability to identify problems or opportunities; clarity; clear authority and discipline; competitive attainment; competency; congruence of internal processes; consensus; control; core functions; creating efficient output from limited means available; culture; decision-making; disciplinary actions; discretion; employee self-esteem; employee well-being; employee-perceived adaptability; flexibility; governance; grievances; increase of expertise and employee development; increased employee versatility / flexibility; increasing resourcefulness (open system); individual employee performance / efficiency; initiation of ideas and practises; innovativeness / innovation / innovation capabilities; integration or its errors; internal efficiency; internal equilibrium; interpersonal relationships; job satisfaction; keeping the vision and mission up to date; leaness; long-term sustainability; management effectiveness; manager-perceived adaptability; motivation; order; optimal use of available resources; organisational commitment; organisational management; organizational attachment; organizational climate; organizational structure and governance; overall performance; performance management; personal effectiveness; physical comfort; planning (also strategic) and goal setting; self-control; productivity; structure/strategy congruence; values; work pressure; workforce morale; working conditions and job demands; achieving goals; stability; survival

**External**

- Autonomy; broadening of the market base; cost minimization; cost of capital; cost of raw materials; demand; labour costs; market share; product price leadership; profit generated and profitability; repeat business; return on investments; revenues; sales achieved; sales per advertising dollar; stock return; funding; inventory cost; achieving goals

- Ability to cope with users’ and non-users’ expectations and needs; autonomy; citizen orientation; civil participation; community satisfaction with organization; competition; community improvement; cooperation; customer complaints; customer satisfaction; enforcing changes to our society; environmental control; environmental impact; external focus; external reporting purposes; extra role behaviour; industrial action; investor attraction; new market development; quality of life; reputation; satisfaction of supplier with organization; satisfying clients; social responsibility; societal transformation; supply; turn away eligible clients; accessibility via various channels; adaptability; advantages; differentiation; networks and partnerships; open communication; openness; willingness to recommend; achieving goals

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**Figure 1. OE dimensions (their focus – subjective/objective and internal/external)**
The results reflect that the most common type of OE dimensions are subjective-internal dimensions and there are less external dimensions. Evaluating dimensions by criteria – financial or non-financial type of dimension – the authors conclude that there are mostly non-financial dimensions (74% of all explored dimensions); there are only 36 financial indicators and 21 mixed indicators. 40% of all dimensions are universal, while 58% are applied in only some contexts, 4 dimensions’ universality depends on their application.

It should be noted that some researchers (for example, Evan, 1976; Scott, 1977; Cameron, 1986, Daft, 1998; Nazi & Lone, 2008; Cameron et al., 2011) do not separate definitions of performance measures and organisational effectiveness and the authors of this paper support this approach.

To sum up, OE dimensions may be subjective or objective, internal or external, financial or non-financial, universal or not universal, or mixed types, but the most common OE dimensions are subjective, internal, non-financial and not universal. This situation reflects that OE evaluation is mostly connected with specific contexts of organisations. Based on the research the authors would like to define OE as a multidimensional measurement that may consist of financial/non-financial, internal/external, subjective and objective dimensions, which reflects the achievements of the organisation, while the dimensions of OE may be different in different contexts.

3. IDEA MANAGEMENT AND ORGANIZATIONAL EFFECTIVENESS – A RESEARCH GAP?

Based on separate overviews of IM and OE literature, the authors revealed that there is a research gap: there are no focused researches or discussions on connections between IM and OE in the researched literature sources. There is also little theoretical guidance as to how IMS application and effectiveness materialize within organizations and even less direction on how to conceptualize and examine the effects of IMS on effectiveness. At the end of this article the authors will try to some degree to offer advice on how to begin to fill this gap, based on the research conducted.

By synthesizing IM and OE literature the authors have concluded that through conducting a detailed literature review, evidence of possible associations between IM and OE elements could be found. For example, Mahoney and Weitzel (1969) have mentioned that the degree of initiation of ideas and practices appears as independent criteria of effectiveness. This is the only evidence of connections between IM and OE in the researched literature. Initiation of ideas is only one part of IM, so it is important to investigate if the whole IM process impacts OE. But in IM literature studies have been focused on several elements which are explored as OE dimensions in this research, for example, cooperation (Tung et al., 2009), innovation (Vagn et al., 2013; Enkel, Grassmann & Chesbrough, 2009), creativity (Bakker et al, 2006; Van Dijk & Van Den Ende, 2002), leadership (Deichmann, 2012), and involvement (Bansemir et al., 2009). The authors would like to argue that this means that IM/IMS could be researched as a mediator in connections between these elements and OE. Overall, the authors have concluded that there is great potential to research IM/IMS and OE, as there have been no focused studies that explore both of the elements together.

There are fundamental research questions that are currently unexplored in the literature. Addressing these fundamental questions is relevant to advance theory and to develop interventions and tools to measure the influence of IM/IMS on OE: (1) Is IM/IMS connected with OE? (2) What are the primary emergent processes that account for the influence of IM/IMS on OE? Based on the research overview, the authors have synthesized future research directions. See the 5 main directions in Table 5.
Table 5

<table>
<thead>
<tr>
<th>Elements</th>
<th>Focus</th>
<th>Potential Research methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM/IMS application, OE</td>
<td>To research IM/IMS and OE connections as IMS application in practice has frequently been considered pertinent in elevating organizational outcomes. To research possibilities to increase OE with IM/IMS. The factors that influence an organisation’s decision to apply IMS are a fertile ground for investigation.</td>
<td>Quantitative data analysis, longitudinal regression analysis</td>
</tr>
<tr>
<td>Mediators in IM/IMS and OE relations</td>
<td>To research mediators in IM/IMS and OE connections (for example, idea creator characteristics, idea characteristics, communication, openness, etc.).</td>
<td>Quantitative data analysis, longitudinal regression analysis</td>
</tr>
<tr>
<td>Active IMS, passive IMS, OE</td>
<td>To research the influence of different types of IMS (active and passive IMS) on OE.</td>
<td>Qualitative case studies, Longitudinal studies (both qualitative and quantitative)</td>
</tr>
<tr>
<td>IM elements and OE</td>
<td>To research the main IM dimensions (idea generation, evaluation, continued IM) which have the greatest influence on OE.</td>
<td>Qualitative case studies, Longitudinal studies (both qualitative and quantitative)</td>
</tr>
<tr>
<td>IM/IMS application, OE, leadership</td>
<td>To explore what the process is through which leaders can promote IMS application that increases OE. To explore if and how leaders’ characteristics influence IMS application and OE.</td>
<td>Qualitative case studies, Longitudinal studies (both qualitative and quantitative)</td>
</tr>
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In Table 5, the five most important research directions are highlighted; they should be considered in creating the basis for IM and OE studies. Methods mentioned in the table are only sample methods that have been applied most frequently for similar studies on IM and OE.

**SUMMARY**

For this article, the authors reviewed the literature on IM and OE to identify if there is a research gap and make suggestions for future research in this field. The researched literature has presented valuable insights on each of the terms separately, both empirically and conceptually. Even Mahoney and Weitzel (1969) have mentioned that the degree of initiation of ideas and practices appear as independent criteria of OE. This is the only evidence of connections between IM and OE in the researched literature. But it should be noted that initiation of ideas is only one part of IM, so it is important to investigate if the whole IM process impacts OE.

Despite the wide range of literature about IM and OE, there is a research gap – there are no focused studies or discussions on connections between IM and OE. There is also little theoretical guidance as to how IM/IMS application and effectiveness materialize within organizations and even less direction on how to conceptualize and examine the effects of IM/IMS on OE.

There are a number of major observations that can be derived from peer-reviewed journals and proceedings. First, this study outlines that there is a tendency in literature to focus on internal IM, but from 2006 the situation started to change and more external and mixed IM application approaches have been researched. Based on this conclusion, the authors would like to recommend that in the future, research on both internal and external idea management should be explored to get a holistic and up-to-date look at IM. Second, the study highlights that the most common methods for researching IM/IMS and their application approaches are literature reviews, interviews, questionnaires, case studies and statistical methods, while to research OE, the most frequently used data collection method is questionnaires, and among data analysis methods, statistical methods are most common. The authors recommend researching IM and OE by applying longitudinal studies (both qualitative and quantitative) if IMS are applied continuously and case studies if IMS have been applied only for specific events and the main performance data are fixed. Third, based on the overview of the literature, the authors have defined the terms IM, IMS and OE – IM is a wider and more uncertain term than IMS and describes the process, while IMS is a more specific sub-term of IM and describes a method or a tool that provides a systematic approach to IM. OE is a multidimensional measurement which may consist of financial/non-
financial, internal/external, subjective and objective dimensions, which reflects the achievements of the organisation, while the dimensions of OE may be different in different contexts. Fourth, it has been concluded that the OE models most frequently applied and mentioned are the Goal Attained Model and the Competing Values Model, while the most commonly applied approach is the multidimensional approach. The authors would like to argue that, even though these are the most commonly applied models, for each new study, the researcher should evaluate which model and which dimension of the 199 updated dimensions of OE to research.

In the last section of the paper the authors highlighted 5 important research directions to bridge the gap between IM/IMS and OE. To bridge this gap, it is important to answer the question of whether IM/IMS application is connected with OE. To explore these connections, the authors suggest 5 important future research directions: (1) to research IM/IMS and OE connections and possibilities to increase OE with IM/IMS; (2) to explore mediators in IM/IMS and OE connections; (3) to explore how different IMS types influence OE; (4) to research the main IM dimensions (idea generation, evaluation, continued IM) which have the greatest influence on OE; (5) to research the impact of management and leadership on IM/IMS application and OE. The authors would like to recommend researching IM and OE connections holistically by exploring not only how IM/IMS relates to OE, but also overall input factors that influence the IM/IMS process. The authors would also like to recommend creating an IM effectiveness evaluation framework and investigating if it has a direct influence on OE.

This paper fulfils an identified need to explore if there is a research gap between OE and IM research. The study also aims to clarify the domain of IM and OE by summarizing the main OE dimensions that are normally found in the OE literature and the main elements of IM. This research has summarized 199 OE dimensions and constitutes the largest scientifically gathered OE dimension list that aims to explain the OE construct. The added value of this research in an IM context is as follows: (1) it explored the latest literature (published in 2015) on IM and IMS; (2) it created a holistic view of IM and IMS. The main contribution of the research is that it reviews IM and OE literature tendencies and synthesizes them to outline future research directions.

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THE INTERNAL COMMUNICATION CRISIS AND ITS IMPACT ON AN ORGANIZATION’S PERFORMANCE

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Abstract
The aim of this research is to study how internal communication inefficiency can, if at all, lead to an organizational crisis. An answer to this question was found by studying theory and previous empirical research on internal communication and organizational crises. For the purpose of this paper, a case study of one particular organizational crisis was carried out by applying a combined research methodology – in-depth interviews and a survey. As a result of a detailed analysis of theory and a study of a real-life case, a new concept – the “internal communication crisis” – was identified in the study. Also, it was established that an internal communication crisis is a result of asymmetrical formal internal communication, a lack of leadership, weak organizational culture, a lack of values, and active grapevine communication. This research study found that an internal communication crisis is directly related to an organizational crisis because there is a big possibility that in the alternative decision-making process, established as a result of an internal communication crisis, employees will try to solve organizational problems by involving external stakeholders. Such attempts to involve external stakeholders lead to a very high risk of negative publicity and damage to reputation, which gives national policy decision-makers an opportunity to expose an organization to threats of liquidation or resource reduction.

Keywords: Formal internal communication, leadership, organizational culture, informal internal communication, organizational crisis, internal communication crisis.

Paper type: Case study

INTRODUCTION
The 21st century has come with essential changes in communication between organisations and communities important thereto. In a communication context, open-space communication, which is becoming more open and uncontrollable, is increasingly being discussed. Organisations are working hard to realise their communication programmes so that they correspond to the desires of external stakeholders and the latest communication channels.

An equally important role in communication programmes should be taken by the division of internal communication, which, to a great extent, is based on the engagement of employees in defining organisational targets, tasks and values and building an internal culture. Although communication scientists and researchers are having major discussions about the role and importance of internal communication in the overall organizational programme of public relations, there is still a large number of organisations which do not have a clear understanding of the meaning of internal communication and its importance as a component in the creation of mutual understanding between management and employees. Also, when examining crisis situations, managers do not relate them to internal factors.

The aim of this research was to establish the role of internal communication in the context of organisational crisis, namely, in what way inefficient internal communication can bring an organisation to a crisis situation. In examining the historical development of internal communication theory and modern research schools, it may be concluded that internal communication has hardly been viewed as a factor that causes a crisis. Therefore, the author, on the basis of a case study of a particular organisation, explains the impact of internal communication on the origin of a crisis in an organisation. The tasks of the research were (1) to study the conclusions made in the platform of internal communication to date, (2) to develop an innovative concept of an internal communication crisis, and (3) to carry out research in order to verify the theoretical model that has been formed. During the research, the author looked for answers to the following questions: What causes an internal communication crisis? How does an internal communication crisis influence an organisation's activity?
THEORETICAL FRAMEWORK

Both researchers and practitioners in the field of communication have already indicated that in the 20th century, an organisation’s internal communication determines how efficient, successful and performance-orientated it is. Yet this position on internal communication quite often is related to such notions as “employee information”, “raising the efficiency of employees” and “one-way communication”. These notions, which are factually directed towards the unilateral benefit of an organisation, indicate the application of the notion “internal communication” in practice. Accordingly, internal communication is considered to be a tool that affects employees rather than a tool for employee involvement in a dialogue in order to achieve mutual understanding between management and employees.

Two communication researchers, Lyn Smith and Pamela Mounter, believe that the role has been described as still immature... Top managers continue to have different views on the role of internal communication, some seeing it as little more than ‘a message service’ with no particular place in the wider scheme of things, while others regard it as an essential change agent (Smith, Mounter, 2008).

Researcher Pamela Mounter defines internal communication as follows: Effective communication means telling people where they are going (horizontal message) by welding different organisational divisions into one team and gaining information on how well the communication has been delivered (feedback from bottom to top) (Gregory, 2007).

Pamela Mounter calls internal communication corporate glue that helps build teams, reinforces pride in working for a company and encourages people to work that much harder to beat the competition (Gregory, 2004).

Professor Sandra Oliver of Thames Valley University in London speaks of internal communication by emphasizing its complex nature. Internal communication as a core function of corporate strategy is no longer a simple question of efficient bottom-up or top-down communication via line management (Olivera, 2009).

Symmetrical systems of internal communication

Most systems of internal communication are asymmetrical, however, and they do not increase morale or organisational effectiveness. A symmetrical communication system is one in which employees are provided mechanisms for dialogue with each other and with supervisors. Interpersonal communication is crucial in a symmetrical system, although employee media can complement it (Grunig, 1992).

The cultural perspective in internal communication

Organisational values determine how employees and management implement objectives and which principles are clear and understandable and help employees in the fulfilment of their tasks. According to organisational value researchers Randolph A. Pohlman and Gareth S. Gardiner, the organisation itself cannot be a value. Values are brought by specific people working for these organisations. A major challenge for managers is to balance organisational values, vision, targets and tasks with individual values represented by employees of organisations (Pohlman, Gardiner, Heffes, 2000).

The role of leadership in internal communication

Researchers of organisational management have discovered and analysed various styles of leadership and indicated characteristics of the leader. Yet, according to Daniel Goleman, Richard E. Boyatzis and Annie McKee, the leader is the one whom others follow and continuously view as an example. This group of others also indicates that the leader acts as the group’s emotional guide. In the modern organization, this primordial emotional task – though by now largely invisible – remains foremost among the many jobs of leadership: driving collective emotions in a positive direction. The leader is also the one to whom others look for assurance and clarity regarding their job (Boyatzis, McKee, Goleman, 2002).

Christine M. Pearson and Judith A. Clair, in the publication “Reframing Crisis Management”, reveal various crisis aspects by indicating that in all cases a crisis is related to losing faith in leadership and confidence in organisational culture. Organizational members are likely to question the organization’s cultural beliefs and to feel a need for a transformation of the culture. Finally, the social-political perspective suggests that crisis management is unlikely to be successful without a reformation
of organizational leadership and culture (Pearson, Clair, 1998).

Informal communication as a crisis agent

A group of American communication theoreticians, Scott Cutlip, Allen Center and Glen Broom, in speaking about internal communication and its role in the organisation, have paid special attention to the notion of a “grapevine”. A grapevine is neither a formal, nor a controllable means of communication, but a word expressed in direct contact quite often is the fastest means for obtaining and receiving information. A “grapevine” is a powerful channel of information. Sometimes it is very dangerous or may become dangerous (Cutlip, Center, Broom, 2002). Fearn-Banks says that rumours can be positive or negative. They can be absolutely false or partly false. They can also be undeniably true or premature facts. There is an expression, “There’s a ring of truth in every rumour” (Fearn-Banks, 1996), because people tend to believe rumours. Kimmel says that if a rumour adequately explains unanswered questions or sufficiently fills in gaps in people’s understanding about what is going on, this may serve to reduce their anxieties and eliminate their fears (Kimmel, 2004).

Organisational crisis

When communication theoreticians discuss the cause of organisational crisis, basically they relate it to the external setting of the organisation, which, under specific conditions, may paralyse the company’s or the organisation’s activity. Nonetheless, it is important to indicate that the external setting is closely linked to the internal setting – the structure, management, communication and people working in the organisation.

Yet, theoreticians Elizabeth L. Toth, Kathleen Fearn-Banks, Matthew Wayne Seeger, Timothy Lester Sellnow, Robert R. Ulmer, Robert L. Heath and Timothy Coombs, who have studied crisis communication, have had little insight into the influence of imperfection of internal communication on organisational crisis. This means that research of crisis communication has a wide innovation potential, which is directly related not to an organisation’s external setting but to processes inside the organisation.

Elizabeth L. Toth defines organizational crisis as an unpleasant condition, a critical state, an accident, a huge disaster, a calamity or a catastrophe (Toth, 2007).

Crisis management expert Kathleen Fearn-Banks explains that a “crisis is a major occurrence with a potentially negative outcome effecting an organization, company, or industry as well as its publics, products, services, or good name. It interrupts normal business transactions and can sometimes threaten the existence of the organization” (Fearn-Banks, 1996).

Seeger defines an organizational crisis as “a specific, unexpected and non-routine organizationally based event or series of events which creates high levels of uncertainty and threats or perceived threat to an organization’s high priority goals” (Seeger, Sellnow, Ulmer, 2003).

After gathering and analysing several research works and published theoretical discoveries conducted by professionals and researchers in the field of communications (Joseph W. Weiss, 1996; Anne H. Reilly, 2008; Joanne E. Hale, Ronald E. Dulek, David P. Hale, 2005; Rusaw A. Carol, Rusaw F. Michael, 2008; W. Tomothy Coombs, Sherry J. Holladay, 2005; Jim Suchan, 2006; Heiner Minssen, 2006; Claudia Simoes, Sally Dibb, and Raymond P. Fisk, 2005; Joseph Eric Massey, Ph.D., 2001; J. Suzanne Horsley, Randolph T. Barker, 2002; Mary E. Vielhaber, 2008; Denis Smith, 1990; Dwane Hal Dean, 2004, Sandra L. Christensen and John Kohls, 2003), it should be concluded that researchers in most cases have focused on crises as situations prescribed by the external setting. When referring to causes of crises, they relate them to accidents, low-quality goods or services or a bad name deliberately created in the public. In studying the literature, special attention was paid to crisis definitions and the causes of a crisis in an organisation’s internal setting, which facilitated the conclusion that crisis communication experts present only some crisis situations related to the internal setting: deliberate breach of an organisation’s rules and regulations, employee strikes or different types of violence in an organisation. This finding suggests that crisis communication researchers should look for new research perspectives directed specifically towards research of the internal setting as the cause of a crisis.

In crisis conditions, an organisation’s problems will always come to light. Yet, organisations and communication researchers should be aware of a set of crisis agents which traditionally are not considered as the causes of a crisis, such as:

a) non-existence of organisational values or disagreement in the organisation;

b) asymmetrical communication in the organisation;
c) lack of leadership, vision and tasks, which prevents employees from understanding the organisation’s direction;
d) predominance of informal internal communication over formal communication in the organisation.

**INTERNAL COMMUNICATION CRISIS**

On the basis of the aforementioned theory, the author has created a concept in internal communication theory, the “internal communication crisis” (see Image 1), and verified this concept by applying a case study method. An internal communication crisis should be understood as the situation in an organization when there is a lack of active exchange of information, attitudes and opinions via formal information channels among organizational groups and instead a stable role is played by informal communication (the grapevine), where various gossip is circulating, making such a big communicative buzz that, in effect, official information cannot be heard and quality internal discussions are disturbed. If, in fact, there is no formal internal communication at all, this allows informal communication to develop an alternative setting for decision-making and the direction of decisions to be implemented outside the circle of influence of organizational control. An alternative setting for decision-making of this kind specifically threatens the existence of an organization most because in such a situation it is characteristic to have autonomous leaders, an internal decision-making process, a communication setting, a creation of a strategy and its implementation for the sake of attaining a definite aim. An internal communication crisis also establishes that employees no longer trust their formal (actual) manager. The manager is no longer capable of controlling communication with employees; therefore, the manager loses authority and the opportunity to attain the organizational objectives.

![Figure 1.](image)

**Research methodology**

The organisation which was chosen as the object of a case study is a public authority founded after 2002. This institution is state-funded and its objectives and tasks have been prescribed by law. At the point when the case study research was conducted, the organisation employed approximately 50 people. The mission of the organisation according to the principles of Western democracy is to ensure efficient cooperation between the government and the population.

The organisation started its operations on the basis of objectives and tasks set forth by law; however, in the long run multiple problems crystallized which were identified by employees of the organisation – poor management, managers’ lack of understanding of the field of operations, and insufficient communication with employees.

At the time when the management of the institution had to implement governmental decisions regarding public authority budget cuts, the organisation suffered a serious internal communication crisis.
The trade union of the organisation prepared and published an open letter, signed by employees of the organisation, describing negative situations and examples preventing the organisation from being efficient and working according to its mission.

This letter was addressed to the state's high-ranking officials. The letter reached the media and initiated a public discussion on the organisation's efficiency and importance which lasted for several months.

Negative publicity and negotiations in the Saeima and the Cabinet of Ministers were significant obstacles to providing quality support to the already decreased budget of the organisation and prevented even greater budget cuts for the next year. The discussion resulted in opponents of this little-known institution appearing in society and pointing out that if there are conflicts inside the institution, such an institution in general is not necessary. One of Latvia's leading media outlets described the necessity for liquidation of the organisation. A high-ranking state official with decision-making powers with regard to the existence of the organisation indicated that the institution should be closed in order to save a significant amount of resources for the state budget.

In the end, the institution was not closed; however, as a result of the negative publicity, the organisation's budget was reduced by half.

For gathering the research data, a case study, based on a combined research methodology, was carried out. As emphasized by Christine Daymon and Immy Holloway, a case study differs from other methodological approaches through intensive examination of a single entity which is bounded by time and place. The purpose of case study research is to increase knowledge of real, contemporary communications events in their context (Daymon, Holloway, 2002). Daymon and Holloway add that a case study is suitable for constructing theories or verifying them.

During the case study, qualitative (in-depth interviews) and quantitative (survey) methods were applied.

Surveying was used to establish co-orientation. Jack MacLeod and Steven Chaffee offer a model of co-orientation. Under the concept, the authors present models of a spiral of reciprocal perspectives: a direct perspective is “what I think”; a metaperspective is “what I think you think” (Botan, Hazleton, 1989). Accordingly, co-orientation allows one to discover the viewpoint of two groups on one and the same issue and also the viewpoints of representatives of one group on the viewpoints of the other group concerning the same matter.

Within the framework of qualitative research methodology, structured interviews with eight employees at different levels of the organisation were conducted. The selection of research participants was guided by purposeful sampling, described by Thomas Lindlof and Brian Taylor (Lindlof, Taylor, 2002).

Within the study, three groups have been identified which would allow for an in-depth analysis of issues discussed in this paper: management (dominant coalition and supporters of a manager), employees who are opponents of the government and employees in neutral positions. Since the head of the organization refused to participate in an interview, the study defined and discussed the overall role of the dominant coalition of the organisation, comprising a manager, his/her advisors and the administrative manager. Larissa Grunig (Larissa A. Grunig), referring to power-control theory, argues that organisations do what they do because people with the most power in the organisation – the dominant coalition – decide to do it that way (Grunig, 1992).

RESULTS

Both information gained in interviews and factors verified in quantitative research indicate that an internal communication crisis of an organisation, as a new concept put forward by the author, is caused by four factors: (1) deficiencies in formal internal communication; (2) undefined and disembodied cultural aspects of the organisation; (3) lack of leadership; and (4) very active and purposeful informal communication which dominates over formal communication and has a definite aim – changes in the organisation's operations.

Both interviews and surveys revealed that the majority of participants consider internal communication to be an important precondition for successful activity of the organisation. Yet these data also disclose a significant gap between the views of employees and the dominant coalition regarding the role of efficient internal communication in providing successful organisational performance. If employees considered that efficient internal communication is a precondition for successful
organisational performance, then representatives of the dominant coalition more likely disagree than agree with this statement. The very same considerations were brought forward by representatives of both groups in interviews.

Considering organisational culture with regard to values, the qualitative research showed that employees (with one exception) were convinced that the organisation has no defined values, yet everyone named unwritten rules, based on their inner feeling of what they as employees are allowed or not allowed to do. The interviews disclosed that employees consider expressing one's opinion, activity and initiative to be a taboo inside the organisation. Meanwhile the dominant coalition mentioned loyalty towards the manager as an unwritten rule. Results of the quantitative survey supplemented the answers of interviews concerning organisational values.

In the section about the role of leadership in the context of organisational performance, the data of both studies show that the manager of the organisation has not been a leader with a personal vision regarding organisational activity, objectives and tasks. Also, the manager has not been an inspirer who enables employees to work better or stimulates them to carry out certain actions. Instead employees spoke of passivity, disinterest and conformism. Also, in the quantitative survey, with the participation of half of current and former employees, it was expressed that the manager was not a leader and employees tended to disagree with the viewpoint that the manager had a vision guiding organisational activity, objectives and priorities. When evaluating co-orientation among the viewpoints of employees and the dominant coalition and the views of both groups about opinions of the other group, it should be noted that this question was one of the rare occasions when the opinions of both parties coincided, not only regarding the lack of leadership but also regarding the opinions of the other group.

Both groups agreed with the statement that informal communication plays a significant role in information exchange and in the formation of the mood among employees. This opinion was reflected both in interviews and questionnaires. Yet the opinions of the research participants differed in questions regarding reasons for and consequences of informal communication. If employees, both in interviews and the questionnaire, unanimously agreed that the reason for informal communication was inefficient communication between the management and employees, then the dominant coalition tended to point to a historical splitting of the colleagues into "the old" and "the new" ones, and that this has nothing to do with the desire to improve organisational activity. More likely, it is the desire to maintain the same operational routine as before when a new manager enters the office.

Having analysed what the employee group, activated in an informal communication setting, wanted to achieve, the overall opinions of the employees coincide with the opinions stated in interviews and information obtained in the questionnaire – the desire to improve organisational activity and the decision-making model and to be listened to. The quantitative questionnaire shows that with regard to co-orientation, the statement of employees' desire to improve organisational activity is valued differently – employees agree that this was the aim, but the dominant coalition disagrees. Employees’ views regarding the opinion held by the dominant coalition are comparable, but the management, nonetheless, considered that employees do not think that actions were guided by a desire to improve organisational activity.

The second question of the study discussed the impact of the internal communication crisis on organisational activity. In this regard, it should be noted that in the presence of conditions where communication symmetry in the internal environment of the organisation is not implemented, employees are not led by a leader, and there is a lack of a definite value system and of the preconditions for informal communication to dominate over formal communication, there is a distinct risk that employees who create an alternative decision-making model through informal communication channels may also use resources available in an external setting in order to influence the course of the organisation. In this respect, organisational activity may be threatened by the risk of unfriendliness of the external setting, of active circulation of negative information in the mass media, allowing decision-makers and society to express a negative stand, which, in turn, could threaten the organisation’s reputation, existence or the amount of available financial resources.

Data from both the qualitative and the quantitative research indicate that an internal communication crisis is directly related to threats to organisational activity. In interviews, employees reveal that, specifically, asymmetrical informal communication and lack of leadership and a defined value system facilitated the impact of informal communication in the organisation. Active and symmetrical communication-driven employees teamed up in this informal communication setting and decided that
external stakeholders like media and politicians should be involved in the struggle for better organisational activity. This step, labelled by employees as “a cry for help”, was the one that threatened the existence of the organisation and was also a determinant in the sharp decrease in funding for the organisation’s operations.

DISCUSSION

The results of the research permit discussions about the set of components of an internal communication crisis discovered and envisioned by the author at the beginning of the paper – asymmetry of communication, lack of leadership and of values, and active informal communication. Further on in the text, the author will briefly touch on each of these concepts in order to discuss whether the four factors may cause an internal communication crisis in an organisation and how this affects an organisation’s operations.

The great importance of symmetry has been noted by Gruning and Hunt, who describe symmetric communication as a source and a recipient which cannot be separated but are equal participants of a communication process seeking (striving for) mutual understanding and a proportional two-way effect (Grunig, Grunig A. Larissa, 1989). The research work carried out under the auspices of the paper points to the lack of a symmetric approach in internal communication, which is noted by the research participants (not representing the dominant coalition) as an important cause of the problem and of the crisis in the organization. The employees have indicated that the dialogue between the organisation’s management and the employees was minimal and insufficient. Communication between the dominant coalition and the employees has left more unanswered questions than clear answers. During the research it was established that employees have felt uninvolved, uninformed and unheard. These answers led to the conclusion that lack of symmetry is one of the factors causing an internal communication crisis. Employees who are not satisfied with communication and who are uninformed are not perceived as equal team players and thus not granted the opportunity to express their opinion, give feedback and participate in the decision-making process on important issues of the organisation, and this eventually forms the grounds for an internal crisis situation which cannot be resolved in any other way but by means of a strategic approach to planning and managing internal communication. However, the devastating power of asymmetrical communication could be discussed with regard to the particular case.

Another aspect which has been brought forward as crucial is organisational culture. In the research, this aspect has been narrowed down by analysing only the values in the organisation as a possible cause of an internal communication crisis.

Randolph Pohlman and Gareth Gardiner (Pohlman, Gardiner with Ellen M. Heffes, 2000) noted that organisational values determine how employees and management implement objectives and what principles are clear, understood by everyone and helpful to employees in their daily tasks. Research conducted within the framework of the paper suggested that the organisation in question failed to have defined values. Firstly, a rhetorical question could be asked: Should there be any? Regardless, the answer can be found in narratives by the research participants on the organisation’s unwritten rules which would not flatter any organisation. In in-depth interviews participants pointed out that in the organisation there have indeed been unwritten rules: every initiative and activity is condemnable, an opinion which is contrary to the management’s opinion must not be expressed, and there is a double standard with regard to what is allowed for one person and not allowed for another. Such a series of unwritten rules points to such values as non-transparency, passivity and inequality. A value system of this kind is destructive for any organisation. The internal risk factor for the organisation in question was hidden by the fact that, although there were undeclared values in the organisation which did not promote activity and initiative, there were still employees in whose consciousness this organisation had to work according to completely different values: openness, transparency, dialogue, and open decision-making.

The third factor of an internal communication crisis is leadership or lack thereof. Researchers Pearson and Clair (Pearson, Clair, 1998), in discussing various aspects of a crisis, indicate that in all cases a crisis is related to the loss of faith in the leader and conviction in the organisation’s culture. The research work carried out within the framework of this paper to a certain degree affirms what Pearson and Clair have said because it relates to very deep problems specifically in the managerial style of the organisation. The first conclusion repeated by every single participant in the interviews was that the manager was not a leader. Yet the problem that the manager is not a leader cannot be regarded as the
characteristic parameter of the organisation. The main problem within the organisation in question is still, as employees put it, that “the managerial style has no shape”. Such a managerial style is characteristic of passivity, disinterest, avoidance of problem solving, use of mediated communication channels and lack of vision and objectives.

The research work reveals that the lack of leadership, unclear managerial style and incomprehension of employees’ need for information created a fundamental problem in the organisation’s internal communication. If the manager does not understand that communication is a significant element in the management of employees and that communication determines if employees will be efficient, a programme on efficient internal communication cannot be implemented. Grunig (Grunig 1992) indicates that public relations must be a management function if they are to make organizations more effective. The example of the research also reflects the managerial responsibility for implementation / lack of implementation of efficient internal communication. Examples of internal communication and management from the organisation in question reveal that the manager and his dominant coalition, most likely, unknowingly activated informal communication in the organisation, thus encouraging the development of horizontal communication between employees and vertical communication between employees and heads of their structural units, which constitutes a success in a formal environment. It remains unclear whether the organisation’s management implemented asymmetrical communication on purpose or whether this resulted from incomprehension of the significant role of communication. Regardless of the reasons, informal communication among employees was facilitated.

The role of informal communication and the “grapevine” in an organisation’s communication is viewed as one of the crucial factors influencing an organisation’s operations and may become a threat to an organisation. This idea is discussed by Cutlip, Center and Broom (Cutlip, Center, Broom, 2002). To sum up the discussion on the role of communication symmetry, organisational culture and leadership in an organisation in implementing efficient internal communication, it should be concluded that in a situation where all three factors are not being implemented there is a high risk of activation of informal communication. Frank Laurich indicated that the aim of internal communication is to provide missing information, soothe nervous emotions and help people to orientate themselves (Berziņš, Klauss, 2006). If management is not able to provide its employees with facts regarding the necessity of a decision to be made, rumours are created. Participants of the research work also indicated that informal communication was activated because there was inefficient communication between the manager and employees. The dominant coalition, however, disagrees with this viewpoint. Yet this aspect once again proves that there is a huge gap between the opinions of employees and the dominant coalition on various matters concerning efficient communication.

The Influence of an internal communication crisis on the organisation’s operation is related to the fact that employees who are active and represent different values than those offered by the management and the internal communication environment are ready to activate not only the internal setting but also involve the external setting – decision-makers and society – with the aim of receiving help. However, as the example shows, the hope for help in an external setting may work against the organisation by threatening its funding and existence.

The results obtained within the framework of the given case study indicate that an organisational crisis may be caused not only by external conditions which are difficult for an organisation to control, but also by internal factors which are closely linked to communication problems in the organisation. Although the case study analysis is based on a single case, information disseminated in the public domain during the course of the research on other similar cases indicates the topicality of the problem in organisational operations; it should be considered as a problem present in other organisations.

The results obtained allow us to speak of new developments in the research of internal communication and organisational crises. If, until now, researchers of crisis communication have only partially confirmed that an organisation’s internal factors may be a crucial condition for a crisis to arise in the organisation, this research fully confirms this assumption, providing definite proof of internal factors which determine whether an organisation experiences or does not experience a crisis. In the same manner, the concept of internal communication has been expanded; so far it has been described only from the point of view of employees’ efficiency (Pamela Mounter, Lyn Smith, Bill Kirk, Sandra Oliver) and satisfaction (Pincus, Reifield, Knips, Grunig), and it is impossible to find scientific examples dealing with an internal communication crisis as a concept which the organisation must consider if it implements
specific internal communication programmes or simply ignores the communication needs of its employees by using an asymmetrical approach to communication. The results fully answer the questions put forward at the beginning of the paper. There is an indication of a gap in the literature discussing the influence of communication on a crisis. Therefore, the author offers to supplement communication literature with the new concept of an “internal communication crisis”. Also, the results obtained add to theoretical concepts containing suggestions for communication practitioners on how to identify possible problems in an organisation’s internal setting and respond to them in a timely manner.

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VALUE INNOVATION FRAMEWORKS FOR DELIVERING SUPERIOR CUSTOMER RESPONSIVENESS

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Abstract  
The purpose of this conceptual study is to find existing frameworks and underlying logic for delivering value innovation to ensure superior customer responsiveness based on theoretical conceptualization of existing value innovation models. In the past, a vast number of international companies mainly battled over increasing their market share, thus leading to business growth. Nowadays, long-lasting business success comes mainly from the creation of "blue oceans", which entails unlocking a new market potential and delivering new growth opportunities instead of fighting competitors over market share. According to Sheehan and Vaidyanathan (2009) managers should see themselves as adventurous explorers who seek new customer demand and who aim to deliver value innovation by redefining the company’s products and services to provide new product attributes and experiences to customers which are not served by the competition at the given point in time.

The methodology of the research is based on content analysis of distinctive streams in literature on value innovation frameworks and underlying logic for delivering value innovation: theoretical conceptualization of the Six Paths Framework from head-to-head competition to blue ocean creation, the Four Actions Framework, which aims to conceive and design new bundles of value attributes, the DART Model, which fosters value co-creation, and the PERFA Framework and its practical application to ensure superior customer responsiveness.

Limitations: There are a number of additional definitions and theoretical contributions which describe the underlying logic of delivering value innovation, such as design thinking frameworks leading to design-driven value innovation, strategic innovation, strategy innovation, etc. The scope of the article is limited to an analysis of the Six Paths Framework, the Four Actions Framework, the DART Model and the PERFA Framework for delivering value innovation.

Findings: There are linkages between value innovation frameworks and underlying logic to ensure superior customer responsiveness based on theoretical conceptualization.

Theoretical contribution: The connections between value innovation frameworks and underlying logic for delivering value innovation to ensure superior customer value.

Managerial implications: The key value innovation frameworks to ensure superior customer value and underlying logic for its application can be identified and undertaken by industry managers to ensure superior customer responsiveness.

Keywords: value innovation, value innovation frameworks, superior customer responsiveness, value co-creation, blue ocean.

Classification: Exploratory qualitative study.

1. INTRODUCTION  
In today’s business world, national companies as well as international corporations are dealing with fast-changing business environments. Consequential research of the relationship between market dynamics and value proposition is imperative to meet these changes. After several years of downsizing due to the economic and financial crisis, achieving profitable growth is one of the major challenges that businesses have to deal with nowadays. Today, companies are facing the social, economic, political, demographic and technological challenges of a globalized world, leading to hyper-competition as well as to product and service personalization. As a consequence, new industries to satisfy the emerging needs of customers (both B2C and B2B) are developing rapidly. In addition, companies are
becoming more and more limited in their flexibility in navigating business through times of crisis to ensure sustainability and future success (Kim and Mauborgne, 2005; Matthysens et al., 2006; Lindi and Marques da Silva, 2011). Thus, the development of new tools and frameworks for delivering value innovation to ensure superior customer satisfaction and additional business value at the same time is the priority on the management research agenda.

Lindi and Marques da Silva (2011) describe value proposition as the way a company’s products and services differ from the offer of its competitors. Product or service differentiation can be achieved through a variety of e.g. design, location, timing, features, customer support, image and reputation or product mix possibilities (Caruana et al., 2000; Afuah and Tucci, 2001; Trkman, 2010). However, according to Bower and Christensen (1995) and Christensen and Overdorf (2000), products that incorporate more features or higher quality do not inevitably lead to the creation of a higher value proposition. They further argue that businesses often tend to think of value propositions in terms of what the company offers instead of focusing on attributes which their customers truly value. Managers may perceive specific attributes and elements as beneficial while customers do not see their advantages (Anderson et al., 2006; Popovic et al., 2009). Value propositions aim to provide distinct advantages and benefits which solve the target customers’ problems (Anderson et al., 2006). One can therefore say that value propositions do not pertain to a company’s offerings, attributes or features; they are about the needs and wants of the end-customers and their experience (Barnes et al., 2009). The authors of the present article share this view as products and services delivered to the market, first of all, have to satisfy recognized needs or not yet recognized needs of customers.

However, Kambil et al. (1996) argue that the concept of value proposition is too vague to be used for innovative purposes, whereas research conducted by Lindi and Marques da Silva (2011) indicates that it can be very useful for innovation when following a systematic structure.

According to Lindi and Marques da Silva (2011), value can be defined as benefits minus costs from the customer’s perspective (while costs also incorporate e.g. risks, time or effort, etc.). As nowadays customers are looking for personalization and individual products, it is not enough for companies to compete solely on price in order to deliver value to customers. In addition, the importance of differentiation of product or service offerings in a wide range of attributes for diverse groups of customers is increasing. Thus, delivering new experiences is becoming a driving force to ensure superior customer responsiveness.

As the importance of value innovation and thus rejuvenation of business is growing, the article identifies and analyses possibilities to deliver value innovation and shows possible synergies of an application of the underlying frameworks and logic with a clear focus on delivering value innovation.

2. VALUE INNOVATION CHARACTERISTICS

The concept of value innovation comes from Kim and Mauborgne (1997), who emphasize that it is necessary to develop a systematic way of looking for new business possibilities and to develop a different competitive mindset. According to Kim and Mauborgne (2005), companies need to focus on unoccupied territory which has the potential of becoming a new and untapped future market space instead of trying to stay ahead of the competition within the current market. This strategic logic, which achieves an increase of customer value while ensuring valuable corporate benefits, is called value innovation. Research conducted by Kim and Mauborgne (2005) also shows that neither the company nor the industry is the right unit for explaining profitable growth of an organization. Sustainable success depends on strategic moves which are sets of managerial decisions and actions. These moves help in innovating value propositions to customers. The development of new products and services for which there is no competition yet is perceived to be the key to sustainable future success.

Rouse (2015), in line with Kim and Mauborgne, describes value innovation as an approach that is designed to create new markets instead of competing for an existing market share. From the authors’ point of view, value innovation is a tool applied by companies to ensure the implementation of their strategies by breaking through existing patterns of the industry, developing new industries or creating a new meaning for already existing products or services.

According to Matthysens et al. (2006), value innovation aims to create and sustain competitive advantage to rejuvenate the organization and to ensure superior customer value. In addition, Cirjevskis et al. (2009) argue that business growth may be a consequence of value innovation as it may serve as a
driver for company growth. One can therefore apprehend that MatthysSENS et al.’s and Cirjevskis et al.’s approach is also in line with Kim and Mauborgne (1997), whereas Abraham (2006) argues that customers make buying decisions depending on the product or service attributes. From the authors’ point of view, value innovation can therefore be delivered by experimenting with innovative features of value proposition and the creation of new bundles of them.

Within the broad field of innovation management, value innovation is related to a reconceptualization and a redesign of existing business models instead of achieving technological progress, which marks a contrast to Rouse’s (2015) interpretation of value innovation. It aims to sustain a competitive advantage through the creation and development of new markets and new ways of competing (Pitt and Clarke, 1999; Kim and Mauborgne, 2005). Rouse (2015) argues that value innovation is a process in which a company introduces new technologies or product/service upgrades which are designed to achieve low costs and product differentiation.

From the authors’ point of view, value innovation is the result of a management process of creating and delivering new product or service attributes or creating a new product or service which increases customers’ benefits while at the same time the company benefits from an increase of value by e.g. lowering costs. In addition, value innovation is a tool to ensure business development. This perception is in line with Kim and Mauborgne’s definition, as they argue that “value innovation is a process in which a company introduces new technologies or upgrades that are designed to achieve both product differentiation and low costs” (Rouse, 2015, p.1). During the value innovation process different sets of underlying logic, frameworks and tools could be applied based on a systematic and systemic approach. The creation of an entirely new product or technology is not always necessary, as an improvement of existing services or products may lead to both an increase of business value and an increase of customer benefits without delivering a new product or service. The authors suggest that value innovation can also be considered as a key success factor for ensuring superior customer responsiveness.

MatthysSENS et al. (2006) argue that new value concepts and the continuous process of reinvention is one of the best possibilities to escape from increasing competition and to sustain competitive advantage. Breaking free from well-established assumptions concerning industries, competition and intra- or inter-organizational ways of working is a key component of value innovation. The concept aims to destroy obsolete routines and leads to the adoption of more sustainable and effective behaviour (MatthysSENS et al. 2006).

3. THEORETICAL FRAMEWORKS AS TOOLS FOR ACHIEVING VALUE INNOVATION

There are several theoretical models which aim to ensure value innovation: the Six Paths Framework, the Four Actions Framework, the DART Model and the PERFA Framework. The following chapter provides details and characteristics of each of these value innovation frameworks.

3.1 THE FOUR ACTIONS FRAMEWORK

The Four Actions Framework was developed by Kim and Mauborgne (2005) and focuses on the elimination, reduction, creation and rise of specific value proposition factors during the value innovation management process in order to support managers when designing and creating new product or service attribute-bundles of the value curve and thus ensuring superior customer value.
Firstly, the *Four Actions Framework* helps managers by directing decisions on which of the factors taken for granted by the industry should be eliminated. Secondly, managers have to focus on which factors should be reduced below the industry standards of the company’s competitors. Managers should also consider which attributes should be raised above the traditional industry level and fourthly, which new factors should be created as they are not covered by the company or its competitors yet.

An industry example from practice for the application of the Four Actions Framework is IMAX’s move “to go to Hollywood”. The IMAX Corporation is a large and well known movie production company which succeeded in the early 2000s in defining its niche market. The corporation was not challenged by direct competition. Instead, other entertainment sources such as sporting events or home theatres increased the competitive pressure on IMAX. The change in technology, demographics and market dynamics finally led to a deterioration of profitability and to a decrease in the corporation’s share price. Facing an uncertain future, IMAX had to consider changes to its core values and strategies. They decided to “go Hollywood” and expanded from their rather small niche market to documentaries and educational movies which are shown in zoos and museums. In addition, IMAX cooperated with theatre chains and updated their product offer to 3D experiences, animations and blockbuster movies (Becker, 2014). The following table shows an application of the Four Actions Grid for IMAX.

### The Four Actions Framework in practice – The example of IMAX

<table>
<thead>
<tr>
<th>Eliminate</th>
<th>Raise</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Size of Screen</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
</tr>
<tr>
<td></td>
<td>Sound</td>
</tr>
<tr>
<td></td>
<td>Price vs. Traditional Movies</td>
</tr>
<tr>
<td></td>
<td>Visual Experience</td>
</tr>
<tr>
<td></td>
<td>Sharpness of Image</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reduce</th>
<th>Create</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of movie offerings (compared to traditional production firms)</td>
<td>Wow-Factor</td>
</tr>
<tr>
<td>3D large format</td>
<td></td>
</tr>
</tbody>
</table>

*Source: authors’ own illustration based on Becker (2014, p.57)*
Although it was decided not to eliminate any products offered, IMAX reduced the number of film productions in the IMAX format compared to traditional production companies such as Pixar, Sony, Disney or MGM. The corporation raised its visual components by an increase in screen size, an introduction of new technologies, digital remastering, an improvement of the sharpness of image or an optimization of the movies’ sound. Moreover, they created a new Wow-factor for blockbuster movies like Harry Potter, Avatar, James Bond or Pirates of the Caribbean and introduced large-scale 3D format movie experiences, available to everyone (Becker, 2014). The actions taken by IMAX led to superior customer responsiveness and to a rapidly increasing overall performance for IMAX.

From the authors’ point of view, the Four Actions Framework is applicable for delivering value innovation in an existing industry and as a tool for creating a new industry by applying the creation step of the framework for delivering a specific value proposition factor.

3.2 THE SIX PATHS ANALYSIS FRAMEWORK

The Six Paths Analysis Framework supports the creation of sets of attributes to discover new sources of value innovation (Kim and Mauborgne, 2005). The framework incorporates an internal and an external industry perspective, leading to the development of new ideas.

<table>
<thead>
<tr>
<th>Head-to-head competition</th>
<th>Blue Ocean creations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td></td>
</tr>
<tr>
<td>Strategic group</td>
<td></td>
</tr>
<tr>
<td>Buyer group</td>
<td></td>
</tr>
<tr>
<td>Scope of product or service offering</td>
<td></td>
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<tr>
<td>Functional-emotional orientation</td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td></td>
</tr>
</tbody>
</table>

Table 2

The Six Paths Framework – From head-to-head competition to blue ocean development

Source: authors’ own illustration based on Sheehan and Vaidyanathan (2009, p.14)

The movement of a company’s activities from competing directly with rivals to new market spaces may take place based on six relevant fields of consideration: industry, strategic group, buyer group, product or service scope, functional-emotional orientation and time.

From the authors’ point of view, the driving forces for these strategic moves are the exploitation and the development of resources and capabilities of the company based on joint efforts of relevant internal and external stakeholders.

When analysing the IMAX case with the Six Paths Framework, one has to think of IMAX as an organization which has to compare itself to alternative industries such as theatre, dining or sports events. From a buyer’s perspective, IMAX is relatively well positioned at a cost of 10-12 USD versus e.g. theatre performances or musicals that cost 50-120 USD. However, the IMAX experience is more expensive than a traditional cinema movie. The typical IMAX guest is 19-65 years old and has a high household income and a university education, except for a large number of school groups who visit IMAX theatres on a regular basis. That contrasts with a regular movie audience, which tends to be much younger (12-24 years of age). Taking a look at the functional versus emotional aspect, IMAX was focusing on functional attributes as they provide information to the audience. The IMAX Hollywood experience radically switched its focus to an emotional orientation by promoting blockbuster movies
with action-packed and visually stunning elements (Becker, 2014).

3.3 THE DART MODEL OF VALUE CO-CREATION
Another framework that may help to deliver value innovation is Prahalad and Ramaswamy’s *DART Model of Value Co-Creation* (Prahalad and Ramaswamy, 2004). Prahalad and Ramaswamy argue that a company and its partner can learn about individual customer wishes and preferences in order to generate new ideas for the design, manufacturing or engineering of its products. Moreover, employees get the chance to understand consumers’ needs, behaviours, motivations and desires deeply. Through enabling a continuous dialogue, employees can better relate their efforts to their potential consumers and the business is able to reduce uncertain capital commitments and risks (Prahalad and Ramaswamy, 2004).

Prahalad and Ramaswamy demonstrate that a company’s overall performance can be increased by a unique customization of the value proposition which leads to superior customer value. Based on the DART Model, the co-creation of value incorporates the elements Dialogue, Access, Risk-Return Relationship and Transparency (Sheehan and Vaidyanathan, 2009).

![The DART Model of Value Co-Creation](image)

*Figure 2. The DART Model of Value Co-Creation*

*Source: authors’ own extended illustration based on Taghizadeh et al. (2016, p.25)*

According to the DART Model, the co-creation of value depends on the development of a *Dialogue* between customers and the corporation. Additionally, the company has to provide mediums for customers that enable them to communicate with the company directly (*Access*). Moreover, the *Risk-Return Relationship* can be actively managed for the corporation and is therefore perceived as beneficial. Lastly, *Transparency* plays a key role as all relevant information needs to be shared between customers and the corporation (Prahalad and Ramaswamy, 2004; Sheehan and Vaidyanathan, 2009). Prahalad and Ramaswamy (2004) also argue that a combination of the four elements mentioned above may lead to an increase of customer value. Coupling dialogue with e.g. access enables the consumer to develop and maintain thematic communities. According to Prahalad and Ramasamy, the only way of achieving sustainable advantage is a company’s ability to meet consumers’ needs and wants through value co-creation (Sheehan and Vaidyanathan, 2009).

A practical example is the blockbuster movie “The Lord of the Rings.” More than 400 unofficial websites were created, providing insider tips, seeking feedback concerning the movie’s details and offering access to the production team. By offering these options, superior customer responsiveness was achieved (Prahalad and Ramaswamy, 2004).

From the authors’ point of view there is still an opportunity for “surprising a customer” by delivering value innovation based on the internal capabilities of a company. Apple’s unique capabilities for continuous value innovation come from many sources and types of innovation when customers are
not directly involved in the value creation process.

3.4 THE PERFA FRAMEWORK

The PERFA-Framework, developed by Lindi and Marques da Silva, requires managers to rethink their perspectives by asking them to take a look at reality from the customers’ point of view (Lindi and Marques da Silva, 2011). The PERFA (performance, ease of use, reliability, flexibility and affectivity) framework provides an overview of customer value propositions which can be generated by delivering innovations.

Performance is defined as a profitable way of focusing on the corporation’s activities and actions towards customers’ needs and wants (Barnes et al., 2009). One can also say that the performance of new goods or services offered to customers is a result of the company’s superior product or service offerings in terms of attributes, technical performance, quality and the ability to meet customers’ needs and demands (Bonner, 1969). Following this perspective, one can apprehend that innovation is a key success factor and a generator of business performance.

Ease of Use is the degree to which a product or service is perceived to be used in an effort-free way. The easier the usage of a feature, a service, an application or a product is, the more likely users will accept the innovation. As a consequence, ease of use decreases the costs and effort (e.g. time investment) and increases customer value (Lindi and Marques da Silva, 2011).

Van Raaij and Pruyn (1998) define Reliability as a product’s ability to deliver according to its specifications. Consequently, innovation may add value to a customer by ensuring that the products and services perform in accordance with the promised standards (Lindi and Marques da Silva, 2011). From the authors’ perspective reliability could also be considered as functionality of the product or service.

As the environment and consumer needs are constantly changing, Flexibility is necessary to ensure that the organization maintains its environmental fit (Regev et al., 2007). A company needs to be aware of a dynamic and ever-changing field of operation. The reconfiguration of a company, which also incorporates the integration and creation of internal and external competencies, is mandatory for being successful in rapidly changing environments (Teece et al., 1997). In order to keep customers satisfied and increase their value proposition, flexibility is an important criterion in today’s competitive environment (Lindi and Marques da Silva, 2011).

Affectivity targets the emotions and feelings which are associated with working for a specific company or using its products or services. One can also say that a feeling of belonging to a specific group or class emerges and that an emotional bond between the product and the customer is created (Atkin, 2004).

Table 3

<table>
<thead>
<tr>
<th>The PERFA Framework</th>
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<tbody>
<tr>
<td>PERFA - Framework</td>
</tr>
<tr>
<td>Performance</td>
</tr>
<tr>
<td>Ease of Use</td>
</tr>
<tr>
<td>Reliability</td>
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<tr>
<td>Flexibility</td>
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<tr>
<td>Affectivity</td>
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</table>

Source: authors’ own illustration based on Lindi and Marques da Silva (2011, p.1701)
Casella Wines, an Australian winery, is an industry example for the application of the PERFA Framework. Casella Wines conducted market research concerning the demand side of non-traditional wines. The study revealed that spirits, beers and cocktails captured three times more sales than the wine industry. Consumers regarded the purchase of wine as a complex procedure that requires extended know-how and time. Casella challenged the business model by adapting its product to consumers’ needs and wants. They created just two wine choices (a white chardonnay and a red shiraz). In contrast to all other wineries, they simplified their wine labels and created a new wine experience for everyone as the wine was easy to select, easy to drink and its PR strategy was connected to emotional elements such as adventure and fun. In addition, Casella undertook a flexible strategic move in order to stay agile in a changing environment. A few months after the launch of the newly created product, sales took off and the performance of Casella increased considerably. Casella became the leading company for imported wines in the USA and surpassed wineries from France and Italy. The company benefited not only from regular wine customers who were convinced about the new brand. The strategic move brought over six million non-wine drinkers into the market (Kim and Mauborgne, 2005).

The PERFA Framework helps one to better understand the concept of value proposition and its correlation with innovation, which leads to superior customer value. A critical factor on which managers need to focus is that customers have the power to decide on the purchase of a specific product or service. As a consequence, it is imperative for innovations to be based on what customers truly value (Lindi and Marques da Silva, 2011).

All of the abovementioned frameworks are aimed at the localization and creation of new market spaces within an existing industry or by creating a new industry, which leads to value innovation.

4. VALUE INNOVATION LOGIC

As a number of business companies are trying to break out of antiquated industry patterns, the concept of value innovation identifies barriers, drivers and success factors for a breakthrough approach (Matthyssens et al., 2006). The authors agree that in order to deliver value innovation, the barriers, drivers and success factors need to be identified based on an environment analysis of the specific industry context. The main differentiator among companies or business units in the value innovation process is the management team’s logic and value innovation frameworks applied during the environment analysis.

While many business companies regard industry conditions as static, value innovators are always searching for blockbuster ideas and quantum leaps which deliver value innovation. Kim and Mauborgne (2004) offer two different approaches to delivering value innovation based on conventional logic and value innovation logic. The following table compares conventional logic with value innovation logic and highlights the differences between the two approaches.

Table 4

<table>
<thead>
<tr>
<th>5 Dimensions of Strategy</th>
<th>Conventional Logic</th>
<th>Value Innovation Logic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Assumptions</td>
<td>Industry’s conditions are given</td>
<td>Industry’s conditions can be shaped</td>
</tr>
<tr>
<td>Strategic Focus</td>
<td>A corporation ought to build competitive advantages, aiming to beat the competition</td>
<td>Competition is not the benchmark A company should pursue a quantum leap in value to dominate the market</td>
</tr>
<tr>
<td>Customers</td>
<td>A company should retain and expand its customer base through further segmentation and customization. It should focus on the differences in what customers value</td>
<td>A value innovator targets the mass of buyers and willingly lets some existing customers go. A focus on the key commonalities in what customers value is part of the strategy</td>
</tr>
<tr>
<td>Assets and Capabilities</td>
<td>A company should leverage its existing assets and capabilities</td>
<td>A company must not be constrained by what it already has. It rather asks what to do to start anew</td>
</tr>
<tr>
<td>Product and Service Offerings</td>
<td>The traditional boundaries of an industry determine the products and services a company offers. The aim is to maximize the value of those offerings.</td>
<td>A value innovator thinks in terms of the overall solution which is sought by customers, even if that takes the company beyond traditional offerings of the industry</td>
</tr>
</tbody>
</table>

Source: authors’ own illustration based on Kim and Mauborgne (2004, p.6)
There are different underlying capabilities of management teams leading to value innovation. Kim and Mauborgne suggest that according to conventional logic, managers compare their strengths and weaknesses with those of their competitors. Value innovators monitor their competitors but never use them as benchmarks as they do not focus on competing with one another. Instead, they focus on elements that deliver superior value. Even though value innovators do not primarily build up advantages, they often end up having the biggest competitive advantage (compared to their competition). While many companies seek growth and future success by expanding and retaining their customer base through customization and further specialization processes, value innovators believe that customers will accept less specified and customized products if a considerable increase of value is offered to them. Moreover, value innovators are less limited to their given assets and capabilities, while many companies which follow conventional logic concentrate on improving products or services based on their given assets. Finally, one has to say that value innovators seek total solutions that eliminate buyers’ problems while overcoming major compromises which had to be made in the past (Kim and Mauborgne, 2004).

According to Sheehan and Vaidyanathan (2009), there are three types of value creation logic: industrial efficiency logic, knowledge intensive logic and network services logic.

**Industrial efficiency logic** creates new value for buyers by reducing costs. The savings that emerge from a cost leadership strategy are passed on to customers in the form of a price decrease. Management tools for implementation of a cost leadership strategy include Supply Chain Management, Total Quality Management, Enterprise Resource Planning Systems, Just-in-time inventory or Six Sigma (Thompson 1967, Stabell and Fjeldstad 1998, Sheehan and Vaidyanathan, 2009). In addition, the authors would like to mention the Lean Management System, which aims to increase the efficiency and effectiveness of operations and thus increase the value for customers.

**Knowledge intensive logic** creates value by using customers’ information and preferences to tailor products and services to their specific needs and wants. A customer relationship database can help a company to build a closer relationship to its customers (Thompson 1967, Stabell and Fjeldstad 1998, Sheehan and Vaidyanathan, 2009).

**Network services logic** creates value by connecting customers to the company or to partners of the company’s direct or indirect network. The company can offer after-sales services or accessories that increase the initially sold product’s value for buyers – these are frequently realized methods nowadays. One can also consider establishing virtual or physical communities (also via the internet) to increase the value for buyers (Thompson 1967, Stabell and Fjeldstad 1998, Sheehan and Vaidyanathan, 2009).

The authors would like to propose renaming knowledge-intensive logic to _knowledge and creativity logic_; that is, creating new value for customers is based not only on the usage of customer information and preferences, but also on applying new thinking patterns and creativity (imagination) to deliver new meanings for products (e.g. a watch as an accessory) or creating a new industry based on customers’ unrecognized needs.

5. **SYNERGIES BETWEEN THEORETICAL FRAMEWORKS AND THEIR CORRELATION WITH VALUE INNOVATION LOGIC**

Companies which target the creation of long-term competitive advantages by offering superior customer value have to combine theoretical frameworks to achieve value innovation. In addition, there is a need to link these value innovation frameworks to the aforementioned value innovation logic to stay ahead of competition in a fast-changing and globalized world.

5.1 **COMPARISON OF THEORETICAL FRAMEWORKS FOR DELIVERING VALUE INNOVATION**

The authors see similarities between the Six Paths Framework and the PERFA Framework. Both frameworks focus on emotional attributes of the product or service and on an increase in performance by e.g. ensuring flexibility for the consideration of alternative industries, new buyer groups and trends.

Moreover, one can say that the Four Actions Framework focuses on the process of delivering value innovation: elimination, reduction, creation and increase of value proposition factors during the value
innovation management process. It supports managers when designing new attribute bundles. Also, the Six Paths Framework helps in redesigning product and service attributes from a managerial point of view to ensure superior customer value. It can be said that the Six Paths Framework is regarded as a complementary tool for the Four Actions Framework. The authors perceive it as a possibility for the completion of the four recommendations for action which are derived from the Four Actions Framework. The PERFA Framework targets an increase of performance by achieving superior customer value as well, which is in line with the aims of the Six Paths and the Four Actions Framework. While the PERFA Framework concentrates on the customers’ point of view, both of the aforementioned frameworks focus on the managerial perspective. However, the PERFA Framework can be seen as a complementary model for the aforementioned frameworks as its aim of achieving superior customer value is in line with the aims of the Four Actions Model and the Six Paths Framework.

The DART Model focuses on value creation through enabling a continuous dialogue with customers to increase the company’s overall performance by concentrating on a unique customization of the value proposition according to the customers’ demands and wishes, which leads to superior customer value. The DART Model therefore focuses on the customers’ point of view, which is in line with the PERFA Framework.

In addition, it can be said that the DART Model, the Six Paths Framework and the Four Actions Framework concentrate on activities and actions for improving superior customer responsiveness, e.g. the identification of new trends or buyer groups, while the PERFA Framework focuses on an optimization of product attributes such as ensuring easy usage of the product.

5.2 CORRELATION BETWEEN VALUE INNOVATION LOGIC AND FRAMEWORKS

The authors see a connection between Prahalad and Ramaswamy’s DART Model of Value Co-Creation and network services logic. Both approaches highlight the necessity of getting and keeping in touch with customers and providing information for the business as well as for the consumers in order to enable them to make informed purchase decisions. The DART Model is also in line with the aforementioned knowledge and creativity logic as both models target the creation of unique offerings and new market spaces from which customers will benefit.

Moreover, there is a direct connection between industrial efficiency logic and the Four Actions Framework as redundant elements are identified and reduced or eliminated. The resulting savings of e.g. time and other expenses can then be invested in the creation of innovative elements and attributes that may lead to new market spaces and to an increase of customer value.

The authors argue that there is a direct link between knowledge and creativity logic and the Six Paths Framework, as the focus on customers’ wishes and demands, which can only be identified by researching customers, can lead to strategic moves on the part of a company towards new buyer trends or even new industries. The authors further argue that network services logic also complements the Six Paths Framework as new buyer groups can be identified and an emotional bond between the customer and the company can be created by e.g. after-sales service offerings. As a consequence, it can be argued that there is a link between network services logic and the PERFA Framework, and the emotional bonding and flexibility which allow a company to respond to customers’ needs and demands is also highlighted in the PERFA Framework.

Value innovation can be created by combining the abovementioned value innovation frameworks and types of value creation logic. Company executives as well as management teams can design special products and services which fit customers’ needs and wants by putting together innovative bundles of value attributes based on different types of logic. Corporations that manage to successfully combine the abovementioned models have a high potential of benefitting from a performance increase and from long-term profitability and competitive advantages by tapping into a new self-created market space (Sheehan and Vaidyanathan, 2009). Kim and Mauborgne (2005) are in line with the abovementioned theory as according to them, value innovation makes the competition irrelevant by offering new and superior customer value and by enabling a quantum leap in customers’ value to create new markets.

6. CONCLUSIONS

The article provides an overview of applications of value innovation frameworks based on different types of logic for ensuring superior customer responsiveness. It deals with existing value innovation frameworks and underlying logic for delivering value innovation that are derived from
existing research literature. A thorough management scientific literature review was conducted. Firstly, the concept of value innovation was explained and the perspectives of different research contributors were highlighted. The existing frameworks for the development of value innovation were identified, explained and compared. Underlying logic for delivering value innovation was indicated and correlations between value innovation logic and frameworks were identified.

The authors highlighted that value propositions provide specific advantages and benefits which intend to solve customers’ problems. One can therefore say that value propositions are primarily about the demands and wishes of end customers and their experience. Due to the changing nature of customers’ needs and experiences and increased competition, value propositions need to be reconsidered to deliver superior customer responsiveness. The authors regard value innovation as a result of a management process of creating new product or service attributes or delivering new product or services, thus creating a new industry. During this process the underlying logic, frameworks and tools have to be applied based on a systematic and systemic approach. From the authors’ point of view, the creation of an entirely new technology or product is not always necessary, as there is still room for improvement of existing services or products, which may lead to both an increase of business value and an increase of customer value and satisfaction without the invention and the commercialization of a new technology.

Furthermore, the authors suggest that value innovation can be interpreted as a key success factor for ensuring superior customer responsiveness while delivering added business value at the same time. This point of view supports Matthysssens et al.’s research (2006), which indicates that new value concepts and the ongoing process of reinvention offer a possibility of escaping from cut-throat competition and sustaining competitive advantage. In addition, the article summarizes the key driving forces of value innovation to ensure superior customer responsiveness. From the authors’ point of view, the driving forces for strategic moves are the exploitation and the development of resources and capabilities of the company based on joint efforts of relevant internal and external stakeholders. Moreover, key drivers for delivering value innovation such as design, location, timing, features, customer support, image and reputation or product mix possibilities were identified.

To conclude, the article shows a variety of possibilities to create value innovation and highlights possible synergies of an application of the identified frameworks and underlying logic with a clear focus on achieving value innovation in practice.

REFERENCES
VALUE PROPOSITION MANAGEMENT IN CONTEMPORARY FINE ART: CASE STUDIES OF SIX LATVIAN ARTISTS

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Abstract
Contemporary fine art, along with other art forms, has more myths when it comes to business and earning money (Abbings, 2002) than any other industry, since people tend to perceive art as something divine and not related to anything manageable by the human brain and logic. Even the value of artwork, which is set by the artist, gallerist or buyer, has been considered as mysterious and unexplainable (Abbings, 2002; Thompson, 2008). The changing social and business environment nowadays allows artists to become more independent and the question of value proposition management is important for millions of visual artists around the globe.

The purpose of this paper is to identify elements that affect value proposition and look at management possibilities for increasing value proposition.

The design of the paper – theoretical discussion is carried out in first part of the paper. Case studies of 6 Latvian contemporary artists in the second part illustrate how artists manage their value proposition in real life.

The main findings are that value proposition in fine art can be viewed from the following points of view: artistic value, social and personal value, and exchange value. From the management perspective, artistic value management is realized through artistic talent management; social and personal value management is reflected in the artist’s personal brand management; and exchange value is managed through business model management. The case studies show different ways artists approach value proposition management – from homogenous to very diversified practices in artistic talent development, personal brand and business model management.

Research limitations – there is a geographical limitation, as all 6 artists are from Latvia and work mainly in Latvia; all artists represent contemporary visual fine art; the lifecycle of artists – late emerging / early established artists (no early emerging and no fully established artists were interviewed). Suggestions for further research – expand geographically and in terms of other lifecycle representation.

Practical implications – the findings of the research can be applied directly by other visual artists and their representatives and managers both in Latvia and in other countries, since they are universal.

Social implications – the paper discussed the management of value proposition, stating that the value of artwork can and should be managed, thus debunking the myth of the mysterious luck of a few artists.

Originality of the paper – the theoretical understanding of value proposition elements and the model of value proposition management that can be used by industry practitioners and academia for further research.

Research paper; case studies

Keywords: value proposition management; contemporary fine art; talent development; personal brand management; business model management.

INTRODUCTION
The visual fine arts industry has showed rapid growth in global markets in the last decade (Artprice, 2011, 2013, Tefaf, 2015) and “the clichéd notion of the “wretched” artist living in poverty seems completely outdated and the old saying “only a dead artist is a good artist” is now itself a relic of the past” (Artprice, 2015). Global wealth accumulation has reached new heights, and the way people become rich has changed – there are more possibilities to become wealthy in a shorter time, within a lifetime, thus changing wealthy society from the inherited multi-generation wealthy to the newly rich (KnightFrank, 2014, Barclays, 2013). This fact, along with other contemporary design and fashion tendencies, has changed the global art arena, making living artists in demand now, not posthumously.
One of the hindering factors is the persistent general opinion, especially in European society, that art and business are unconnected notions. Meanwhile there are many artists earning not just a living but a decent amount of money and this leads to the idea that such success can’t be achieved without management from the artist’s side. The purpose of this paper is to identify elements that affect the value of artwork and how artists approach their management in order to increase the value of their artwork. The first part of the paper deals with theoretical discussion on the topic and the second presents the practices of Latvian contemporary fine artists.

VALUE PROPOSITION MANAGEMENT IN CONTEMPORARY FINE ART

Philosophical discussion about “value” or “the good” along with “beauty”, “truth” and other philosophical constructs has a very long history, going back to Plato and Aristotle and even their predecessors, like Protagoras, who, in his book Truth, states: “Humans are the measure of all things”. The value of everything – truth, the good, beauty, existence – is relative to the observer (Dorbolo, 2002). A century later Plato identified two rivals – pleasure and knowledge – as two candidates for the highest good ((Frede, 1992, 425). His student Aristotle pointed to three types of happiness (therefore good and valuable) lives: hedonistic, focused on conventional pleasures; political, as in the life of a statesperson; and contemplative, the life of a philosopher or student looking for understanding (Korsgaard, 1986). According to Aristotle the good must be self-sufficient and final, it must consist of activity and it must be pleasant (Korsgaard, 1986). Through this, Aristotle provides a basis for intrinsic and extrinsic value. The intrinsic value of something is said to be the value that the thing has “in itself”, or “for its own sake”, or “as such”, or “in its own right”. Extrinsic value is value that is not intrinsic (Zimmerman, 2015).

In art, it is common to refer to “art for art’s sake”, thus indicating two different approaches to value in fine arts early on – it can be both intrinsic and extrinsic. A work of art has intrinsic value when it is sufficient by itself, the owner enjoys looking at it. It has extrinsic value when, for example, it is bought to identify and demonstrate the values or status of the owner to his friends and society.

Art serves many purposes – some people are happy to enjoy it in museums, some want to own it, some want to show what they own. From the artist’s perspective, there may be different approaches as well; some artists paint because they like the process, some have to express their feelings, and some do it because they see it as a way to earn money. In more recent times, Geursen & Rentschler (2003) note that “because different stakeholders have different views that stem from their individual utility requirements, deciding what constitutes cultural value often depends on who asks the question. For these reasons cultural value is a multidimensional construct represented by different stakeholders in ways convenient to their individual purpose”. They identify value for the artist, for society, for the audience, for sponsors, for the government, for the management of museums. Geursen & Rentschler (2003) also discuss the value of cultural works that are either understood by contemporary society and create immediate interest or that are not understood by society, but add value to its future.

Csikszentmihalyi (2014) sees value as embedded in a certain environment and states that “we cannot study creativity by isolating individuals and their works from the social and historical milieu in which their actions are carried out. This is because what we call creative is never the result of individual action alone; it is the product of three main shaping forces: a set of social institutions, or field, that selects from the variations produced by individuals those that are worth preserving; a stable cultural domain that will preserve and transmit the selected new ideas or forms to the following generations; and finally the individual, who brings about some change in the domain, a change that the field will consider to be creative”. This raises the question of balancing individual artistic actions with society’s needs or equilibrating supply and demand in art, since artists do not always want to create art that is accepted by general society.

Looking to more business-oriented definitions and moving to the customer or art buyer perspective, Holttinen (2014) distinguishes two value proposition perspectives – the customers’ value proposition and value co-creation. The customers’ value proposition, according to Holttinen, has 4 different values: sign value, the most important value, showing cultural discourses such as ideologies or cultural ideals; experience value; resources as a value accepted in exchange for a consumer’s time or lack of skills; and exchange value as an accepted material sacrifice for obtaining a good. Co-creating value is the personal added value from the art viewer, meaning that the artist can add some meaning or value to the art, but
the viewer, with his or her perception, will co-create and add his own personal value to it. Holttinen (2014) suggests “establishing meaningful links between the value propositions and consumer’s goals and resources so that by using the value propositions the consumers can better perform their life projects and roles in different cultural environments”. This explains the different purposes of artwork at the art buyer’s home or office – it can serve as a source of inspiration or a source for relaxation, and it can also signal the owner’s personal values, status and wealth. He also notes that value propositions tie firms together with their customers, thus becoming a central concept of marketing. Holttinen (2014) concludes that value proposition is a source of many potential meanings for the customer, who becomes a co-creator of meaning and further interpreter for his or her own purposes.

Grazyk (2012) identifies three kinds of value – exchange value, utility or use value and subjective value. Exchange value is the monetary value someone is ready to pay for a particular object. Utility value is “objective value relative to some activity of using it” (Grazyk, 2012). Utility value of fine artwork is both aesthetic value and what the artwork can signify about the social status of the owner. Subjective value is very individual and varies from person to person; it may also include status and recognition from others. Wiedmann, Hennings & Siebels (2007) go one step further, linking value perceptions with the concept of luxury, and discuss “buying to impress others” dimensions, which is relevant in the case of fine arts. Their research has found that people purchase luxury because it represents value to both the individual and the reference group (Wiedmann, Hennings & Siebels, 2007). Their Luxury Value Model identifies four dimensions: financial, functional, individual and social. The financial dimension refers to the value of a product expressed in monetary numbers, a price, and to what is given up or sacrificed to obtain a product.

The functional dimension is the core benefit and basic utility, such as the quality, uniqueness, usability, reliability and durability. The individual dimension focuses on a customer’s personal matters, such as hedonistic, materialistic and self-identity value. The social dimension is conspicuous and includes prestige value or “buying to impress others” value (Wiedmann, Hennings & Siebels, 2007). Barnes, Blake & Pinder (2009) look at the interrelations of customer value and its provider or business value. They cite Lanning: “a value proposition is about customers but for your organization; not addressed to customers but must drive these communications; articulates the essence of a business, defining exactly what the organization fully intends to make happen in the customer’s life”. (Barnes, Blake & Pinder, 2009)

Value proposition management as a concept is discussed by a very limited number of authors. According to Barnes, Blake & Pinder (2009), value proposition management is the “management of the discipline of providing profitable customer value”. First, this explicitly states that customer value should be profitable for its provider, in our case, the artist. Secondly, it is an action – providing the value to the customer. The author would like to add a further explanation – this action includes value creation, communication, delivery and, if necessary, maintenance.

The other group of authors are Osterwalder, Pigneur, Bernarda & Smith, further Osterwalder et al. (2014), who talk about value proposition design and refer to it as “a never-ending process in which you need to evolve your value propositions constantly to keep it relevant to customers”. Osterwalder et al. define value proposition as “the benefits customers can expect from your products and services”. They break down value proposition into “products and services, pain relievers and gain creators”, but this concept isn’t really applicable to fine art. Other authors (Hughes, 2013; Karlson, 2015) talk about value creation (not value proposition management) from a broader and more strategic perspective, considering value creation for all stakeholders as the central task of a business. Strauss & Neal (2015) talk about value creation from the perspective of brand building, but that is just a part of overall value proposition management. Closer to art, Chang & Wyszomirski speak of artists creating artistic as well as economic and social value (2015). As we can see, every author sees value proposition from a slightly different angle; some are more value creator-oriented, others are more value receiver-oriented. Most probably the truth lies somewhere in between and value proposition should be viewed as an integrated process for all affected parties.

The author suggests understanding value proposition management in general and specifically fine art as follows (Figure 1): it is a process of creating, communicating, delivering and maintaining artistic value, which is perceived by the customer as functional, individual and social value and brings profit
as economic (exchange) value to the business (artist).

**Figure 1.** Value proposition in visual fine art. Developed by the author.

We should draw attention to the fact that value proposition management is a crucial process for the business’s existence and operations. The business owner should be in charge and manage value proposition as one of the central business elements; otherwise, the process is uncontrolled and leads to a hardly manageable overall business.

As we can see value and value proposition has had a very relative character for millennia and has many different angles for discussion, analysis and development. This paper looks primarily at the psychological and financial value artwork creates for the living artist through value proposition for the art buyer. This means that value proposition should satisfy both the artist and the art buyer. Bamberger A. (artbusiness.com), life-long art appraiser, art consultant and advisor, identifies several important steps in increasing art’s market value: continuous practice and art creation; showing art to the public; building one’s reputation through joining respectable art organizations; printing an art catalogue; getting art reviewed; documenting every single work of art by stating the dimensions, media, date of creation, inspiration source, idea behind the work; talking convincingly about one’s own art and saving valuable art for retrospectives and as a future sales opportunity. Bamberger and Grant (2010) see that the value proposition of artwork should reflect the artist’s experience, exhibition records, prizes and previous sales records.

Michels (2001) warns of the undervaluing of art from the artist’s side, which contradicts Bamberger’s and Grant’s (2010) warning not to overprice artwork. Michels’s argument is that intermediaries want fast sales and that can be reached more easily through lower prices. She suggests that the value of art, even by unknown artists, can be increased “by helping the public to understand an artist’s vision and the multilayered process and rigorous discipline involved in creating visual art – from conceptualization to actualization” (Michels, 2001).
From the discussion above, we can divide the artwork value proposition management process into three elements/sub-processes (Figure 2). First of all, activities leading from the artist’s idea to sold artwork or artistic value creation require a certain artistic talent. Secondly, individual and social value is managed through brand management and specifically personal brand management, which serves as the tool for linking and communicating the artist’s, artwork’s and art buyer’s values. Thirdly, the mechanism of economic value creation – how artwork is created, sold and delivered to the buyer – is best described by the business model. Further, talent, personal brand and business models are deeply embedded in the contemporary fine art ecosystem.

Figure 2. Value proposition management approach for managing talent, personal brand and business models in a particular ecosystem. Developed by the author.

TALENT, PERSONAL BRAND AND BUSINESS MODELS AS TOOLS FOR VALUE PROPOSITION MANAGEMENT

For centuries people assumed that talent is a gift from god or a gift of genes. In recent decades society has believed that talent is a combination of genes, environment and hard work (Coyle, 2012). Currently there are two opinions regarding talent: either it is more innate (Winner, 2010; Ball 2014, 8) or more acquired (Coyle, 2010). Most researchers agree (Maxwell, 2010; Coyle, 2010) that both components are present, but the degree of each component’s importance varies significantly according to the given researcher.

Based on the research of Ericsson’s et al. (1993), Gladwell (2008) set the 10,000-hour deliberate skill improvement and practice rule as the main differentiator of long-term success, which became popular after the publication of Gladwell’s book in 2008. According to this rule, anyone could become an artist after 10,000 hours of practice. Coyle (2010) supports this opinion, seeing talent as an acquired and thus manageable ability, and his description of talent is a combination of passion and intensive practice for at least 10,000 hours. Winner (2010), on the contrary, states that innate talent plays an important role in success and that practice alone is not enough. Maxwell (2010) sees inborn talent as an accelerator for success at the beginning of one’s life or career, but further excellence relies on developing and managing the talent through belief, passion, initiative, focus, practice, teach-ability, perseverance, courage, character, relationships, responsibility and teamwork. Hambrick et al. (2014) disputes the conclusions of the research of Ericsson’s et al. (1993) and states that deliberate practice, while important, does not have such an important effect as Ericsson et al. (1993) describe.

Nijs et al. (2014) offer the most structured view of talent and its management by including all the elements discussed by Ericsson (1993), Gladwell (2008), Coyle (2010), Winner (2010) and Maxwell (2010), offering a conceptual model of the definition, operationalization and measurement of talent. The model created by Nijs et al. (2014) offers a balanced view of innate ability, systematic management and development and affective components – motivation and interests that lead to personal and interpersonal excellence. Thus, we can use their approach in talent management by means of continuous talent development through strong internal motivation and interest.

When talent is identified and an artist has enough motivation and interest in developing it, the next
value management tool – personal brand management – becomes important. There is no one definition for personal brand, despite the fact that the concept is quite widely used. Several authors use different definitions: a trademark, a distinctive name, and a combination of images that create associations and expectations in the minds of consumers (Beals, 2008); a psychological framework for ideas and a highly effective vehicle of complex significance – it represents real and powerful potential energy towards understanding and managing individual talent (Blanco, 2010); a perception held in others’ minds, and it has evolved through their interactions with you (McNally & Speak, 2012); an emotional response to the image or name of a particular company, product, or person (Decker & Lacy, 2013); a metaphor for complex phenomena, a story, a meaning, an identity (Sailebacher, 2013); the combination of one’s skills and talents to produce value for people that creates an impression, a perception and reputation in the minds of others (Clive, 2014).

Clive’s (2014) definition seems to be the most precise, including all the essential components of personal brand and of value proposition management for the artist: personal talents and skills, creating value for others and creating an impression in the minds of others. Personal brand will be understood this way in this paper.

Going further into defining personal branding and personal brand management, the author suggests understanding personal branding as the process of personal brand building in the initial brand birth stage. Personal brand management is a wider concept and is the process of brand establishment, brand growth and brand development over its lifecycle. In personal brand management, the brand lifecycle corresponds to the person’s lifecycle, since many talents are discovered at an early age and, if the person wants to continue the artistic life and build a sustainable business, personal brand management starts as early as the artistic talent becomes an important part of the person’s life.

When the artist is capable of delivering artistic and functional value through artistic talent and skills, when personal brand management communicates and creates social and individual value, exchange value management is realized via business model management. Aljena (2014) identifies 14 business model elements that can be used in further business model management: business owner, mastermind, payer, admirers, network, society, wallet opener/product, channel, interface, value, emotions, experience, time and geography. These elements should be used in business model management by contemporary artists.

According to Figure 2, all these value proposition management tools – talent, personal brand and business models – should be adjusted to the particular ecosystem. The author refers to Aljena’s (2015) description of the contemporary fine art ecosystem in Latvia as a comprehensive guide.

CASE STUDIES OF LATVIAN CONTEMPORARY FINE ARTISTS IN THEIR VALUE PROPOSITION MANAGEMENT

To understand how value proposition management works in real life, let us look at the cases of 6 Latvian artists. A case study of individual artists was chosen as the methodology because of the lack of previous studies (Taylor, Bogdan & DeVault, 2016, Yin, 2011, Iacono, Brown, Holtham, 2011) on art entrepreneurship. Case studies allow one to draw primary conclusions that can be developed in further research using a different methodology.

The methodology used for case creation: semi-structured interviews, conducted in October-November, 2015. Each interview took 60–100 minutes; each participant was asked 26 open and closed questions concerning their value proposition management through talent development, personal brand and business models (Appendix 1). The answers were recorded and later coded, since artists in many cases use the same expressions and ideas behind their answers. For example, in answering the question “who and what has created your talent”, all participants mention their teachers, most talk about their parents and family, some mention inborn talent or God, all refer to themselves as talent creators and some talk about coincidences and circumstances that have played an important role. Each of these answers received a “yes” or “no”, according to whether it was mentioned by the artist. This made the data manageable, allowing the author to find commonalities more easily. Later all data were analysed by looking at common mindsets behind artists’ answers. For example, those artists who answered a clear and convincing “yes” to the question “Do you perceive yourself as talented” also answered that they consciously create their brand. A deeper descriptive analysis of findings is presented at the end of each case.
Alise Medina – exhibition master

Alise Medina (born 1984) is a Latvian painter living and working in Riga. Alise has been active in exhibiting her work for the last 10 years. She keeps her artistic development and artistic value proposition under control through regularly showing her art to the public. Exhibitions are the driving force behind her creativity and talent development – at least twice a year, Alise shows her recent work to the public and it is the “deadline that makes me move” (Medina, 2015). Each exhibition is supported by brand management activities through PR, sending out press releases, resulting in media coverage from the press, the radio and TV, thus increasing her value proposition through personal brand management. Alise manages her business model through major Riga galleries – Antonija, Jekabs, Birkenfelds and Pop-up – and she has a portfolio page online. Her art is priced from 150 – 2000 EUR per painting.

Alise studied at Rozentai Art School and continued her studies in painting at the Art Academy of Latvia. Besides oil painting Alise has studied ceramics; her mediums are porcelain and raku. Currently Alise creates paintings and these works of art are for sale, but her future plans also involve ceramics, which would allow her to reach a wider base of admirers and buyers. According to Alise, her buyers are “normal people with normal jobs” who want to find some visually satisfying balance by buying her work. She admits that with each purchase her customer base is decreasing since there are only so many walls in their homes.

Alise’s value proposition is visually relaxing art, which she develops continuously, looking for new techniques to reach visual and emotional harmony. When Alise talks about her art, both publicly and in personal conversation, she stresses the romantic side of life and the desire to relieve the burden created by everyday stress. This central value proposition represented in her art is further developed through the same attitude in her overall brand communication. Expansive and easy-to-find representation of her work in Riga’s galleries adds to the value proposition.

Her art is sold in Latvia and mostly remains in Latvia as well. Alise has tried selling her art in Germany through a gallery, but cooperation ended when the gallery’s management changed. She has a feeling that Germany could be a place where her art is understood, since German society also values harmony and aesthetically pleasing art. The other place Alise finds attractive for her art is Paris, where she has been in residence. Paris is depicted in her paintings and a romantic European feel dominates in them. Asked what could help her to venture outside the Latvian art market, she says that a good manager who knows where to go would help.

Alise started her creative education as a pre-schooler, when her mother sent her to art classes. She then continued to art school and the Art Academy. Alise loves what she does and believes that she is in the right place. She continuously and purposefully improves her skills and this has resulted in the possibility to paint and live just for her art. Alise tried other jobs for a short time during her study years, but the turning point was the first Jarmarka (Christmas market at the art academy), when her art was sold, making her believe that she could be a professional artist. This belief in one’s own talent is very important for overall value proposition management. It is a starting point when the artist decides to become an art entrepreneur who creates artistic, social and financial value.

Alise doesn’t want to terrify people, to make provocative art or create negative feelings. Her art is relaxing and calming, celebrating beauty and life. Painting is a form of existence for her, often without any reason behind. “It’s like singing in the shower, you don’t think about why you do it, you just do it and that’s it.” (Medina, 2015) Alise has recently became a mother and according to her, this might affect the themes and value proposition base in her paintings, but all in all she doesn’t feel fundamental changes due to this personal life event.

Alise is convinced that it is possible to earn money with art, but it depends on what one means by earning. It is enough to buy new paint and materials, her requirements are modest and through deliberate work it is possible to live an acceptable life. “A million?” she looks at her 3-month-old son, “Do we need a million? What shall we do with it?” Asked about her plans for the next 5-10 years, Alise laughs and says that she would like to receive a call from the National Art Museum asking her to exhibit in their hall and then she could say: “Well, I already have exhibition plans for the next 3 years; maybe we can think about one in 4 years” (Medina, 2015).

Liga Kempe – inner urge-driven painter

Liga Kempe (born 1975 in Liepaja) is a Latvian painter who depicts the beauty of everyday life in
her paintings and drawings. Liga explains that each of us has an internal god, and her god shows up in her paintings. Liga started her artistic education in ceramics in Liepaja when she was 10 years old and continued in Riga, at the Art Academy of Latvia, in the painting department.

Liga is no longer a provocateur with her art, “the time when I was painting ginger dicks has gone.” The internal urge to paint is what makes her create. One of her themes is children; the largest project is drawings of individual singers in a boy’s choir, with a calendar and large-scale painting of the choir still in the works at the time of the interview. Liga also has a series of Vedic paintings that started as a personal interest in eastern philosophy; the series uses Vedic symbols in different styles and colour schemes than usual. She also has a series of landscapes and fleshy ladies. These themes serve as a starting point for value proposition management. The children’s theme requires different thinking and external communication than the Vedic theme. Although the themes are different, Liga uses the same brand management and business model management practices, since the fine art and accessories are the same and are independent from the artistic value (Figure 3).

During her studies at the Art Academy, Liga went to visit her friends in London, where she soon found herself in Trafalgar Square drawing caricatures. Later this genre was exhibited at the academy as summer work and criticized by some professors. As a result, the next regular academy exposition featured caricatures of all the professors who were teaching Liga at that time. They are all now in the academy’s art funds and after the exposition, Liga received an offer to become a caricaturist for Neatkarīgas (a daily newspaper in Latvia), which she accepted, continuing her cooperation with them for several years. The value proposition of the caricature theme led to a different communication style with a large audience through a newspaper and a freelance business model.

Liga considers talent as a gift for being in the right place. She believes that inborn talent goes hand in hand with hard work. Growing confidence in painting is liberating as well, thus increasing value proposition over time. Liga is looking for recognition and receives it in different forms. The fact that it is possible to live the artist’s life is one form of acknowledgement. Other forms are feeling like a source of inspiration for others and that “artists are like holy cows” received frequently in everyday life. Besides being a recognized artist, Liga wants to be a good mother to her children.

Liga sells her art via galleries in Latvia – Daugava, Pop-up, Karumu fabrika – and the d’Haudrecy Art Gallery in Knokke, Belgium. Her art can be found in the Museum of Liepaja collection and in private collections in Latvia, Estonia, Belgium, France, the USA, Denmark, Germany and Finland. Most of Liga’s art stays in Latvia. Asked about going abroad, Liga mentions that having a good manager that could help with finding the right galleries and attending art fairs could be a real benefit. The countries she would like to explore are Nordic, since the value proposition through the calm and grey colour scheme represented in her paintings is closer to the Nordic mentality than the south.

Another branch of Liga’s business model is a line of accessories that started as green philosophy – having small pieces of canvas lying around the studio that she made into miniature art pieces that naturally turned into earrings and brooches. Value proposition through brand management occurred in 2014, when Liga made a calendar with her boys’ choir drawings that has gained rapid popularity. Through this activity she also started to receive custom orders for children’s portraits. One more value proposition theme that can be developed further – Liga is a football player in the national team, so some works also reflect this identity of hers. The price for her work ranges from 10 EUR for the earrings to 5000 EUR for the large-scale boys’ choir painting.

![Figure 3. Liga Kempe’s value proposition management](image-url)
Liga’s long-term goal is sound family life through painting. Her financial needs are modest and Liga believes that the world gives her sufficient income when and how she needs it. She is a master of living to the fullest without excessive money resources and when asked who is responsible for the sustainability of an artist’s life, she replies, “nobody will care and act instead of you yourself. If there are no buyers for my art, I will bake cakes. They will always be in the demand.”

**Lauris Milbrets – evangelist in art**

Lauris Milbrets (born in 1979 in Riga) is a painter and poet, a conceptual artist referring to the Bible and Scripture. Lauris strives to represent the reality of God that is invisible to the physical eye, thus giving his paintings an air of surrealism (Milbrets, 2015). Bible and Scripture are the central elements of Lauris’s value proposition.

Lauris’ creative process includes making preliminary collages and thus developing an interaction of architectural forms. His preferred technique is oil on canvas, which allows for a fluidity of paint and helps create multi-layer surfaces as well as detailed plastic and abstract forms. In his realistic portraits, Lauris follows the simplicity of the tonal and colour range of Renaissance paintings, keeping the focus on the unique character of his subjects. (Milbrets, 2015)

Lauris reveals that his life has changed within the last year, since he experienced enlightenment from God. This is a transition period with regard to his art and his network of friends, and it is also a moment when he has become conscious of himself as a brand and as an entrepreneur. Lauris sells his paintings and has recently opened a design line of shirts, smartphone covers, decals and mugs. Lauris’s artwork is sold via Pop-up Gallery in Latvia, Alison Milne Gallery in Toronto, Canada, where he has an agent, the online SaatchiArt Gallery, and his own webpage. His art is bought via local galleries mainly by serious entrepreneurs and collectors from Scandinavia. The price range is 1500 EUR to 3000 EUR. Design items, shirts, smartphone covers, etc. are priced starting at 10 EUR.

To further develop his value proposition and make the message of his art louder, Lauris plans a book of his paintings and poems, a series of portraits of world spiritual leaders and a move to New York. Asked about conquering the world’s art market, Lauris says that a good team would help, one consisting of a manager and trusted people who would help to define strategies and execute different artistic ideas. Also, funding for attending art fairs and exhibitions could help. It is hard to find the time and financial resources to build a quality network in the art world.

Lauris considers himself a provocateur in art, especially with his latest exhibition, where he invited viewers to find their own spiritual identities. Before that, Lauris didn’t have a clear message that he wanted to express in his art. The latest exhibition has defined his artistic value proposition, which he can now develop further across the brand, while finding new ways to develop his business model. Lauris’s motivation to remain an artist is the artistic lifestyle, the fact that art is his language for expressing his point of view, feelings of being useful, and bringing purpose to his life.

Lauris’s talent was shaped by his teachers, his own work, God, and the environment. Lauris started to learn drawing at the age of 10, when his mother brought him to his first drawing classes. The rest of his talent development was purely his own work and dedication to art.

Lauris also earns money through commercial painting in interiors, cinema, scenography, interior design, painting workshops for future Art Academy students and artist workshops in Kuldīga. During his studies he was also a driver and a stonemason, among other things, just to earn money for a living. Currently Lauris lives a minimalistic lifestyle, which allows him to experiment with income streams, jobs and lifestyles. There is no regularity in income from art, and the pre-crisis period sales level has not returned. This serves as a motivation to move outside the Latvian art market and adjust his brand management and business model to reflect his artistic value in the global art arena.

**Lasma Pujate – saving lithography from dying**

Lasma Pujate (born in 1984) is a graphic artist (stone lithography and linocut), lithography master, illustrator, and vector artist and belongs to the Latvian Artists’ Association’s Chamber of Graphic Art. Lasma’s heart belongs to lithography and her goal is to keep this art form alive. There are very few lithography artists, and many of them are ageing, thus making this art form fragile and rare. Lasma’s central value proposition is a certain technique that is becoming rare and is therefore especially valuable to people who understand it.

From the philosophic value proposition point of view, Lasma’s central figure in art is the
human, the human in motion and his emotions. Lasma allows viewers to immerse themselves in their emotions when looking at her art, without harsh feelings and aggressive emotions. In this regard Lasma clearly talks about a value proposition increase through the viewer’s co-creation and individual value proposition.

Lasma’s work can be seen in exhibitions, in competitions, in catalogues, on her webpage, and in Facebook lithography groups. Lasma is also a lithography master, printing for other artists. This is another value proposition through the other artist’s prism – lithography masters constitute a rare and precious “profession” nowadays and require another dimension in further value proposition management through appropriate “lithography master” brand communication and a business model in which other artists are customers.

Lasma’s work can be bought at several galleries in Riga – Pop-up, Pegazs and Laipa. It is bought mainly by Scandinavian enterprises in Latvia as gifts. Scandinavians love graphic art; they appreciate this form of art. According to Lasma, Latvian society is afraid to say what they really like, they are more inert. So, Lasma’s value proposition, which is centred on a rare technique, requires finding or creating an audience that appreciates and values this particular art form. One way would be to educate local society; another way would be to look for societies and communities where lithography is highly valued.

Lasma is also an illustrator, which includes work for books and small stationery products like greeting cards and notebooks. The price range for lithography artwork is 200 – 1000 EUR; small stationery works start at 3 EUR. This branch of Lasma’s activities leads to two other value proposition management sub-sets (Figure 4). People who value handcrafted artistic stationery are the ones that would respond to this dimension of Lasma’s creative value proposition.

Lasma started to learn art from 3 years of age, attending an art studio where the teacher convinced her parents to send her to Rozentals Art School. Lithography was love at first sight and smell for Lasma. Her working style includes a long preparation time, sketching, looking for inspiration, and then twice or three times a year there is a several-week or month-long creating process in the printing studio.

In future Lasma would like to take part in international art fairs, which requires additional financial investments for catalogue printing, language knowledge, and a good manager who could easily sell her art for an appropriate price. Her future dream is to have her own printing studio, to offer others the possibility to use it, to come and print. Lasma wants to create art, to network with other artists from other countries, and is considering some activities related to teaching and children.

Lasma brings up the topic of the importance of artists’ associations, which are nearly extinct in Latvia. They used to be powerful organisations during Soviet times, but now they are literally dying – most of the members have passed away. If the idea of the association is reborn, it could help with many issues, providing a feeling of belonging, support. Associations could also serve as networking bases, facilitate exhibitions and also supply funding for artists’ endeavours, thus helping them in value proposition management.

**Valtis Barkans – sculpting factory owner**

Valtis Barkans (born 1969) is a Riga-based sculptor working with plastic art and employing up to
15 people in his enterprise “Power&Beauty Sculpting Group”. His main challenge for the last year is management of increased demand, finding responsible employees and managing the process of creation. Valtis creates sculptures for public spaces and private properties, both exteriors and interiors, and tombstones. He teaches sculpting both in his studio and at the Art Academy of Latvia. Besides sculptures in public spaces in several cities and towns of Latvia, Valtis’s work can be seen in building decorations, both renovated and newly built. His customers are local governments, corporations and “people who are prosperous and value beauty”. Customers find him through word of mouth or “sarafan radio” and Valtis has assignments for more than a year ahead; thus, brand management is conducted through personal relationships and quality of work that leads to referrals and new business. Valtis and his company don’t require additional brand management activities due to over-demand.

Valtis has loved sculpture since childhood, when his mother bought him modelling clay to keep him busy. He hasn’t changed his medium and his talent has developed through continuous lifelong work, requiring him to test new approaches, techniques and materials.

Bringing sculpture from an idea to a ready-to-deliver statuette is a long and laborious process. Valtis employs up to 15 people to shorten the process, thus allowing him to work with the artistic idea and initial sculpting phase, leaving the actual production to his people. “My dream is to be like a composer – I compose the song and the orchestra plays it.” Valtis is struggling to find skilled and motivated employees that could grow with him, develop their own style and become self-sufficient sculptors. Despite direct access to the best students of the Art Academy, there is a lack of people who would like to work in his well-equipped studio. Valtis has started to look for unskilled but very willing people that would like to work in this field, and still, it is challenging to find them.

Valtis sees his art’s value proposition as a battery where people can come and recharge. His artistic mission is to deliver beauty, emotions and the essence of life. Valtis’s future plans are connected with an upscale interior sculpture line made of new materials that could be sold all over the world – the next level of value proposition, including new materials and moving inside the premises. He would like to start with the US, some street in Los Angeles, where boutiques selling art and interior fine art are located. His plan is to extend his network abroad and also in Latvia, particularly in the small-size interior sculpture segment, which would allow him to create a production line and reach a wider audience. This would require additional time for his talent development in sculpting and testing new and different materials and would open the doors to a new world.

Management of the business model and development of his company and employees are his main concerns, which does not leave time for personal talent development that could lead to new art lines or exploring new markets and target audiences. Valtis has tried hiring a manager for his employees, but cooperation did not last due to the manager’s lack of motivation. Nonetheless, he is convinced that he will resolve these issues in the near future and will be able to realise his dreams of large-scale sculpting.
Marta Gibiete – the glass Bubaks master

Marta Gibiete (born 1973 in Liepaja) is a Latvian glass artist working in her signature style with well-known works of art called Bubaki – large glass objects, twisted and molten and wrapped with wire, that could be big bugs. Marta uses this technique in other works of art – both fine art and design pieces: lamps, accessories, and decorations. She also uses also other artistic techniques: large-scale environmental works of art with mirrors, stained glass and mosaics.

Marta has her own workshop space where she employs up to 5 employees depending on the season. Marta uses two brand names (Figure 5) – one is her personal name, which she uses when signing her works of fine art. The other one is “Ledene”, which she uses for glass items – jewellery, dishes, upcycling, interior items, decorations for Christmas and corporate presents. Ledene artwork can be bought in local fairs and online.

Marta is busy with Ledene’s management and the creation of small design items, calling it “a slippery slope”, since you get so involved in everyday tasks and details and turn into a craftsman, thus losing your artistic side and artistic value proposition, which can be gained through talent development. Her way of keeping both brand names balanced and managing her talent is active participation in different glass art competitions. Usually they are themed and this encourages and inspires her to create new art. Marta calls it “pulling out” – herself, her time and her money. Usually the works of fine art take 2 to 3 weeks of work plus traveling and exhibiting. International exhibitions help her to build her network and also sell her glass art, thus serving as a value proposition tool for all three spheres – talent, brand and a business model – of the fine art part of her work. Marta’s art stays abroad and there are just a few places in Latvia where her art has found a long-term home. One is NabaKlab, a students’ club where Marta’s lamps can be seen. Meanwhile, Zbigjevs Stankevics, a Latvian Roman Catholic Archbishop, owns an eternal light created by Marta. Collectors and museums abroad buy the rest of her work. Competitions and exhibitions are a way in which Marta has received needed recognition. She says she has an ambition for acknowledgement. This also helps her to improve her skills and grow as an artist, thus increasing her value proposition.

Marta started her art education in Liepaja and her first material was leather. When she started her studies at the Art Academy of Latvia, the political situation changed, the previous practice of sending leather students to Estonia stopped and she started on a new path with glass. Acknowledgment, the sense of escape, artistic flow and even addiction are what has kept Marta going as an artist.

Besides being a passionate artist, Marta is also a wife and mother, and she brings up the issue of balancing her artistic life with her family. “I can’t demand that they live my artistic dreams, but at least I know that when my kids grow up and move away, I won’t suffer from empty nest syndrome, I will have a lot of ideas to realise”. Marta’s plan for the next 5-10 years is to develop her talent through spending some time in residence, build her artistic and thus business network, get in touch with curators and get her brand name better recognised in France, Germany and the Netherlands.

Figure 5. Marta Gibiete’s value proposition management.
Analysis of the Latvian artists’ cases

All the interviewed artists have a different approach to their brand building and business model as well as a different relationship with their own artistic talent, but there are certain common opinions and approaches for all of them.

They are all represented on the web, have their own webpages and blogs and some of them sell their art online. Almost all of them regularly present their art at exhibitions. They all agree that teachers are one of the most important factors in shaping talent. All of them agree that their own work and commitment to developing their skills has been the driving force behind their development, both artistic and brand and business-wise. They all deeply love what they do; some even call it a positive addiction. They all sell their fine art in a medium price range – 200-2000 EUR. All the interviewed artists have felt the effect of the economic crisis in recent years and most of them note that their fine art sales have not recovered to pre-crisis levels. All the interviewed artists are sure that it is possible to have a sustainable business and all of them discuss the amount of money necessary for their lifestyles and the main reason for earning money – to be able to buy materials, tools, paint, etc. for their next work of art. They all note that their lifestyle is modest and they are very flexible in living with minimal financial resources. They also use their creativity in finding a way to enjoy life without excessive financial resources.

More in-depth data analysis leads to the conclusion that there are two types of artists according to similar mind-sets – more entrepreneurial (first type) and more intuitive (second type) artists. By looking more deeply at the differences between artists who perceive themselves as entrepreneurs and artists who don’t, we can distinguish separate thinking models. Entrepreneurial artists perceive art creation as a form of business and see themselves as brands, whereas intuitive artists don’t connect their artistic lifestyle with entrepreneurship. The artists who see themselves as brands (3 of the 6) and entrepreneurs (2 of the 3 who see themselves as brands) (further “entrepreneurial artists”), besides selling fine art, have created a design/fashion line exploiting their artistic style and they are involved in commissioned art – working with customers directly, developing the work of art together and sharing its vision. Entrepreneurial artists consciously develop their brand and they have a vision of what emotions they want to activate with art. They know who buys their art, their buyer profile, and are more keen on selling outside Latvia. They mention their lifestyle as one of the motivators to remain artists and not enter other fields of business. They are convinced of their talent and perceive themselves as gifted. They are all busy with their current activities and mention “additional time” and “funding” as factors that could help them to explore new business model possibilities abroad. 2 of the 3 entrepreneurial artists have also experienced higher recognition of their fine art abroad than locally. Entrepreneurial artists have future goals of going beyond the local market. They have created their own direct relationships with their buyers and are not so dependent on galleries.

The other artist type according to the analysis are intuitive artists (further “intuitive artists”), who create because of their inner need and who consider creating art as part of their existence. They build their brand unconsciously, without strongly formulated values or emotions. Intuitive artists are more dependent on exhibitions and galleries presenting their art. Intuitive artists use public relations as one of the tools to build their brands. They are not so convinced of being talented: “people say I am” is their answer. These artists don’t take part in competitions and don’t use them for network building or finding new buyers. They also say that inertia or even being afraid that they can’t do anything else has kept them in an artistic career. Intuitive artists are not involved in teaching and commissioned and commercial art is not a significant income source. They don’t have one central philosophical value in their work; it changes from one work of art to another. This also explains why they don’t have a definite buyer profile. Yet they agree that it is possible to earn money with art in Latvia to support their modest lifestyles.

All 6 interviewed artists are financially successful and have managed to reach sustainability in art through different means. The question of how to get accepted in the international art market and how to gain international recognition, develop a brand and construct a business model is pertinent for all local artists. As mentioned by Hewitt (2015), there are international examples that have proved that an artist from a small country, in this case Romania, can build a successful international brand and business model, reaching the 62nd position in the world top 500 list in 2015 (Artpice, 2015, 55).

As several artists stated, there is a lack of artist communities, a function performed formerly by the Artists’ Union or academy alumni in other countries. Currently there is no such platform in Latvia, but
artists should follow the tendencies abroad and join emerging global artistic platforms.

Unfortunately no comparison with other similar studies is possible, since there are none available to the author that have a similar focus on value management.

**SUMMARY OF THE CASE STUDIES**

As we can see, there are different approaches in value proposition management. All the artists manage all three elements proposed in the theoretical discussion – talent, personal brand and business models. There are different practices in talent development – some artists prefer exhibitions, others use competitions and some go for residences to push their artistic development further. Some artists work with one central theme, others have several. The same applies to medium – some stick to a certain technique and material, others look for diversity in their artistic expression. All of them agree that continuous development is important in value proposition and is also just a way of life for an artist – looking for new techniques, new materials, a new philosophy behind the art.

When it comes to brand management, there are also different approaches. There are artists who use a single brand – their name or a company name. Others use different names for different artistic products – a personal brand for fine art and a company brand for fashion and design items. The same applies to business models – some artists use simple business models for all their products, others use diversified approaches in different markets representing their talents and skills. All the artists are looking for a possibility to extend their business internationally due to the small local market.

**CONCLUSIONS AND RECOMMENDATIONS**

Contemporary fine art’s value can and should be managed from the artist’s side. We can look at value proposition in fine art from artistic, social, personal and exchange value points of view. The philosophical understanding of value in fine art can be translated into management tools: artistic value can be managed through talent development and management, personal and social value can be managed through personal brand management, and exchange value is managed through business model management. All these elements are embedded in a particular ecosystem that plays a significant role in shaping management practices for each management tool. The cases of six Latvian contemporary artists show different approaches to value proposition management, but all of them can be analysed from talent, personal brand and business model management perspectives. Therefore, it can be concluded that the proposed value proposition management model (Figure 2) can be applied in contemporary visual fine art and used by artists in their value proposition management. Recommendations for further research: to look at international cases and develop a comprehensive quantitative research design to find the most effective value proposition management practices and tools that could be applied by contemporary visual artists in Latvia and worldwide.

**REFERENCES**


## Appendix 1. Summary of interviews

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<tr>
<th>answers</th>
<th>Alice</th>
<th>Liga</th>
<th>Lailis</th>
<th>Livsma</th>
<th>Valdis</th>
<th>Marta</th>
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<td>3. Art and design</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>4. Web</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>5. Exhibitions</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>6. Galleries</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>7. Print</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>8. Social networks</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>9. Closer to people</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>10. Competitions</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>11. Word of mouth</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>12. Do you consciously create your brand?</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>13. Do you have certain emotions you want to activate with art?</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>14. Do you provoke with your art?</td>
<td>yes</td>
<td>0-no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>15. What and who have created your talent?</td>
<td>1-teacher</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>16. Family</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>17. 1-Yourself</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>18. 2-Italian</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>19. Inborn talent or development of skills?</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>20. Way of communicating with clients</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>21. Addiction, love what I do</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>22. Recognition</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>23. Do you consider yourself talented?</td>
<td>1-strong yes, 0-people say, I am</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>24. Where do you sell?</td>
<td>1-galleries</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>25. Online</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>26. Video</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>27. References</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>28. What are your income sources?</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>29. Design/fashion items</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>30. Teaching</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>31. Commercial rent</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>32. Price range</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>33. Medium (200-2000)</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>34. Low (2-200)</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>35. Do you feel fluctuations in income?</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>36. Seasonal/non-regular</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>37. Do you have central philosophical values in your art?</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>38. Do you have certain buyer profile?</td>
<td>yes</td>
<td>0-no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>39. Do you have admirers?</td>
<td>0-appears yes, 1-strong yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>40. Where do you look for advice?</td>
<td>0-nowhere, 1-friends, 2-gallery, manager</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>41. Do you feel yourself as inspiration for society?</td>
<td>yes, for other artists/buyers, 1-for society as a whole</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>42. Is it possible to earn with art in LV?</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>43. Earnings abroad</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>44. Enough for my lifestyle</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>45. What do you need for going abroad?</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>46. Language</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>47. Funding</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>48. Time</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>49. Future plans 5-10 years</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>50. 2-Look at recognition</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>51. Recognition and network abroad</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>52. Better lifestyle</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>53. Do you feel yourself as a brand?</td>
<td>yes, 0-no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>54. Do you feel yourself as entrepreneur?</td>
<td>yes, 0-no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>55. You or environment?</td>
<td>yes, 0-no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>
DIGITIZATION AS A CATALYST FOR BUSINESS MODEL INNOVATION A THREE-STEP APPROACH TO FACILITATING ECONOMIC SUCCESS

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Abstract
Purpose – Incorporating digitization and innovative digital approaches can make or break an organization. Companies need suitable instruments to identify and exploit digital value drivers. Decision makers need management tools that enable them to translate digital value drivers into sustainable economic success. This paper introduces an integrated framework for analysing the strategic potential of digitization in business model development.

Design/methodology/approach – The framework integrates Osterwalder and Pigneur’s Business Model Canvas, Parmar et al.’s five patterns for IT-facilitated value creation, and Kim and Mauborgne’s Blue Ocean Strategy. By applying the framework to three cases, digital innovation drivers and their strategic relevance are highlighted.

Findings – The findings suggest that the three-step approach has the potential to guide decision-making. The research revealed the categories “enabling”, “complementary”, and “functional”, indicating the scope for strategic action.

Research limitations/implications – The limitations lie in the empirical relevance, as the framework is limited to three cases. The revealed categories might encourage future research activities that develop corresponding generic strategies.

Practical implications – The paper offers strong practical recommendations for organizations confronted with digitization challenges. The framework offers a strategic perspective for practitioners by offering an instrument to systematically encourage innovation.

Social implications – Digitization is an important economic factor for job creation, GDP growth, and productivity and has a strong impact on society.

Originality/value – Business model research is of undiminished interest for academics and practitioners. This paper aims to provide a model that can be applied in industry and contribute to model building. The integration of three existing models is a new approach.

Keywords: Business Model, Strategic Management, Digitization, Sustainability, Organizational Learning.

1. INTRODUCTION
An accelerating pace of change and associated market dynamics are affecting organizations worldwide. The challenge is for decision makers to identify relevant changes in good time to transform their organizations accordingly. New business models with the potential to change the competitive landscape of entire industries are constantly emerging. Not surprisingly, the interest in business models is undiminished: seven out of 10 companies are engaging in business model innovation, and up to 98% are modifying their business models to some extent (IBM, 2008). The academic literature reflects this development: the number of articles published on business models has been constantly rising since the 1990s.

The transformation of industries in the digital age forces organizations to rethink their business models (Iansiti & Lakhani, 2014). Digitization is a megatrend in its early days, jeopardizing existing businesses and promising extensive opportunities at the same time. Digitization processes have become
part of every aspect of business with a major impact on business growth and sustainability. A significant challenge of digitization is that it is not restricted to a certain industry or business division but rather affects cross-divisional or cross-departmental functions that impact the business as a whole. In order to avoid shrinking profitability and to make effective decisions, companies need to understand the significance and scale of changes caused by digitization. Business models need to be adapted in order to integrate these rapidly developing digital processes and to translate them into value and economic success.

This paper provides an overview of the major effects digitization has on the future of industries. The integrated framework addresses the strategic potential of digitization as an innovation driver for business models. The approach is based on Osterwalder and Pigneur’s (2010) Business Model Canvas describing current models and Parmar et al.’s (2014) five patterns for IT-facilitated value creation, which identifies existing and potential digital value drivers. In a final step, Kim and Mauborgne’s (2005) Blue Ocean Strategy for creating uncontested market space is applied in order to strategically exploit digitization according to the “Eliminate – Reduce – Raise – Create” grid.

2. ECONOMIC GROWTH THROUGH DIGITIZATION

2.1 DIGITIZATION

At a basic level, digitization describes the process of converting data from an analogue to a digital format. “Digitization encapsulates the social transformation triggered by the mass adoption of digital technologies that generate, process and transfer information” (Katz & Koutroumpis, 2013, p. 314). Digital content drives the techno-economic and socio-institutional environment. Digitization builds upon broadband network access, appropriate technology in the form of devices (e.g. laptops, tablet computers), software and operating systems and their respective uses. (ibid) In the last decade, information & communication technologies (ICTs) have experienced revolutionary technological progress, infrastructure development, and considerable growth in accessibility and connectivity. In 2015, 3.2 billion people worldwide were connected to the Internet (compared to 400 million users in 2000), 2 billion from developing countries. Globally, 46% of households have Internet access. This corresponds to 34% of households in developing countries and more than 80% in developed countries. In 2015, more than 7 billion mobile cellular subscriptions were active. Mobile broadband penetration has increased 12 times since 2007. 3G mobile-broadband coverage is expanding rapidly, with 69% of population coverage worldwide (International Telecommunication Union, 2015).

A large body of theoretical and empirical literature has investigated the role and impact of ICTs on economies, societies, productivity, and welfare. In their Digital Economy Outlook 2015, the Organisation for Economic Cooperation and Development (OECD) observes that ICTs are transforming social interactions and personal relationships and that the full potential of the digital economy has yet to be realised. The growth potential has not been reached and the key innovative role played by the ICT sector has just started to increase. Governments are aware of the strategic need to strengthen the digital economy in order to reduce unemployment, poverty, and inequalities. State-of-the-art and accessible digital infrastructure is necessary for the creation of new business models. Issues such as security, privacy, consumer rights, and social risk management need to be an integral part of decision makers’ strategies. The disruptive effects of digitization need to be critically analysed. The transition of workers into new digital jobs has to be facilitated (OECD, 2015, p. 11 et seq.).

Growth resulting from digitization has been the focus of research as early as the 1990s. In their paper The Resurgence of Growth in the Late 1990s: Is Information Technology the Story?, Oliner and Sichel (2000) conclude that ICT is the key factor behind improved labour productivity growth in the US economy throughout the 1990s, “after nearly a quarter century of sluggish gains” (ibid, p.4). Based on their index for measuring the economic impact of digitization, Katz and Koutroumpis argue that digitization has a significant positive effect on economic output and makes a larger contribution to GDP than stand-alone technologies (2013). They also illustrate the positive impact of digitization on employment creation, and find a correlation with life satisfaction and well-being. According to Katz et al., European countries are at an advanced level of digitization, second only to North America. Evangelista et al. (2014) essentially agree. They conclude that the usage dimension of digitization is relevant for labour productivity and the employment rate of the elderly. Digital empowerment is conducive to GDP growth, employment growth, the employment rate of women, and the reduction of long-term unemployment. Their empirical analysis also suggests that digitization has a major impact
on labour productivity, employment, and the overall economy. Fraunhofer ISI estimates that the economic benefit of digitization and networking in fields such as energy, healthcare, transport, education, and government is currently at a yearly level of 56 billion euros (BITKOM, Fraunhofer ISI, 2012). The literature confirms that digitization is having a positive impact on the economy (e.g. Bloom et al., 2012; van Reenen et al., 2010; Guerrieri et al., 2011).

As today’s digital economy encompasses all sectors and industries, the success and sustainability of organizations depend on their capability to compete in a new economic environment. ICT use may differ greatly on an industry or organizational level and also depends on the organization’s size and other characteristics.

### 2.2 IMPACT OF DIGITIZATION ON INDUSTRY GROWTH

The function of digitization as a driver of economic growth and connected factors has already been established. At the organizational level, a large majority uses ICT, although the use of more sophisticated ICT applications, e.g. to manage information flow, is less widespread. According to the OECD (2015), 95% of enterprises in OECD countries had a broadband connection and more than 76% had a website in 2014. Numbers fluctuate significantly from country to country – web presence ranges from over 90% in Switzerland to just over 40% in Portugal. Web exposure is lower among small firms. 21% of firms with 10 to 249 employees are active in e-commerce; organizations with 250 or more employees have a 40% participation rate in e-commerce. Turnover rates from e-commerce sales are higher in larger firms.

Rifkin cites factors such as the use of renewable energy and internet technologies as indicators for a third industrial revolution, fuelled by ICT (2011). Kagermann (2015) defines this third industrial revolution as an IT-based period that has its origins in the mid-1970s and is characterized by increasingly automated manufacturing processes and cyber-physical control systems gradually replacing traditional computer-controlled manufacturing.

**Industry 4.0**, a term describing the current upheavals within the production and manufacturing industries, focuses on intelligent production processes in complex environments enabling communication between humans, machines, and products through self-controlled or cyber-physical controlled interfaces. This digitization of the physical world can also be described as the Internet of Things (Vyatkin et al., 2007; Einsiedler, 2013), which refers to the interconnection of physical objects that can also be equipped with ubiquitous intelligence. Through this ubiquity of the Internet, networks of devices become highly distributed and allow inter-communication in all directions (Feng, et al., 2012). The Internet of Things has an enduring effect on business models due to the fundamental properties of digitally transmitted signals without errors, indefinite replicas without degradation, and zero marginal costs after a one-time investment in network infrastructure. The properties improve the scalability of an organization as well as connectivity (Iansiti & Lakhani, 2014). The Internet of Things offers opportunities for new business models and has the potential to change business processes significantly. Physical objects can now be monitored or managed electronically and data can be used to improve decision-making. Digitally enhanced machines and devices impact the efficiency of the industry’s value chain significantly.

According to Barua et al. (2004), ICT and the Internet have enabled organizations to improve customer and supplier interactions and processes. Net-enabled business transformation (NBT), as defined by Straub and Watson (2001), allows organizations to optimize communication and information flow, reduce inventory, enhance satisfaction for all involved parties, understand preferences, and increase turnover, resulting in potential financial benefits.

Whilst triggering innovation and transforming industries of all sectors, digitization has the potential to impact industry growth substantially. Traditional business models will be subject to increased pressure and competition. Strategic innovation has become an imperative for most organizations. Muradli and Volkova (2015) highlight leadership activities, the HRM team, and professional associations as critical success factors for implementing strategic innovation. Adopting changes and fostering strategic innovation might be easier at start-up companies, where crucial disruptive forces can emerge incidentally rather than by design while established enterprises struggle to change their familiar ways of doing business. The powers of digitization can pose serious threats to existing organizations. Understanding the strategic potential of digitization and fostering strategic innovation are decisive factors in establishing sustainable business models.
3. FRAMEWORK: THE STRATEGIC POTENTIAL OF DIGITIZATION IN BUSINESS MODEL DEVELOPMENT

Disruptive forces do not stem exclusively from technology. The management challenge is to recognize how technology changes the business logic of entire industries and to learn how to translate associated challenges into innovative business models. The accelerating pace of change makes it increasingly important for an organization to be able to develop innovative business models (Bereznoi, 2014). According to research by Bertolini, Duncon and Waldeck (2015) more than 80% of executives are aware of the pressure to transform their organizations, though a third have little confidence in the capabilities of their respective organizations to cope with severe challenges (Bertolini, Duncon, & Waldeck, 2015).

Integrated business model management is a strategic imperative for those who take the responsibility for sustainable success. To understand the strategic relevance of digitization as an innovation driver in business model development and as a key success factor facilitating sustainable economic success, a three-step approach is deployed. The first step addresses the need to understand the current business. The Business Model Canvas by Osterwalder and Pigneur analyses the business logic and illustrates crucial interrelationships within an organization. The next step serves to identify digital innovation drivers based on Parmar et al.’s five patterns for IT-facilitated value creation. To comply with sustainability requirements, elements of Kim and Mauborgne’s Blue Ocean Strategy are employed to utilize the strategic potential of digitization.

Understanding the existing business model

To describe and understand the current business model, Osterwalder & Pigneur (2010) use nine basic building blocks that illustrate an organization’s value chain. The model covers “four main areas of a business: customers, offer, infrastructure, and financial viability”. As business model innovation is a crucial factor, the tool helps to develop, visualize, validate, and concretize new ideas. The Canvas can be applied in all industries by integrating all aspects and functions of a business model. In order to analyse a model’s existing and potential digital value drivers, Parmar et al.’s five patterns of innovation are applied.

Identify existing and potential digital value drivers

The digital revolution has gained significant attention, although it is still in its early days. The disruptive force experienced so far is very likely modest compared to the transformation we will be exposed to in the future. In order to systematically exploit value drivers caused by digitization and benefit from disruptive forces, Parmar et al. suggest five patterns of innovation. The first pattern describes the augmentation of products, i.e. the use of data generated by physical objects to improve the business model. Digitizing assets describes assets that are wholly or essentially digital or can be turned into digital assets. The third pattern is aimed at combining data within and across industries. This pattern is the first one to enter the area of “big data” and highlights how to use and integrate data held by other parties. Trading data stands for the sale or exchange of data in order to yield higher-value information. The fifth pattern – codifying a capability – enables an organization that possesses a distinctive capability to sell a “best-in-class”, often standardized, process to other parties (Parmar, et al., 2014). The five patterns deepen an understanding and structuring of digital value drivers and help to identify new business opportunities.

Utilizing the strategic relevance of digitization

As digital innovations can change entire industries with few resources, new business is expected to emerge on a large scale (Hoffmeister & von Borcke, 2015), providing great opportunities for entrepreneurs to create new market space. Kim and Mauborgne’s Blue Ocean Strategy is an instrument complementing the three-step approach in the quest for sustainability. The notion of a strategy enabling leaders to sustain organizational success by creating uncontested market space has gained considerable attention. The authors recommend not wasting scarce resources in overcrowded industries. They suggest making existing competition irrelevant by following a structured path in creating entirely new industries. The cornerstone of the strategic logic is value innovation aimed at improving the cost structure and the value proposition at the same time. The “four action framework” provides guidance in challenging the existing strategic logic and in creating a new value curve. Applying the “Eliminate-Reduce-Raise-Create Grid” (ERRC-Grid) saves companies from over-engineering and reduces costs as differentiation and cost leadership are pursued at the same time. The straightforward concept has a strong practical implication (Kim & Mauborgne, 2005a).
Combining the Business Model Canvas with Parmar et al.’s five patterns for IT-facilitated value creation and the Blue Ocean Strategy promises to translate a challenging strategy into a realistic implementation concept. The three-step approach points out weak strategy execution. Kaplan and Norton (2005) identified an implementation failure rate of up to 90 percent. The suggested framework enables managers to align an organization in accordance with strategic goals. Decision makers can grasp potential business and crucial interrelationships. A common business understanding is the basis for meaningful implementation and commitment among key players.

The application of the suggested framework to real-life business cases is exemplified in the following.

4. CASES: DIGITIZATION AS AN INNOVATION DRIVER FOR BUSINESS MODELS

Case 1: MyMuesli

MyMuesli was established in 2007 in Germany. In their online store, the organization sells organic muesli mixes that can be customized and individually mixed from 80 different ingredients, making for up to 566 trillion possible variations. Winning the “Startup of the Year” award in 2013, the organization now employs over 300 people across Europe. Additionally, MyMuesli sells their products in 40 brick-and-mortar stores in Germany, Austria and Switzerland, reporting profits exceeding several million euros per annum.

The application of the three-step model to MyMuesli is illustrated in Table 1. The business model shows little potential for augmenting the product (Parmar et al., pattern 1). Customer data can be collected in order to improve the organization’s marketing (e.g. based on geographic preferences) or to expand the product range. The product itself as an asset cannot be digitized. The business model does not lend itself to combining data; straightforward customer data cannot be considered ‘big data’ and other companies do not hold data of relevance for MyMuesli. Trading data is therefore not part of the model. The straightforward business processes do not represent an outstanding capability or potential value. This case illustrates where business potential based on digitization is limited. The strategic relevance justifying further exploration does not exist.

Table 1

| Overview of the integrated framework to exploit digitization strategically for MyMuesli |
|---|---|---|
| **Step 1: Understanding the existing business model** | **Step 2: Identifying existing and potential digital value drivers** | **Step 3: Exploiting digitization strategically (“ERRC Grid”)** |
| **Customer Segments** | ● niche market a) health conscious b) special nutritional needs |  |
| **Customer Relationships** | ● customized automated self-service ● personal assistance | ● customized automated self-service |
| **Channels** | ● online shop ● 40 brick-and-mortar-stores | ● online shop |
| **Value Propositions** | ● muesli: individualized, customized, organic |  |
| **Revenue Streams** | ● asset sale a) muesli sale b) merchandise c) gift cards |  |
| **Key Activities** | ● mixing customized orders | ● mixing customized orders |
| **Key Resources** | ● ingredients ● brand name |  |
| **Key Partners** | ● suppliers |  |
| **Cost Structure** | ● value driven |  |
Case 2: Rolls Royce

Rolls Royce is one of the largest manufacturers of aircraft engines. The organization has been forced to innovate its existing business model. Disruptive developments such as allowing third-party manufacturers to access the highly profitable aftermarket business and growing customer expectations regarding service, the reduction of financial risks, and the predictability of service costs have challenged the organization. Rolls Royce responded by establishing the TotalCare business model. Digitization was a crucial factor. Onboard sensors allow them to measure and monitor equipment while customers are using it. Rolls Royce still manufactures jet engines and offers services, but the way customers access the products and pay for them has changed. TotalCare allows airlines to pay for use of the equipment by the hour. Offers include the provision and monitoring of equipment, or repair and maintenance. TotalCare enables Rolls Royce to secure the highly profitable service business and at the same time gain valuable information to improve product design.

The framework (see Table 2) illustrates that Rolls Royce has strengthened the organization’s competitiveness. Applying Parmar et al.’s five patterns indicates a high potential for “Augmenting the Product”. Data from onboard sensors enable Rolls Royce to operate engines in use in the field through Engine Health Management (EHM). Additionally, information can be exploited to strengthen R&D capabilities and to improve the efficiency of manufacturing. Regarding “Digitizing Assets”, there could be the potential to digitize service activities, e.g. in-flight engine management for optimized fuel consumption. Collected or purchased data promise value creation potential through improving flight efficiency or material testing (“Combining Data”). “Codifying a Distinctive Service Capability” cannot be considered a relevant pattern in this case.

Employing the “Eliminate-Reduce-Raise-Create Grid” (ERRC-Grid) suggests that significant cost savings are realistic. Onboard sensors constantly collect data in real time. Data is a catalyst that improves the efficiency and effectiveness of customer service and R&D activities significantly. The value chain of the asset-intensive organization offers considerable potential for optimization. New business opportunities in the fields of flight efficiency or material testing emerge.

Table 2
Overview of the integrated framework to exploit digitization strategically for Rolls Royce

<table>
<thead>
<tr>
<th>Step 1: Understanding the existing business model</th>
<th>Step 2: Identifying existing and potential digital value drivers</th>
<th>Step 3: Exploiting digitization strategically (“ERRC Grid”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Segments</td>
<td>• airlines</td>
<td>• aircraft engines</td>
</tr>
<tr>
<td>Customer Relationships</td>
<td>• long-term individual customer relationships</td>
<td>• TotalCare™ service</td>
</tr>
<tr>
<td>Channels</td>
<td>• sales force</td>
<td>• flight efficiency</td>
</tr>
<tr>
<td>Value Propositions</td>
<td>• aircraft engines</td>
<td>• material testing</td>
</tr>
<tr>
<td></td>
<td>• TotalCare™ service</td>
<td>• TotalCare™ service</td>
</tr>
<tr>
<td>Revenue Streams</td>
<td>• Power by the Hour usage fee</td>
<td>• flight efficiency</td>
</tr>
<tr>
<td>Key Activities</td>
<td>• R&amp;D</td>
<td>• material testing</td>
</tr>
<tr>
<td></td>
<td>• manufacturing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• service</td>
<td></td>
</tr>
<tr>
<td>Key Resources</td>
<td>• manufacturing &amp; service facilities</td>
<td>• manufacturing &amp; service facilities</td>
</tr>
<tr>
<td></td>
<td>• patents</td>
<td>• performance data</td>
</tr>
<tr>
<td></td>
<td>• performance data</td>
<td></td>
</tr>
<tr>
<td>Key Partners</td>
<td>• value driven (R&amp;D, service)</td>
<td></td>
</tr>
<tr>
<td>Cost Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Case 3: PatientsLikeMe

PatientsLikeMe is an internet-based, quantitative research platform for patients with serious or life-threatening diseases. The platform facilitates the exchange of experiences regarding treatment methods, diagnostics, and medication for affected patients or caretakers. Aggregating the data can help to influence courses of diseases positively and to answer the question “Given my status, what is the best outcome I can hope to achieve, and how do I get there?” (Wicks, et al., 2010).

The organization was founded in 2004 by three MIT engineers: brothers Benjamin and James Heywood and their friend Jeff Cole. They were inspired by a case of illness in their family to create a platform to establish a tool for improving the management of certain diseases by focusing research and adapting care to the patients’ actual needs. PatientsLikeMe is a for-profit enterprise but describes its vision as “putting patients first, promoting transparency […] fostering openness”. The organization aggregates and analyses the data of over 380,000 registered users on more than 2,500 different diseases and sells the results. Their customers are pharmaceutical and medical device manufacturers, laboratories, hospitals, health plan providers, governments, etc. (Wicks, 2012).

Table 3 illustrates that the business model of PatientsLikeMe is based on complete digitization; the organization’s value drivers – namely co-creation via the online community, research, and data – could be further exploited. Internal research activities could be reduced or even eliminated in favour of contract research services and increasing data sales activities. As digitization is the core of PatientsLikeMe, the potential for value innovation can be seen as high whilst the potential to optimize the cost side is low.

Table 3

Overview of the integrated framework to exploit digitization strategically for PatientsLikeMe

<table>
<thead>
<tr>
<th>Step 1: Understanding the existing business model</th>
<th>Step 2: Identifying existing and potential digital value drivers</th>
<th>Step 3: Exploiting digitization strategically (“ERRC Grid”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Segments</td>
<td>pharmaceutical industry</td>
<td>pharmaceutical industry</td>
</tr>
<tr>
<td></td>
<td>medical device manufacturer</td>
<td>medical device manufacturer</td>
</tr>
<tr>
<td></td>
<td>government medical institutions</td>
<td>government medical institutions</td>
</tr>
<tr>
<td>Customer Relationships</td>
<td>individualized</td>
<td>individualized</td>
</tr>
<tr>
<td></td>
<td>co-creation</td>
<td>co-creation</td>
</tr>
<tr>
<td>Channels</td>
<td>research services</td>
<td>research services</td>
</tr>
<tr>
<td>Value Propositions</td>
<td>data for research</td>
<td>data for research</td>
</tr>
<tr>
<td>Revenue Streams</td>
<td>sale of research studies</td>
<td>sale of research studies</td>
</tr>
<tr>
<td></td>
<td>sale of data</td>
<td>sale of data</td>
</tr>
<tr>
<td>Key Activities</td>
<td>research</td>
<td>research</td>
</tr>
<tr>
<td></td>
<td>manage community</td>
<td>manage community</td>
</tr>
<tr>
<td>Key Resources</td>
<td>data</td>
<td>data</td>
</tr>
<tr>
<td></td>
<td>proprietary knowledge</td>
<td>proprietary knowledge</td>
</tr>
<tr>
<td></td>
<td>researchers</td>
<td>researchers</td>
</tr>
<tr>
<td>Key Partners</td>
<td>patients</td>
<td>patients</td>
</tr>
<tr>
<td></td>
<td>caregivers</td>
<td>caregivers</td>
</tr>
<tr>
<td>Cost Structure</td>
<td>value driven</td>
<td>value driven</td>
</tr>
</tbody>
</table>
5. SUMMARY AND OUTLOOK

The digital age offers many opportunities for companies that succeed at adapting their business models appropriately. Not keeping up with changing market dynamics and rapid digital processes will lead to shrinking profitability and pose an existential threat to an organization. Digitization is a major driver of growth and sustainability. In the last decade, ICT has experienced revolutionary technological progress. Infrastructure development built on broadband network access and technology in the form of highly efficient as well as broadly accessible new devices has created indefinite possibilities. The impact on the micro and macro levels of economies is significant. Digitization drives economic growth, productivity, and welfare, can reduce unemployment, poverty and inequalities, and can also transform social interactions and relationships. The increasing use of digital technologies and content are associated with significant challenges. The effects can be disruptive; security, privacy, consumer rights, and social risk management have to be taken into consideration when developing future digital strategies. Workers of all ages have to be transitioned into new digital jobs.

On an industry level, organizations depend heavily on their capability of adapting to these new developments and successfully integrating them into their business model. The ubiquity of the internet, networks, and smart devices offers great potential for the value chain and scalability. Communication, interactions, processes, and information flow can be optimized; inventory can be reduced – all this results in financial benefits. The full value potential seems to be inexhaustible and has yet to be realized. The focus shifts from the automation of operational processes to innovative business models. New value propositions for customers based on the availability of data and sharing of information drive disruptions across industries. Successful organizations need an understanding of how to integrate, analyse, and exploit data as their value is just beginning to unfold.

Business model approaches become more valuable when they strategically incorporate digital success factors, facilitate decision-making processes and enable management teams to translate digital trends into innovative and profitable business practices. The three-step approach is a modest attempt at discussing an integrated framework, analysing the strategic potential of digitization. The application indicates that the structured procedure helps one to understand the business, identify existing and potential digital value drivers, and strategically exploit digitization. The analysis provided further interesting insights. Categories of digitization such as “enabling”, “complementary”, and “functional” could be detected. “Enabling” describes organizations with limited potential to exploit digitization to improve the business model. In this category, digitization has no or very limited relevance for strategic decision-making. Within the second category – “complementary” – digitization is meaningful because it secures traditional business and drives new business opportunities. In the case of Rolls Royce, digitization turned out to be a crucial element with high potential for value innovation, optimizing business costs, and establishing a purely digital business model. In this category, digitization has the most distinctive impact on strategic decision-making and sustainable business success. In the third category – “functional” – digitization describes the organization’s core. The case of PatientsLikeMe illustrates that digitization offers high potential for value innovation. In contrast to the case of Rolls Royce, digitization provides limited possibilities to optimize the cost side. This leads to the conclusion that digitization in terms of entrepreneurial scope for strategic action is most relevant for organizations belonging to the category “complementary”.

In conclusion, the analysis identified categories that could help to guide strategic decision-making and encourage further studies in order to develop generic strategic alternatives. The three-step approach offers a realistic framework for business practitioners while pointing out interesting areas for further research.
REFERENCES


EMPLOYER RATING PLATFORMS AS A TOOL TO MOTIVATE GERMANS TO APPLY

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Abstract
The use of employer rating platforms is increasing. Individuals use internet-based rating platforms to make decisions and to investigate information. This paper concentrates on the recruiting process and evaluates the usefulness of employer rating platforms for companies. Companies suffer from a lack of qualified candidates for their open positions and have to improve their employer branding. Marketing scientists have found that rating platforms are a powerful tool to influence consumers. The word-of-mouth (wom) framework provides an explanation to understand the mechanism and opportunities of rating platforms. This study has conducted a survey with 626 participants to research the effects of employer rating platforms on potential candidates. The data has been evaluated with the t-test, LSD ANOVA, the Spearman correlation and indicators of descriptive statistics (arithmetic mean, median, mode, standard deviation and range). The result is that employer rating platforms have an influence on potential candidates and the research observed differences between demographic groups.

Keywords: word of mouth, human resource management, employer rating platform

INTRODUCTION
Social media, with its opportunities, influences society and the daily lives of individuals. Social media provides individuals with the opportunity to share and exchange information. Individuals can react to information and provide comments or further information to interested users. They can provide their opinion and discuss it with other users (Suphan et al. 2012). The internet is changing the communication process for society. The internet is a platform that allows quick and easy communication in real time without borders. The channels to collect information are increasing. Social media provides many opportunities for individuals to investigate companies. On the other hand it provides social media users the opportunity to exchange and share information with a large audience (Mitchell 2005; Gibbs et al. 2015). This is a great opportunity for users to influence others.

Marketing scientists have already conducted many studies in this field. This new research concentrates on employer rating platforms to investigate their use in a specific situation. The employment seeking process is very important for individuals because they need employment. The decision to choose a company is important for people because making the wrong decision is expensive and unpleasant.

The power of rating platforms is increasing. Rating platforms are internet-based software where individuals can evaluate products. They can share and exchange information about companies. Individuals can publish their opinion for a large audience, accessible for anyone. The rating platform user can evaluate work environments, for example, and make comments on the evaluation. Those comments and evaluations support other users in making a decision. Marketing departments use rating platforms to present new products and to inspire individuals to buy their products (Li & Bernoff 2011; Bernoff & Schadler 2010). Rating platforms constitute a channel for exchanging information which is trusted by other users. Negative reports can damage companies’ reputations and lead to economic disaster. The number of evaluations and responses may be an indicator for the quality of the information.

wom is an important part of human resource management. It is an important channel for providing information to potential candidates (Sander et al. 2015). The information channel is unofficial and can provide exclusive information. Individuals trust information from employees more than official
information from companies. They expect unadorned information because people report their experiences. They describe their daily life via the rating platform. They present reality from their perspective.

Human resource department needs new ways to motivate individuals to apply to their companies. Companies can use this channel for employer branding. The presentation of a company on an employer rating platform is an important factor in attracting potential employees (Sivertzen et al. 2013). The labour market and lack of qualified candidates constitute a problem for organizations. Organizations need qualified employees to be successful. Social media is changing the labour market. This provides opportunities and risks for companies (Sander 2013). New strategies are needed for using social media tools in the employment seeking process. Potential candidates are interested in real information about companies. They like to collect exclusive internal information about future employers, in order to decide whether to apply or not. The additional information improves their decision-making and reassures them that the company is a good employer. Meanwhile employers are looking for information in social networks about potential employees and take informal advice from people they trust.

The word-of-mouth concept

Distribution of information is possible in different channels. There is an official channel to provide information to potential consumer or applicants, for example. This channel is authorized by companies and provides official information. The information presents the opinions of the company and presents the situation mainly in a positive light. Therefore, the company benefits through the distribution of the information. The different channels are summarized in Figure 1.

| Media, e.g. newspaper, TV, etc. | Official information from companies | Private information, a tie to the discloser exists | Informal information, information which is not authorized |

Figure 1. Potential channels for collecting information about employers

Source: created by the authors

Media companies, e.g. newspapers, investigate issues and present their information to a large audience. They earn their money with the information they can provide to individuals; individuals pay for the information. This information channel and the value of the channel depend on the reputation of the media company. The difference between media and wom channels is that individuals collaborate with each other, that the collaboration produces information and improves the understanding of context. That is a factor of wom. The response to the information provided is an indicator of the quality. Qualitative information gets many responses and is transferred via rating platforms. The individual has the control and power over the information. The company cannot influence the information directly; they can only react to the information if they anticipate it.

Information from a private person or informal information is a kind of wom. Wom started in social networks. Social network users exchanged information about their experience and knowledge. They recommended products to their friends and presented new possibilities to use products, for example. They have known each other personally and have had experience in exchanging information with each other. They trust the information because they can estimate the value of the information and trustworthiness of the discloser (Granovetter 2005). The density of the social network has had an influence on the exchange of information. The opportunity to get reciprocity for the given information motivates individuals to exchange information or resources. The chance to penalize someone for false information is a factor in using and trusting wom (Wang et al. 2016). It is a kind of guarantee if the person takes responsibilities for the information they have provided. This prevents false information.
This information exchange can be explained through social capital theory (Pentland 2014). People exchange their knowledge and experience for personal gain and this is the reason to take part in an employer rating platform, for example. They expect to collect information there if they need information about a company in the future. At the moment they are providing information but maybe they will need other information in the future (Adler & Kwon 2002). The internet is changing the wom process, e.g. anonymity is increasing. The mechanism of real social networks works differently in social media. Social media provides new opportunities to exchange information quickly and easily with a large audience. Collecting information about anything is possible. The quantity of information about products is increasing but the quality may be limited. Social network sites, rating platforms and other internet-based tools are an important channel for information exchange (Shu & Chuang 2011; Ngai et al. 2015). The access to beneficial information is a great advantage. Companies and customers can use this new channel. The additional exclusive information is an advantage for rating platform users and the reason to use the platform.

This paper concentrates on employer rating platforms. The platforms are internet websites providing the opportunity to describe and evaluate employers. Using the platforms is quick and easy. They provide information about companies, office environments or company cultures, for example. The current employer, former employer or applicant can evaluate the company regarding employer-relevant issues. This information supports potential candidates in deciding to apply or not to apply. Employer rating platforms use the knowledge and experience of individuals. This information can be used to collect further information about products, for example. The interest of an individual is different from that of marketing or human resource departments. The opinion of individuals is an important issue and constitutes interesting information for other potential users of a product, for example. The information is not biased by company interests (Balaji et al. 2016). The individual who provides this information is responsible for the content. Negative information damages employer branding and is a disadvantage for companies. On the other hand, positive information is a benefit for companies. The information on employer rating platforms influences the decisions of potential candidates and impressions about the company (Relling et al. 2016). The power of information has increased with employer rating platforms.

Society is changing to a knowledge-based society and information is the basis of decisions (Himanen 2005). Companies use employer rating platforms and individuals are critical of these platforms. They assume that companies write their own comments to increase their reputation or that former employees write negative comments because they are unsatisfied with their former employer. They are frustrated and write emotional comments from a personal perspective. The information provided on employer rating platforms is a kind of wom.

**Employer branding and the employment seeking process**

Employer branding is a critical issue for the recruitment process. Companies present themselves to potential candidates in such a way as to be attractive for the employees they need. There are different tools for employer branding. Social media increases the opportunities to transfer information to individuals. The content is changing, e.g. videos, text messages or audio messages are possible, for example (Carrillat et al. 2014). Companies can advertise or invite potential candidates to events to present their culture or other relevant issues for employees. It is important for potential candidates to collect information about their future employer. The company has the chance to convey their culture to potential candidates (Bellou et al. 2015). This reduces the danger of mismatch because the candidate is informed about the company. This helps companies and candidates to make a good decision. Social media provides new channels for transferring information about companies. The increasing amount of information makes it difficult to select the best information. The evaluation of comments about companies helps one to anticipate the usefulness of the information (Yan 2011; Sivertzen et al. 2013). This is a positive result for human resource management in motivating candidates to apply and presenting the uniqueness of the company to its environment.

Employer branding is important for the employment seeking process. The first step of the employment seeking process is to investigate information. Information collection is possible via different channels. The channels and information are screened for trustworthiness, relevance and benefit. The trustworthy, beneficial, relevant information is used to make a decision to forward the application and apply or to cancel the employment seeking process. Trust is an important issue for the transfer of information and motivation for action (Burt 2001). This issue explains the importance of
employer branding for companies. The company will only be recommended if their culture and benefits are believed to be favourable. A company’s products, leadership style and culture influence the employer brand (Du Preez & Bendixen 2015). Good employer branding needs to present the reality of company life. If the employer branding is too optimistic, it can have negative consequences. Employer rating platforms are a place where individuals can corroborate the benefits companies promise, if the individuals’ experience coincides with what the company presents in their official information. Employees who have been at the company have the opportunity to tell the truth because they are no longer involved with the company and do not have to have respect the former employer or expect negative consequences for their behaviour. An employee who provides knowledge and information on employer rating platforms can run into difficulties if the company is not amused by the information. The positive aspect is that people who are not under pressure can report anything without restrictions. The negative aspect is that they may not report accurately about their company. This means there is real information from the perspective of the employees, which can entice individuals to apply. The danger for potential candidates is that the reports on the employer rating platform may be false, that malevolent individuals may use this rating platform to damage an employer brand or to take revenge on their former employer. The privacy and anonymity of the platform presents difficulties. The consequence is that false information providers cannot be penalized. The reputation and trustworthiness of the information provider is difficult to evaluate. This makes it difficult to trust the information.

**Method and demographic data**

The data were collected in Germany through an online survey in the framework of a project at the University of Ludwigshafen. The participants are all able to use the internet and they all speak German. They need access to the internet because they cannot use employer rating platforms without it. The project evaluated employer rating platforms and addressed the value of information on employer rating platforms. The first question regards the use of employer rating platforms. The use is evaluated with the question “How often do you use employee evaluation platforms to collect information about companies?” on a scale of one for always to six for never. This question elicits feedback on the intensity of use. The next question is “What is your opinion about the information from employer rating platforms?” The participants evaluated four statements on a scale of one for full agreement to six for full disagreement. Such an evaluation scale corresponds to the evaluation scale in German schools. The data obtained in the survey have been evaluated with the main indicators of descriptive statistics (arithmetic mean, median, mode, range and standard deviation), LSD ANOVA and the Spearman correlation. The significant results of LSD ANOVA are analysed with cross tables. The demographic data are summarized in Table 1.

The participants are mainly young people who are looking for employment in the near future or currently. They are very experienced with the internet and mainly use social tools, e.g. employer rating platforms, to collect information. Their social status is categorised according to the five stages used to define the current situation of the individual (Kozinets et al. 2010). The majority of the participants are students or employed. In terms of education, they are doing apprenticeships or visiting educational programmes to improve their skills and knowledge to be prepared for the labour market, for example.

<table>
<thead>
<tr>
<th>Age group</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 22 years</td>
<td>5.8</td>
</tr>
<tr>
<td>23 to 26</td>
<td>22.7</td>
</tr>
<tr>
<td>27 to 31</td>
<td>33.3</td>
</tr>
<tr>
<td>32 to 36</td>
<td>14.7</td>
</tr>
<tr>
<td>37 to 41</td>
<td>8</td>
</tr>
<tr>
<td>over 41</td>
<td>15.5</td>
</tr>
<tr>
<td>N</td>
<td>502</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social status</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>employed</td>
<td>53.4</td>
</tr>
<tr>
<td>educational programme</td>
<td>0.8</td>
</tr>
<tr>
<td>student</td>
<td>41.2</td>
</tr>
<tr>
<td>unemployed</td>
<td>1.8</td>
</tr>
<tr>
<td>other</td>
<td>2.8</td>
</tr>
<tr>
<td>n</td>
<td>502</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>school degree</td>
<td>6.3</td>
</tr>
<tr>
<td>apprenticeship degree</td>
<td>38.1</td>
</tr>
<tr>
<td>university degree</td>
<td>49.0</td>
</tr>
<tr>
<td>other</td>
<td>6.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment seeking status</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>active</td>
<td>13.0</td>
</tr>
<tr>
<td>passive</td>
<td>19.8</td>
</tr>
<tr>
<td>not looking at the moment</td>
<td>66.0</td>
</tr>
<tr>
<td>no answer</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Data collected from the respondents by Tom Sander
They are not available for the labour market at the moment because they are in training. “Other” comprises people who do not fit into the categories. The majority of the respondents have a university degree or apprenticeship degree. This means the participants are well educated. Companies are interested in skilled candidates and in knowing how to attract such individuals to apply for open positions. The “employment seeking status” describes the behaviour of individuals in identifying employment. They can look actively for employment, searching for open positions, while a passive search means they are not looking for an open position but would react if they were to see an interesting offer or a head hunter were to send them a message, for example. “Not looking at the moment” means they are not interested in new employment opportunities and are satisfied with their current employer.

62.8% of the respondents are female. The answers of 626 respondents are included in the analysis. The respondents are young and well educated. They will be entering the labour market soon and companies are interested in finding highly qualified candidates.

The use of rating platforms

The first question evaluates the frequency of use of employer rating platforms. The respondents demonstrate a clear tendency regarding the use of employer rating platforms in their daily life. Table 2 presents the results.

The use of employer rating platforms among respondents tends toward “never” (the most often indicated evaluation value was 6 – characterised by the mode; half of the respondents gave an evaluation of 5 or lower and half of the respondents gave evaluations of 5 or higher – characterised by the median, the average evaluation was 4.32, although the entire evaluation scale was covered (range 5). The respondents do not use employer rating platforms very often. Maybe they are not familiar or experienced with employer rating platforms or they have a negative opinion about them – for example, that companies write their own comments or that rating platform providers censor comments. Further research is needed to identify the reasons why they are not using employer rating platforms at the moment and to understand what actually influences their decisions. One reason not to use employer rating platforms could be the current situation of the respondents. They are not actively looking for a position or they are in an educational programme. This is the reason to take different demographic factors into consideration.

Table 2

| The main statistical indicators for the question “How often do you use employee evaluation platforms to collect information about companies?” |
| Arithmetic mean      | 4.32 |
| Median               | 5    |
| Mode                 | 6    |
| Range                | 5    |
| Standard deviation   | 1.789|
| N                    | 626  |

Source: table constructed by the authors, evaluation scale 1 – 6, 1 for always to 6 for never

All demographic factors mentioned in the introduction are tested with an LSD ANOVA, except age and gender. The evaluation differences by gender are tested with a t-test and evaluations according to age group are analysed with a Spearman correlation coefficient. The homogeneity of the data has been tested with Levene statistics. The significant relevant results are presented in Table 3.
Table 3

Results of the LSD ANOVA for employment seeking status (active, passive or not looking at the moment) compared with the question “How often do you use employee evaluation platforms to collect information about companies?"; only relevant factors are presented

<table>
<thead>
<tr>
<th>(I) Employment Seeking</th>
<th>(J) Employment Seeking</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>Passive</td>
<td>-0.432</td>
<td>0.285</td>
<td>0.130</td>
<td>-0.99 - 0.13</td>
</tr>
<tr>
<td>Active</td>
<td>Not looking at the moment</td>
<td>-1.065</td>
<td>0.242</td>
<td>0.000</td>
<td>-1.54 - 0.59</td>
</tr>
<tr>
<td>Passive</td>
<td>Active</td>
<td>0.432</td>
<td>0.285</td>
<td>0.130</td>
<td>-0.13 - 0.99</td>
</tr>
<tr>
<td>Passive</td>
<td>Not looking at the moment</td>
<td>-0.633</td>
<td>0.205</td>
<td>0.002</td>
<td>-1.04 - 0.23</td>
</tr>
<tr>
<td>Not looking at the moment</td>
<td>Active</td>
<td>1.065</td>
<td>0.242</td>
<td>0.000</td>
<td>0.59 - 1.54</td>
</tr>
<tr>
<td>Not looking at the moment</td>
<td>Passive</td>
<td>0.633</td>
<td>0.205</td>
<td>0.002</td>
<td>0.23 - 1.04</td>
</tr>
</tbody>
</table>

Source: table created by Tom Sander

The respondents reported their current employment seeking level in the survey, which sought to evaluate if the current situation influences patterns of employment rating platform use. The following answers were possible: “active” employment seeking, “passive” employment seeking and “not looking at the moment” for employment opportunities. The results of the research show that there are significant differences in the use of employer rating platforms. The differences are visible in Figure 2. The situation of individuals influences, in the expected way, the use of employment rating platforms. The figure explains that actively searching individuals have another distribution of responses compared with the two other groups. The results indicate that the current situation is a reason to use employment rating platforms and that there are differences between the groups.

![Figure 2](image_url)

**Figure 2.** Distribution of respondent evaluations for the statement “How often do you use employee evaluation platforms to collect information about companies?” according to employment seeking status, share of responses (in %)

*Source: figure created by Tom Sander, evaluation scale 1 – 6, 1 for always to 6 for never*

The human resource management of a company trying to motivate employment seeking candidates with specially required skills cannot use employer rating platforms to motivate this group to apply for an open position, for example. Employer rating platforms are mainly useful for finding individuals who are actively seeking employment.

**Power of information on employment rating platforms**

The employer rating platform’s task is to inform individuals about companies and support the
decision to apply or not to apply at a company. This is the reason for asking the participants about the advantages and use of employer rating platforms.

Table 4

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Employer rating platforms contain different information compared with other opportunities (e.g. company web page, image folder of the company)</th>
<th>Employer rating platforms present only the exclusive opinion of one individual</th>
<th>The decision to apply for a position is supported by additional information from employer rating platforms</th>
<th>The decision between different companies is simplified with the support of employer evaluation platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>530</td>
<td>531</td>
<td>531</td>
<td>529</td>
</tr>
<tr>
<td>Mean</td>
<td>2.39</td>
<td>2.18</td>
<td>2.82</td>
<td>3.33</td>
</tr>
<tr>
<td>Median</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mode</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.322</td>
<td>1.239</td>
<td>1.317</td>
<td>1.371</td>
</tr>
<tr>
<td>Range</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: table constructed by the authors

The participants were asked for their opinion of rating platforms for evaluating companies. The statement that employer rating platforms only present the exclusive opinion of one individual received the highest agreement level with a mode of one and a median of two. The information on the platform is related to the experience of individuals. The motivation to rate a company is not clear and an individual opinion could bias reality. This leads to the statement that employer rating platforms contain different information compared with official information, e.g. from the company web page or image folder or from sponsored events. This statement is rated by respondents with a median of two and a mode of two. The anticipated advantage of rating platforms is additional information for potential candidates. The rating platform user expects different information from the official information. What is more interesting is that the decision to apply or not to apply is influenced by the rating platforms. The additional information influences this decision. This statement is evaluated by respondents with a mode of two and a median of one. The lowest agreement was received by the statement that rating platforms support the decision between two different companies: the platform is the reason for a decision for one company as opposed to another company. The respondent evaluation mode and median are three.

The authors are interested in analysing the influence of different demographic factors. The first step is a Spearman correlation between age and the statements. There are two significant relevant results, but the correlations are weak. The decision to apply is influenced by age and influences the applicant to apply or not to apply. The expectation of identifying interesting information is influenced by age as well. The result can be logically explained by the different experience with rating platforms on the internet depending on age.
Table 5

Spearman correlation coefficient between evaluations of the analysed statements and age distribution to analyse the influence of age on the statements (only significant relevant results presented)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Employer rating platforms contain different information compared with other opportunities (e.g. company web page, image folder of the company).</th>
<th>The decision between different companies is simplified with the support of employer evaluation platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman correlation coefficient</td>
<td>0.101</td>
<td>0.093</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.025</td>
<td>0.039</td>
</tr>
<tr>
<td>n</td>
<td>491</td>
<td>490</td>
</tr>
</tbody>
</table>

Source: table created by Tom Sander

Young people are more experienced and have more knowledge about internet platforms than older generations. The other two statements are not influenced by age on a significant relevant level.

The evaluation according to gender is another demographic factor and is analysed with a t-test to identify significant differences between gender regarding the statements. The statement “The decision between different companies is simplified with the support of employer evaluation platforms” provides a significant difference between male and female respondents. The statement fulfils the requirement for a t-test and is the only statement on a relevant significant level.

The distribution for the statement “The decision between different companies is simplified with the support of employer evaluation platforms” divided into women and men is presented in Figure 3. The tendency of men to full agreement is stronger than the tendency of women. This provides the result that men are more influenced than women. But both have a majority of respondents in the first three stages.

Table 6

T-test to analyse the influence of age on the statement “The decision between different companies is simplified with the support of employer evaluation platforms” (only significant relevant results are presented)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
<td>t</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>0.34</td>
<td>0.56</td>
<td>1.93</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>1.90</td>
<td>365</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Source: table created by Tom Sander

The results indicate that women are more influenced by employment rating platforms than men regarding the decision between two different companies. This is interesting information for human resource management: that men use employment rating platforms to make a decision more often than women.
Different educational degrees influence individuals’ behaviour. The findings indicate that with regard to the statement “The decision between different companies is simplified with the support of employer evaluation platforms”, there are significant differences between those with a school degree and those with a university degree. A significant difference between those with an apprenticeship degree and those with another degree does not exist. The largest difference in educational level is between a school degree and a university degree and may be a reason for the significant difference.

Table 7

LSD ANOVA to analyse the differences between educational degrees (university degree, school degree, apprenticeship degree or other) and the statement “The decision between different companies is simplified with the support of employer evaluation platforms” (only relevant results are presented)

<table>
<thead>
<tr>
<th>(I) (J) Educational degree</th>
<th>(J) Educational degree</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>school degree</td>
<td>apprenticeship degree</td>
<td>-0.379</td>
<td>0.259</td>
<td>0.144</td>
<td>-0.89</td>
<td>-0.13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>university degree</td>
<td>-0.092</td>
<td>0.255</td>
<td>0.718</td>
<td>-0.59</td>
<td>-0.03</td>
<td>0.41</td>
</tr>
<tr>
<td></td>
<td>other</td>
<td>-0.326</td>
<td>0.342</td>
<td>0.341</td>
<td>-1.00</td>
<td>-1.00</td>
<td>0.35</td>
</tr>
<tr>
<td>apprenticeship degree</td>
<td>school degree</td>
<td>0.379</td>
<td>0.259</td>
<td>0.144</td>
<td>-0.13</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td></td>
<td>university degree</td>
<td>0.287</td>
<td>0.132</td>
<td>0.030</td>
<td>0.03</td>
<td>0.55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>other</td>
<td>0.054</td>
<td>0.263</td>
<td>0.838</td>
<td>-0.46</td>
<td>-0.46</td>
<td>0.57</td>
</tr>
<tr>
<td>university degree</td>
<td>school degree</td>
<td>0.092</td>
<td>0.255</td>
<td>0.718</td>
<td>-0.41</td>
<td>0.59</td>
<td></td>
</tr>
<tr>
<td></td>
<td>apprenticeship degree</td>
<td>-0.287</td>
<td>0.132</td>
<td>0.030</td>
<td>-0.55</td>
<td>-0.55</td>
<td>-0.03</td>
</tr>
<tr>
<td></td>
<td>other</td>
<td>-0.233</td>
<td>0.259</td>
<td>0.367</td>
<td>-0.74</td>
<td>-0.74</td>
<td>0.27</td>
</tr>
<tr>
<td>other</td>
<td>school degree</td>
<td>0.326</td>
<td>0.342</td>
<td>0.341</td>
<td>-0.35</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>apprenticeship degree</td>
<td>-0.054</td>
<td>0.263</td>
<td>0.838</td>
<td>-0.57</td>
<td>-0.57</td>
<td>0.46</td>
</tr>
<tr>
<td></td>
<td>university degree</td>
<td>3</td>
<td>0.23</td>
<td>0.59</td>
<td>0.27</td>
<td>10.00</td>
<td>0.74</td>
</tr>
</tbody>
</table>

Source: table created by Tom Sander

The tendency of individuals with a school degree is mainly toward full agreement compared with the other educational levels. Those with a university degree have a mode of three and a mainly normal distribution. There is not a strong tendency toward full agreement compared with those with a school degree.
degree or apprenticeship degree. The university degree category has the most respondents on three.

![Figure 4. Distribution of evaluations by education level for the statement “The decision between different companies is simplified with the support of employer evaluation platforms” (in %)](image)

Source: figure created by Tom Sander, evaluation on a scale of 1 – 6, where 1 – full agreement and 6 – full disagreement

That means that educational level influences the use of employment rating platforms. The influence depends significantly on the kind of degree. Human resource management needs to know that for school degree-level respondents the decision is mainly influenced by employer rating platforms. The higher the educational level, the lower the influence of employer rating platforms on the decision to apply or not.

**CONCLUSIONS**

Employer rating platforms are important tools for potential candidates and companies. Individuals use employer rating platforms to learn about employers. It is important for human resource departments to know that they can use these tools to motivate individuals to apply or to decide on applying. Human resource managers at companies should monitor employer rating platforms and use the comments to improve their employer brand. They must improve their benefits, environment and other employee-related issues if they wish to get a positive evaluation on employer rating platforms. The criticism and comments on the platforms should be regarded as the perspectives of individuals.

Employer rating platforms are not used very often. Use of employer rating platforms is related to employment seeking status. Individuals who are actively looking for employment have the strongest tendency toward “always” and respondents “not looking at the moment” have the strongest tendency toward “never”. There are significant differences between those “not looking at the moment” and passive and active employment seeking individuals. This result is an indicator that employer rating platforms are a good tool to motivate active employment seeking individuals to apply.

Individuals are aware that rating platforms present the perspectives of individuals: that the information may be biased. The anticipated benefit of employer rating platforms is that additional information is provided, that the opinions of companies are not provided, that individuals have the chance to get an impression from an insider, the perspective of an employee, even if it has to be regarded as a personal opinion. The evaluation and response to comments or the number of similar comments may be an indication of the validity of the information. The results indicate that individuals use employer rating platforms to decide about applying, that employer rating information is the basis for deciding between companies. This is important information for human resource departments. Given the power and influence of employer rating platforms, it is important to know that this tool can be used successfully.

Demographic factors influence the use of employer rating platforms. Age has a weak significant Spearman correlation coefficient for the statements “Employer rating platforms contain different information compared with other opportunities (e.g. company web page, image folder of the company)”
and “The decision between different companies is simplified with the support of employer evaluation platforms”. This means there is a relation to collecting information and to deciding about their application. Experience is an important factor in using a tool and can explain the weak correlation indicated by the correlation coefficient. The t-test presents a significant result for differences in these evaluations between men and women. The statement regarding decisions between two companies has significant differences. Men agree more strongly that they use employer rating platforms to decide between companies. Education influences the use of employer rating platforms. More highly educated individuals with a university degree and a school degree have significant differences in their evaluations. The investigation regarding employment seeking status does not provide a statistically relevant result.

Employer rating platforms are an important tool for human resource departments to attract individuals to apply. The finding is that employer rating platforms influence individuals. The platforms are used to collect information and to decide about applying. Further research is needed to find out the motivation and reason to use employer rating platforms. The mechanism of employer rating platforms needs further investigation.

REFERENCES


INTERACTION BETWEEN ORGANIZATIONAL CULTURE AND WORK ENGAGEMENT IN THE INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR IN LATVIA

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Abstract
Purpose. The purpose of the study is to investigate the interaction between dimensions of organizational culture and work engagement within organizations operating in the ICT sector in Latvia.

Design/methodology/approach. The research methodology includes the monographic method and the quantitative method (survey questionnaire) as well as correlation and multiple regression analysis. The sample in the study comprises 393 employees of organizations operating in the ICT sector in Latvia.

Findings. The research results show that the organizational culture dimensions that have the most significant impact on level of work engagement among employees of organizations operating in the ICT sector in Latvia are innovation, performance orientation, and social responsibility.

Research limitations. Multiple research limitations are applicable to the study. The study covers organizations operating in the ICT sector in Latvia. The study only covers a part of the internal environment of the organization – organizational culture and work engagement. The research period is November to December of 2015.

Practical implications. The research results provide managers with information about how different organizational culture values are related to the level of work engagement. Based on the research results, managers will be able to make more informed decisions with regard to which cultural values need to be encouraged and which need to be reduced in order to improve work engagement within their organizations.

Originality/value. Even though organizational culture is widely studied in management science, and work engagement has also become a prevalent topic among management researchers in recent years, currently there are very few studies on the interaction between organizational culture and work engagement. There is a lack of knowledge regarding what impact different organizational culture values have on work engagement. This study, therefore, provides an insight into interaction between specific dimensions of organizational culture and dimensions of work engagement.

Research paper

Keywords: organizational culture, work engagement, leadership.

INTRODUCTION
Traditional sources of competitive advantage, such as product and process technology, access to regulated markets, economies of scale, etc., matter less today than in the past, leaving capabilities derived from how people are managed as relatively more vital (Pfeffer, 1994). Technology has become more available nowadays and is thereby decreasing as a source of competitive advantage. In comparison, human capital is much more difficult to imitate for competitors (Macey, et al., 2009). Due to an increasingly high deficit of human resources, management of human capital plays a very important role in the information and communication technology (ICT) sector in Latvia. According to the Ministry of Finance of the Republic of Latvia (2015), development of the ICT sector is an important matter in Latvia. The ability to create and export innovation is a prerequisite for economic growth.

Organizational culture is generally defined as a set of values and beliefs shared among members of an organization which has a major impact on their decisions and behaviour – the way in which things are done within the organization. Organizational culture is no longer a particularly new construct in management science. Nevertheless, during the past decade interest in organizational culture from practitioners in particular has been relatively high. The level of interest from the practitioner side differs to some extent between industries. In newer, more innovative and knowledge-intensive businesses there
seems to be a stronger interest than in more mature and rationalization-oriented ones. Many information technology (IT) companies, for example, are credited with developing and sustaining distinct organizational cultures (Alvesson, 2012).

Work engagement is a relatively new construct in management science. Engagement is generally defined as a goal-oriented psychological state in which a person is fully focused on the task at hand. Work engagement is often mentioned among sources of increased employee commitment and performance as well as customer satisfaction (Albrecht, 2010). Engagement represents some kind of transformation, production of energy, and synergistic force that creates motion in a particular direction that is aligned with the organization’s goals and this is different from other constructs studied in organizational sciences earlier (Byrne, 2015).

Like many other concepts related to the management of human capital, work engagement is a multidisciplinary one. Generally, engagement as such is very much related to psychology. At the same time, pre-requisites for employees to be engaged are largely dependent on how they are led and how the organizations they are working for are managed. On the other side of the equation, work engagement has a major impact on the performance of employees and consequently the organizations they work for. Therefore, work engagement is an important concept in management science.

Work engagement can only be created and sustained when it is supported by the culture of the organization (Macey, et al., 2009). Most organizations can create bursts of energy and contribution among their employees in the short term using approaches other than work engagement. On the other hand, building a culture of engagement takes effort. However, once established it will sustain high performance in the organization over time (Rice, et al., 2012). Yet organizations and leaders need to know which organizational culture values foster or limit work engagement in order to encourage the right values that lead to organizational goals. The purpose of this study, therefore, is to find the relationship between specific organizational culture values and dimensions of work engagement.

THEORETICAL FRAMEWORK OF THE RESEARCH

Organizational culture

Alvesson (2012) argues that organizational culture is one of the main subjects in the academic research of organizational theory as well as in management practice. Even in organizations where cultural issues receive little explicit attention, ways in which people think, feel, value and act are guided by ideas, meanings and beliefs of the socially shared culture. Even though there is no agreement on a single definition, one of the most commonly used definitions of organizational culture has been formulated by Edgar Schein. Schein (2010, 18) defines organizational culture as "a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems". This definition is based on analysis of several other definitions, and is also used as the working definition in this study.

Many authors view values as the deepest level of culture. According to Parsons (1951), cultural tradition emerges around values, which are defined as elements of a shared symbolic system that serves as a criterion or standard for selection among the alternatives of orientation, which are intrinsically open in a situation. Values are also defined as ideas and objects with a special meaning on the individual as well as organizational level (Dubkevics, 2009). Most researchers agree that there are no good or bad values or cultures per se. A set of values is good – effective – if it reinforces the mission, purposes and strategies of the organization. To be effective, the culture must be appropriate to the needs of the business, company and employees (Wallach, 1983., Heskett, 2012). Culture can facilitate or limit strategies and how they are implemented. Effective cultures result from the following: a clear mission, shared assumptions, the right values and beliefs, the right behaviours, rites and rituals, a good fit with the organization's competitive strategy and how it is executed (Heskett, 2012). To be successful, an organization must ensure that it shapes its culture according to its business, mission, and strategy (Sanchez, 2006).

Work engagement

Engagement is mainly expressed in such employee behaviours as effort at work. It is described as the ability to bring all of who we are into our roles (Smith and Berg, 1987). Engaged employees stay focused on their tasks and work hard to accomplish their work-related goals (Kahn, 1992). They strive
to move their work forward and put energy into it (Schaufeli and Bakker, 2004). When employees are engaged, they fully inhabit their job roles, instead of just working. They are very present in doing their work (Kahn, 1992). According to Macey and his colleagues, engaged employees behave in more persistent ways, respond proactively to emerging threats and challenges, expand their roles at work, and adapt more readily to change (Macey, et al., 2009). As a result, work engagement is one of the key predictors of an organization’s performance, financial and otherwise (Heskett, 2012). Individual employee behaviours determine an organization’s collective success over time. Performance is the sum of what every employee does every day across the organization.

There are two definitions of work engagement that are quoted in research literature most often. One of them belongs to Schaufeli and his colleagues, who define work engagement as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli, et al., 2002, 74). The three dimensions of work engagement mentioned in this definition are described as follows:

1) Vigour – high level of energy and mental resilience while working, the willingness to invest one’s effort in the work;
2) Dedication – being strongly involved in one’s work, experiencing a sense of significance, enthusiasm, inspiration, pride and challenge;
3) Absorption – being fully focused and happily engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from the work (Schaufeli, et al., 2006).

The other popular definition belongs to Kahn (1990, 694), who is largely credited with introducing the concept of personal engagement at work, and defines work engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.” The dimensions of work engagement according to this definition are described as follows:

1) Physical engagement is related to the physical energy exerted by the employees to accomplish their work-related tasks;
2) Cognitive engagement concerns employees’ beliefs about the organization, its leaders and working conditions;
3) Emotional engagement is related to how the employees feel about the organization, its leaders and working conditions – whether their attitude toward these factors is positive or negative (Kular, et al., 2008).

These two definitions of work engagement are used as working definitions in the study conducted as a part of this research. Despite slightly different perspectives, there are core commonalities between these two conceptualizations of work engagement, as both of them share similar physical-energetic (vigour), emotional (dedication), and cognitive (absorption) components (Schaufeli, 2014).

**RESEARCH METHODOLOGY**

Population size in the scope of this study is equal to the number of people working in the ICT sector in Latvia, which, according to the latest available information, was 26558 in 2014 (Central Statistical Bureau). For sample size calculation purposes in the scope of this study, the level of confidence was chosen at 95%, while the confidence interval is 5%. Calculations resulted in the minimum necessary sample size of 379. In total 426 survey questionnaires filled out by employees of organizations operating in the ICT sector in Latvia were collected. The sector includes organizations working with ICT manufacturing, ICT wholesale, and different ICT services, such as software distribution, telecommunications, computer programming and consulting, data maintenance, computer and telecommunications equipment repair, etc. After data cleaning, 393 questionnaire answers were accepted as valid. The survey questionnaire consisted of four parts:

1) Demographic and organizational tenure-related questions;
2) Revised version of the Organizational Culture Profile (OCPR) by Sarros, et al. (2005), where respondents are introduced to 28 organizational culture values that may describe an organizational culture. The respondents are asked to evaluate how much each of the values describes their organization, by choosing a number from 1 (not at all) to 5 (very much) on a 5-point Likert scale. The 28 values are divided into 7 groups – 4 values per group. The groups are: competitiveness, social responsibility, supportiveness, innovation, emphasis on rewards, performance orientation, and stability;
3) The Job Engagement Scale (JES) by Rich, et al. (2010). In the scope of the JES respondents are asked to evaluate the degree to which they agree with each of the 18 statements about their own engagement at work on a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). Example items include “I devote a lot of energy to my job” for physical engagement, “I feel positive about my job” for emotional engagement, and “At work, I devote a lot of attention to my job” for the cognitive dimension of work engagement;

4) The Utrecht Work Engagement Scale (UWES) by Schaufeli, et al. (2002), which is a self-assessment questionnaire where respondents are asked to assess the frequency with which they experience each of the characteristics of work engagement described in 17 items of the questionnaire on a 7-point Likert scale from 0 (never) to 6 (always / every day). Of the 17 items, 6 are related to vigour, 5 to dedication, and 6 to absorption dimensions of work engagement. Example items include “At my work, I feel bursting with energy” for vigour, “I find the work that I do full of meaning and purpose” for dedication, and “Time flies when I’m working” for absorption.

Two measures for assessing employee engagement used in this study are chosen because they represent two different dominant theories of work engagement in the field. Drake (2012) argues that despite the fact that these two instruments are based on different theories, there is a relation between the three dimensions of work engagement measured by JES and the dimensions measured by UWES. The concepts of physical, emotional, and cognitive engagement, assessed by the JES instrument, are in close parallel to the constructs of behaviour, affect and cognition respectively. Similarly, the concept of vigour, measured by UWES and defined as “having high levels of energy and mental resilience and willingness to invest oneself in one’s work” (Schaufeli, et al., 2002, 74) is very similar to behaviour. Dedication, defined as “psychological identification with one’s work” (Schaufeli, et al., 2002, 74), is similar to the concept of psychological affect. In addition, the authors of UWES used the concept of cognition in their definition of work engagement by defining engagement as a “…persistent, pervasive affective-cognitive state” (Schaufeli, et al., 2002, 74). Therefore, it can be argued that dimensions of work engagement measured by JES and UWES instruments are linked to the components of work engagement as shown in Table 1. Drake (2012) concludes that the conceptualizations of work engagement behind the two instruments are very similar, yet still distinct.

Table 1: Link between components of work engagement and dimensions of JES and UWES instruments

<table>
<thead>
<tr>
<th>Component of work engagement</th>
<th>Dimension of JES</th>
<th>Dimension of UWES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviour</td>
<td>Physical engagement</td>
<td>Vigour</td>
</tr>
<tr>
<td>Affect</td>
<td>Emotional engagement</td>
<td>Dedication</td>
</tr>
<tr>
<td>Cognition</td>
<td>Cognitive engagement</td>
<td>Absorption</td>
</tr>
</tbody>
</table>

Source: Based on Drake (2012)

Three main statistical analyses were conducted to determine the dominant organizational culture values, the level of work engagement, and the interaction between dimensions of organizational culture and dimensions of work engagement in the ICT sector in Latvia.

First, the mean score (the average of a set of observations) was used to determine the dominant organizational culture values according to the OCPR instrument as well as the level of work engagement in its different dimensions according to the JES and UWES instruments in the scope of this study. The mean score is the most commonly used measure of a central tendency (Aczel and Sounderpandian, 2008). Another alternative considered for the main measure to determine the scores of organizational culture and work engagement dimensions was the median. The mean was chosen over the median based on the results of distribution analysis, which showed that research data does not perfectly coincide with normal distribution. Distribution of data is left skewed as the skewness is negative for all seven dimensions of organizational culture measured by the OCPR instrument as well as all dimensions of work engagement measured by the JES and UWES instruments. Skewness of data distribution by all three instruments can be considered moderate, as the numbers are between -0.5 and -1 (Bulmer, 1979).

Secondly, Spearman’s rank correlation was calculated between the scores for dimensions of OCPR and dimensions of JES as well as between dimensions of the OCPR instruments and dimensions of the UWES instruments in order to identify the relationship between organizational culture values and levels.
of different aspects of work engagement.

Finally, multiple linear regression analysis with the forward method of variable selection was performed in order to determine dimensions of organizational culture according to the OCPR instrument that have the most significant impact on dimensions of work engagement according to the JES and UWES instruments. The forward method of variable selection starts with no variables in the equation. Variables are added to the model one by one, based on the criterion for entry (maximum level of significance). Selection of the independent variables starts with a variable that has the largest correlation with the dependent variable. If the variable meets the criterion of entry ($p \leq 0.05$), regression analysis is performed with only this variable in the first step. In the following steps, variables with the next strongest correlations are examined based on the significance criterion of entry and added to the regression model if they meet the criterion. The procedure continues until there are no remaining independent variables that have a significant effect ($p \leq 0.05$) on the dependent variable, or all variables are included in the model.

**ANALYSIS OF THE RESEARCH RESULTS**

**Organizational culture**

Even though organizational culture and its dominant values are qualitative attributes of an organization, they are often measured as quantitative variables. In the case of OCPR, items related to each of the 7 dimensions of organizational culture are evaluated on a scale of 1 to 5, depending on how much they describe the organization represented by the respondents. The mean score of each dimension measured by the OCPR instrument according to the employees of organizations operating in the ICT sector in Latvia is shown in Figure 1.

![Figure 1. Organizational culture profile – score by dimensions of OCPR](image)

The organizational culture profile in the ICT sector in Latvia can be characterized as balanced, since all seven dimensions of the culture are rated rather similarly by respondents. All seven dimensions of organizational culture have received average scores – between 3.45 and 3.85 of 5. Almost all dimensions are rated higher that 3.6, except for emphasis on rewards, which is rated at 3.45 out of 5. An average score of 3.2 was used to distinguish between positive and negative perceptions of the organizational culture dimensions by respondents, where scores above 3.2 indicate a positive perception and scores below 3.2 indicate a negative perception of the specific dimension. Such a cut-off point for differentiation between positive and negative perceptions is suggested by the Human Sciences Research Council (Odendaal and Roodt, 1998). Based on this differentiation it can be concluded that all dimensions of organizational culture in the ICT sector in Latvia measured by the OCPR instrument are perceived positively by respondents. The dimension evaluated the highest is **performance orientation**, which is rated at 3.85.

Cronbach’s $\alpha$ by organizational culture dimensions is shown in Table 2.
Cronbach’s α for all seven dimensions of organizational culture measured by the OCPR instrument range from 0.71 to 0.84 and are higher than 0.7, which means that the internal consistency is acceptable. For two of the dimensions – emphasis on rewards, and performance orientation – the coefficient is higher than 0.8, in which case the internal consistency is interpreted as good.

**Work engagement**

The mean scores of each of the dimensions of work engagement measured by the JES instrument are shown in Figure 2.

![Figure 2. Work engagement – score by dimensions of JES](image)

Internal consistency of work engagement measured by the JES instrument was determined by calculating the Cronbach’s α coefficient. Work engagement is a multidimensional construct, and the JES instrument measures three dimensions of work engagement – physical engagement, emotional engagement, and cognitive engagement. Therefore, the α coefficient was calculated for each of the dimensions separately (Table 3).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical</td>
<td>0.876</td>
</tr>
<tr>
<td>Emotional</td>
<td>0.914</td>
</tr>
<tr>
<td>Cognitive</td>
<td>0.906</td>
</tr>
</tbody>
</table>

Analysis of Cronbach’s α coefficient shows that the internal consistency for the physical dimension of work engagement is good, while for the other two dimensions – emotional engagement and cognitive engagement – the internal consistency is excellent (higher than 0.9).

The mean score is used to determine the level of work engagement in each dimension in the scope of this study. The overall level of work engagement in the ICT sector in Latvia measured by the JES instrument can be regarded as average. Two of the dimensions – cognitive engagement and physical engagement – are evaluated slightly higher than 4 points out of 5, while the emotional dimension of work engagement has scored 3.8 out of 5.

The mean scores of each of the dimensions measured by the UWES instrument are given in Figure 3.
Internal consistency of work engagement measured by the UWES instrument was measured by calculating the Cronbach’s $\alpha$ coefficient. As work engagement is a multidimensional construct, and the UWES instrument measures three dimensions of work engagement, the $\alpha$ coefficient was calculated for each of the dimensions separately (Table 4).

Table 4

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Cronbach's $\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vigour</td>
<td>0.875</td>
</tr>
<tr>
<td>Dedication</td>
<td>0.897</td>
</tr>
<tr>
<td>Absorption</td>
<td>0.86</td>
</tr>
</tbody>
</table>

Analysis of Cronbach’s $\alpha$ coefficient shows that the internal consistency for the work engagement dimensions vigour, dedication, and absorption is good.

The mean score of each dimension is used to determine the level of work engagement. The overall level of work engagement in the ICT sector in Latvia measured by the UWES instrument can be regarded as average. One of the dimensions – dedication – is rated slightly higher than the other two dimensions – 4.3 out of 6 instead of 4.1.

Interaction between organizational culture and work engagement

In the scope of correlation analysis between organizational culture and work engagement, Spearman’s rank correlation coefficient was calculated between the dimensions of OCPR and the dimensions of JES. The correlation coefficients are displayed in Table 5.

Table 5

<table>
<thead>
<tr>
<th>OCPR dimensions</th>
<th>JES dimensions</th>
<th>Physical</th>
<th>Emotional</th>
<th>Cognitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitiveness</td>
<td>0.42</td>
<td>0.49</td>
<td>0.41</td>
<td></td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>0.42</td>
<td>0.56</td>
<td>0.41</td>
<td></td>
</tr>
<tr>
<td>Supportiveness</td>
<td>0.36</td>
<td>0.50</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>0.46</td>
<td>0.53</td>
<td>0.42</td>
<td></td>
</tr>
<tr>
<td>Emphasis on Rewards</td>
<td>0.26</td>
<td>0.48</td>
<td>0.28</td>
<td></td>
</tr>
<tr>
<td>Performance Orientation</td>
<td>0.41</td>
<td>0.52</td>
<td>0.41</td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td>0.31</td>
<td>0.49</td>
<td>0.32</td>
<td></td>
</tr>
</tbody>
</table>

The correlation between the dimensions of organizational culture and dimensions of work engagement measured by the JES is positive and statistically significant ($p < 0.01$). The strength of the correlation between different organizational culture dimensions and the physical and cognitive dimensions of work engagement is weak to moderate ($r = 0.28$ to $0.46$, $p < 0.01$). The only dimension that has a moderate correlation ($r = 0.4$ to $0.59$, $p < 0.01$) with all seven dimensions of organizational culture is emotional engagement. The correlation coefficient for the emotional dimension of work engagement ranges from $r = 0.48$, $p < 0.01$ with emphasis on rewards to $r = 0.56$, $p < 0.01$ with social responsibility. The organizational culture dimensions that have the strongest correlation with all three dimensions of work engagement measured by the JES instrument within organizations operating in the ICT sector in Latvia are social responsibility ($r = 0.41$ to $0.56$, $p < 0.01$), innovation ($r = 0.42$ to $0.53$, $p < 0.01$), and performance orientation ($r = 0.41$ to $0.52$, $p < 0.01$).
Multiple linear regression analysis with the forward method of variable selection was performed in order to determine the organizational culture dimensions that have the most significant impact on dimensions of work engagement. The two variables that are selected to be a part of the regression model based on their significance ($p \leq 0.05$), where the dependent variable is the physical dimension of work engagement measured by the JES instrument and the independent variables are organizational culture dimensions of the OCP, are the organizational culture dimensions innovation and competitiveness.

Table 6 shows the regression model summary for the dependent variable physical dimension of work engagement.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.447</td>
<td>.200</td>
<td>.198</td>
<td>.60196</td>
</tr>
<tr>
<td>2</td>
<td>.459</td>
<td>.211</td>
<td>.207</td>
<td>.59878</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Innovation
b. Predictors: (Constant), Innovation, Competitiveness

Based on the regression model summary it can be concluded that 19.8% (adjusted $R^2 = 0.198$) of the dependent variable – the physical dimension of work engagement – is determined by the organizational culture dimension – innovation. When the second predictor – competitiveness – is included in the model in addition to innovation, it accounts for an additional 0.9% ($0.207 - 0.198 = 0.09$) of variability. Such a model determines 20.7% of the physical dimension of work engagement.

The proportion of variation in the dependent variable (physical engagement) explained by the independent variables (dimensions of organizational culture) is determined by the adjusted $R^2$ instead of $R^2$, due to the model consisting of multiple independent variables.

The coefficients of the regression model for physical engagement are presented in Table 7 below.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2,682</td>
<td>.143</td>
<td>18,769</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.378</td>
<td>.038</td>
<td>.447</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>2,510</td>
<td>.161</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.288</td>
<td>.055</td>
<td>.341</td>
</tr>
<tr>
<td></td>
<td>Competitiveness</td>
<td>.134</td>
<td>.059</td>
<td>.148</td>
</tr>
</tbody>
</table>

According to the coefficient analysis, the regression model suggests that an increase of 1 unit of the organizational culture value innovation would lead to an increase of 0.288 ($p < 0.01$) units of physical engagement, and an increase of 1 unit of the organizational culture value competitiveness would lead to an increase of 0.134 ($p < 0.05$) units of physical engagement, if all other independent variables remain constant. This leads to the following regression equation:

$$\mu (Physical\ engagement) = 2.51 + 0.288 \times Innovation + 0.134 \times Competitiveness$$

The three variables that are selected to be a part of the regression model based on their significance ($p \leq 0.05$), where the dependent variable is the emotional dimension of work engagement measured by the JES instrument and the independent variables are the organizational culture dimensions of the OCP, are the organizational culture dimensions social responsibility, innovation and stability.

Table 8 shows the regression model summary for the dependent variable emotional dimension of work engagement.
Based on the regression model it can be concluded that 29% of the dependent variable *emotional* dimension of work engagement is determined by the organizational culture dimension *social responsibility*. When the second predictor – *innovation* – is added to equation, it accounts for an additional 3.4% (\(0.324 – 0.29 = 0.034\)) of variability. Finally, inclusion of *stability* adds an additional 1.5% (\(0.339 – 0.324 = 0.015\)) of variability. Such a model predicts 33.9% of emotional engagement. The proportion of variation in the dependent variable (*emotional* engagement) explained by the independent variables (dimensions of organizational culture) is determined by the adjusted R square instead of R square because the model consists of multiple independent variables.

Coefficients of the regression model for *emotional* engagement are presented in Table 9 below.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.778</td>
<td>.164</td>
<td>10.831</td>
</tr>
<tr>
<td></td>
<td>Social responsibility</td>
<td>.560</td>
<td>.044</td>
<td>.540</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>1.534</td>
<td>.169</td>
<td>9.072</td>
</tr>
<tr>
<td></td>
<td>Social responsibility</td>
<td>.346</td>
<td>.064</td>
<td>.334</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.279</td>
<td>.062</td>
<td>.279</td>
</tr>
<tr>
<td>3</td>
<td>(Constant)</td>
<td>1.356</td>
<td>.176</td>
<td>7.682</td>
</tr>
<tr>
<td></td>
<td>Social responsibility</td>
<td>.230</td>
<td>.073</td>
<td>.222</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.254</td>
<td>.062</td>
<td>.253</td>
</tr>
<tr>
<td></td>
<td>Stability</td>
<td>.190</td>
<td>.060</td>
<td>.186</td>
</tr>
</tbody>
</table>

According to the coefficient analysis, the regression model suggests that an increase of 1 unit of the organizational culture dimension *social responsibility* would lead to an increase of 0.23 \((p < 0.01)\) units of emotional engagement, an increase of 1 unit of *innovation* would lead to an increase of 0.254 \((p < 0.01)\) units of emotional engagement, and an increase of 1 unit of *stability* would lead to an increase of 0.19 \((p < 0.01)\) units of emotional engagement, if all other independent variables remain constant. This leads to the following regression equation:

\[
\mu (\text{Emotional engagement}) = 1.356 + 0.23 \times \text{Social responsibility} + 0.254 \times \text{Innovation} + 0.19 \times \text{Stability}
\]

The two variables that are selected to be a part of the regression model based on their significance \((p \leq 0.05)\) are the organizational culture dimensions *performance orientation* and *innovation*.

Table 10 shows the regression model summary for the dependent variable *cognitive* dimension of work engagement.
Table 10

Regression model summary (dependent variable: cognitive)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.410a</td>
<td>.168</td>
<td>.166</td>
<td>.62905</td>
</tr>
<tr>
<td>2</td>
<td>.434b</td>
<td>.188</td>
<td>.184</td>
<td>.62222</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Performance orientation
b. Predictors: (Constant), Performance orientation, Innovation

Based on the regression model it can be concluded that 16.6% of the dependent variable cognitive dimension of work engagement is determined by the organizational culture dimension performance orientation. When the second predictor – innovation – is added to the equation, such a model determines 18.4% of the cognitive dimension of work engagement. This means that innovation is accountable for an additional 1.8% (0.184 – 0.166 = 0.018) of variability. The proportion of variation in the dependent variable (cognitive engagement) explained by the independent variables (dimensions of organizational culture) is determined by the adjusted R square instead of R square, since the model consists of multiple independent variables. The analysis of the Durbin-Watson statistic does not detect the presence of autocorrelation.

The coefficients of the regression model for cognitive engagement are presented in Table 11 below.

Table 11

Regression coefficients (dependent variable: cognitive)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.665</td>
<td>.161</td>
<td></td>
<td>16.549</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>.365</td>
<td>.041</td>
<td>.410</td>
<td>8.893</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.540</td>
<td>.164</td>
<td></td>
<td>15.456</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>.220</td>
<td>.062</td>
<td>.247</td>
<td>3.555</td>
</tr>
<tr>
<td>Innovation</td>
<td>.187</td>
<td>.060</td>
<td>.216</td>
<td>3.105</td>
</tr>
</tbody>
</table>

According to the coefficient analysis, the regression model suggests that an increase of 1 unit of the organizational culture dimension performance orientation would lead to an increase of 0.22 (p < 0.01) units of cognitive engagement, whereas an increase of 1 unit of the organizational culture dimension innovation would lead to an increase of 0.187 (p < 0.01) units of physical engagement, if all other independent variables remain constant. This leads to the following regression equation:

\[ \mu (Cognitive\ engagement) = 2.54 + 0.22 \times \text{Performance orientation} + 0.187 \times \text{Innovation} \]

Based on the regression analysis between dimensions of organizational culture measured by OCPR (independent variables) and the dimensions of work engagement measured by JES (dependent variables), it can be concluded that certain organizational culture dimensions have a significant impact on specific dimensions of work engagement. The interactions and the relative importance of the regression coefficients (standardized coefficient \( \beta \)) of the independent variables in predicting the dependent variables are displayed in Figure 4.
The only organizational culture dimension that has an impact on all dimensions of work engagement measured by JES is *innovation*. Four other dimensions of organizational culture each have a significant impact on only one dimension of work engagement – *competitiveness* has an effect on *physical engagement*, *performance orientation on cognitive engagement*, and *social responsibility* and *stability* on *emotional engagement*. The organizational culture dimensions *supportiveness* and *emphasis on rewards* do not seem to have a significant impact on the level of work engagement among employees of organizations operating in the ICT sector in Latvia.

In the scope of correlation analysis between organizational culture and work engagement, Spearman’s rank correlation was calculated between the dimensions of OCPR and the dimensions of UWES. The correlation coefficients are displayed in Table 12.

| Spearman’s rank correlation between OCPR dimensions and UWES dimensions | UWES dimensions |
|---|---|---|---|
| Competitiveness | Vigour | 0.46 | Dedication | 0.46 | Absorption | 0.42 |
| Social Responsibility | 0.47 | 0.51 | 0.44 |
| Supportiveness | 0.42 | 0.42 | 0.37 |
| Innovation | 0.48 | 0.51 | 0.43 |
| Emphasis on Rewards | 0.42 | 0.47 | 0.35 |
| Performance Orientation | 0.51 | 0.54 | 0.43 |
| Stability | 0.46 | 0.43 | 0.33 |

The correlation between the dimensions of organizational culture measured by OCPR and the dimensions of work engagement measured by UWES is positive and statistically significant (*p* < 0.01). Based on the correlation strength criteria by Evans (1996), the correlation between different organizational culture dimensions and the *vigour* as well as *dedication* dimensions of work engagement is moderate (*r* = 0.40 to 0.59, *p* < 0.01). The only dimension of work engagement that has weak correlations (*r* = 0.20 to 0.39, *p* < 0.01) with three of the seven dimensions of organizational culture measured by the OCPR instrument is *absorption* (*r* = 0.33, *p* < 0.01 with *stability*, *r* = 0.35, *p* < 0.01 with *emphasis on rewards*, and *r* = 0.37, *p* < 0.01 with *supportiveness*). Similarly to the previously described correlation analysis between different dimensions of OCPR and JES, the organizational culture dimensions that have the strongest correlation with all dimensions of work engagement within organizations operating in the ICT sector in Latvia are *social responsibility* (*r* = 0.44 to 0.51, *p* < 0.01),
innovation \( (r = 0.43 \text{ to } 0.51, p < 0.01) \), and performance orientation \( (r = 0.43 \text{ to } 0.54, p < 0.01) \).

The three variables that are selected to be a part of the regression model based on their significance \( (p \leq 0.05) \), where the dependent variable is the vigour dimension of work engagement by UWES and the independent variables are organizational culture dimensions of OCPR, are the organizational culture dimensions performance orientation, stability and innovation.

Table 13 shows the regression model summary for the dependent variable vigour dimension of work engagement.

Table 13

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.521(^a)</td>
<td>.272</td>
<td>.270</td>
<td>.94305</td>
</tr>
<tr>
<td>2</td>
<td>.538(^b)</td>
<td>.290</td>
<td>.286</td>
<td>.93251</td>
</tr>
<tr>
<td>3</td>
<td>.552(^c)</td>
<td>.304</td>
<td>.299</td>
<td>.92409</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Performance orientation  
\(^b\) Predictors: (Constant), Performance orientation, Stability  
\(^c\) Predictors: (Constant), Performance orientation, Stability, Innovation

Based on the regression model it can be concluded that 27% of the dependent variable vigour dimension of work engagement is determined by the organizational culture dimension performance orientation. When the second predictor – stability – is added to the model, it accounts for an additional 1.6% \((0.286 - 0.27 = 0.016)\) of variability. Inclusion of the third organizational culture dimension innovation adds 1.3% \((0.299 - 0.286 = 0.013)\) of variability, leading to a regression model which determines 29.9% of the vigour dimension of work engagement. The proportion of variation in the dependent variable (the vigour dimension of engagement) explained by the independent variables (dimensions of organizational culture) is determined by the adjusted R square instead of R square, due to the model consisting of multiple independent variables. The analysis of the Durbin-Watson statistic does not detect the presence of autocorrelation.

The coefficients of the regression model for the vigour dimension of work engagement are shown in Table 14.

Table 14

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.253</td>
<td>.241</td>
<td>5.188</td>
</tr>
<tr>
<td></td>
<td>Performance orientation</td>
<td>.743</td>
<td>.061</td>
<td>.521</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>1.012</td>
<td>.251</td>
<td>4.036</td>
</tr>
<tr>
<td></td>
<td>Performance orientation</td>
<td>.545</td>
<td>.087</td>
<td>.383</td>
</tr>
<tr>
<td>3</td>
<td>(Constant)</td>
<td>.861</td>
<td>.254</td>
<td>3.390</td>
</tr>
<tr>
<td></td>
<td>Performance orientation</td>
<td>.364</td>
<td>.107</td>
<td>.255</td>
</tr>
<tr>
<td></td>
<td>Stability</td>
<td>.249</td>
<td>.086</td>
<td>.176</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.256</td>
<td>.090</td>
<td>.185</td>
</tr>
</tbody>
</table>

According to the coefficient analysis, the regression model suggests that an increase of 1 unit of the organizational culture dimension performance orientation would lead to an increase of 0.364 \((p < 0.01)\) units of vigour, an increase of 1 unit of stability would lead to an increase of 0.249 \((p < 0.01)\) units of vigour, and an increase of 1 unit of innovation would lead to an increase of 0.256 \((p < 0.01)\) units of the vigour dimension of work engagement, if all other independent variables remain constant. This leads to the following regression equation:

\[
\mu (\text{Vigour}) = 0.861 + 0.364 \times \text{Performance orientation} + 0.249 \times \text{Stability} + 0.256 \times \text{Innovation}
\]
The three variables that are selected to be a part of the regression model based on their significance \((p \leq 0.05)\), where the dependent variable is the dedication dimension of work engagement by UWES and the independent variables are organizational culture dimensions of OCPR, are the organizational culture dimensions performance orientation, social responsibility and innovation.

Table 15 shows the regression model summary for the dependent variable dedication dimension of work engagement.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.553a</td>
<td>.306</td>
<td>.304</td>
<td>.98102</td>
</tr>
<tr>
<td>2</td>
<td>.577a</td>
<td>.333</td>
<td>.329</td>
<td>.96293</td>
</tr>
<tr>
<td>3</td>
<td>.587c</td>
<td>.344</td>
<td>.339</td>
<td>.95585</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Performance orientation  

b. Predictors: (Constant), Performance orientation, Social responsibility  

c. Predictors: (Constant), Performance orientation, Social responsibility, Innovation

Based on the regression model it can be concluded that 30.4% of the dependent variable dedication dimension of work engagement is determined by the organizational culture dimension performance orientation. When the second predictor – social responsibility – is included in the model, it accounts for an additional 2.5\% \((0.329 – 0.304 = 0.025)\) of variability. Inclusion of the third organizational culture dimension innovation adds 1% \((0.339 – 0.329 = 0.01)\) of variability and leads to a regression model which determines 33.9\% of the dedication dimension of work engagement. The proportion of variation in the dependent variable (the dedication dimension of engagement) explained by the independent variables (dimensions of organizational culture) is determined by the adjusted R square instead of R square, since the model consists of multiple independent variables. The analysis of the Durbin-Watson statistic does not detect the presence of autocorrelation.

The coefficients of the regression model for the dedication dimension of engagement are presented in Table 16.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.042</td>
<td>.251</td>
<td>4.148</td>
</tr>
<tr>
<td></td>
<td>Performance orientation</td>
<td>.839</td>
<td>.064</td>
<td>.553</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>.752</td>
<td>.257</td>
<td>2.926</td>
</tr>
<tr>
<td></td>
<td>Performance orientation</td>
<td>.554</td>
<td>.095</td>
<td>.365</td>
</tr>
<tr>
<td></td>
<td>Social responsibility</td>
<td>.381</td>
<td>.096</td>
<td>.250</td>
</tr>
<tr>
<td>3</td>
<td>(Constant)</td>
<td>.657</td>
<td>.258</td>
<td>2.551</td>
</tr>
<tr>
<td></td>
<td>Performance orientation</td>
<td>.430</td>
<td>.106</td>
<td>.284</td>
</tr>
<tr>
<td></td>
<td>Social responsibility</td>
<td>.274</td>
<td>.104</td>
<td>.180</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.263</td>
<td>.101</td>
<td>.178</td>
</tr>
</tbody>
</table>

According to the coefficient analysis, the regression model suggests that an increase of 1 unit of the organizational culture dimension performance orientation would lead to an increase of 0.43 \((p < 0.01)\) units of dedication, an increase of 1 unit of social responsibility would lead to an increase of 0.274 \((p < 0.01)\) units of dedication, and an increase of 1 unit of innovation would lead to an increase of 0.263 \((p < 0.01)\) units of the dedication dimension of work engagement, if all other independent variables remain constant. This leads to the following regression equation:
\[ \mu (\text{Dedication}) = 0,657 + 0,43 \times \text{Performance orientation} + 0,274 \times \text{Social responsibility} + 0,263 \times \text{Innovation} \]

The three variables that are selected to be a part of the regression model based on their significance \((p \leq 0,05)\), where the dependent variable is the absorption dimension of work engagement by UWES and the independent variables are organizational culture dimensions of the OCPR, are the organizational culture dimensions performance orientation, social responsibility and innovation.

Table 17 shows the regression model summary for the dependent variable absorption dimension of work engagement.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.436</td>
<td>0.190</td>
<td>0.188</td>
<td>0.97088</td>
</tr>
<tr>
<td>2</td>
<td>0.464</td>
<td>0.215</td>
<td>0.211</td>
<td>0.95702</td>
</tr>
<tr>
<td>3</td>
<td>0.472</td>
<td>0.223</td>
<td>0.217</td>
<td>0.95349</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Performance orientation
b. Predictors: (Constant), Performance orientation, Social responsibility
c. Predictors: (Constant), Performance orientation, Social responsibility, Innovation

Based on the regression model it can be concluded that 18.8% of the dependent variable absorption dimension of work engagement is determined by the organizational culture dimension performance orientation. When the second predictor – social responsibility – is added to the model, it accounts for an additional 2.3% \((0.211 - 0.188 = 0.023)\) of variability. Inclusion of the third organizational culture dimension innovation contributes an additional 0.6% \((0.217 - 0.211 = 0.006)\) of variability and leads to a regression model which determines 21.7% of the absorption dimension of work engagement. The proportion of variation in the dependent variable (the absorption dimension of engagement) explained by the independent variables (dimensions of organizational culture) is determined by the adjusted R square instead of R square because the model consists of multiple independent variables. The analysis of the Durbin-Watson statistic does not detect the presence of autocorrelation.

The coefficients of the regression model for the absorption dimension of engagement are presented in Table 18.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.752</td>
<td>.249</td>
<td></td>
<td>7.048</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>.607</td>
<td>.063</td>
<td>.436</td>
<td>9.592</td>
</tr>
<tr>
<td>2 (Constant)</td>
<td>1.497</td>
<td>.255</td>
<td></td>
<td>5.860</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>.356</td>
<td>.095</td>
<td>.256</td>
<td>3.753</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>.335</td>
<td>.095</td>
<td>.240</td>
<td>3.522</td>
</tr>
<tr>
<td>3 (Constant)</td>
<td>1.426</td>
<td>.257</td>
<td></td>
<td>5.545</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>.263</td>
<td>.106</td>
<td>.189</td>
<td>2.488</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>.255</td>
<td>.103</td>
<td>.182</td>
<td>2.462</td>
</tr>
<tr>
<td>Innovation</td>
<td>.198</td>
<td>.100</td>
<td>.146</td>
<td>1.973</td>
</tr>
</tbody>
</table>

According to the coefficient analysis, the regression model suggests that an increase of 1 unit of the organizational culture dimension performance orientation would lead to an increase of 0.263 \((p < 0.01)\) units of absorption, an increase of 1 unit of social responsibility would lead to an increase of 0.255 \((p < 0.01)\) units of absorption, and an increase of 1 unit of innovation would lead to an increase of 0.198
(p < 0.05) units of the absorption dimension of work engagement, if all other independent variables remain constant. This leads to the following regression equation:

\[ \mu (\text{Absorption}) = 1.426 + 0.263 \times \text{Performance orientation} + 0.255 \times \text{Social responsibility} + 0.198 \times \text{Innovation} \]

Based on the regression analysis between dimensions of organizational culture measured by the Organizational Culture Profile (independent variables) and the dimensions of work engagement measured by the Job Engagement Scale (dependent variables), it can be concluded that certain organizational culture values have a significant impact on specific dimensions of work engagement. The interactions and the relative importance of the regression coefficients (standardized coefficient \( \beta \)) of the independent variables in predicting the dependent variables are displayed in Figure 5.

![Figure 5. Dimensions of organizational culture that have a significant impact on dimensions of work engagement by UWES (* p < 0.05, ** p < 0.01)](image)

Two organizational culture dimensions – innovation and performance orientation – have a significant impact on all three dimensions of work engagement measured by UWES – vigour, dedication, and absorption. The organizational culture dimension social responsibility has a significant impact on two of the work engagement dimensions – dedication, and absorption – while stability has an impact on vigour. The organizational culture dimensions competitiveness, supportiveness, and emphasis on rewards do not have a significant impact on any of the work engagement dimensions measured by UWES.

CONCLUSIONS AND DISCUSSIONS

Considering the importance and the limited availability of human resources in the ICT sector in Latvia, it can be concluded that the capabilities derived from how people are managed are an important factor for the competitive advantage of companies operating within the sector as well as for the economy of Latvia in general.

The organizational culture profile in the ICT sector in Latvia can be characterized as balanced, since all seven dimensions of culture measured by the OCPR instrument are rated rather similarly by respondents. All seven dimensions of organizational culture are perceived positively by the employees of organizations operating within the ICT sector in Latvia and have received average scores between 3.45 and 3.85 of 5. The dimension of organizational culture evaluated the highest is performance orientation, while the emphasis on rewards dimension received the lowest average score.

The overall level of work engagement in the ICT sector in Latvia measured by the use of the JES and UWES instruments can be regarded as average. With regard to the dominant dimensions of work...
engagement, the use of two different instruments shows slightly different results. One possible reason for the difference in results might be the slightly different ways in which items in these two instruments are expressed.

Based on the results of the correlation and regression analysis between organizational culture dimensions measured by the OCPR instrument and dimensions of work engagement measured by the JES and UWES instruments, it can be concluded that the organizational culture dimensions that have the most significant positive impact on level of work engagement among employees of organizations operating in the ICT sector in Latvia are innovation, performance orientation, and social responsibility. Therefore, it is recommended that managers of organizations operating within the ICT sector emphasize values beneficial to the abovementioned dimensions of organizational culture in order to increase the level of work engagement among their employees.

It can be concluded that the purpose of this study has been achieved, and the impact that specific dimensions of organizational culture have on the dimensions of work engagement has been determined. However, further research within other sectors and individual organizations is required in order to verify the research results. The theoretical framework and research methodology of this study can be used for future studies. In addition, further studies should also investigate how values, considered beneficial for work engagement, can be implemented within the organizational culture of specific companies and sectors.

REFERENCES
DESIGN MANAGEMENT IN THE CONTEXT OF SOCIAL RESPONSIBILITY

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Abstract

Purpose. The need for socially responsible solutions has increased noticeably in recent years and Design Management (DM) as a tool to solve them is becoming even more complicated, requiring new competences. Currently DM has been changing its course to designing where the designing process is already used in management and this leads to application of Design Thinking methods that should take into consideration not only economic but also social, environmental and cultural aspects in order to create more socially responsible solutions.

The aim of this research is to ascertain the meaning and characteristics of DM for promoting socially responsible solutions, to take a critical look at DM’s development in the context of social responsibility and to develop a new approach in DM that promotes socially responsible solutions.

Main results and findings. Content analysis shows that among the many approaches and definitions of DM, none directly points to the role of DM in ensuring sustainability and social responsibility. There has been a conceptual transition to integrated conceptualization of DM, which allows the theoretical assumptions to move beyond traditional design practices and theories, and there is potential for new DM approaches that promote socially responsible solutions in a more focused manner.

Key contributions. This study provides a deeper understanding of DM, ascertains its meaning and characteristics, and determines gaps between different DM approaches in the context of social responsibility. Based on the literature review, the authors propose a new conceptual framework of DM for promoting socially responsible solutions and make recommendations for further applications in creative industries.

Social implications. This research and approach aim to solve social and environmental issues and improve quality of life by application of more advanced DM approaches.

Keywords: Design Management, Socially Responsible Design Management, Design Thinking

INTRODUCTION

Scientific concerns and relevance of the article. There is growing awareness within many organizations that design is a valuable tool to achieve organizations’ strategic goals and objectives. There is also an increasing desire to understand the design tools (the methods and ways of thinking that the design process brings) available and the design planning and implementation processes. More recently, according to Best, design is being valued as an enabler of innovation and collaborative (as well as competitive) advantage. (Best, 2015) On the other hand, the need for socially responsible products and environments has increased noticeably, even though well-established tools have been developed to help designers and architects face environmental or social problems. Moreover, Design Management (DM) methods are becoming even more complicated, which requires new competences of managers and employees, especially when it comes to socially responsible solutions. Current DM approaches do not necessarily include socially responsible aspects in theory and practice. There is a need for more focused DM approaches and methods for social responsibility that will help designers, design managers and their teams to understand its aspects in order to develop more socially responsible and sustainable solutions. But only as a well-managed process can design unleash its full potential and enable businesses to use design for innovation (Knoskova, 2011).

Dealing with a VUCA (volatility, uncertainty, complexity, ambiguity) world and its problems, DM
has been changing its course from designing as managing to managing as designing. In other words, the designing process is already used in management through application of Design Thinking methods. Our previous research shows that most design concepts and approaches solve only some aspects of social issues on a certain level and that there is a need for a new DM approach that will help to solve complicated issues by taking into consideration all four dimensions – economic, environmental, social and cultural – and will allow architects and designers to use and combine them effectively in order to create more socially responsible solutions. From the authors’ point of view, in order to link DM with socially responsible solutions, the first step is to understand the meaning, characteristics, approaches and development of DM, find the gaps within DM theoretical approaches and determine whether or how they are or might be related to social responsibility. This requires more in-depth research of DM approaches and how they might be combined to ensure socially responsible solutions.

The subject of this research is Design Management.

The aim of this research is to ascertain the meaning and characteristics of DM in the context of social responsibility and to take a critical look at DM, which has different meanings, purposes and approaches depending on the context and origin, and how it is linked to social responsibility by finding gaps and room for improvement in order to develop a conceptual framework for DM for promoting socially responsible solutions.

The novelty of this research is that it ascertains the meaning and characteristics of DM, DM approaches and growth models, its development and the latest research in the context of social responsibility. The authors propose a new approach and conceptual framework for DM in order to promote socially responsible solutions called Socially Responsible Design Management (SRDM).

Relevance. The need for socially responsible products and environments has increased noticeably in recent years and DM for socially responsible solutions is becoming more and more complicated, requiring new management competence. In this research the authors set the context of DM for promoting socially responsible solutions and propose a new approach that supports it.

The research methodology for this research is content analysis of existing scientific literature on DM and abstract modelling and synthesis.

Current level of research. This literature review is the first step in the research of Design Management for promoting socially responsible solutions in order to create a conceptual framework and approach for further research.

1. THEORETICAL FRAMEWORK OF THE RESEARCH

This research is divided into two main parts:

The first section of the research ascertains the meaning and characteristics of DM, DM approaches and growth models, its development and current research in the context of social responsibility.

The first part is divided into three sub-sections. The first sub-section sets the context of social responsibility in DM based on the concepts of social responsibility and sustainability and the origins and basic characteristics of DM. It examines and analyzes different DM approaches and their meanings depending on the context and time they were created and developed. Theories of DM are based on research in design science and management. The second sub-section is devoted to Design Management Growth (or Maturity) Models and design integration and different approaches. Based on conceptual analyses, the authors have created a new conceptual model that reveals dimensions of DM integration in business in the context of social responsibility. The third sub-section contains research and analysis of the development of DM and current research and practice based on the latest research on DM.

In the second section the authors propose a new DM approach for promoting socially responsible solutions based on previous research.

This research is based on previous research in the DM field and examines the latest ideas, streams and research found in the literature. The authors’ approach is to look at this research in the context of social responsibility.

2. RESEARCH METHODOLOGY

In this literature review the research method is content analysis of scientific literature on DM that supports socially responsible solutions, abstract modelling and synthesis. This is the first step for the present research and aims to create the conceptual baseline of DM for further research.

Questions in this research. The authors started this research by posing the following questions:
What is the meaning of DM? What are characteristics of DM? What is social responsibility? Are they linked and, if so, how? Is there evidence that different DM approaches promote socially responsible solutions?

To answer these questions, the authors used the following resources in order to find appropriate research papers. The sources of information for this research are scientific journals, academic books and resources from DMI (Design Management Institute). Findings from the following databases are used – EBSCO, JSTOR, Science Direct and professional DM resources. Scientific literature was collected based on the context and content depending on the relevancy for this research.

The sources of information for this research are: design management, social responsibility.

Based on the studies found, the authors developed a structure and analysis of the research depending on the context and relevancy. All the models are based on abstract modelling and synthesis.

Research limitations. The following limitations are set for this research subject: (1) This research only analyses DM approaches and only uses the scientific literature that is available to the authors in scientific literature databases. (2) DM has several meanings and information is widely dispersed in the literature; some interesting publications were found indirectly. Therefore, not all possibilities were covered, and this research can be considered as an in-depth exploratory study. (3) The DM approaches explored are limited by relevancy and deal with socially responsible solutions. (4) Only DM approaches that might be relevant to the design and architecture industries are analysed. (5) Another potential limitation was the subjectivity in the analysis of DM. The presented conceptual framework does not intend to cover all of the depth and richness of approaches used in the publications, and a more detailed content analysis is underway.

3. THE MEANING AND CHARACTERISTICS OF DM IN THE CONTEXT OF SOCIAL RESPONSIBILITY

In order to link socially responsible solutions with DM, from the authors’ point of view it is necessary to outline their approach and what is understood by social responsibility as well as what the meanings and characteristics of DM are.

Being socially responsible means that people and organizations must behave ethically and with sensitivity toward social, cultural, economic and environmental issues not only in the short term, but also from a long-term perspective. Like social responsibility, sustainability can be categorized into three main dimensions: environmental, economic and social, including culture. The World Commission on Environment and Development (1987) describes sustainable design as the guiding concept to create a built environment that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (Kadir and Jamaludin, 2013). As there are so many interpretations and meanings of sustainability, in this research the authors will use social responsibility that also addresses the cultural dimension, which is important in the context of architecture and design. In this context, socially responsible solutions are solutions that deal with environmental, economic, social and/or cultural dimensions.

The term ‘Design Management’ or DM was introduced in the United Kingdom by The Royal Society of Arts in and following the year the first book on Design Management was published by Michael Farr. Although the term has been around for 50 years and Design Management as a field of research has grown stronger, it is still in a state of emergence (Erichsen and Christensen, 2013). However, there is no single universally agreed on definition of the term ‘Design Management’, just as there is no single agreed on definition of ‘design’. (Best, 2015)

When looking at the nature of ‘design’, the word itself is both a noun (an outcome), and a verb (an activity). It is the outcome of a design project that can be seen in products, services, interiors, buildings and digital media. The management of these design projects is only one aspect of Design Management. (Best, 2015) There is also the activity of designing as a people-centred, problem-solving process, which also needs to be managed and therefore is another facet of Design Management. (Best, 2015)

In this context and from the authors’ perspective DM for promoting socially responsible solutions is DM that deals with all dimensions of social responsibility – environmental, economic, social and cultural.

Over time, different approaches and definitions of DM have been created and developed. DM has been described from different perspectives such as definitions and goals, organizational place and level,
people deploying design, their management and leadership responsibilities, or their tasks. DM has been viewed as a process from the analysis of customer needs all the way to the launch of new products or services; it has also been conceptualized as a coordinator between functions and departments and an integrator of stakeholders. (Acklin, 2013) DM is a developing body of theory that has its roots in marketing, sociology, psychology and engineering literatures. (Vazquez and Bruce, 2002)

The authors have created a brief overview of DM characteristics found in the literature and arranged them according to the time they were posited:

According to Gorb (1976), “Design Management is the effective deployment by line managers of the design resources available to an organization in the pursuance of its corporate objectives (1990) (Best, 2015). It is therefore directly concerned with the organizational place of design, with the identification with specific design disciplines which are relevant to the resolution of key management issues, and with the training of managers to use design effectively.” “Design Management primarily concentrates on allocating all available design resources to businesses to achieve their strategic objectives. This discipline oversees and directs a business’s creativity and manages the business itself in accordance to their design principles. Therefore, DM has got a design educating role by communicating the value of design and integrating it into the business strategy but also a managerial task by allocating necessary resources to design and managing the design process.” (cited in Mozota, 2003) (HESSELMANN et al., 2012)

Hollins describes DM as “the organization of the processes for developing new products and services” (2002) (Best, 2015). This shows that design roles have been described from different perspectives: from the manager’s point of view and design management as a process.

Brigitte Borja de Mozota has stated that “Design Management has two objectives: to train partners / managers and designers and to develop methods of integrating design into the corporate environment” (2003). (Mozota, 2003) (HESSELMANN et al., 2012).

Topalian has stated that within an organization, DM consists of managing all aspects of design at two different levels: the corporate level and the project level. Topalian also believes that “Design Management development needs to broaden the participants’ experience of design problems and the range of project and corporate circumstances within which they have to be solved” (2003). (Best, 2015)

For Thackara, “Design Management is a complex and multi-faceted activity that goes right to the heart of what a company is or does [...] it is not something susceptible to pat formulas, a few bullet points or a manual. Every company's structure and internal culture is different; Design Management is no exception. But the fact that every firm is different does not diminish the importance of managing design tightly and effectively”. (Gloppen, 2009)

In the Pratt Institute, DM is defined as the “identification and allocation of creative assets within an organization to create strategic, sustainable advantage”. And for McBride from the Pratt Institute, “Design Management is the bridge between design and business” (2006). (Gloppen, 2009)

Kootstra (2006) distinguishes three DM types by organizational function: 1. DM as a line function, 2. DM as a staff function, 3. DM as a support function. (Kootstra, 2009)

Cooper, Junginger, and Lockwood (DMI) describe DM as “the ongoing management – and leadership – of design organizations, design processes, and designed outcomes (which include products, services, communications, environments, and interactions)” (Rachel Cooper, 2009).

For Gloppen, “Design Management is used to describe what in the past was called design project management, while the term design leadership is used to describe a more strategic level related to the vision for how design could be used within an organization to achieve corporate goals” (2009). (Gloppen, 2009)

Turner considers that “DM success in business is not so much about practices, as about attitudes and behavior (2013)”. (Best, 2015)

The Design Management Institute (DMI) states that “Design Management encompasses the ongoing processes, business decisions, and strategies that enable innovation and create effectively-designed products, services, communications, environments, and brands that enhance our quality of life and provide organizational success.”

From the DMI point of view, on a deeper level, DM seeks to link design, innovation, technology, management and customers to provide distinctive competences across the triple bottom line: economic, social/cultural, and environmental factors. It is the art and science of empowering design to enhance collaboration and synergy between “design” and “business” to improve design effectiveness.
The scope of DM ranges from the tactical management of corporate design functions and design agencies, including design operations, staff, methods and processes, to the strategic advocacy of design across the organization as a key differentiator and driver of organizational success. It includes the use of Design Thinking, or using design processes to solve general business problems. (Design Management Institute (DMI), 2016)

Kathryn Best (2015) states that DM should be managed at three levels, such as Managing the Design Strategy, Managing the Design Process and Managing the Design Implementation. In each of these stages the design manager needs certain knowledge and skills to manage all the processes (Best, 2015).

The literature also outlines the difference between a design manager and a design leader. Cooper and Press describe that being a design manager is about “the response of individuals to the needs of their business and the contribution they can make to enable design to be used effectively” (1995). (Best, 2015) Siegel has stated that “design managers optimize resources to implement programs in the most effective and profitable way; design leaders are concerned with innovation, design, and strategy” (2006).

From the authors’ point of view, DM might be considered as a tool, method, system and/or process, it encompasses the ongoing processes, business decisions, and strategies that enable creativity and innovation and create effectively-designed products, services, communications, environments, and brands that enhance quality of life for employees, customers and other stakeholders that are involved to a greater or lesser extent and provide organizational success.

The authors have created a structured overview of literature reviewed in Table 1. The aim of this table is to reveal the essence of what DM is, the main focus and whether within those approaches there is evidence of social responsibility such as the social, cultural and environmental aspects that are particularly emphasized in this research. It also aims to reveal the change of thinking on DM over the last few decades.

According to Table 1, over the last few decades there has been a wide range of focus in Design Management, starting from line management in the 1980s, design as a strategic tool, products and services, training methods, design integration, DM as a creative asset allocator, functions, design effectiveness and profitability. What is observed in this research is that starting from 2009 DM’s focus has changed its course more towards management and leadership, design integration in all aspects, and interdisciplinary collaboration, which are more based on people’s values – their attitudes and behaviour. DM seeks to be more integrated and to collaborate with other management disciplines as well as the strategic level of companies. In the past DM was not integrated and was used to deal with select and uncertain projects that covered the first – design project – management level, which was not integrated into higher levels of business management. Currently DM theories focus more on strategic levels and how DM might be integrated into the higher level or strategic level of companies and Design Leadership. The capabilities that DM provides might be considered more as a competitive advantage. Besides, it seeks to link design, innovation, technology, management and customers, which seems to be even more complicated in today’s fast-changing business environment. Within the wide scope of DM – from tactical management to strategic management covering design strategy, the design process and design implementation – the latest studies show that DM is a key differentiator and driver of organizational success.

The authors would like to highlight that although there are so many different approaches, definitions and meanings of DM, none of them points directly to the importance of sustainability and social responsibility in delivering DM. Most of the definitions and approaches are based only on the economic interests of the company. As Table 1 shows, there has been a conceptual transition from management of product design to a more integrated conceptualization of DM, and from the authors’ point of view, it is even more important to take into consideration social, cultural and environmental aspects in the designing process, and as professionals, creators and advisors, designers should be aware of those aspects and how to deal with them in order to create and implement sustainable, socially responsible products, services and systems more effectively. Besides, recent DM approaches are very dependent on the strategies of the companies they are developed for and integrated into. This means that it is crucial for businesses to understand how important social responsibility is, what benefits it provides for the company and what the competitive advantage of being socially responsible is. The Design Management Institute has distinguished social and cultural factors in their DM approach in order to provide a competitive advantage, which means that recently DM has been facing more social and sustainable
issues. This study shows that at the moment DM still does not pay enough attention to socially responsible aspects and there is potential for a new DM approach that promotes socially responsible solutions in a much clearer and more focused manner.

**Table 1**

<table>
<thead>
<tr>
<th>Author</th>
<th>Essence of Design Management</th>
<th>Year</th>
<th>Focus</th>
<th>Dimensions: Economic, Social, Cultural and/or Environmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Gorb</td>
<td>Effective deployment</td>
<td>1976</td>
<td>Line management</td>
<td>Economic</td>
</tr>
<tr>
<td>Peter Gorb</td>
<td>Allocates design resources</td>
<td>Cited in Mozota, 2003</td>
<td>Design as a strategic tool, design principles and design process integration</td>
<td>Economic Other dimensions depend on the company’s interests</td>
</tr>
<tr>
<td></td>
<td>Oversees and directs business creativity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manages the business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Design education role</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Design integration into the business strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allocates necessary resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manages the design process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooper and Press</td>
<td>Response to the needs of business</td>
<td>1995</td>
<td>Effectivity</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Enable design to be used effectively</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hollins</td>
<td>Organization of the processes</td>
<td>2002</td>
<td>Products and services</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Develop new products and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borja de Mozota</td>
<td>Train partners / managers and designers</td>
<td>2003</td>
<td>Trainings, methods of integration</td>
<td>Economic Other dimensions depend on the company’s interests</td>
</tr>
<tr>
<td></td>
<td>Develop methods of integrating design into the corporate environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topalian</td>
<td>Manage all aspects of design at two different levels: the corporate level and the project level</td>
<td>2003</td>
<td>DM levels</td>
<td>Economic</td>
</tr>
<tr>
<td>John Thackara</td>
<td>Complex activity</td>
<td></td>
<td>Design integration</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Multi-faceted activity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pratt Institute</td>
<td>Identify and allocate creative assets create a strategic, sustainable advantage</td>
<td>2006</td>
<td>Creative asset allocation, strategic advantage</td>
<td>Not mentioned</td>
</tr>
<tr>
<td></td>
<td>Implement programmes in the most effective and profitable way</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Concern with innovation, design, and strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mary McBride (Pratt Institute)</td>
<td>Bridge between design and business</td>
<td>2006</td>
<td>Design and business collaboration</td>
<td></td>
</tr>
<tr>
<td>Rita Sue Siegel</td>
<td>Optimize resources</td>
<td>2006</td>
<td>Design effectivity and profitability</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Implement programmes in the most effective and profitable way</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Concern with innovation, design, and strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kootstra</td>
<td>Line function</td>
<td>2006</td>
<td>DM functions</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Staff function</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support function</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rachel Cooper, Sabine Junginger</td>
<td>Ongoing management and leadership of: Design organizations Design processes</td>
<td>2009</td>
<td>Management and leadership, design integration</td>
<td>Economic Other dimensions depend on the company’s interests</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thomas Lockwood (DMI)</td>
<td>Designed outcomes</td>
<td>Interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------</td>
<td>-----------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judith Gloppen</td>
<td>DM past – design project management level Design Leadership (DL) – strategic level related to the vision</td>
<td>2009 Management and leadership Economic Other dimensions depend on the company’s interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raymond Turner</td>
<td>DM success – attitudes and behaviour</td>
<td>2013 Values - attitudes and behaviour Economic Other dimensions depend on the company’s interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design Management Institute (DMI)</td>
<td>Encompasses ongoing processes, business decisions, strategies Enables innovation and creates effectively, enhances our quality of life and provides organizational success Seeks to link design, innovation, technology, management and customers Provides a competitive advantage across the economic, social/cultural, and environmental factors Empowers design to enhance collaboration and synergy between “design” and &quot;business” to improve design effectiveness The scope of DM: from the tactical management to the strategic advocacy A key differentiator and driver of organizational success Includes the use of design thinking</td>
<td>2015 Design integration in all aspects, interdisciplinary collaboration, design thinking Economic Social Cultural Environmental Other dimensions depend on the company’s interests</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Created by the authors

3. DESIGN MANAGEMENT GROWTH (OR MATURITY) MODELS AND DESIGN INTEGRATION

Based on the conclusions that were made in previous section, i.e. that DM tends to be more integrated and current DM theories focus more on strategic levels and how DM might be integrated into the higher level or strategic level of the company, from the authors’ point of view it is necessary to examine the latest DM growth models or maturity models in design integration and how they are related to the four dimensions of social responsibility.

This research shows that there is a wide range of maturity and growth models in the literature as well as different ways to look at DM. Two of the most recently used design integration models are the Design Management Staircase Model and the Danish Design Ladder.

Research from the Danish Design Centre (DDC) led to the "Danish Design Ladder", which shows how companies apply design in differing depths: 1. Non-design, 2. Design as form-giving, 3. Design as
a process, 4. Design as strategy (Danish Design Centre (DDC), 2016).

According to Kootstra (Kootstra, 2009), the Design Management Staircase Model is based on a method comparable to the Design Ladder (Ramlau U.H., 2004) of the Danish Design Centre. The Four Levels of the Design Management Staircase Model are as follows: 1. No Design Management, 2. DM as a Project, 3. DM as a Function, 4. DM as a Culture.

In addition, like the management of strategy, design can be managed on three levels: 1. strategic (corporate level or enterprise-wide), 2. tactical (business level or individual business units), 3. operational (individual project level). Or, according to S. Junginger’s work, design might be a driver depending on the purpose of design: 1. As a tactical driver (Aesthetics / Function), 2. As an organizational driver (Connector, Integrator), 3. As a strategic driver (Business Models / Markets). (Westcott et al., 2013)

Based on these approaches and models, the authors have created a conceptual model: Dimensions of DM integration in business in the context of social responsibility (Figure 1).

This model states that design integration into the company starts at the product level; the second step is the service level, continuing on to the organization level and finally the organization environment and infrastructure. The wider the integration, the wider the impact of design in a company. From the authors’ point of view, in order to create socially responsible solutions, Design Management should not only take into consideration the level of integration but also cover all four dimensions of social responsibility – economic, social, environmental and cultural. This is why the authors offer to look at DM through each of these four dimensions and to cover them as well. From the authors’ perspective, the more widely these socially responsible solutions are integrated into the company, the more positive the impact is on society. As we can see from the literature, these positive changes might be achievable and determined by using several DM growth and maturity models, but our research indicates that none of these models of design integration includes all the dimensions of social responsibility in their evaluation of design integration. From the authors’ perspective DM should be balanced and should consider this balance between all of these dimensions in DM processes in order to create and implement socially responsible solutions.

![Figure 1. Dimensions of DM integration in business in the context of social responsibility](source)

Source: Created by the authors.

4. THE DEVELOPMENT OF DESIGN MANAGEMENT AND CURRENT RESEARCH AND PRACTICE

In order to determine the development of DM, look at current research and practice and outline the
possible future of DM in the context of social responsibility, this research continues with analysis of the latest studies in this field.

Erichsen and Christensen (2013) created a model illustrating the development in concepts in the primary journals for the DM research field in the period of 2000–2010. They identified four changes in the development of the DM research field:

1. Value creation changes from specific design disciplines to a generic and integrative focus on design, meaning that the different domains of design are seen in a more coherent perspective.
2. Value creation in DM moves from being based on borrowed theoretical concepts to being a more autonomous theory capable of generating concepts and research questions in its own right and further seems to have the potential to generate conceptual value for the field.
3. Value creation for business has shown remarkable changes from a sole focus on how to manage design processes to a focus on the value added of design thinking in an era of contextual turmoil. The term ‘design thinking’ has been linked to such issues as design of the business model and the overarching value of managing for integrated design.
4. The value creation inside vs. outside the organizational boundary has changed over the span of years, reflecting a more systemic perspective on the role of design (Erichsen and Christensen, 2013).

Fundamentally, they found a major transition in the focus – from costs and prices in the early years to innovation and business development in the later years of the study. They also found a conceptual transition from management of product design to an integrated conceptualization of DM enveloped by the terms ‘design thinking’ and ‘design and business models’ (Erichsen and Christensen, 2013). The same transition was observed in this research and from the authors’ perspective this shift to a more integrated design approach is an opportunity to create and develop a new DM approach for promoting socially responsible solutions.

Another model according to Cooper, Junginger and Lockwood (2009) (DMI) reflects two research areas of DM by bringing together both academic and professional insights. At the lower rungs of the ladder, research tends to centre on traditional design practices and the study of products and brand. Further up the ladder, systems theories, non-traditional products and, thus, thinking through design are being explored. (Rachel Cooper, 2009)

By combining and analysing the abovementioned studies by Erichsen and Christensen (2013) and Cooper, Junginger and Lockwood (2009) (DMI), the authors have created a visual model, “Development of Design Management”, which outlines the main characteristics and changes over time (Figure 2). This model shows that DM has changed over time, transforming from a very fragmented focus on Design Management and specific design disciplines to a more generic and integrative focus on Design Management. This model also shows that during this period of time DT has gone from borrowed theoretical concepts to more autonomous theory. It further indicates that earlier the question focused on in research and practice was: How should the design process be managed? This question has changed to: What is the added value of Design Thinking? This transformation has led to a more systemic perspective on the role of design. In earlier times the main focus of DM was on the value of design in product development; later on it changed its focus to the market value of design and nowadays the focus is more on transformation by design, which leads to multidisciplinarity of problem solving. Moreover, in the beginning, when design awareness was just emerging, the context of DM was manufacturing. Later on DM development changed its course to the context of brand and marketing, which led to maturing design awareness. The current context of DM is organization and society and this has led to the awareness that design is essential in our society and might solve broader and more integrative problems than before. Over time the educational focus has developed from product design to experience and service design, which requires a more sophisticated and integral management approach. Continuing on, we can observe that nowadays the main focus of DM theory is on Design Thinking and Design Methods, which frees space for Design Management to be integrated into all disciplines, levels and processes, which requires innovation and creation.

To sum up, current DM has a more generic and integrative focus and current theory tends to be more autonomous. It is focused on the value that is added by design and Design Thinking; it has a more systematic perspective on the role of design, and DT leads to transformation with the help of design. The current DM context is organization and society. It is important to note that design awareness in no longer maturing and design has been accepted as an essential resource.

From the authors’ point of view, this development and shift to a more generic and transformative
approach in the context of organization and society and a more autonomous theoretical framework provides the opportunity to develop a DM approach for promoting socially responsible solutions. Theory and practice have reached their maturity over the last few years and Design Management through Design Thinking has freed itself to become adaptable for making solutions in very broad fields and disciplines, which is significant from the authors’ point of view as significant contributions can now be made by adding DM to the context of social responsibility.

![Diagram of Design Management](image)

**Figure 2. Development of Design Management**

*Source: Created by the authors*

5. **A NEW DESIGN MANAGEMENT APPROACH FOR PROMOTING SOCIALLY RESPONSIBLE SOLUTIONS**

This research shows that there has been a conceptual transition from management of product design to an integrated conceptualization of DM, and current DM has a more generic and integrative focus leading to Design Thinking and Design Methods; moreover, this theory tends to be more autonomous than it was before. However, from the authors’ perspective this theory does not put enough emphasis on social responsibility, which requires one to take into consideration all four dimensions and leads to DM and methods and tools that need to be adapted in dealing with sophisticated socially responsible solutions. It also requires one to deal with a broader set of stakeholders from different disciplines, such as biology, in the designing process, adapting and combining specific knowledge and skills in order to create and implement socially responsible solutions.

Based on previous research and in order to create a DM approach that is more focused on social responsibility, the authors set a context for promoting socially responsible solutions. From the authors’ point of view, DM for promoting socially responsible solutions is DM that takes into consideration all dimensions of social responsibility – environmental, economic, social and cultural.

The authors propose new DM terminology for promoting socially responsible solutions: **Socially Responsible Design Management (SRDM).**

Comparing the concept of social responsibility and sustainability with DMI’s Design Management definition and current design practices, the authors propose three definitions of Socially Responsible Design Management.

1. **SRDM encompasses the ongoing processes, business decisions, and strategies that enable innovation and create effectively-designed products, services, communications, environments, and**
brands that enhance socially responsible quality of life, meet the needs of the present without compromising the ability of future generations to meet their own needs and provide organizational success.

2. SRDM seeks to link universal design, innovation, technology, sociology, biology, customers, other stakeholders and management to provide distinctive competencies across all four dimensions – economic, social, cultural, and environmental – in order to meet the needs of the present without compromising the ability of future generations to meet their own needs.

3. SRDM is the art and science of empowering design to enhance collaboration and synergy between design, business, nature, society and culture to improve design effectiveness, universality, sustainability and quality.

CONCLUSIONS

Based on contextual research and the authors’ approach, DM for promoting socially responsible solutions is DM that deals with all dimensions of social responsibility – environmental, economic, social and cultural.

Although there are so many approaches, definitions and meanings of DM found in this research, none of them points directly to the importance of sustainability and social responsibility in DM.

Most of the definitions and approaches are based on companies’ economic interests and strategies. This means that DM is dependent on the companies, where design follows economic interests. DM theory, in this case, follows these practices and this is why the theory has developed in such a way.

Research shows that there has been a conceptual transition from DM for ensuring product design to an integrated conceptualization of DM which allows theoretical assumptions to move beyond traditional design practices and theories to move towards more sustainable solutions.

As mentioned before, recent DM practices are dependent on companies’ strategies and interests. This means that it is crucial for businesses to understand how important social responsibility is and what the benefits and values are for the company and for society in general.

Although the Design Management Institute does not distinguish between social and cultural dimensions of DM, there is evidence that in recent years DM is facing more social and sustainable issues. As there are so many aspects, areas and integration processes DM is dealing with, there is potential for new DM approaches that promote socially responsible solutions in a clearer and more focused manner.

Based on DM Growth Models and dimensions of social responsibility, the authors have created a conceptually integrated DM model: Dimensions of DM integration in business in the context of social responsibility. This idea states that there are certain levels of design and its integration into the company starting from the product level, service level, and organization level and continuing to the organization’s environment and infrastructure. Based on this approach, the broader the integration of DM, the greater the impact on the company and also on the four dimensions of social responsibility – economic, social, cultural and environmental. It also reveals that DM should be balanced and should consider all of these dimensions in DM processes. Further research shows that current practices such as Transformation by Design present an opportunity to develop a more socially responsible DM approach.

Based on the analysis of current DM research and practices, the authors have created a visual model, “Development of Design Management”, which outlines the main characteristics and changes over time. It shows that current DM has a more generic and integrative focus and current theoretical frameworks tend to be more autonomous. There is a focus on the value added of Design Thinking in an era of contextual turmoil and a more systematic perspective on the role of design.

Another development is that the value of design in product development has changed to transformation by design in the context of organizations and society, where awareness of design is essential. Over time the educational focus has developed from product design to experience and service design and currently the focus is on Design Thinking and design methods.

From the authors’ point of view, this development and shift to a more generic and transformative approach in the context of organizations and society provides an opportunity to develop a DM approach for promoting socially responsible solutions because, on the one hand, theory and practices have been sufficiently developed over time and, on the other hand, there is a fundamental need for socially responsible solutions provided by organizations.

More in-depth research is needed on DM and its practices – design strategy, Design Management
processes and their implementation. As several design concepts for promoting social responsibility, such as Biomimicry, Eco-design, and Cradle to Cradle design, have been developed from different sciences such as design, architecture, environmental engineering and biology, it would be valuable to combine and apply these design concepts and approaches in DM, thus helping us to better understand its role in delivering socially responsible solutions and to create a more comprehensive approach.

REFERENCES
BUSINESS CYCLE MANAGEMENT AND COMPANIES’ PERFORMANCE: CURRENT KNOWLEDGE AND THE WAY FORWARD

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Abstract
Purpose: the purpose of the literature review is to analyse and critically assess current research in academia starting with the business cycle phenomenon and gradually narrowing down the analysis to the current research performed on business cycle management in order to summarize research gaps, highlight research possibilities and put forward recommendations for further research in terms of business cycle management and companies’ performance indicators.

Approach: in order to reach the aim, the following method is utilized: systematic review of the literature and descriptive statistics via analysis of 47 journal articles, 11 books, 14 scientific conference proceedings and reports on business cycle management and the business cycle as such.

Findings: due to the recent global economic crisis, the researchers have paid particular attention to the business cycle mechanism and how this phenomenon is explained (Dobrescue, Badea and Paicu, 2012; Li, Rong and Wang, 2014; Gali, 2015; Anzodeaugui, 2015). The business cycle has an enormous impact on companies’ sales, profits, cash flow and other financial indicators; however, in the management literature there is a lack of studies that focus on companies’ performance and behaviour during the business cycle and look at the issue empirically (Navarro, Bromiley and Sottile, 2010; Lorange and Datson, 2014; Navarro, Sottile and Bromiley, 2008; Conti, Goldszmidt and Asconcelos, 2015). On the basis of the literature review, the authors conclude that there is a lack of holistic research in academia regarding business cycle management from a managerial point of view, a lack of cross-disciplinary, cross-country and cross-industry studies on this matter in the recent business cycle (Navarro et al., 2010; Conti et al., 2015; Kaya and Banerjee, 2012). As can be seen from the literature review, in academia several studies have been carried out on specific business cycle phases and specific factors of business cycle management, not looking at the phenomenon holistically and with concluding factors that are more or less significant.

Research implications: the literature review demonstrates that in academia business cycle management is a topic that has several limitations, such as sample size, the fact that no countrywide comparisons are taken into account, nor how economic dynamics influence business cycle management in different industries and countries, and the fact that no heterogeneous business cycle management model has been developed; in general, research on business cycle management and companies’ performance is arguably the least developed research stream in all of management scholarship (Navarro et al., 2010; Conti et al., 2015; Abbasoglu, Genc and Mimir, 2015).

Originality: the article summarizes and classifies measurements of companies’ performance that are used in business cycle management literature and summarizes the main business cycle associations, providing a holistic view of business cycle management factors. In addition, the article concludes that there is a lack of research that encompasses a common set of companies’ performance indicators and provides a heterogeneous model of business cycle management that encapsulates industry-sensitive factors and the factors’ significance.

Paper category: Literature review

Keywords: business cycle management, financial indicators, companies’ performance, sustainability
INTRODUCTION
The aim of the literature review is to summarize and categorize current business cycle associations or factors that are used by businesses to cope with business cycles. In addition, the literature review identifies research gaps in academia and presents a roadmap for further research. In academia several authors have conducted research regarding business cycle management, namely Peter Navarro and several co-authors, who are some of the first authors to look at the phenomenon holistically (Navarro, 2005; Navarro, 2006; Navarro, Bromley and Sottile, 2008; Navarro and Autry, 2009; Navarro, 2009; Navarro et al., 2010). Other authors in the literature review have looked at the phenomenon either in terms of a specific business cycle phase and/or a specific business cycle association, e.g. a marketing mix. In the next paragraphs the authors will present the business cycle phenomenon and narrow it down to the business cycle management phenomenon.

Literature in the macro-economy regarding the business cycle is well established and the phenomenon of the business cycle dates back to 1819, when Jean Charles Léonard de Sismondi made the first systematic observation of the business cycle. Other milestones include Adam Smith, who argued in 1776 that natural market forces create an economic equilibrium; Jean-Baptiste Say, who claimed that the market would balance demand and supply naturally; Robert Owen, who in 1817 identified over-production and under-consumption as the causes of economic downturns; Charles Dunoyer, who in the 1820s identified the cyclical nature of the economy; and John Maynard Keynes, who argued in 1936 that government spending is crucial to avoid economic fluctuations (Mirowski, 2015; Johnson, Scholes and Whittington, 2007, 2011; Metcalf, 2012).

The definition of the business cycle has several interpretations, but one consensus is very clear: that business cycles are fluctuations in economic activity (Johnson et al., 2007, 2011; Black, 1981; Metcalf, 2012; Mascarenhas and Aaker, 1989; Zarnowitz, 1984). Business cycles in essence are fluctuations in GDP and can vary from more than one year to ten or twelve years (Banerji, Layton and Achutan, 2012; Moore and Shiskin, 1967; Sherman and Sherman, 2008; Johnson et al., 2007). The business cycle has four main phases: expansion, peak, contraction (recession) and trough (Johnson et al., 2007, 2011) (Figure 1). There are several theories that are built around the business cycle mainly focusing on the reasons that lie behind business cycle fluctuations, such as the monetary and credit system, investments, innovations, income, output and investments, and economic growth; thus, no two business cycles are alike (including in length) (Johnson et al., 2007, 2011; Metcalf, 2012). In terms of business cycle management, research on actions performed by businesses is carried out just before the peak (e.g. one year prior) and just after the trough (e.g. one year after); thus, in the context of the last economic crisis, it would be from 2006 to 2010, according to the National Bureau of Economic Research, since recessions start at the peak of a business cycle and end at the trough (NBER, 2016). Taking into account the main effects of business cycles, and by summarizing and classifying current research in academia, the authors have chosen to focus on how businesses manage their operations during different business cycle phases and how they can consequently improve their sustainability or even gain a competitive advantage by utilizing business cycle management.

Thus, as mentioned, research regarding the business cycle is established; however, ways management can utilize business cycle theory from a managerial standpoint has somehow been missed in academia (Navarro et al., 2010; Lorange and Datson, 2014; Navarro et al., 2008; Conti et al., 2015). Business cycle management (further in the text – BCM) is a term that encompasses the strategy of applying countercyclical actions and, if applied in a timely manner during different business cycle phases, it can improve companies’ performance relative to their competitors (Dhalla, 1980 cited by Navarro et al., 2010). In essence, BCM’s aim is to utilize the business cycle phenomenon via a countercyclical response to different business cycle phases (Navarro et al., 2010). It must be emphasized that according to Navarro et al. (2010), a response to business cycle phases does not necessarily involve forecasting macroeconomic movements; rather, it entails timeliness.

The business cycle has an enormous impact on companies’ sales, profits, cash flow and other financial indicators; however, in the management literature there is a lack of studies that focus on companies’ performance during the business cycle and look at the issue empirically (Navarro et al., 2010; Lorange and Datson, 2014; Navarro et al., 2008; Conti et al., 2015). The majority of the research in academia focuses on the analysis of one area – marketing, R&D, staffing or capital expenditures – in terms of business cycle management and does not look at the issue holistically (Conti et al., 2015; Navarro et al., 2010; Navarro et al., 2008). Several researchers in academia argue that companies can
take advantage of the business cycle through countercyclical behaviour (Navarro et al., 2010; Abbasoglu et al., 2015; Escribano and Stucchi, 2013; Kaya and Banerjee, 2012; Navarro et al., 2008; Yiannopoulos, Giannopoulos, Tsirkas and Kampouridis, 2015). For example, expanding advertising in a recession could help firms take advantage of lower advertising costs; hiring during a recession allows firms to hire better workers at lower wages; investment in R&D companies that upgrade their products to match new demand in a recession may perform better; and acquisition of other companies during a recession for lower prices tends to work out better after the recession period (Dhalla, 1980; Greer, 1984; Greer et al., 1989; Greer and Stedham, 1989; Greer and Ireland, 1992 cited by Navarro et al., 2010; Conti et al., 2015). Thus, a recession can be an opportunity to achieve faster and easier cultural change, to examine company values and review managerial control to unlock potential within the organisation in order to maximise wealth, creating the ability to conserve resources, which suggests that redundancy and cutbacks in training are not appropriate survival techniques during a recession (Choppin, 1991; Katzenbach and Bromfield, 2009; Conti et al., 2015; Navarro et al., 2010).

Thus, taking into account the previously stated information, the authors will identify business cycle management and review the current literature regarding business cycle management and companies’ performance. The aim of the literature review is to analyse, classify and critically assess current studies starting with the business cycle phenomenon and gradually narrowing down the analysis to the current research on business cycle management in order to summarize research gaps, highlight research possibilities and put forward recommendations for further research in terms of business cycle management and companies’ performance indicators.

THEORETICAL FRAMEWORK OF THE RESEARCH

The research is based on theoretical research methods, which include a systematic literature review and analysis methods. The literature review follows the guidelines below (Jesson, Matheson and Lacey, 2011; Clark, Wilkie and Szivas, 2010; Hart, 1998; Saunders, Lewis and Thornhill, 2012):

1. Definition of the research subject;
2. Identification of the research aim;
3. Development of research tasks;
4. Choosing a research method;
5. Identification of the relevant sources (e.g. journal articles, books, conference proceedings);
6. Systematically summarizing current literature using classification systems;
7. Creation of a conceptual schema;
8. Carrying out analysis, summarizing results and drawing conclusions.

Following these literature review guidelines, and after summary, analysis and synthesis of the information, the article will provide an overview of current trends and research in academia as well as grounds for potentially identifying research gaps and making recommendations, including a theoretical framework and rationale, for further research.
ANALYSIS OF THE RESEARCH RESULTS

In order to systematically summarize, analyse, record and locate similarities and differences in the current research, the authors utilize a summary of the “record sheet” method as suggested by Hart (1998). In the record sheet in Table 1, the following main aspects are summarized in order to provide a structure that is easy to read and follow with the aim of summarizing the main financial indicators and business cycle management associations that are used in recent studies so as to analyse companies’ performance and behaviour over different business cycle phases. It should be noted that the time period for the summary that is included in Table 1 is 2008 to 2016, since this literature review is broadly based on the literature review of Navarro et al. (2008) and continues to revise it further. In addition, some articles do not cover the whole business cycle – rather, they cover just a phase of it – and due to the scarcity of research on business cycle management, such articles are included in Table 1 as well. One of the main aspects of Table 1 is the last column, “Set of factors”, which summarizes associations and effects of business cycle management from the articles. This column includes information on how different scholars utilize different associations to explain possible effects on companies’ financial performance during different business cycle phases. The term “association” is used instead of “cause”, as mentioned in the introduction, due to the lack of holistic research carried out in academia and in order to state a certain causality between BCM factors and financial performance indicators.

<table>
<thead>
<tr>
<th>No.</th>
<th>Author/date</th>
<th>Theory/standpoint</th>
<th>Evidence</th>
<th>Argument</th>
<th>Set of factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Conti et al., 2015.</td>
<td>Strategies for superior performance in recessions: pro or counter-cyclical? Research on Brazilian firms in the 2008-2009 global recession.</td>
<td>Questionnaire including reverse-coded items and partial least squares path modelling.</td>
<td>The article finds that while most firms pro-cyclically reduce costs and investments in recessions, a counter-cyclical strategy of investing in opportunities created by changes in the market enables superior performance. The most successful firms are those with a propensity to recognize opportunities, an entrepreneurial orientation to invest, and the flexibility to implement investments efficiently.</td>
<td>Association: Staffing; Production; Purchasing; Marketing investments; Pricing; R&amp;D investments; Credit policy; Capital expenditures in fixed assets; Acquisitions. Effect: Operating revenue; Operating profit; Net profit; Cash flow; Market share.</td>
</tr>
</tbody>
</table>


6. Little, Mortimer Keene and Henderson, 2011. Evaluating the effect of a recession on retail firms’ strategy using the DuPont method: 2006-2009. Research on 111 companies in the United States. DuPont method. The findings of the research suggest that retail firms pursuing a differentiation strategy are not more likely to achieve a higher return on net operating assets than firms pursuing a cost leadership strategy in a recessionary period.


8. Several authors cited by Navarro et al. (2008). Strategic business cycle management and organizational performance: a great unexplored research stream. Literature review. The study explores research carried out in academia (1936 – 2008 regarding BCM activities by functional area mainly in the recession phase, from where BCM associations are extracted).

Source: constructed by the authors based on Hart (1998)

In addition to Table 1 the authors utilize the “concept map” (Figure 2) method in order to organize approaches in business cycle management research and illustrate linkages between them (Hart, 1998; Jesson et al., 2011; Clark et al., 2010). A concept map is useful in that it constructs relationships between ideas and practices and offers a convenient way to classify them (Hart, 1998).
As can be seen from Figure 2, high-level taxonomies can be identified: factors that are related to companies’ performance, financial data from companies’ financial statements (e.g. sales, profit, etc.), financial ratios and non-financial data such as business strategy, quality management, industry, country, etc.

According to the literature review, it can be stated that different authors do indeed focus on different aspects of business cycle management. For instance, Conti et al. (2015) argue that cost reduction and investments are procyclical; however, countercyclical behaviour, if performed correctly, shows better results investment-wise. Other authors such as Yiannopoulos et al. (2015) look at how quality management impacts a financial company’s performance during an economic crisis, whereas Heerde et al. (2013), for instance, look at how price and advertising can be utilized in different business cycle phases to enhance a company’s financial performance. Research by Kaya and Banerjee (2012) looks at how a recession impacts companies’ short-term assets and liabilities, focusing on wholesale companies. Srinivasan et al. (2011) combine interesting aspects such as advertising and R&D to investigate whether firms should spend more during a recession. Little et al. (2011) focus on the strategic point of view and research how different business strategies perform in a recession. As mentioned earlier, Navarro et al. (2008; 2010) look at several factors from business cycle management and argue that the right execution of business cycle associations can provide companies with a competitive advantage.

The literature review shows (as can also be seen in Table 1) that research is mainly carried out within the limits of one industry, rather than several industries, in order to develop a possible heterogeneous business cycle management model determining generic and industry-specific factors (Conti et al., 2015; Navarro, 2010). In addition, it can be seen that there is a lack of focus on soft factors in the current literature that would encapsulate qualitative research with the management of companies to expose whether actions that are performed by companies are accidental or based on company business cycle management policies (Parnell et al., 2012). Moreover, in terms of financial indicators, it can be concluded that there is relatively high fragmentation; in some studies only a few financial indicators are taken into account, whereas in others, several financial indicators are taken into consideration that offer a more advanced view of companies’ performance and possible associations of successful business cycle management (Parnell et al., 2012; Navarro et al., 2010). In addition, most studies look at only one phase of the business cycle, mainly the recession, and do not take into account pre-recession and post-

![Figure 2. Concept map of business cycle management indicators](source: Hart (1998), Jesson et al. (2011), Clark et al. (2010), constructed by the authors)
recession phases. Also, what the authors noticed during the literature review was that there is no scientific discussion determining the more important factors (associations) and their interrelationships.

According to the literature review, current research in academia has several limitations, such as sample size and the fact that no countrywide comparisons are taken into account nor how different macroeconomic dynamics influence business cycle management in different industries in different conditions (Navarro et al., 2010; Lorange and Datson, 2014; Navarro et al., 2008 Conti et al., 2015).

Consequently, based on the literature review, the authors conclude with recommendations for further research:
1. Test the impact of business cycle management on a larger data set (e.g. geographical area, industry, company size);
2. Test the impact of the business cycle using countrywide comparisons with a focus on macroeconomic factors that have shaped the business cycle;
3. Include additional BCM behaviours such as changes in operational efficiency, business strategy and cross-sectional analysis of companies’ financial statements (Navarro et al., 2010);
4. Within a study, include both managerial insights (soft factors) and financial factors (hard factors);
5. Include more emphasis on financial ratios, including liquidity ratios, solvency ratios, efficiency ratios, profitability ratios, market prospect ratios, financial leverage ratios and coverage ratios;
6. Through carrying out holistic research, it would be possible to identify industry-sensitive and generic factors that have associations with BCM and, as a result, develop a heterogeneous business cycle management model and indicate which of the factors are more or less significant.

CONCLUSIONS
All in all, it can be concluded that research on business cycle management is fairly fragmented and lacks a holistic view of the phenomenon. Within the paper, the authors have analysed and assessed current research in academia starting with the business cycle phenomenon and gradually narrowing down the analysis to the current research on business cycle management, identifying research gaps, highlighting research possibilities and putting forward recommendations for further research in terms of business cycle management and companies’ performance indicators. In addition, high-level classification of financial, non-financial and business cycle management association factors has been performed that may be a groundwork for further research. As several academics have stated in their work, there is a lack of holistic and comprehensive research performed in academia regarding business cycle management and no heterogeneous model of business cycle management behaviour has been developed; thus, in the business cycle management area there is potential for further research in order to add value to management studies.

All things considered, it must be taken into account that when economics (especially at the micro level) is involved in any research, it raises many questions. It has been argued that “ultimately, all differences between companies in cost or price derive from the hundreds of activities required to create, produce, sell and deliver their products and services...” (M. Porter, 1996 cited in Wentzel, 2001). Thus, causation within the business cycle management phenomenon must be taken with caution, as already indicated in the literature review by other authors, and more emphasis should be placed on price and costs in combination with other factors; nevertheless, despite some scepticism in microeconomics theory, it is still widely used (especially methodologically) by businesspeople and academics and is a fundamental part of economic theory and a firm’s strategy (Wentzel, 2001; Johnson et al., 2007; Kermally, 1999).

REFERENCES


THE DEVELOPMENT OF MEDIUM-SIZED HUMAN RESOURCE MARKETING ENTERPRISES IN LATVIA

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Abstract
Research on the development of human resource (HR) marketing is very topical because HR marketing as a function of human resource management is a novelty in Latvia; rapid digitalization and growth of the number of Internet users are taking place; there is an obvious shortage of qualified labour in the world’s economy, and an inability to attract human resources using the traditional methods can be observed. The purpose of the research is to study the development of HR marketing in Latvia (Boitmane, 2016).

The proposal is to research the development of human resource marketing in Latvia and the prospects of development of the use of human resource marketing tools.

The methodology includes the study of theoretical literature and a survey prepared by the authors of the study, 'Human Resource Marketing in an Organisation', which includes 9 sets of clauses with 73 clauses. The authors performed a target-driven, focused observation with a non-representative sampling of 15 respondents selected by the authors. Descriptive and conclusive methods of statistics were used in the data analysis. The research sampling consists of juridical entities – organisations that have a corporate website where the job advertisements of the organisation are published and that have their own strategy and activities in the sphere of human resource management. The probable sampling of the research constituted 90% of the population, that is, 62 respondents. A sampling of 79 respondents participated in the research.

The findings revealed by the research were comparatively little competence and knowledge on the part of organisations in the sphere of human resource marketing. In organisations where the process of strategic human resource management is organized purposefully, the competence and knowledge of the management is higher, which, as a result, shows that human resource marketing is not being identified as a term, but the authors of the research concluded this based on the human resources marketing tools used currently by the organisations. The results of the research show that it is the shortage of labour that will motivate the application of human resource marketing.

Research limitations. In performing the research, the authors faced the fact that out of 415 organisations or respondents, valid survey questionnaires were filled out by 79 respondents. Many of the survey forms were filled out partially or incompletely, showing evidence of the lack of information and knowledge. The empirical part took place over 3 months, which was 1 month longer than anticipated in the research plan. The extraction of the research data was complicated by the large volume of survey clauses.

Practical implications of the research: as a result of human resource marketing research, theoretical material has been created that will encourage organisations to implement human resource marketing functions in their business activities. The data, materials and conclusions obtained from the research provide motivation for the creation of a handbook for leaders of organisations and human resource managers on putting human resource marketing into practice in an organisation.

The social implications of the research provide knowledge and vast information for the public about human resource marketing, its development and opportunities. From the scientific perspective, nowadays, the term 'human resource marketing' indicates new developmental directions that are connected with rapid technological development and changes in public thinking and traditions. It is a transformation of organisational thinking from product marketing to human resource marketing.

The originality is determined by the uniqueness of the research, since there has been little study of...
human resource marketing in Latvia and no research has been performed on the function of human resource marketing in Latvia.

**Keywords:** Human Resource Marketing, HR Marketing Development, HR Marketing

**INTRODUCTION**

Human resource marketing as a human resource function has developed comparatively recently, although the origin and empirical explanation of the term was identified more than fifty years ago. In recent years, this human resource management function has obtained its topicality due to such reasons as the rapid increase in digitalization and the number of Internet users; traditional human resource selection and attraction approaches becoming obsolete and losing their popularity; the new traditions of Generation Y, the so-called “digital generation”, setting in and impacting the world's economy; a pronounced global shortage of qualified labour and the inability to attract new employees using the traditional methods; the peculiarities of demographics, including the ageing of the population, the decrease in the birth rate and the corresponding lack of human resources; and the rapid development of the economy and the pressure of the competition, which require adjustment to the new conditions and tendencies of the labour market. See I. Boitmane (2016) for more in-depth discussion.

The development of human resource marketing is facilitated by new human resource management tools and new approaches that can attract more potential personnel and, simultaneously, advertise the organisation in public space, thus impacting public opinion about the organisation and its human resource management processes. Human resource marketing can impact the business activities and results of an organisation, including the ability to sell existing products and services, by involving employees in product and service marketing and replacing product advertising and marketing with human resources.

The problematics of the research are characterized by the fact that no research has been done on human resource marketing in Latvia and that it has been under consideration as a separate human resource management function only recently. Organisations are already putting human resource marketing tools into practice, but do not identify it as a separate function or strategy of human resource management. In the future, the necessity for human resource marketing tools will grow rapidly. In the framework of the research, the development trends of human resource marketing in Latvia and the human resource marketing tools used in practice must be identified, and the prospective direction of human resource marketing development must be determined. The research paper must answer the following questions: How is human resource marketing developing in Latvia? How will human resource marketing develop in the future?

**1. THE THEORETICAL FRAMEWORK OF THE DEVELOPMENT OF HUMAN RESOURCE MARKETING RESEARCH, REVIEW OF THE LITERATURE, RESEARCH WORLDWIDE**

In the context of human resource marketing, scientists emphasize that currently there is a shortage of human resources and unique and unconventional tools are necessary for organisations to attract new employees successfully and to cultivate new talents, as researched by B. Friedman (2006). Human resource marketing is a skill to ‘sell a part of personnel’, says M. Rose (2007), and actually this means a capability to create powerful and effective tools and methods that would help human resource managers to attract new employees to their organisations in the future (Rose, 2007). S. Fahrbach (2013) stresses that one of the human resource marketing actualities and tasks in the coming years is the necessity to attract new talent. This should encourage employers to pay attention to marketing – to promote the recognition of the employer's image and to advance the public relations of talent or the 'talent hunt' (Fahrbach, 2013). K. Stritzke (2010) indicates that the topicality of human resource marketing is characterized by the development rate of the economy, competition and the public. The tendencies of the last few years testify that competition among enterprises is becoming very fierce, the economic pressure, migration of human resources and influence of globalisation are forcing organisations to pay attention to the positioning of their businesses and to attracting new human resources (Stritzke, 2010). Researchers from the German Research Institute DGFP indicate that the main problems in human resource management, especially in human resource attraction, are defined as a shortage of qualified labour, global demographic problems in Europe, lack of graduates in the most
in-demand and relevant industries, continuous economic tension, overly high demands by employers towards candidates, the inability of candidates to find a balance between work and private life, high staff turnover and globalisation in this particular aspect (DGFP, 2006).

Turning to human resource marketing with regard to Latvia – rapid progress can be observed, especially in international organisations that have inherited global traditions and methods. However, during the last five years the majority of local organisations have paid attention to linking human resource management to marketing in order to solve the same problems that are indicated from the global perspective – the shortage of human resources, changes in communication channels, etc. The authors of the research draw attention to the awareness of human resource marketing in Latvia, to the number of enterprises that use the tools and methods, and how the prospective development of human resource marketing is forecasted in the nearest future. A study on the increase of the role of human resource managers in Latvian enterprises performed by TNS Latvia shows that, in recent years, the topicality of human resource managers involves motivation and retention of employees and talent management. Attraction of new candidates and solving the shortage of employees in the most in-demand industries have become the most topical issues. In order to attract new specialists to enterprises, a new approach and new methods are necessary, for instance, creating an attractive employer image, a positive reputation for the organisation, high social responsibility. A study performed in 2014 shows that the leaders of large enterprises (200+ employees and/or turnover of 7 million EUR) more often highlight that human resource management is growing increasingly important for the strategic processes of the business. Several parts of the research clearly show that human resource managers are becoming more and more engaged in the strategic processes of the human resource management and the politics of enterprises. In general, the research demonstrates that the human resource manager as a personality plays a major role in the process of involvement, while the initiative and involvement from the side of enterprise management plays a lesser role (TNS, 2014). The latest Latvian research in the human resource management marketing field is by Susanna Maria Minder (2016), who studied the German labour market. “The aim of the thesis is to assess whether the application of an HRMM approach has an impact on employee satisfaction, while focusing on companies and their employees in Germany. Aside from this, suggestions for general management and human resource professionals concerning the application and improvement of their companies’ HRMM approach are presented” (Minder, 2016:7).

The first insight into the definition of the term ‘human resource marketing’ is associated with the notion of human resource marketing as a resource of the economic activity of an enterprise – as a separate function of human resource management to acquire and attract new human resources, including facilitation of efficiency of the personnel selection process, as indicated by Steinmetz (1997). H. Beyer (1990) defines human resource marketing as traditional marketing, transforming marketing ideas as marketing concepts in the context of human resource management (Beyer, 1990). The term ‘human resource marketing’ was mentioned for the first time in 1962 in a study by Schubart. Scholz (1999), in turn, indicated that the basic theoretical framework of marketing in the context of human resource management lies in the theory of marketing that is to be implemented over time with the help of human resource management (Scholz, 1999). In 1985, Seiwert (1985) clearly states that human resource marketing is viewed as a separate element of human resource management functions. In 1989, Frohlich and Sitzenstock (1989) broaden the essence of human resource marketing, claiming that it is not only an advertising tool, but also a body of functions that can externally motivate the current employees of an organisation, attract and motivate potential new human resources and be an extremely effective tool for organizing human resource selection and attraction. In 1987, Meyer (1987) includes and integrates the human resource marketing term as an element of a united culture of an organisation (Meyer, 1987). The benefits and practical use of human resource marketing were identified – for the first time – in the activities of political parties: they were actively popularizing their candidates, members and organisations, gaining notable recognition and awareness of their position from the public. M. Suss (1997) performed research on marketing from the aspect of human resource advertising. It was concluded that by using simple marketing tools from human resources, the recognition of an organisation can be increased notably, a large number of new members can be attracted, and the current members and candidates of the organisation can be presented publicly in the aspect in which the human resource politics of an organisation was built. Thus, this example illustrated the effectiveness of this marketing tool in the activities of a political organisation (Suss, 1997). The further development of human resource marketing is marked by another new tendency – the development of technology and
widespread use of the Internet in everyday communication. M. Meckel (2008) and B. Schmid (2008) concluded from their studies that employees can use social media as a communication tool, to reflect their experience by sharing it, and to perform remote job functions (Meckel and Schmid, 2008). In 2015, Australian researchers from the organisation Thought Leadership Partners (TLP) performed a comprehensive annual study of the latest trends in human resource marketing. The research included organisations where a full-fledged human resource management process has been implemented. In total, 60 organisations were surveyed, with a total number of employees of 5000 and an average organisation size of 11 to 130 employees. In the first part of the research, the researchers established the goals of the organisations to invest in human resource marketing during the next year. 61% of the respondents planned to invest in human resource marketing, in 35% of the cases the volume of investments would stay at the same level as the previous year, and in 4% of the cases the organisations planned to decrease the volume of investments. The second part of the research investigated the directions in which human resource departments planned their strategic human resource marketing and their particular activities during the next period of time. Four main directions of marketing were established: client reference marketing or recommendations marketing, social media marketing, content marketing and e-mail marketing (TLP, 2015). Another important study was performed by the Australian organisation Employer Brand International (EBI). The research was led by B. Minchington (2010), who studied the communication of employer brand, including all sub-branches of human resource management, human resource marketing among them. 1143 organisations from 18 countries worldwide participated in the research. The average number of employees in one organisation was 1 to 5000, and 65% of the respondents were mid or high-level managers, while 20% were administrative staff. The research methods included a study of social media, a study of traditional media, a study of corporate websites, and a survey comprised of 20 questions about human resource marketing. Minchington (2010) has performed research in this sphere since 2009. The research clearly shows the latest changes and reveals the prognoses. It confirms how important the development of organisations in the spheres of employer brand management and human resource marketing is. It indicates the perspectives for future development and puts emphasis on human resource marketing in particular as the main function of an organisation with a strategic importance. Another baseline is the use of social media in an organisation in the context of human resource marketing, and it needs a separate strategy and provision of functionality. Most likely, it will be in the competency of a human resource department. Thus, new functions arise whose realisation and implementation will demand appropriate knowledge of human resource marketing and technical skills in the use and administration of social media (Minchington, 2010).

The topicality and problematics of the research on human resource marketing are mainly characterised by the following factors: change of generations and peculiarities of thinking; the world economic situation and the developmental tendencies and levels of national economies and competition; the development of new information and media channels and the rapid social media invasion in the labour market; global demographic problems – decreasing birth rates, the ageing of the population, the shortage of qualified labour; negative forecasts on the dwindling labour force in Europe over the next 50 years; the human resources deficit in specialised and technical industries; the dynamics and intensity of employee turnover in organisations that create continuous demand for new human resources; lack of uniform understanding and a system in the practical use of human resource marketing. The topicality of the research paper is emphasized by the necessity to develop the image of the employer, the corporate culture of an organisation and human resource marketing in order to attract new talent and human resources. The questions and problems identified by the researchers in general coincide with and shape the main guidelines revealing the prospective development of human resource marketing both globally and in Latvia. As mentioned by the authors of this research paper, the term 'human resource marketing' cannot be translated unambiguously and has not been defined in Latvian; thus, no research has been performed on this topic in Latvia and no statistical data is available on the developments in this sphere. Therefore, in the theoretical part of the paper, research performed in Latvia and the theoretical aspects have not been examined. Globally, research on human resource marketing dates back to 1962, with the first ideas on advertising organisations as employers and about the topicality of the shortage of labour, which stimulated in-depth research of the sphere. The authors of the research illustrate the range of research of international scope that has been performed on human resource marketing and brand management during the last 10 years. As a result, the main guidelines of human resource marketing for
the coming years can be outlined:

1) the role of human resource management in organizing human resource marketing as a function will increase notably;
2) in the future, organisations will plan to invest more in human resource marketing and in brand management; in contrast to the product marketing of previous years, the role and importance of marketing for organisations and their culture will change;
3) in the coming years, the role and development of social media will increase manyfold in the context of human resource marketing, especially human resource selection and attraction;
4) organisations will plan to invest and engage in development of social media politics in order to promote the recognition of their brand and create successful human resource marketing;
5) the role of traditional marketing methods of human resource attraction and traditional or printed human resource marketing tools will decrease substantially.

The theoretical framework by the authors of the research paper reveals the variables of the research and the questions put forward, as illustrated in Image 1.2 and studied by I. Boitmane in her research (Boitmane, 2016).

Image 1.1. The conceptual model by the authors of the research – the theoretical framework for the research 'The Development of Human Resource Marketing in Latvia'  
Source: Ilze Boitmane “Personala marketinga attistiba Latvija” (Boitmane, 2016)

2. RESEARCH METHODOLOGY (RESEARCH SAMPLING, RESEARCH METHODS)

The research sampling consists of juridical entities, organisations and enterprises of the small, medium and large business sectors that actively perform economic activities. On December 6, 2015, there were 242,929 juridical entities in Latvia, according to data from the Register of Enterprises Lursoft (Lursoft, 2015). Since the research sampling is based on the object of the research – human resource marketing – the organisations to be studied should have a conception about and characteristics in the sphere of human resource management – an understanding of the term 'human resource marketing' and the competency to answer the questions of the survey. The organisations should have characteristics that certify factual use of human resource marketing tools in practice or readiness to use human resource marketing in the future. Therefore, the authors of the research structured the research sampling taking into account the additional criteria that were established based on the research and the sampling criteria that were discussed in the theoretical part of the paper: the organisation has a website; the organisation publishes its job advertisements; the organisation has human resource management functions and
performs external activities.

Analysing the three criteria, the probable representative sampling of the research constitutes 90% of the corresponding population, that is, 62 respondents, while 99% of the population comprises 71 respondents with a permissible error of 5% (Kristapsone, 2014). A sampling of 79 respondents participated in the research.

The theoretical method used in the research is analysis of the scientific literature on human resource marketing. The following data acquisition methods are used in the research: the survey 'Human Resource Marketing in an Organisation', investigative observation of human resource marketing. The following methods are used in data analysis and processing: verification of the credibility of the survey with Cronbach’s alpha coefficient (Cronbach’s alpha); Kolmogorov-Smirnova Z (K-S test); correlation analysis; indicators of the central tendency (mean, median, mode); indicators of variation (variance, dispersion, standard deviation, skewness); coefficient of excess (kurtosis).

3. ANALYSIS OF THE RESULTS OBTAINED FROM THE RESEARCH

The analysis of the quantitative data of the research was performed with the descriptive and conclusive methods of statistics. The data of the descriptive statistics show the following:

1) Cronbach’s alpha shows the credibility of the sets of clauses of the survey; on average, for all sets of clauses it is within the limits $\alpha = 0.773-0.861$, while for two sets it is $\alpha \leq 0.6$. The authors of the research excluded these sets of clauses from further data analysis and interpretation;

2) Verification of the credibility of the survey (normal distribution, representative data) with the Kolmogorov-Smirnov test (K-S Test). According to the K-S Test, the sets of clauses of the survey correspond to normal distribution, because Sig is within the limits 0.059-0.644. For one set of clauses Sig=0.017; thus, it does not correspond to normal distribution. The authors of the research decided to exclude this set of clauses in the further analysis of the data;

3) Indicators of the central tendency – the arithmetic mean Mean shows that the respondents have an understanding of human resource marketing. Median variance corresponds to the mean, which means that the distribution is symmetrical. Indicators of variation – variance or dispersion show that it is closer to the Mean value. The coefficient of asymmetry Skewness is A<1 on all scales, which means that the mean values on all scales are above the Mean. The standard deviation of the coefficient of asymmetry is 0.271, and it does not notably exceed 0. Indicator of excess – kurtosis. The indicator of excess shows that the distribution of the research is flattened and characterizes the concentration of the variances in the side classes. The standard deviation of the coefficient of excess is 0.535.

The analysis of the conclusive statistics shows connections among variables: the indicator of the conclusive statistics Pearson's coefficient of correlation characterizes the connection between two variables. The acquired data verify that a positive correlation is observed in several sets of clauses and that the statistical relevance is significant. A high correlation is observed between 'The website of an organisation' and 'Social media in human resource management'. This means that if an organisation has a website, it actively uses social media in human resource management. There is a correlation between 'Human resource marketing activities and communication channels in the organisation' and 'The website of an organisation'. This means that if human resource marketing is organised in an organisation, the organisation definitely has a functional website. There is a correlation between 'Human resource marketing activities and communication channels in the organisation' and 'Social media in human resource management'. This means that if human resource marketing is organised in an organisation, it actively uses social media in human resource management. There is a correlation between 'Human resource marketing activities and communication channels in the organisation' and 'Personnel selection and attraction'. This means that if human resource marketing is organised in an organisation, it actively performs personnel selection and attraction processes as well. Summing up the correlations between two factors, the authors of the research confirm once again that there is a close connection among the variables described above. Human resource marketing activities and the communication channels in an organisation are closely connected with the organisations having a corporate website, performing personnel selection and attraction on a systematic basis, and using social media and social networks in everyday processes, as illustrated by the Correlation Matrix, Image 3.1., from the research performed by the authors of the paper (Boitmane, 2016).
According to the theoretical framework of the research and the research performed on the topicality of human resource marketing and the structural model of human resource marketing, the main problems in human resource management, especially in human resource attraction, are defined as a shortage of qualified labour, global demographic problems in Europe, lack of graduates in the most in-demand and relevant industries, continuous economic tension, overly high demands by employers towards candidates, the inability of candidates to find a balance between work and private life, high labour turnover and globalisation in this particular aspect (DGFP, 2006). In the research, in accordance with the survey, the topicalities and the reasons for development of human resource marketing were established. In addition to the ones mentioned above, the authors studied the extent to which every set of problems is explicit particularly in Latvia. As concluded before, the two main problems are: a shortage of qualified labour and a lack of potential. Just as elsewhere, global problems – the shortage of labour – will persist in Latvia, too, as illustrated by Image 3.2.

**Image 3.1. Correlation matrix for the survey 'Human Resource Marketing in an Organisation' by the authors of the research**

*Source: Ilze Boitmane “Personala marketinga attistība Latvija” (Boitmane, 2016)*

<table>
<thead>
<tr>
<th></th>
<th>Website of the organisation</th>
<th>Social media in the HR management</th>
<th>Personnel selection and attraction</th>
<th>HR marketing activities in the organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website of the organisation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social media in the HR management</td>
<td>0.578**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel selection and attraction</td>
<td>0.318**</td>
<td>0.399**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>HR marketing activities in the organisation</td>
<td>0.505**</td>
<td>0.748**</td>
<td>0.497**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Image 3.2. Topicality of human resource marketing in an organisation**

*Source: Ilze Boitmane “Personala marketinga attistība Latvija” (Boitmane, 2016)*
During the research for the paper, an observation, 'Human Resource Marketing', was carried out by the authors (Boitmane, 2016), and the paper reflects the main directions or goals of the observation: the number of the total count of respondents that participated in the survey, the opinion of the respondents and the competency of the opinions expressed about the term 'human resource marketing', and the behaviour of the respondents during the observation. During the observation, 9 out of 15 respondents took part in the survey 'Human Resource Marketing in an Organisation'. The observation indicates that, judging from the explanations of the topic and the term, some of the participants of the observation did not understand the topic because they were hearing about it for the first time. The difficulty in understanding the topic is also testified by the time that was necessary to fill out the survey. It took 30% more time than was allotted for the completion of the survey. Verbal reflection confirmed that the participants of the observation had heard the term 'human resource marketing' for the first time, but, getting acquainted with the content of the survey and receiving the verbal explanation, they understood its meaning and interpretation. At the beginning of the survey, the behaviour and communication of participants was negative and reserved, which indicates that the participants were facing a new, difficult and unfamiliar task; the middle phase showed that the content of the survey assured the majority of the respondents that the topic is applicable in everyday actions and that the majority of them had had previous, indirect experience with human resource marketing tools. In the concluding phase of the observation, the respondents relaxed and engaged in open non-verbal communication, which indicated that an opinion and new experience about the topic of the research had formed. In general, the observation showed that the topic of human resource management is new in Latvia; however, human resource marketing tools are already recognizable. As was already indicated by the authors of the research, in total, 242 respondents filled out the main survey of the research – out of 415 potential respondents who opened it – that is, 33%. The observation and the responsiveness to the electronic survey of the research testify that the majority of respondents have formed no particular opinion and knowledge of the topic of human resource marketing because it has not been researched in Latvia yet.

**CONCLUSIONS**

The authors of the scientific research paper 'The Development of Human Resource Marketing in Latvia' made the following conclusions that answer the research questions: leaders of organisations and human resource managers have little knowledge of human resource marketing, which is basically related to the limited availability of materials and the fact that human resource marketing has not gained popularity. The development of human resource marketing in Latvia occurs from the perspective of the development of social media and social networks; the use of social networks in the corporate and professional environment has grown rapidly in recent years. It has been concluded that organisations in Latvia mainly use the following human resource marketing tools: social media and social networks, personnel selection and evaluation, efforts to promote their employer image, public relations activities, and management of the functionality of their corporate websites. As for the future, organisations will use human resource marketing tools mainly when an explicit shortage of labour, a lack of new talent and graduates, high staff turnover and demographic problems occur.

During the research, the authors drew the following additional conclusions: organisations already use a range of human resource marketing tools in practice, but do not identify the term 'human resource marketing' as a separate function. In Latvia, leaders of organisations and human resource managers understand the function and tools of human resource marketing more as an external process, although human resource marketing encompasses a very extensive application both as external and internal human resource marketing. The theoretical research of the topic, against the conception of the authors that the term has been studied little, revealed that the function and term 'human resource marketing' has been studied for many years; however, it has gained topicality during the last 10 years, which is connected with the shortage and migration of human resources on a global scale. In Latvia, this development is affected by similar factors: the decrease in the working-age population, the shortage of professionals, the migration of the population and shortage of labour in general. These and many other factors motivate organisations to search for new solutions regarding how to attract new human resources and retain existing employees, because traditional methods have become ineffective and new solutions must be sought, for instance, human resource marketing.
PROPOSALS
The authors of the study developed the following proposals:
In the future, to conduct further HR marketing research and studies of its correlations; to create an HR marketing function as a separate element of personnel management functions which in the future could test practical applications in organizations; develop informative materials for practical use of HR marketing at enterprises.

REFERENCES
THE TURBULENT BUSINESS ENVIRONMENT AND THE POSSIBILITY OF APPLYING MARKETING DECISION OPTIMIZATION ALGORITHMS USING THE EXAMPLE OF THE LATVIAN MARKET

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Abstract
In this work an attempt is made to describe the experience of marketing decision development in the conditions of a turbulent business environment using the example of various Latvian enterprises. Using characteristic features of a turbulent business environment, the possibilities of applying marketing decisions offering algorithms both for the national (Latvian) market and for entry into international markets are discussed. This experience is part of the author's pedagogical activity at higher education institutions in Latvia (in particular RISEBA) over the last 20 years and assumes training in new methods of marketing decision development, with use of modern marketing technologies, including matrix methods, as well as cluster, discriminant and screening analysis. The researched experience and potential for the application of the author's theoretical elaborations (the matrix “solution’s novelty – consumer’s demand for novelty”) are particularly relevant for developing creative marketing management solutions in areas of business where the novelty of goods (services) may be an important competitive advantage in a turbulent business environment.

Keywords: marketing management; turbulent business environment; algorithms for marketing decision development, adapted to market conditions; consumers’ demand for creativity; cluster, discriminant, matrix, screening analysis.

INTRODUCTION
Research methodology. The organization and the external environment
The concept of “organization” involves different approaches for a researcher: An organization is a group of people who coordinate their activities to achieve common purposes (Meskon Maikl H., Maikl Albert, Heburi Franklin, 1992). Organization is also a process of enterprise structure creation, which allows efficient cooperation of people to achieve goals of the enterprise (Meskon Maikl H., Maikl Albert, Heburi Franklin, 1992). Organization is systematic coordination and taking actions to complete specific tasks (Keit Kinan, 2006). An organization is a separate association of people who interact in achieving certain purposes and completing certain tasks (Maslow A., 1966), (Porter М., 2006). Based on the definition of K. Kinan, situational management is considered to be management in conditions oriented toward the occurrence of unforeseen circumstances. In this case tactics are the best option for implementation of strategy in specific conditions which take into account and utilize unforeseen circumstances. One of the most important organization features of such an approach is its connection with the external environment. No organization can be isolated as an “island on its own”. Organizations totally depend on the world around them – the external environment – both in relation to their resources and relative to customers, the users of their results to be achieved. Organizations exist in a surrounding environment consisting of many elements: a market with its offers and demands; shareholders with their interests in gaining dividends and implementing ownership rights; partners whom the organization is obligated to; requirements for product quality; education of appointed people; increasing demands of salaried workers; activities of competitors, consequences of economic crises, etc. (Altshuller Igor, 2010).

The environment influences an organization and has its requirements. The head director must consider this significant influence. These interconnected factors influence everything that happens in
the organization and they change continually. The organization totally depends on the external environment; this environment, however, is out of the manager’s control. How should such a situation be handled? Via situation modelling? Despite the fact that modelling experience and possibilities in the practical field are growing (Ostervalder A., Pine I. 2012), the real application of these methods in the practice of small and medium-size business management is limited due to methodological and economic reasons.

THE ORGANIZATION AND TRANSFORMATION OF THE EXTERNAL ENVIRONMENT

The conditions of business structures are complicated due to new requirements. In particular, with every year company leadership must consider not only an increasingly greater number of external environment factors, but also the fact that they are becoming global in nature. In order to succeed, companies have to compete on foreign markets and withstand competition from foreign companies in their homeland. For Latvian businesspeople the important and objective factor is national market volume and development level. Based on the latest data, there are 1.97 million inhabitants at most in Latvia (2016). The new conditions require an understanding of entirely new fields of jurisprudence and marketing and recognition of new cultural values (Solomon Maikl, 2003), (Kotler F., Kartadzaii H., Setvan A., 2011). For small and medium-size businesses in small countries, this is especially difficult to achieve in management. Let us consider a few aspects of external business environment factors used in the marketing management of organizations (Kotler F., Trise deBes F., 2010).

The external environment cannot remain constant; it is always changing. Thus, it is possible to distinguish an environment with slow changes of parameters and another environment with fast and unpredictable changes. In modern marketing the factor of environmental changes considered in the management of a specific organization has been researched by multiple authors. For example, Charles F. Sabel and Jane E. Prokop (1997), in their work “Stabilization Through Reorganization?” (1997), and Michael Hammer and James Champy, in their book “Reengineering Corporation” (1998), claim that up until 1975, the external environment of organizations was stable, with rare global cataclysms and insignificant changes, i.e. at that time it was possible to talk about the existence of a “calm” external environment. Managers of that time needed to organize their enterprises so that they could utilise all the opportunities provided by such an environment around them. A “calm” external environment is characterized by: use of long product lifetime cycles (technologies, services); increase in size of companies with a pyramidal structure – containing their own expert divisions; domination of mass production; large storage spaces for raw materials and finished products (Ostervalder A., Pine I., 2012).

THE TURBULENT BUSINESS ENVIRONMENT AS A NEW FACTOR OF MARKETING MANAGEMENT

The same authors claim that starting from the end of the 1970s and the beginning of the 1980s, the situation became more complicated. One of the many causes was rapid scientific and technical progress, i.e. the factor of the business environment and its parameter changes led to specialists discussing organization management in the conditions of a “variable external environment”. The variable external environment is characterized by increased instability and unpredictability, and the behaviour of managers is significantly more complicated compared to their actions in a “calm” environment. In time, quantity was replaced by new quality, i.e. there were global changes that led to a new concept of the “global environment”. As a result of the uniform transition of the external environment from a “calm” condition to variable, global changes occurred in the main economic ratings of the environment. The following can be mentioned: a sharp reduction of products’ lifetime cycles; a reduction of products’ development time frames; unprofitable storage spaces; changes in the requirements of the technical organization subsystem; more complex products; changes in relations between the customer and the manufacturer (confidence in competency); unrealistic maintenance of a company’s own specialised science-intensive services; the customer dictates suppliers; toughened competition; prices are no longer the main requirement in cooperation. Management attempted to find new methods and forms of business management. (Mann Igor, 2010).

Then marketing management appeared, i.e. in addition to F. Kotler new marketing gurus appeared – Z. Z. Lamben (Lamben Z.-Z., Shuling I., Chumpitas F.,2010), for example, the Swedish marketing
solutions. In order to achieve this, the student must be able to choosing the effective one or developing and offering one's own solution, if there are no effective training control specialists.

2. What methods and technologies will teach marketing students training at higher education institutions to find and solve problems in a real market environment? How should small and medium-size business management of these organizations be performed?

Adaptability is the most important condition for an organization’s survival in an unstable/turbulent external environment. The common external environment (macro environment) and accounting for its requirements in marketing management is becoming the most important condition for survival of small and medium-size businesses, especially in small countries. Analysis of strategic marketing decision development and adoption experience allows the author to claim that use of well-known (but not widely used) technologies for management solution development will allow one to find adequate solutions for a turbulent environment, including a strategic solution (Bahmane L., 2010).

1. An algorithm as a method of marketing decision-making in a turbulent business environment

The optimality criteria for marketing solution development are as follows: 1) decreasing risks 2) going through all possible solution variants. It is necessary to formulate an algorithm as a logical sequence of actions to solve a specific task. The Toyota Way, Principle 6 (Dzeffri K.Laiker, 2005), states that standard tasks are the basis for continuous improvement and delegation of authority to employees.

During the training of specialists at higher education institutions, from the author’s point of view, solutions are required for the task of new complexity: Determine a possible algorithm for creatively thinking specialists training in the marketing field, who are able to find a new, i.e. creative, solution for market demands with understanding of time being a real necessity in such a solution.

The topics of this research:

1) What would be an algorithm for training creatively thinking marketing students, if it is assumed that an algorithm is a logical sequence of steps for solution of a specific task?

2) What methods and technologies will teach marketing students training at higher education institutions to find and solve problems in a real market environment?

3) How can we instil interest in finding non-standard marketing solutions?

The author asked herself these questions in her pedagogical work at Latvian higher education institutions – RAU (from 1992), TSI (from 1994), and RISEBA (from 1997) – during the process of training control specialists.

The author agrees with N. Avdeyev (Aydeyev N., 2006) that the problem can be solved through directed teaching of modern analysis methods, quickly searching within possible marketing solutions, choosing the effective one or developing and offering one’s own solution, if there are no effective solutions. In order to achieve this, the student must be able to undertake:

1) type of solution – solutions that have a specific algorithm already known to the student.
2) type of solution – from a variety of possible solutions, the student should choose the most correct one. The student knows the existing criteria for choosing effective solutions.

3) type of solution – solving non-typical tasks. The student should analyse unfamiliar situations and information and generate new information.

4) type of solution – the ability to see new connections and possibilities with further generation of entirely new information in the conditions of a turbulent external environment. The elements of creativity are objectively essential for this type of problem (Bahmane L., 2015).

The 1st algorithm – to improve competitive positions on the Latvian market

The experience of the author in training marketing solution development specialists (Bahmane L., 2015) made it possible to formulate the 1st algorithm. Its purpose is to improve an organisation’s competitive positions on the Latvian market. For this, RISEBA students of the 2nd and even the 1st courses can successfully perform the following:

1) Choose a real company which operates on the Latvian (European) market.
2) Define symptoms of a problem, the basis of the problem, a research design. Construct a graph of problems and solutions.
3) Evaluate the influence of macro environment factors on company activities via PEST methods. Characterize the business environment. Is it stable? Variable? Turbulent? What is the company mission in these conditions?
4) Create a concept of the base market. Perform macro segmentation of the market through one of the standard methods (Abel method, “fish”, “net”, three-dimensional matrix).
5) Analyse the competition, (according to Porter) one of the most dangerous factors for a company. Construct a SWOT (Strength, Weaknesses, Opportunities and Threats) matrix.
6) Perform micro segmentation of the market, identify and justify the market segment which will be the most attractive for the company. Use the VALS2 (“Values and Lifestyles 2”) and GLOBAL SKAN methods. (Kotler f., 2006). Provide the products’ overall positioning and positioning options for the selected segment by using correlation or cluster analysis.
7) Analyse product distribution channels – how well do they match the requirements of the target market segment – by using the semantic differential method.
8) Research pricing strategy and company tactics with regard to the selected market segment with maximum use of the “price-quality matrix”, a common competition matrix (Porter, M., 2006).
9) Develop an improved communications strategy oriented toward the selected market segment.
10) Based on the McKinsey matrix (Altshuller I., 2010), determine the main competition strategies for the Latvian market.
11) Based on a “solution’s novelty – consumer’s demand for novelty” matrix (Bahmane L., 2005), determine marketing strategies for the analysed company.

Matrix methods are used for finding effective and rather standard marketing solutions from the first lecture at a higher education institution. These methods provide possible variants of marketing solutions; however, application of these results is often limited due to the fact that real life in business structures is more complicated than in theory. Students can see the limitations of their solutions and the necessity of creativity and trying to find something new. For most of them, this removes the fear of offering new solutions, while support and loyal criticism of the lecturer allows them to see their mistakes and lack of information and teaches them to analyse and go beyond what they know. It is important to note that in addition to widely used and well known matrices (Porter’s, Ansoff’s, Boston’s, McKinsey, SWOT), the author’s matrix “solution’s novelty – consumer’s demand for novelty” is also discussed. (Bahmane, 2005), (Figure 1).
Students are taught to analyze conducted research by means of cluster analysis (Figure 2) in different situations and for different objects. Thus, use of cluster analysis (Bahmane L., 2008), (Figure 2) allows them to describe gambling services’ customer profiles from objective and subjective points of view, identifying the specifics of Riga and Daugavpils gamblers, determining target groups (segments) of bingo-club visitors, and identifying specifics of customer behaviour, including evaluation of “solution’s novelty – consumer’s demand for novelty” for strategic decisions on extending the list of offered games and required investments in a specific market and time situation. The main criteria in the choice of gambling room for Dimanta Bingo customers in Riga and Daugavpils are quality of service and convenient location. The main motivation of customers visiting a gambling room is the desire for relaxation and then gambling excitement. By using cluster analysis, gamblers of Dimanta Bingo in Riga have been divided into “true bingo lovers” (53%), “privileged innovators” (18.5%) and “excited” (27.5%). Gamblers of Dimanta Bingo in Daugavpils were divided into “partiers” (31%), “rational enthusiasts” (32%) and “excited optimists” (over 36%).

<table>
<thead>
<tr>
<th>Level of management solution’s creativity</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Benchmarking strategy (strategy of new products’ superquality, strategy of world leadership)</td>
<td>Strategy of proven quality (product brand strategy)</td>
</tr>
<tr>
<td>3</td>
<td>Strategy of new products (strategy of innovator image, strategy of niche leader)</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1.** “Solution’s novelty – consumer’s demand for novelty” matrix  
*Source: (Bahmane, 2005)*
It can be concluded from the “solution’s novelty – consumer’s demand for novelty” matrix that presently the organization is situated in the 1st quadrant and uses the “strategy of proven service quality”. Since the company is growing and has strong positions in the gambling market, its further development should be based on the 2nd strategy – the “strategy of increasing gambling services’ quality”, “image forming”. This means that no new investments are required.

Use of cluster analysis allows the student not only to find new solutions, but also to search for more efficient non-existing marketing solutions, i.e. creative ones. Cluster analysis and segmentation offers companies the possibility to understand their clients and customers more deeply and evaluate their priorities and necessities when making a real choice.

The 2nd algorithm – to conquer a strong position in a foreign market

The 2nd algorithm – the purpose of a company – to conquer a strong position in a foreign market by researching all marketing possibilities in the quickest fashion. This method has been used at RISEBA for 5 years in a test on the subject of international marketing by students of the 3rd course for various business structures – from gambling businesses to banks. More complex variants, such as searching with optimal criteria, relative analysis of chosen countries and detailed research of competition, become part of bachelor’s or master’s theses.

Stages of the 2nd algorithm’s implementation:

1st stage. The screening analysis method allows one to solve almost any unsolvable task: how to perform a maximally full analysis of market possibilities with limited company possibilities (personnel, time, resources).

2nd stage. The screening analysis method offers additional possibilities for precision, additional correction of the strategy, i.e. change of criteria, adapting criteria to specific conditions.

3rd stage. The method of environment sectioning allows one to determine the specifics of the macro environment and the market in potentially attractive countries.

4th stage. Use of a marketing mix model – the 7Ps – allows the company to match the needs of target consumers in each selected country with the marketing possibilities of the company.

Survival of small and medium-size businesses in the turbulent variable conditions of the Latvian market entirely depends on their focused research of new export opportunities. An example of a small Latvian company, SIA ProBaltic, shows that in conditions of market internationalization, accessible internet technologies, and use of screening analysis databases and matrix methods, it is possible to search for an optimal marketing strategy for entering foreign markets via cabinet research (Bahmane L., 2010).
Screening analysis, in turn, has a series of sequential stages – a specific algorithm for an optimal solution search in selected countries and markets where a company’s products (services) can find a competitive niche. According to V. Cherenkov (Cherenkov V., 2006), the required stages can be described as follows:

1) The basis for analysis is determined: characteristics of company activities that make products (services) unique and improve their competitiveness.

2) The conditions for searching for new markets is determined – the strategy of the company is formed – standardization or adaptation of further searches: either searching for markets which are ready to accept the company’s products or searching for products that are in demand in markets known to the company. This solution is determined by competitive (unique) company products’ (services’) features.

Screening analysis allows one to create a list of top priority countries by a focused search of over 236 countries using MS Excel software, including conditional formatting tools.

**1st filter.** Macro environment.

*Taking into account:* social-cultural norms, political-legal norms, the economic condition of the country, geographical location.

**Suggested search criteria:** customs tax, average income level per capita, great distance between importer and exporter countries, small population of importer country, political disagreements between both countries (economic sanctions, ban on imports).

**Preliminary possibilities**

- Austria, Belgium, Croatia, Czech Republic,
- Denmark, Estonia, Finland, France, Germany,
- Greece, Hungary, Ireland, Italy, Lithuania,
- Netherlands, Norway, Poland, Portugal,
- Russia, Saudi Arabia, Slovak Republic, Spain,
- Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom, Israel.

**Suggested search criteria**

- customs tax
- small income per capita
- great distance between exporting and importing countries
- small population of importing country
- political disagreements between governments of both countries (economic sanctions, ban on imports, etc.)
2nd filter. Specific product acceptance specifics in a given region

*Take into account:*
- religious factors
- informational support
- historical premises
- ethical norms and traditions
- market development stages

Suggested search criteria:
- Muslim countries excluded
- No information about the market in a specific country
- Relatively few imports
- Presence of consumers related to the exporting country in any way

More precise possibilities:
Belgium, Estonia, France, Germany, Ireland, Italy, Lithuania, Netherlands, Russia, Spain, United Kingdom
3rd filter. Specific factors influencing exports

_Takes into account:_
- competition in the local market
- similar substitutes for a specific product
- forecasted and real data for sales of similar products in a given market
- rate of products’ acceptance by consumers
- market entry expenses

_Suggested search criteria_
- too much competition in the local market
- great number of similar, mutually exclusive products
- the worst forecast for the market
- high expenses for entering a specific market

The most probable possibilities
Germany, France, Italy, Netherlands, Spain.
4th filter. Target markets. As a result, a list of top priority countries is prepared in order to search in a specific niche.

- Presence of consumers with an ethnicity similar to Latvian people

As a result, estimation of macro environment factors is made in the conditions of a turbulent business environment. This allows business structures to define a competition position at a given moment, to find “anchors”, which will allow them to develop and improve strategies.

An example of a potential export market screening analysis method is shown below for the products of AS Latvijas maiznieks. Conditional schematic of the screening analysis performed: AS Latvijas maiznieks already exports its products to Latvia’s closest neighbours, i.e. Lithuania and Estonia. Also, exports of confectionary products to Great Britain and Ireland were established in 2014, i.e. to countries where a large number of ethnic Latvians, Lithuanians, Estonians, and Poles live, who have tried products from Latvijas maiznieks multiple times before. These countries will not be considered as potential partners in the screening analysis.

What should be taken into account during screening analysis? When choosing countries that are most appropriate for exporting Latvijas maiznieks products, the researcher chooses country features that have the greatest influence (or can possibly have such influence). Thus, screening analysis was started with the exclusion of 4 countries already among the importers of AS Latvijas maiznieks, which are: Estonia, Lithuania, Great Britain and Ireland. It was possible to skip this step and check whether the intuitively made choice matches the logical search of variants according to selected criteria.

So, there were 236 countries of the world initially. The main (first) criteria used to select variants was gross national income per capita in the country per year. This can be calculated by dividing national income by population of the country. Income per capita as a rating is totally different from gross domestic product and gross national product per capita. For international comparisons, income per capita is recalculated into a unified currency, usually the US dollar. Since no purchasing power differences in various countries are considered this way, purchasing power parity recalculation is preferred.

Countries can be divided into:
- countries with a high level of income per capita (over $12,616)
- countries with a medium level of income per capita (from $1,036 to $12,615)
- countries with a low level of income per capita (below $1,035)

This way, the first filter is passed only by countries with a high level of income per capita, i.e. over $12,000.

Political-legal form. The screening analysis filter is passed by countries of the EU, i.e. exports to these countries are not subject to customs dues. Also, the greatest importing country of Latvia is excluded – Russia. Due to the latest political and economic events in the world, this country imposed an embargo on significant groups of food products imported to their country. These groups include products of AS Latvijas maiznieks.

- Population
The screening analysis filter prevents countries with a population below 2 million people from passing.

- Ethical norms and traditions
  The filter excludes countries where it is historically uncommon to use flour products in the way AS Latvijas maiznieks provides.

- Geographical location
  Since AS Latvijas maiznieks doesn’t use E additives during production, the product can’t be stored for a long time. Thus, delivery to the importing country should be performed in the shortest terms without spending a lot of time on transportation. This way, the screening analysis filter excludes countries with a distance of over 1,000 km from Latvia. Great distances between countries increase the costs of shipping products as well, which makes the price less competitive in the target market.

- Taxes and dues (VAT payers)
  The filter excludes countries that are not members of the EU zone and have customs taxes for importing products. (Choice of criteria could be different.)

- Ease of entering the market
  The markets of Germany, the Netherlands, Spain and Italy have considerable competition between both local and foreign manufacturers. Entering the market is also difficult because of the conservative views of the local population on food products. It is proposed that the main focus of the company should be made on visitors from these countries, who are more open to changes in their usual routine and who are mostly familiar with the quality and taste of these confectionary products. So Italy and Spain do not pass this filter.

Summary: based on the results of the screening analysis 2 countries are selected for exports – the countries that most precisely match the needs of the environment at the present stage of the organization Latvijas maiznieks. These countries are Germany and the Netherlands. For these countries environment segmentation and a strategy for entry are developed and a marketing mix 7Ps package is justified.

Results of the research

1) Use of controlled creativity of solutions is a real option in finding ways to achieve the goals of any business structure in the conditions of a turbulent external environment.

2) Use of algorithms for developing standard marketing solutions allows for fast and sufficiently adequate research of specific business environment features and offers an adaptive marketing solution adequate for an organization.

3) If the situation is unclear, the use of complex approaches (matrices, clusters, discriminant analysis, the Jefremov-Zade method (a variation of PEST) allows for a nonstandard approach to solving problems (Bahmane, 2007) with regard to national market conditions. This makes it possible to enter the 3rd and 4th levels of creative thinking development in training marketing specialists.

4) Use of the matrix “solution’s novelty – consumer’s demand for novelty” (Bahmane, 2005) in the process of marketing solution development allows specialists to find new aspects of adaptive marketing solution development.

5) In conditions of turbulence – unpredictably and quickly varying factors in the business environment – adaptation comes in the form of marketing technology, especially for small and medium-size businesses of Latvia.

Additional conclusions

1) The model of student training (including marketing managers) in development and use of creative solutions shows its practicality in the example of various business types, times and even different skills of students.

2) Knowledge of modern inter-marketing technologies and working experience removes young specialists’ fears of making expected management decisions, including creative ones.

3) Young specialists, even as students, understand and comprehend the possibilities of using modern methods and algorithms to find adaptive marketing solutions in the conditions of turbulent business environments.

REFERENCES


