Business Administration and Business Economics

Interest Rate Variations and Stock Market Capitalization in Nigeria: An Empirical Analysis

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Abstract: In most economies, variations in interest rates have become a prominent feature both in the long-run and short-run. This study thus examines by means of robust analysis, the effect of the variations in interest rates on the level of stock market capitalization in Nigeria for a period of 29 years (1981 – 2009). Data was obtained from the statistical bulletin of the Central Bank of Nigeria (CBN) for the relevant years. The analysis of the data obtained was done with the Ordinary Least Square (OLS) method. The results from the study showed that variations in interest rate significantly affect the level of stock market capitalization, thereby suggesting that there is a significant relationship between interest rate variation and the level of stock market capitalization in Nigeria for the period under study. Based on the above, it was recommended that the Government of Nigeria and the appropriate monetary authorities should continue to give serious attention to policies geared towards lending rate in the country, if a desired level of market capitalization must be achieved.

Keywords: Liquidity; Capital Markets; Investments; Interest; Nigerian Stock Exchange

JEL Classification: O16; G 11

1. Introduction

Over the years, the Nigerian Capital Market has experienced series of shocks, and in recent times, a downturn in economic activities believed to have been induced by significant divestment by foreign investors as a result of the *ill wind* of financial recession that blew financial markets all round the globe. Policies and reforms aimed at boosting activities in the stock market, thereby, promoting economic growth and development in the country have been made. This is because investments must be encouraged in the country if she must experience a boost in her economic activities. Yet, studies have revealed that the investment that will promote economic growth and development requires long term funding, which must be sustaining, having a duration that would be longer than that which savers of funds would be willing to commit their funds (Ologunde, Elumilade and Asaolu,

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2006; Maku and Atanda, 2009). This is why the capital market has an important role to play in every economy generally, and Nigeria in particular.

Capital markets according to Murinde (2006), are markets for trading long term financial securities, including ordinary shares, long term debt securities such as debentures, unsecured loan stock and convertible bonds. Government bonds and other public sector securities such as Treasury bills and gilt-edged stocks are also traded on capital markets. Capital Market is what Ologunde et al (2006, p. 155) described as "a collection of financial institutions set up for the granting of medium and long term loans". One intermediary in the capital market that operates as a rallying point for the overall activities as noted by Ezeoha, Ogamba and Onyiuke (2009), is the stock exchange.

It is believed that without a functional stock market, the capital market may be very illiquid and unable to attract investment. Essentially, the stock market provides liquidity, and as noted by Levine (1991), it also contributes to capital formation and investment risk reduction by offering opportunities for portfolio diversification. According to Ezeoha et al. (2009), the liquidity role stands out clearly as the most significant among the numerous functions provided by the stock market. This is because an illiquid stock market would discourage many profitable long-term investments that would have been undertaken since savers may be reluctant to tie up their investments for long periods of time (Levine, 1997). If this assertion is true, it becomes obvious that a functional and liquid stock market would have a significant relationship with investment which is in turn affected by the prevailing interest rate in an economy. It is pertinent to note that when one decides to invest in a company's stock, the need to know the company's market capitalization cannot be over emphasized. This is because market capitalization is a measure of a company's size. In fact, capitalization rate is a critical variable in commercial real estate valuations. Investors use it as a denominator to find out the value of a property when they know the net operating income of that property. According to Khrawish, Siam and Jaradat (2010, p. 63), "to find the market capitalization of a company, one needs to multiply the market price of the stock by the number of shares outstanding". Therefore, the stock market capitalization rate is measured by the total value of a company's outstanding shares.

Interest however, is the reward for parting with liquidity for a specific period of time. It is what Adofu, Abula and Audu (2010), described as the rental payment for the use of credit by borrowers and return for parting with liquidity by lenders. Interest rate can be seen as the inverse proportion between a sum of money and what can be obtained for parting with control over the money in exchange for a debt for a given period of time. It is however a known fact that interest rate variation has become a prominent feature in economies in the world over. In Nigeria for instance, interest rates have changed over the years. This was as a result of changing economic events such as federal policies and reforms, crises in

financial markets, inflation, and changes in prospects for long – term economic growth (Maku & Atanda, 2009; Eregha, 2010). Studies have revealed that macroeconomic indicators like interest rates have effect on stock market capitalization rate. Much of such studies are well captured by Khrawish, Siam and Jaradat (2010), and include: Kurihara (2006), Ologunde et al. (2006); Mahmudul and Gazi (2009); and Aydemir and Demirhan (2009).

In light of the aforementioned, this study is aimed at examining the impact of interest rate variations on the level of stock market capitalization in the Nigerian Stock Exchange (NSE) over the period of 1981 – 2009.

2. Theoretical Framework and Literature Review

Capitalization rate has long been a subject of research (An and Deng, 2009). In a study of the relationships between stock market capitalization rate and interest rate in Nigeria, Ologunde et al. (2006) found that prevailing interest rate has a relationship with stock market capitalization rate. This study however did not test to show whether it was actually interest rate that affects capitalization rate, or whether it was capitalization rate that was affecting interest rate in the country for the period of study. Similarly, Froland (1987), and Jud and Winkler (1995) carried out studies respectively to examine the relationship between capitalization rate and capital market returns. In his study, Froland (1987) found that there is a strong correlation between capitalization rate and mortgage rates, ten-year bond rates and stock market earnings/price ratio. Similarly, Jud and Winkler (1995) regress capitalization rate on debt market excess return and excess equity return and found that both variables strong link with excess capitalization rate.

Kurihara (2006), carried out a study in Japan on exchange rate and stock prices and found that the stock market capitalization rate was significantly influenced by certain macroeconomic environmental factors like the gross domestic product, interest rates, and a host of others.

In a survey of the stock markets in fifteen countries (Australia, Chile, Japan, Bangladesh, Philippine, South Africa, Mexico, Malaysia, Italy, Columbia, Jamaica, Canada, Germany, Spain and Venezuela), Mahmudul and Gazi (2009) established that interest rate exerts significant negative relationship on share prices. They argued that there was the availability of significant negative relationship between changes of interest rate and changes of share prices.

Khrawish et al. (2010) carried out a study on the relationship between stock market capitalization rate and interest rate in Jordan with the use of time series analysis. In their study, they also found that there is a significant positive relationship between government prevailing interest rate and stock market capitalization rate in the Amman Stock Exchange (ASE), Jordan.

Trends in Market Capitalization Rate and Interest Rate in Nigeria

Table 1 below presents the annual market capitalization rates as well as the prevailing interest rates in Nigeria between 1981 and 2009. Recall that this period covers important periods in the economic history of Nigeria (Pre-Structural Adjustment Programme (SAP) years and the years after the implementation of SAP).

Table 1. Annual Market Capitalization (N' Billion) and the Weighted Average Deposit and Lending Rates of Commercial Banks on The Nigerian Stock Exchange

Annual Market Capitalization on The Nigerian Stock Exchange (N' Billion)					Weighted Average Deposit and Lending Rates of Commercial Banks			
Year	Govt Stocks/ Sec.	Debts/ Bonds	Equities	Total	Year	Savings	Prime 1/	Maximum
1981	3. 1	0	1. 9	5	1981	6. 00	7. 75	10. 00
1982	3	1	1	5	1982	7. 50	10. 25	11. 75
1983	3. 5	0	2. 2	5. 7	1983	7. 50	10. 00	11. 50
1984	2. 9	0. 2	2. 4	5. 5	1984	9. 50	12. 50	13. 00
1985	3. 5	0. 4	2. 7	6. 6	1985	9. 50	9. 25	11. 75
1986	2. 7	0. 4	3. 7	6. 8	1986	9. 50	10. 50	12. 00
1987	4. 2	0	4	8. 2	1987	14. 00	17. 50	19. 20
1988	4. 5	0. 4	5. 1	10	1988	14. 50	16. 50	17. 60
1989	4. 2	0. 6	8	12. 8	1989	16. 40	26. 80	24. 60
1990	3. 4	0. 8	12. 1	16. 3	1990	18. 80	25. 50	27. 70
1991	3. 3	1. 4	18. 4	23. 1	1991	14. 29	20. 01	20. 80
1992	3. 2	1. 8	26. 2	31. 2	1992	16. 10	29. 80	31. 20
1993	3. 6	2. 1	41. 8	47. 5	1993	16. 66	18. 32	36. 09
1994	3. 2	2. 1	61	66. 3	1994	13. 50	21. 00	21. 00
1995	3. 2	2. 1	175. 1	180. 4	1995	12. 61	20. 18	20. 79
1996	3	3	279. 8	285. 8	1996	11. 69	19. 74	20. 86
1997	2. 8	2. 8	276. 3	281. 9	1997	4. 80	13. 54	23. 32
1998	2. 7	3. 1	256. 8	262. 6	1998	5. 49	18. 29	21. 34
1999	2. 4	3. 1	294. 5	300	1999	5. 33	21. 32	27. 19
2000	2. 1	4. 1	466. 1	472. 3	2000	5. 29	17. 98	21. 55
2001	8. 3	5. 8	648. 4	662. 5	2001	5. 49	18. 29	21. 34

2002	12. 7	3. 5	748. 7	764. 9		2002	4. 15	24. 85	30. 19
2003	25. 2	8. 4	1, 325. 70	1, 359. 30		2003	4. 11	20. 71	22. 88
2004	178. 1	7. 9	1, 926. 50	2, 112. 50		2004	4. 19	19. 18	20. 82
2005	365. 5	11. 1	2, 523. 50	2, 900. 10		2005	3. 83	17. 95	19. 49
2006	888. 9	3. 5	4, 228. 60	5, 121. 00		2006	3. 14	17. 26	18. 70
2007	2, 976. 60	17	10, 301. 00	13, 294. 60		2007	3. 55	16. 94	18. 36
2008	2, 529. 96	45. 52	6, 987. 51	9, 563. 00		2008	2. 84	15. 14	18. 70
2009	1, 930. 26	108. 5	4, 992. 00	7, 030. 80		2009	2. 94	18. 36	22. 90

Source: (CBN Statistical Bulletin, 2009)
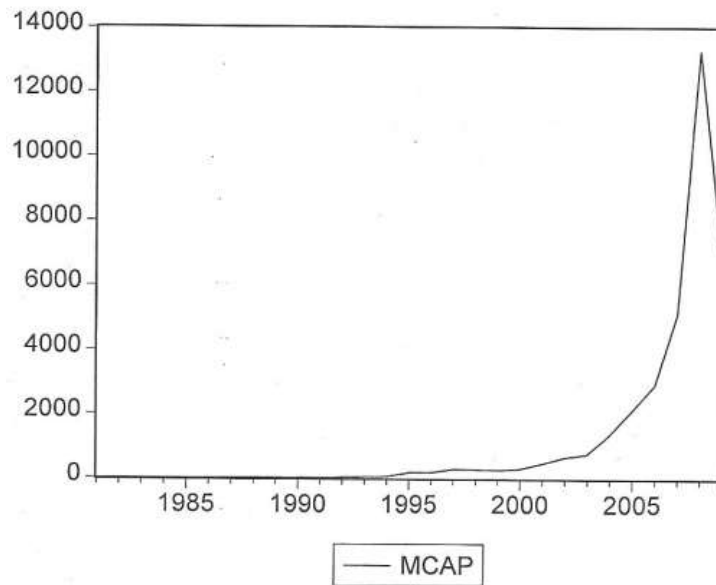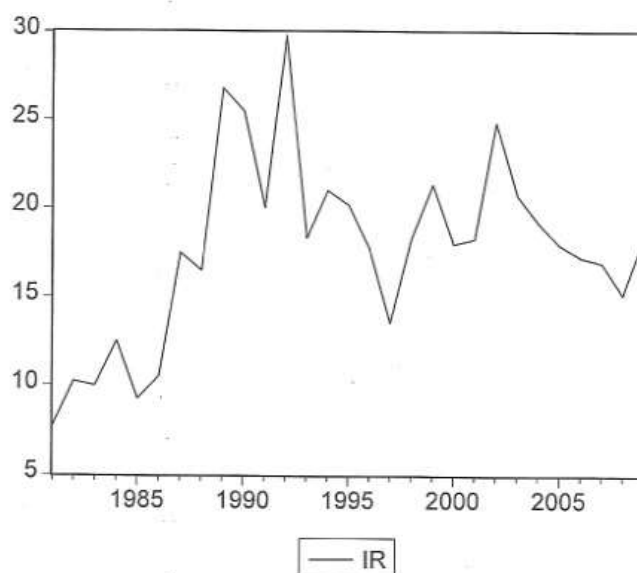

Figure 1a. Movement of MCAP

Figure 1b. Movement of IR

Fig. 1a and Fig. 1b further reveals the trend or movement in both the market capitalization (MCAP) and lending/or interest rate (IR) over the period under study. Fig. 1a shows that market capitalization was low in the Pre – SAP years; but some years after, the implementation of the SAP, specifically from 1994, the level of market capitalization in the Nigerian Stock Exchange increased. Interestingly, one would notice that the increase in market capitalization was more noticed from 1999, and by 2003 – 2009, market capitalization became higher than ever. It should be noted that this period, beginning from 1999 marks the outset of the new civilian regime in Nigeria. Thus the increase in market capitalization may be attributable to the restoration of investors' confidence in addition to programmes introduced by the Government of Nigeria (for instance, the National Economic Empowerment Development Strategies – NEEDS). However, by the end of 2007, one would also notice a downward trend in market capitalization. This may be due to the crash experienced in the stock market as a result of the Global Financial Crisis experienced during that period.

The fluctuation in the lending rate in Fig. 1b is simply an indication of the government and monetary authority's inconsistent lending rate policy which seem to have a negative impact on investment and hence, market capitalization.

3. Methodology

This study was carried out at the Delta State University, Abraka, Nigeria to see the effect of interest rate variation on the level of stock market capitalization in Nigeria. The study covers the period 1981 – 2009 (refer to Table 1).

Method of Analysis

The study specifically adopted the Ordinary Least Square regression analysis to show the influence which variations in interest rate has on stock market capitalization in Nigeria. This technique is desirable because it is a consistent and unbiased estimator. The linear relationship between the dependent variable and the independent variable is determined.

Data Definition and Source

Basically, this research work relied on data extracted from the records of the Central Bank of Nigeria (CBN). Essentially, data covering the period 1981 – 2009 were sourced from the CBN Statistical Bulletin for the relevant years. The data used were Interest rates (IR) in addition to the annual market capitalization rates (MCAP) which comprises of variables such as Government Stocks/Securities rates (GSS_t), Debt/Bond rates (DB_t) and Equities rates (E_t).

Model Specification

For the purpose of this study, an equation model was developed in its log form and adopted as follows:

$$LMCAP = b_0 + b_1 LIR + U_t$$

$$b_1 < 0$$

Where:

MCAP = Market Capitalization

IR = Interest rate

U_t = Random Variable

L   = Natural Logarithm

b_0 = Constant

b_1 = Parameter

Hypothesis of the Study

In order to achieve the aim of this research, the researcher however formulated the hypothesis of the study as follows:

H_o: *There is no significant relationship between interest rate variation and the level of stock market capitalization in Nigeria for the period under study.*

H_A: *There is a significant relationship between interest rate variation and the level of stock market capitalization in Nigeria for the period under study.*

4. Results and Discussion

The summary of the OLS result is shown in Table 2 below:

Table 2. Summary of OLS Result (Dependent Variable = LMCAP)

Variables	Coefficient	Std. Error	t-Statistic	Prob.
LIR	-0.322087	0.108432	-2.970398	0.0056
C	-3.141929	3.869644	-0.811943	0.4239

R^2 = 0.83, $\bar{R}^2$ = 0.81, F statistic = 141.1806, Prob (F-Statistic) = 0.000,

DW Stat = 2.13, Fcritical = 4.17, tcritical = 2.052

The result in Table 2 above reveals a negative linear relationship between interest rate and the level of market capitalization, all things being equal. The result showed that in Nigeria, an increase in interest rate by 1% will lead to an increase in capitalization by 0.32%. The coefficient of determination suggests that a sizeable variation in market capitalization (83%) has been explained by the trend of interest rate. This is good since the unexplained variation is just 17%. The R^2 which is the adjusted $\bar{R}^2$ for degrees of freedom at 81% justified the inclusion of the interest rate in the model of market capitalization.

The F test with a value of 141.1806 and probability of 0.0000 suggests that interest rate is a significant factor to be considered when explaining changes in the level of market capitalization in Nigeria. This significant F_{cal} (141.1806) is greater than the F_{crit} (4.17), an indication that the alternative hypothesis is validated suggesting that there is a significant relationship between interest rate variation and stock market capitalization in Nigeria. This, leads to the invalidation of the null hypothesis of no relationship. The t-test showed similar result, since the t_{cal} (-2.970398) > t_{crit} (2.052). This also suggests that interest rate is statistically significant in explaining the changes in the level of market capitalization. This further justifies the validation of the alternative hypothesis by the F-test. The Durbin Watson value of 2. 131548 did not show evidence of the first order serial correlation in the model. This result is as expected in the literature (Ologunde et. al, 2006; Kurihara, 2006; Khrawish et. al, 2010).

The Granger Causality test is further used to test whether it was interest rate that causes change in market capitalization or if it was market capitalization that causes changes in the interest rate. The result of the test is presented in Table 3 below.

Table 3. Pairwise Granger Causality Tests

Sample: 1981 – 2009

Lags: 2

Null Hypothesis	Obs.	F-Statistic	Probability
IR does not Granger Cause MCAP	29	5.10354	0.01207
MCAP does not Granger Cause IR	0.42131	0.66137	

The result of the granger causality test above showed that it was interest rate that caused a change in the level of market capitalization in Nigeria since the F value of 5.10354 and probability of 0.01207 is statistically significant. Similarly, the result also indicated that the level of market capitalization does not cause change in the interest rate in Nigeria. This further confirms the statistical significance of the t test and the high explanatory power of the R^2.

5. Conclusion and Recommendation

The result from the empirical analysis of interest rate variation and stock market capitalization rate in Nigeria made some interesting revelation. The result showed that variations in interest rates over the years under study have played an important and influential role on the changes in the level of market capitalization in the country. The relationship suggested by the result between interest rate and stock market capitalization is an indication that a reduction in interest rate will encourage investment which will improve stock market activities and hence market capitalization in Nigeria. The result from the granger causality test further indicates however, that it was interest rate that caused changes in stock market capitalization and not the other way round.

The rejection of the null hypothesis thus calls for a recommendation that the Government of Nigeria and the appropriate monetary authorities should continue to give serious attention to policies geared towards lending rate in the country, if the desired level of market capitalization must be achieved. This is very important as a result of the multiplier effect of interest rate on investment and hence, the level of stock market capitalization rate in Nigeria.

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Organizational Optimization of a Company Through the Implementation of Business Intelligence Solutions

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Abstract: Most organizations don't need data. On the contrary, they have dozens of applications, files, data bases in which the smallest details are memorized regarding the daily activity. Yet, all these data should be united, compared, analysed and filtered to emphasize what is really important for the business. We have to find tendencies, opportunities, strategic directions. This is the role of Business Intelligence solutions. In this work, we shall tackle the importance of implementation of a Business Intelligence solution in a company and present a case study at a food distribution company from Romania. For the optimization of the company's management, we designed with the help of QlikView application some sales analysis reports, some presented under the form of tables, other under the form of graphs.

Keywords: data management; analysis; reports; QlikView

JEL Classification: M12; M15

1 Introduction

Making good decisions when doing business is as important as in our private life. Every day, we should make decisions which determine the direction and efficiency of activities from an organization. We make decisions regarding production, marketing or staff. The decisions made affect costs, sales and profit.

At first sight, we can say that only the persons from the hierarchy's top (Council Board, head manager, president) should take efficient decisions which bring success within the organization.

The efficient plans developed by the management of the organization can fail because of wrong decisions made by persons from inferior parts of the hierarchy in the implementation or performance process.

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In conclusion, all people from organization should take efficient decisions. The efficient decisions made at each level of the organization lead towards success.

Major changes determine the need for new instruments and approaches of decision process:

- Tough competition creates a high pressure upon profit gain. Businesses which act and react after past example are perfect candidates for the list of endangered species;
- Electronic data and data bases simply shoot up. Today's sophisticated systems as well as Enterprise Resource Planning(ERP) systems, e-commerce system, data warehouses and web heavily extend the available data quantity. The old instruments can no longer come up to the new challenges. From a historical point of view, the problem was data finding; now the problem is at the opposite side: how these data can be filtered in order to have a meaning?
- Pressure upon profit and rise of business steps determined the flattening and weakening of organizations. Everywhere, managers ask themselves the same questions: how can I obtain greater results with less resources? Flattened organizations are expected to move more rapidly because of the fact that the decision process is pushed down on the organizational hierarchy. How can these persons be accordingly prepared for new tasks?

From a historical point of view (but also for many actual companies), the companies lost too much time dealing with fiscal year end and data and financial reports preparation and too little time with analyses and revisions. This thing caused a discordance between analysis and revision and action process.

2. What is Business Intelligence?

Informational technologies evolved continuously and rapidly along last decades. During those times, companies implemented and ran a few generations of IT systems. Each of these systems addressed a specific set of business challenges and contributed to the company's full performance (Adelman & Moss, 2000). Also, the systems have been more or less integrated one with another so that end-to-end processes could better function and the information captured in a certain area of the organization could be used somewhere else.

Later, IT managers realized that these systems captured information which could be valuable to makers. Data from individual applications and data bases which managed the general account books, supply chains, sales, assistance given to clients and other similar were collected and consolidated in data warehouses and data marts. By interrogation and analysis of these consolidated data sets, business users could achieve a high-level insight of the key business opportunities and tendencies.

Thus, instead to limit itself only to help individual departments to operate effectively and more efficiently, IT supplied the necessary infrastructure to support the strategic management of the entire company.

Efficient decisions are those choices which lead the organization closer to the objectives established in due time. Taking into consideration this definition, we can notice three important components which help us take efficient decisions:

- determination of objectives;
- determination of some measuring methods for the identification of deviation from objectives;
- determination of terms in which objectives should be attained.

This information represents the starting point for decision making but also a quality assessment method of decisions made. Objectives should be clearly established and made known to all involved in the organization's activity. So that an objective can be the basis of efficient decisions, a measuring method should be defined for the determination at any moment of the deviation registered in current activity.

Business intelligence (BI) is a powerful instrument that the companies can use to improve the organizational performance offering valuable information for all the parties involved in the business. BI has become such a comprising concept that we must take a few minutes to revise it. Firstly, BI includes disciplines that are connected to each other, yet divided. Thus BI can be divided into four basic zones (Moss & Atre, 2003):

- Data integration refers to the modality that allows data from different business processes, programs, platforms and systems to be assimilated so as to create consistent information that can be trusted an easily used;
- Data management means creating a central deposit to stock data in a form and location that makes them more accessible to the analysis engine;
- Analysis is a term used for mining, modeling and optimizing data to estimate the tendencies that will be communicated to the decision makers;
- Reporting allows final users to see and show the results in a personalized form.

The BI concept represents an architecture and a collection of applications and integrated operative databases, as well as of systems based on decision assistance, that provide to the business community easy access to the data on the respective business. The BI concept represents a series of marketing techniques and analyses which can be fulfilled with the help of a special software. By means of this system, the experts analyse the internal data of a company (Anandarajan & Srinivasan, 2004; Loshin, 2003).

The BI concept focuses on the interdepartmental activities of a company, the analysis of material and informational flows as well as the improvement strategies of the activities inside of the company. The "Organizational Management"

considers Business Intelligence to be a vital means of activity improvement, gaining of competitive advantage and meeting the strategic goals (Turban & all, 2007, Vitt & Stacia, 2002).

In Romania, the market of Business Intelligence solutions, together with that of ERP solutions, experienced an impressive evolution due both to the national economical development and to meet the need of companies to remain competitive on the market.

2.1. Advantages of Business Intelligence Solution Implementation in a Company

With a BI solution you can easily obtain answers to questions of the type:

- Who are the most profitable clients and which are the most efficient products?
- What is the company's profitability at quarter level?
- What last day events need special attention?

The work instruments which BI applications offer give the managerial department of the company the possibility to get involved and to begin analyzing data, without having to wait for the IT departments to hand in complex reports (Bălăceanu, 2007, p. 67-73). The use of a BI solution should not be limited to a single department or group within a company. Each department may use specific capacities of such solution (Dresner, 2010):

- The IT department provides the necessary operational systems for the other departments. Report generation has been the IT departments' traditional responsibility, but they should be released from this burden and provide, in exchange - with minimum time, information resources or outfit – an analysis and reporting solution for all the other departments, so that they get quickly the necessary information;
- The financial department uses the BI capacities to analyze data, generate reports and financial statistics, and make financial decisions with them;
- The logistics department may anticipate demands and estimate inventories;
- The marketing and sale departments may estimate sales, profitability and analyze the market behaviour on brands (groups of products) and distribution channels (groups of customers).

BI applications offer to users a valuable internal vision to use information, to identify business problems and opportunities quickly (Biere, 2003). Users can access and operate great quantities of information to analyse relations and understand tendencies which support finally the business decisions. These tools prevent the potential loss of knowledge within the company which results from massive accumulation of information which are not easily accessible or in an usable form.

The desired result of BI projects in business is the company's continuous improvement through the opportune information which increases the power of decision.

2.2. A Study Realized at Some Companies which Implemented a BI

As a result of a study realized at some Romanian companies which implemented a BI solution, we concluded the following aspects:

- The time of access to business information and analysis reduces with 50%;
- Any BI solution consolidates multiple data sources easily;
- The speed to obtain the reports rises from 1-2 days for complex reports up to few minutes;
- It presents flexibility regarding data measurement – if it has been found an area which needs explanations (for example an unexpected diminution of sold quantities from a sales channel) we can dig deeper into data till we identify the problem in a very short time (we select the channel or group, choose the client and then the product which determined the diminution);
- It leads to the reduction of the number of employees who are taking care of reporting (from six persons to one person);
- The obtainment of quick results determines the action of sales agents only when main problems appear (when sales decrease);
- Management and performance staff have access to same data and alarm signals displayed by BI, the discussion switching to figures interpretation and corrective actions.

The benefits brought by a „business intelligence" software application can be synthesized as follows (Zillman, 2010):

- Reduction of necessary staff: staff cost reduction in the process attended by software solution;
- Reduction of number of errors: cost reduction with revision or redress for errors resulted from a certain process;
- Revenue increase: by sales increase due for example to the time processing diminution of orders;
- Generation of a comprehensive image about the clients behaviour, risks and profitability, thus contributing to the efficiency improvement of offers and marketing companies;
- Creation of a coherent perspective about real costs, profitability, scenarios with previsions and optimization strategies;
- Savings resulted from productivity growth;
- Decision process improvement;
- Quality improvement;

- Improvement of client satisfaction, partners or employees;
- Information quality improvement for decision process;
- Identification, measuring, monitoring, control and correct reporting of risks within the business.

The beneficiaries of BI solutions are unanimous regarding the results of their implementation vis-a-vis the implementation of other solutions from ERP family. The benefits are appreciated as being greater and visible more rapidly. The effects of a BI system installation are amazing because this produces the necessary information at the moment when it is required, ensuring one of the ingredients of success in business.

3. Case Study – Design of a BI Solution with the Help of Qlikview Application

In order to design the reports on analysis we used the QlikView application, which is an excellent tool in analyzing the critical information on a business (QlikTech International, 2010). We chose the QlikView application instead of any other BI solution available on the local market because of the advantages offered by this technology:

- very little development time;
- simple modification and maintenance;
- extremely intuitive interface (almost there is no need for training);
- small price in comparison with other solutions;
- flexible licensing system (but not complicated or formed from dozens of modules as to other solutions);
- possibility to offer Business Intelligence Off-The-Shelf.

As a synthesis, we consider that the strongest points of QlikView application in comparison with competing solutions from local market are the very strong analysis engine, with little response time to great volumes of data, price and duration of implementation.

QlikView is the business intelligence solution that extends the concept of simplifying the analysis for everybody, further than ever (Swoyer, 2008). The extended facilities for personalizing and visualizing information, combined with advanced co-operative work abilities make QlikView easily adapted within organizations (companies and public institutions) that use intensively electronic data stocks. QlikView offers (Manohar, 2008):

- personalized dashboards;
- a powerful reporting engine – fast and easily combines and distributes data from multiple sources;

- flexible solutions - QlikView users can connect to the internet;
- personalized applications – the possibility to develop very fast 100% personalized solutions.

To give an example we considered a company that deals with food distribution in Romania. The company has got several warehouses situated at different addresses and furnishes food products to several clients from all over the country. The used information refers to:

- Articles characterized through: Product Code, Product Name, Weight, Product Group, Group Type;
- Customers defined through: Customer Code, Customer Name, Location Code, Customer Location Name, Customer Group, Customer Group Type, Department, Town, Invoicing Code;
- Invoice heading which comprises: ID, Invoicing Code, Date, Warehouse Location, Warehouse and Bill;
- Invoice lines consisting of: ID, Product Code, Quantity and Price.

The most important operation that can be done very easily with QlikView is the "Filter" spreadsheet. This allows visualizing several pieces of information at the same time. The operations that can be made on this page are:

- The simple or multiple selection: for example if we select a certain product we can visualize information about the name, the customer's type and location to whom the product was distributed, about the group of product to which the particular product belongs, the warehouse, the delivered quantity and the price of the product, about the bills released for the sell of the product.
- The search: for example, if we want to find a bill number in order to see the information comprised in this particular bill (sold product, date of release, quantity, price), we have to select the thing corresponding to the bill and introduce the number of the bill. As the numbers are being introduced, all the bills that have the specified values comprised in their number are selected.

A very important thing for the drawing of all the spreadsheets is the dimension established as representative for them. Thus we used as dimensions: time, location of warehouses, customers or products. These can be selected and altered on each sheet and we can use combinations of these dimensions in order to define groups.

Further, there are presented a few sales analysis reports achieved by the company in different time periods. Each report can be very easily modified by a single click or by modifying the display way (table or graph) or by choosing another option from defined groups (for example for time dimension we defined the "Period" group formed from: year, month, week, current date, weekend).

A. Dashboard. In this graph, it is presented the sales evolution by pursuit of sold quantities evolution, obtained value, average price and there have been calculated

the daily average, average per client, number of sold products, number of clients and KPI (see figure 1).

To obtain KPI, we used a variable No_months which represents a natural number which shows with how many months behind I can go for the comparison with the selected period. It is compared the period from the beginning of the month till Data_analysis (for example 10. 08. 2011) with the same period from the month obtained by completing the value for No_months.
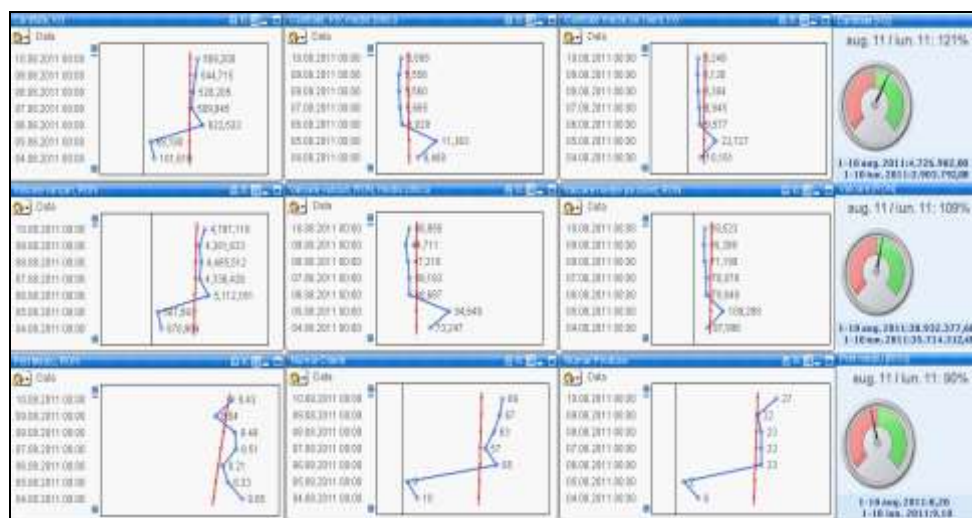

Figure 1. Dashboard

B. Sales structure. In this table, there are presented the products sold to each client and the relative proportion regarding selection (see figure 2) at a certain date.

Location	R : 10.08.2011	Pondere (%)
Total	4,726,902	100.00%
Bucuresti	883,690	18.69%
Pitesti	540,860	11.44%
Brasov	805,681	17.04%
Craiova	385,320	8.15%
Iasi	343,915	7.28%
Timisoara	329,376	6.97%
Valcea	1,438,060	30.42%

Figure 2. Structure of sales

The information from this table can be displayed also in detail by presentation of all groups of products from each location or for each client. For example, for a selected group of products, we obtain the detailed information about products sold from the respective group, per client or on the whole (see figure 3). The same

information (realized sales and weight) can be pointed out also for each group of clients, for each group of products, per locality or for each issued invoice.

Location	Name of product	Client	R : 10.08.2011	Pondere (%)
Total			2,244,670	100.00%
Bucuresti	PATE BUCEGI		23,000	1.02%
	PATE SIBIU GASCA	SC 273	10,000	0.45%
	PATE SIBIU PORC	SC 250	29,940	1.33%
		SC 635	20,840	0.93%
	PATE SIBIU PUI		98,240	4.38%
Pitesti	PATE ARDEAL PORC	SC 7	2,220	0.10%
	PATE BUCEGI		216,120	9.63%
	PATE SIBIU GASCA	SC 7	2,650	0.12%
		SC 353	1,500	0.07%
		SC 622	3,000	0.13%
	PATE SIBIU PORC	SC 22	29,190	1.30%
		SC 324	89,080	3.97%
		SC 621	2,910	0.13%
		SC LORIMAD...	17,890	0.80%
	PATE SIBIU PUI		139,360	6.21%
Brasov	PATE BUCEGI		297,440	13.25%
	PATE SIBIU PORC	SC 51	10,000	0.45%
		SC 703	20,900	0.93%
		SC 727	13,000	0.58%
		SC 759	6,600	0.29%
		SC LAICOM SRL	5,000	0.22%
	PATE SIBIU PUI		185,820	8.28%
Craiova	PATE BUCEGI		201,000	8.95%
	PATE SIBIU PUI		128,500	5.72%
Iasi	PATE ARDEAL PUI	SC 679	980	0.04%
	PATE BUCEGI		120	0.01%
Timisoara	PATE SIBIU PUI		41,280	1.84%
Valcea	PATE ARDEAL PORC	SC 273	1,010	0.04%
		SC 554	5,080	0.23%
	PATE BUCEGI		405,480	18.06%
	PATE SIBIU GASCA	SC 273	5,000	0.22%
	PATE SIBIU PUI		231,520	10.31%

Figure 3. Sales structure for group of products „Meat"

C. Portfolio analysis of product categories. In order to obtain information regarding the products which sell better or which products have to be replaced, we realized a new report in which we presented the monthly quantity sold for each product from the group of products selected per total or per location of warehouses as well as the monthly relative proportion per quantity (see figure 4).

Figure 4. Portfolio analysis of food products

4. Conclusion

Business Intelligence systems are useful to all who need quality information as to be efficient, especially to decision factors from management, financial, marketing, sales, logistics or IT departments.

A BI system is simple, visual and easy to understand, offering to people the liberty to answer questions on the spot. The way of visualization can be changed only by a single click depending of the needs of every user. BI system can realize interactive visualizations in only few seconds even when we work with great volumes of information. This allows to users from different company levels to pass from data tables to interactive visualizations by only a click. Then, they will be able to explore, visualize and share information without specialized support.

BI solutions offer the possibility to select needed data in view of realization of suitable analyses, generation of graphs according to different types of content and forecasting – all integrated in the specific business context. Moreover, they provide the support for daily activities: issuance of offers, contracts, personalized invoices, takeover of orders and complaints.

Implementation of a BI system is a necessity in terms of today's competitive market. If fifteen years ago, managers got along perfectly without Excel or mobile phone, these are indispensable tools for a business management nowadays. A business intelligence system is equally essential.

BI capitalizes the advantage of enterprise applications (ERP, CRM, SCM) already installed which maximize the benefits of IT investments. BI extracts valuable information from transactional data bases of the company. Important companies

which greatly invested in the creation of data warehouses can do the following step by implementing a BI system which fully accomplishes the investment efforts.

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A Systemic Approach of the Strategic
Score in the Modern Organization System Model

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Abstract: Does strategic appreciation for the modern management model follow the ups and downs of economic cycles? Using multilevel regression we study the effects of organization adaptation on strategic level appreciation. The findings indicate that in particular managing factors matter for strategic-level attitudes towards the organizations developments. Strategic features – ability and specific strategy stakes – also affect attitudes towards the organization developments. Moreover, there are substantial differences in how manager from the opposing ends of the political spectrum perceive the organization developments.

Keywords: modern organization; system model; strategic appreciation; systemic approach; organization performance; adaptation

Jel Classification: K00; K10

The role of the organization adaptation for the society, and in particular for the corporation ideologies is a persistent theme in social sciences. We obtains the impression, that – much more than political ideologies – the attitudes toward the organization adaptation and economic issues are influenced by organization developments, often by the short term business cycles. It has to be remarked that both corporation substantially profited earlier on from the boom in financial services and banking, respectively the opening up of their organization developments. In general terms, strategic-level attitudes towards the organization adaptation also seemed to have changed rapidly. Indicators of this change are in particular the widespread calls for protectionism, government intervention, and a fundamental critique of economic actors, notably banks.

Contrary to passing events like protests, this may indicate a more fundamental and long-term shift regarding the evaluation of organization adaptation and the relationship between the state and the corporation. And a question is whether the strategic appreciation for these changes is also long-term or only a sharp but passing reaction to another crisis of a business model, which inevitable cycles are basically accepted. All this raises several questions: are management attitudes

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towards the liberalism organization adaptation just a reflection of the economic situation? Does approval of constitutive elements – on which this liberalism system is based – rise when things are going well and drop, if they are not? Or, is the business system accepted in a diffuse way, so its strategic appreciation is robust against short term fluctuations in performance? What are the criteria in the state and adaptation which affect organization's attitudes most? Last, are the criteria the same for all or do organization in a different situation and with different ideological predispositions evaluate the adaptation by different criteria?

This paper is not about explaining attitudes towards the organization adaptation to the fullest possible extent, which may require additional approaches, in particular psychological ones. Instead, we investigate the role of support for attitudes towards the organization development and in particular the interaction between the perception of organization adaptation and strategic-level attitudes like ideological predispositions. After outlining, which elements of the adaptation are the focuses of the paper; we will elaborate hypotheses on managing factors and strategic-level characteristics which may affect a strategy's attitude towards the organization developments.

1. The Adaptation as an Object of Attitudes: Conceptualization and Operationalization

The current liberalism system as it is established has, despite some institutional variation - Hall & Soskice, 2001 - a certain set of common features. It is based on predominantly private ownership, albeit from a comparative perspective, all corporations can be placed on a continuum ranging from full private ownership to fully public ownership, reaching neither extreme. Organizations are competing and in this competition are driven by self-interest and the interest in profit. Enterprises and entrepreneurs are not fulfilling "second-best criteria", such as maximizing employment. While they are not the most important economic actors, neither in terms of generating societal wealth nor in terms of generating employment, the major' companies disproportionately dominate the news. It is their behavior (for instance in terms of manager remuneration, lobbying, or collusion in form of price cartels) which dominates the news. Small and medium sized organizations rarely make headlines. To varying degrees, the economies are open and thus subject to cross border interaction in forms of foreign investment and trade. These features of the liberalism system shall define which attitudes we will study in the course of this paper:

- The role of the strategic appreciation and state for the organization developments,

- The attitude towards competition as the predominant economic principle, and

- The confidence in the liberal's major companies.

The government acceptance of each element defining liberalism organization, from competition to private ownership, varies. What differ are both the level and the variation in support? In some corporation, strategic appreciation is high and quite uniformly so, in others, the average level of appreciation may be the same, but there are stakeholders strongly in strategic appreciation as well as stakeholders strongly opposed to the principle in question. The distribution of support is in some corporation also strongly skewed, with a clustering of most stakeholders close to the mean, typically in the middle of the scale, but a large stakeholder with other opinions covering only one side of the spectrum. The question is, for what reasons stakeholder acceptance differs. We presume that acceptance is partly instrumentally, partly intrinsic by nature.

✓ Regarding the instrumental component, we presume the following mechanism linking economic development and the attitudes towards the organization: the organization adaptation is delivering something, namely economic prosperity, but in particular a constant increase in the level of prosperity. Historically, the performance of Liberal Corporation is unmatched and it is in the material interest of the managers that the adaptation and its requisites continue to exist, if they are interested in material wellbeing and see the causal relationship between this particular form of an economic constitution and their wellbeing. This instrumental view also makes the strategic appreciation subject to fluctuations: if the adaptation is delivering, if things improve, the elements on which the organization is based and which are required by the management for its functioning, will be held in higher regard, and be more accepted. Vice versa, if the development slips into a crisis, the stakeholder will change her beliefs, and look for alternatives towards the current economic model. Equivalent to the literature on strategic appreciation for political institutions, which found that the institution's performance is a very strong factor for strategic appreciation (Newton, 2006), our main hypothesis is that organization performance increases strategic appreciation for the current economic model.

✓ Regarding the intrinsic component, we also presume stable managing attitudes to be relevant for the strategic appreciation of the model. Stakeholder holds a certain model in high or low regard, irrespective of its current performance. Some will be in favor of more governmental intervention and control and will be more critical of competition as a mechanism guiding stakeholder, irrespective of the current organization performance. This might even prefer a lower level of organization performance if the elements of the organization adaptation she decidedly dislikes were removed. Psychological studies such as Jost & al. (2003a, 2003b) have shown that there is a range of psychological properties going together with the acceptance of the "market" and the broader societal system. However,

these correlations cannot be interpreted in causal way whereas the link between personal material interests and the effects of organization adaptation can.

We will look at the contribution of the short-term development to explaining the level of strategic appreciation for various elements of the liberalism market organization developments. The degree to which these attitudes are influenced by development will be interpreted as the instrumental component while the effect of other, in particular ideological characteristics of the stakeholder, will be seen as covering the intrinsic component of appreciation. How can "organization developments" be made accessible, be operationalized for empirical research? Attitudes towards the corporation adaptation are typically not in the focus of attitude research, and within these limitations, the survey items used as dependent variables of this study cover attitudes concerning the following elements of the liberalism model outlined above: "confidence companies" covers the stakeholder's confidence in the major companies. The question is a rather general one, which in particular does not actually give information about in what regards stakeholder trust or distrust the companies. Confidence might be as simple as having confidence in the legality of their behavior. It might also be confidence that they accept a certain responsibility for the society as a whole. The stakeholder's confidence in major companies is measured on a 4-point-scale, where 4 indicate a great deal of confidence.

The variable "government ownership" captures the stakeholder's preference for more or less government ownership, which would mean more or less control for the state, and thereby also a different strategic for these state-run enterprises. In particular, the motive would not be maximizing shareholder value, but to take into account politically determined aims, such social responsibility which expresses itself in abstaining from cutting jobs for the sake of profitability. Government ownership is a 10-point-scale where 10 stands indicate the opinion that government ownership of business should be increased.

Last, the variable "competition bad" covers the evaluation of competition as a general principle on which the organization adaptation is based. The extension of the competitive principle in other realms of society and public life is in some quarters seen highly critical because of its detrimental impact on social cohesion; a notable work in this area is "the economic horror" by Viviane Forrester. The other argument, going back to Adam Smith, is that competition stimulates manager to do their best and thus is beneficial for all. Competition bad is a 10-point-scale where 10 indicates the opinion that competition is bad and brings forth the worst out of stakeholder.

2. Determinants of Attitudes towards the Strategic Appreciation

Economics strongly affects the material well-being of strategic, and thus the most basic hypothesis is that strategic appreciation follows the money. This is also the implicit hypothesis underlying research on the role of adaptation for politics, which has been on the agenda of political science for decades. The argument is that political institutions and also governments are evaluated with regard to their performance, be it the overall strategic development or the specific strategy situation, cf. Kramer (1971, 1983), Markus (1988), Lewis-beck (1985), Lewis-beck & Stegmaier (2000) and Newton (2006). While this paper covers a different theme, some of the arguments on the impact of economics on voting and political attitudes can give hints about potential explanations for economic attitudes. Generally, explanatory variables can be located at either the strategic level or the macro-level. They encompass the strategy's ideological stance but also her socioeconomic situation and the development of the organization developments, in which the strategic is embedded.

3. Strategic-Level Variables

While studies such as Jost & al. showed that there are psychological foundations of the evaluation of the organization developments, this paper will study factors which are not purely psychological, but are rational by nature and in particular relate to objective, outside factors. At the strategic level there is a range of plausible factors which may affect attitudes towards the organization developments. Some concern instrumental evaluations, i.e. the economic model are accepted because it generates material benefits for the person. Others are intrinsic; in particular the strategy's ideological orientation. Studies such as Duch & al. (2000), Evans/Anderson (2006) and Gomez & Wilson (2006) found, that stakeholder's evaluation of the economic model is influenced by their socioeconomic status.

While it is commonly agreed that the stakeholder situation affects preferences regarding economic policy, downs (1957), more recent research argues that also the perception of the state of the organization strategy depends on one's situation - Duch & al. (2000), Gomez & Wilson (2006) and Kaltenthaler & al. (2008). There is a range of possible strategic features and mechanisms which may exert such effects. Satisfied are typically more exposed to the organization developments: for instance, they are more exposed to developments of the stock market and presumably also have a more positive perception of the market organization developments, which allows them to earn a higher income. Kaltenthaler & al. (2008) found the wealthy to be less in favor of distributional activities of government, because the wealthy are likely to be the ones paying for these activities - Svallfors (1997) and Linos & West (2003). More general Kaltenthaler

& al. argue that the winners of the current status quo – in our case free liberalism economies – are less in favor of government interventions, than those who are less successful in the perpetual struggle of making a living in a free market. Transferred to our issue, this mechanism implies that the most appropriate are less in favor of interventions in the market and more positively evaluating the market principle per se (competition).

An equivalent effect can be supposed for ability. Studies such as Kaltenthaler & al. (2008) and Duch & al. (2000) argue that stakeholder with higher levels of ability are also more able to make a satisfying adaptation irrespective of the current state of the organization developments. Both studies found that having a certain level of ability achievement influences the perception of the adaptation strategy and the preference for distributive policy. In accordance with their argument, we would argue that this mechanism may equally apply for the strategic appreciation of the constitutive elements on which the organization adaptation is based. And for this reason, we control for the ability achievement. Their higher stock of human capital (including formal certificates of ability achievement) enables the well-educated to cope more successful with the demands of a competitive society. They should be in favor of competition, because their superior skills and knowledge gives them a competitive advantage. The prediction is that higher levels of ability lead – ceteris paribus – to a set of attitudes more favorable of the liberal organization developments. As for a second, complementary mechanism, higher educated stakeholder are more likely to know that protectionism, in whatever form, is damaging for all in the long run. If there is a commonly known insight from the great depression, it is that the surge of protectionism made it worse and spread it. Better educated stakeholder are also more likely to be aware of the fact that government run enterprises are likely to underperform compared to their privately run peers, and that these inefficiencies lower societal wealth.

Similar arguments pertain to access to information and media exposure: stakeholder who are well informed about the state of the organization differ in the perception of the state of the organization adaptation from less informed stakeholder…Mutz (1994), Bartels (1996), Althaus (1998), Hetherington (1996) and Duch & al. (2000: 637/8). We want to test, whether this finding also extends to the evaluation of the principles on which the strategic appreciation is based. Given the empirical evidence found in these studies we would presume that stakeholder who are better informed and more exposed to the media are less in favor of government intervention, protectionism and also less critical of the major companies. This hypothesis is based on the argument that, while for example a single scandal involving a major company may well makes headlines, such behavior is not typical for the corporate world. Stakeholders who are better informed are presumably aware of this fact and will not reject liberalism because of few failures. They are also aware of the fact that protectionism is disadvantageous

and government intervention often lowers productivity and thereby overall societal welfare. It would be interesting to look for differences in the type of media consumed, i.e. what newspaper the stakeholder is actually reading, but such information is not available.

The involved distressed are presumably more critical of the profit driven organization, because this principle is to some degree at fault for them situation. Striving for profit often implies opportunity, in particular in times of crisis. This motive is less strong for government run enterprises and thus, more government ownership might for many involved distressed mean that they would still have a real opportunity if the companies were government run and thus not motivated by profit but by also by social responsibility. In a similar argument, Kaltenthaler & al. (2008) found the - involved distressed – as the ones profiting from government's redistributive efforts – to be in favor of policies aiming at reducing income inequality. Regarding our theme, we would at the very least presume the involved distressed to be more in favor of government ownership and to be more critical of companies which fail to create opportunity.

Last, the actual impact of managing performance indicators, how well or bad things are on the whole, may or may not actually concern a certain stakeholder. Even in the biggest crisis, some manager will benefit. For example, in the case of the subprime crisis, manager who specialize on renegotiating mortgages under the mortgage restructuring program are sought after. To control for the egocentric evaluation of the "objective economic situation", we included the subjective indicator of satisfaction with the financial situation of the stakeholder's household. Again, the hypothesis is that if the situation is perceived to be favorable, stakeholder is more supportive of the strategy providing these favorable outcomes – irrespective of the general state of the organization development.

4. Managing Performance Indicators

Organization performance has a long-term and a short term aspect; it can be evaluated in terms of past experience and in terms of future expectations. The selection of managing performance indicators reflects both distinctions. Regarding the ex post evaluation, we presume that short term aspects dominates the news, the attitudes. In particular, stakeholder tends to forget the level of prosperity they are living in. Even during a recession, like the one starting in 2008, the standard of living is higher in the US than it is in many other corporations. But it is the loss, the decline which makes the recession a hard experience. This is consistent with the habituation effect, and the loss aversion, in the sense that losses and declines are felt more strongly than gains and improvements - Thaler (1991, pp. 28), Kahnemann & Tversky (1979) for the underlying psychological mechanisms and Soroka (2006) for an application to voting behavior. As managing indicators of

recent performance, we use the following: 1) GDP growth during the two years preceding the survey. 2) The level of involved distressed and 3) the change in the involved distressed level in the five years preceding the survey as the objective risk of losing opportunity. We chose to supplement the level of involved distressed with the changes thereof, because stakeholder might get used to high levels of involved distressed.

In political studies on effects of adaptation on voting behavior a crucial question is, whether voters evaluate political actors – implicitly held to be responsible for the economic development – retrospective or prospective, based on what they recently experienced, or on what they expect - Mackuen & al. (1992) and Alesina & al. (1993). Possible prospective information is the development of the stock market, which represents the educated guess about what is to come in economic terms. However this information is not spread in the broader in a way comparable to the development of GDP and the involved distressed rate, both of which are reported in all media on a regular basis, albeit it is highly relevant for certain. While inflation is another highly relevant managing indicator, we found it to be highly correlated with performance and involved distressed. Performing a factor analysis indicates that for this sample (of corporation in a certain period) all of them constitute a common factor, which might be labeled "organization development". There is in particular for the involved distressed variables reason that they affect different stakeholder differently, making it worthwhile to include these indicators. Because inflation (measured as the short term change in the consumer price level) was for the sample strongly (negatively) correlated with the short-term organization performance, it was excluded to avoid multicollinearity. The variables on managing performance used are uncorrelated.

For all organization performance indicators we state the basic hypothesis that improvement and high performance lead to more positive attitudes towards the organization strategy and vice versa. If the organization adaptation is "delivering", this will ceteris paribus make the liberalism system more acceptable to stakeholder living in the system. For instance, intrinsically, stakeholder might still not like competition, but instrumentally, because of its superior capability of generating wealth, the system and the principles on which it is bases, are accepted.

5. Conditionality of Effects

A main point we want to investigate in addition to the hypotheses given above, is that the effects of the managing factors are conditional on the properties and the attitudes of the strategic. Stakeholder perceives the same economic situation differently and, as a consequence, reacts differently. Indeed, the scientific treatment of the "organization developments" as an object of attitudes is not free from this phenomenon. The clearest case in point is Jost & al. (2000b), who presume that

inequality in society is unfair and that stakeholder are in a state of self-delusion regarding their acceptance of the inequality and the system causing it. The study by Duch & al. (2000) showed that do not typically perceive the state of the adaptation in a similar way (if they do so, it is only in periods of economic downturn). Instead, different stakeholder perceive the current state of the adaptation as being very different and this perception can partly be accounted for by specific characteristics, such as ideology and interests – Gomez & Wilson (2006). In a similar way, we ask: do stakeholder with a different socioeconomic and a different ideological conviction perceive the development differently and do, for this reason, the very same "objective" situation lead to different effects regarding the strategic appreciation of the "economic model" at the strategic level? In the statistical model, such effects are included as cross-level interaction effects. Here, the effect of a managing-level variable depends on a certain strategic-level variable.

6. Methods and Results

The dataset used is the 2005 round of the world value survey, conducted in autumn and winter 2005/2006. The dataset, after adding the managing data and removing corporation where the items analyzed here were not part of the questionnaire, contains about 18. 500 strategic in 25 corporation. The analysis uses strategic-level features for explanation, supplemented by cross-level interactions and the appropriate statistical method to implement this is multilevel regression analysis. The statistical procedure used here is the gllamm routine, (Rabe-hesketh & al. (2004), implemented in stata. For the 4-point confide companies variable, the ordinal logit variant was used, for the 10-point-scale variables the linear model. As gllamm performs a maximum likelihood estimation, pseudo r^2 values are reported based on the mcfadden formula, comparing the full and intercept-only model; pseudo $r^2 = 1- (ll_1/ll_0)$. in addition, the squared correlation coefficients between predicted and observed values are reported for each variable.

As for the interpretation, level variables affect the average level of a certain attitude in a country. If the organization development's short term performance is high in a certain country, stakeholder there will – on average – be more confident in the major companies. Strategic-level variables explain an strategic' s deviation from the organization's average in a dependent variable, for instance, self-satisfied are more critical of major companies. The cross-level interaction variables test, whether the effect of a certain strategic-level variable is stronger for manager with certain properties, i.e. whether there is an explanatory contribution in addition to the constitutive variables. For instance, if the cross-level interaction variable combining change in involved distressed rate and an strategic' s status would have a strong effect, the development involved distressed rate would matter more for the attitudes of stakeholder who are unsatisfied than for stakeholder who are satisfied.

The situation for period under consideration was, on the whole, quite positive, but the corporations surveyed progressed at very different speeds. While there was no recession, GDP increased dramatically in some, but stagnated in others. Some were characterized by low levels of involved distressed, some had quite high levels. In some cases, the job market improved substantially, in others, it remained basically unchanged. For the purpose of the paper, two things make the sample usable: the substantial variation in the managing indicators used, and the absent correlation of them. There are factually all constellations, leaving the indicators uncorrelated, and avoiding the problem of multicollinearity.

Table 1. Factors for strategic appreciation of the economic model

	Confidcompanies	Govownership	Competitionbad
Level variables			
Stockperformance0406	0.349***	0.01	-0.191***
Shortperformance0305	0.303***	-0.115***	-0.063**
Involved distressed0305	0.167***	0.003	0.039***
Changeinvolved distressed0005	-0.258***	-0.021*	-0.046***
Strategic level variables			
Satisfactionfinancial	0.161***	-0.01	-0.001
Lrscale	0.268***	-0.141***	-0.104***
Extremeleft	0. 023	0. 012	-0.022*
Extremeright	-0.007	0.034***	0.004
Publicsectoremployment	-0.052***	0.085***	0.049***
Selfsatisfied	-0.258**	0.222***	-0.078
Unsatisfied	0.019	0.006	0.015*
Infoexposure	0.088***	-0.048***	-0.060***
Ability	-0.048**	-0.061***	-0.068***
Income	0.087*	-0.050*	0.081***
Age	0.025	-0.038***	-0.033***
Interaction variables			
Clperformancexselfsatisfied	0.181	-0.188***	0.07
Clperformancexincome	-0.051	0.037	-0.149***
Clperformancexlrscale	-0.163**	0.064*	0.079**
Clstockperfxincome	0.112**	-0. 043*	0.012
Clchangeunemployxunsatisfied	0.01	0.003	0.006
Statistics			
N	18111	16296	18484
Corporation	25	22	25
Mcfadden pseudo r2	0.010	0.011	0.006
Correlation predicted observed	0.047	0.034	0.026

Remark

Variables are standardized

Legend: * $p<0.05$; ** $p<0.01$; *** $p<0.001$

An analysis of variance, shows that most variation is located at the strategic level, within corporation, and thus due to strategic-level features. Despite low overall explanatory power, reported in the lower rows of table 1, there are some substantial effects, which allow for a test of the hypotheses derived. Some managing attitudes react strongly to different aspects of managing development; some are quite

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isolated from overall development of the organization developments. Taken together, the findings hint at a more complex causal story than outlined in the basic hypothesis that manager profiting from the liberalism market organization adaptation are more pro-market.

How do levels of strategic appreciation for the model in a country react to changes in organization performance?

Stakeholder confidence in the country's big companies reacts strongest to economic developments, indicating that the major companies are indeed the center of public attitudes towards the organization developments, the personification of the organization developments. It is also the case strongest in line with the hypotheses.

- *Improvement of the situation, increases confidences in those actors which are in the focus of the media.*

Confidence is also higher in corporation with currently high levels of involved distressed. Regarding governmental control of the organization adaptation by direct ownership, economic overall development has a much smaller albeit still consistent impact: in times of strong economic growth and in periods where the labor market improves, strategic appreciation for direct governmental ownership of business decreases, both of which is in line with hypothesis. The level of involved distressed per se has no effect on this attitude. The expectation that a positive economic outlook, indicated by an increasing stock market, also increases strategic appreciation for private ownership cannot be supported. Acceptance of competition, as the central coordinating mechanism, is increased in times of a soaring stock market and in times of strong economic growth. High levels of involved distressed induce more skepticism about competition, but an increasing involved distressed rate increases the strategic appreciation for this element of the model. Comparing the effects of managing indicators on the strategic appreciation for the system model indicates, that confidence in companies and the attitude towards competition are the most "economic" attitudes, while the limited relevance of the indicators for the issue of stakeholder ownership indicates that this is more of a non-economic, i.e. political attitude.

- *Strategic-level features show several significant coefficients, but only few are of a magnitude warranting a more detailed interpretation.*

Stakeholders who are satisfied with their situation are neither more supportive nor more critical of government ownership and the competitive principle, but have significantly more confidence in the most visible economic actors, i.e. the companies. Unsurprisingly, ideology is the feature with most clear-cut effect on how stakeholder evaluates the model, and, as will be shown below, ideology also affects how stakeholder perceives developments. The stakeholders' position scale per se strongly affects this strategic' attitudes towards ownership and the

competitive mechanism, in that stakeholder more to the right are much more supportive of private ownership and the competitive principle. A satisfied ideology also increases confidence in companies. As will be shown later, the effect of ideology also works by a slightly different mechanism. As for stakeholder with extreme attitudes, i.e. on the extreme ends of the ideological dimension, they are not outstanding in their attitudes, the ideological effect is linear.

Stakeholder satisfied is, as was supposed, more in favor of government ownership (and presumable more in favor of government activity on the whole). They differ strongest in this regard, but their views on companies (they have less confidence) and competition (they more often believe it to bring out the worst) also differ significantly, in that they are less supportive of the organization strategic and its actors. Among the self-satisfied, two attitudes are markedly different. They have significantly and substantially less confidence in the country's major companies. One explanation, which can often be heard when talking with self-satisfied running smaller companies, (and who are, presumably, the self-satisfied in this sample), is that the "big ones" are unfairly favored by government, in that they have both more influence and disproportionately more strategic appreciation of government than smaller enterprises, notably in getting subsidies. They are also much more in favor of government ownership, but do not differ from other manager in their view of the competitive principle.

- *The unsatisfied per se do not differ from other respondents in either of the attitudes*.

Stakeholder with higher levels of information and media exposure differ significantly from less-informed in all three aspects and are, on the whole, more supportive of a free organization adaptation: they have more confidence in companies, are less in favor of government ownership, and are less critical of competition as a the crucial element of the liberalism organization. Ability also has substantial strategic-level coefficients: highly educated stakeholder are significantly less confident regarding the country's major companies, but are less supportive of government ownership and more supportive of the competitive principle. Note that ability and income correlate with only 0.35 in the sample. As for the last of the socioeconomic variables, older manager differ from younger ones in that their evaluation of government ownership and competition is more pro-market, but the effects are of a small magnitude only.

The cross-level interaction effects test for a different subjective perception of the same, objective development which is due to the fact that the perceiving the objective facts has a certain material interest at stake or perceives reality through the lens of a different ideology. Self-satisfied react their evaluation of certain elements of the economic model strongly to the organization situation. While they usually are characterized by low confidence in the major companies, they have

more much confidence in major companies, if the recent economic development was positive (usually associated with a flow of positive news on the organization adaptation in which the big companies are in the center of attention). A similar significant shift to a pro-market attitude is found for the evaluation of government ownership: if the organization is on the rise, self-satisfied are much less in favor of government ownership than manager with a different occupational status exposed to the same economic development. Their evaluation of the competitive principle is not dependent on the economic situation, and continues to be identical with that of the stakeholder as a whole.

- *As a group, the evaluation of the market mechanism by the self-satisfied is more dependent on the current situation than the evaluation by the average.*

Satisfied differs in some regards from the average in how they view economic developments. In times of economic upturn, their strategic appreciation of competition as the guiding motive of economic activity increases, in that they are much less critical of this principle in times of economic growth than in times of economic stagnation or even decline. So does their strategic appreciation of ownership, albeit only to a very limited degree.

Ideology is the feature with the strongest effect on how stakeholder evaluates the current model and it also affects substantially how they perceive developments. The substantial and significant interaction term indicates that a substantial shift in the performance affects the economic attitudes of stakeholder with different ideology in a different way. For some stakeholder, economic growth translates into less confidence in companies, more strategic appreciation of government ownership and less sympathy with the principle of competition. Another, who start out with a much more critical view of the market organization developments, react to an economic boom with a much more positive attitude towards the model of liberalism. On the whole, the perceptions of the ideological converge in the case of strong development. While significant, the magnitude is marginal: if the organization adaptation grew by a total of 4% points in the last three years, they putting themselves in the two outermost categories scale differ by 2.8 points in their confidence in companies, if the organization adaptation grew 22% points, they differ by 2.5 points.

The stock market's performance, a feature to which satisfied stakeholder pay much more attention than less wealthy ones, is a strong factor for how wealthy stakeholder's attitudes respond to organization' developments. Wealthy stakeholder, who are with a higher likelihood also owners of stocks, react to a change in the stock market very differently from stakeholder who do not benefit (or suffer) from the stock market's development. During a bull-market, satisfied stakeholder has much more confidence in the major (and publicly listed) companies. While the development of the labor market is presumably more

important for the unsatisfied, their evaluation of elements of the economic model does not respond to the objective development of the labor market.

7. Conclusion

The paper's main question was, whether a positive development increases stakeholder acceptance of the liberalism management model. The question was operationalized using three attitude questions which concern core elements of the liberalism model, such as private property, competition, but also the evaluation of "big companies" as the most visible actors. Such a shift would be recognizable if the average strategic appreciation for this model increases, if its performance improves. At its most basic, we found limited strategic appreciation for this hypothesis.

Objective adaptation matter for some of the attitudes stakeholders hold with regard to constitutive elements of the liberalism organization, namely confidence in the most visible actors and the strategic appreciation of the competitive principle. Overall gdp is the most relevant indicator. The attitude towards ownership, the litmus test to distinguish between ideologies, is also affected by organization strategy but to a much lower degree, and does indeed represent a political rather than an economic attitude. While managing performance indicators matter, their impact – measured as explained variation in the attitude variables – is quite low, indicating that other variables, in particular strategic level variables, matter more.

For the sustainability of an economic model in times of a severe crisis and the strategic appreciation for fundamental changes in this model by re-balancing the roles of the state and the private sector, this finding implies prima facie, that even if the managing indicators exert their impact to their fullest magnitude, the overall impact on how stakeholder view the organization adaptation is limited. Thus, as a first conclusion, one can say that there is no empirical strategic appreciation to expect a radical and uniform shift in the acceptance of the liberalism management model as a consequence of an economic downturn.

However, this conclusion warrants a caveat: the analysis is based on the differences in what is basically still growth, and finds that more growth leads to higher acceptance. There is no information on the reactions to a crisis of the magnitude like the one started in 2008. Given the established fact of loss aversion, the effects of losses in overall welfare during a severe crisis might be not the same as what one would estimate extrapolating the findings merely to negative values for growth. Future research will hopefully have the data to test for this. The largest share of variation occurs not between corporations, but within corporation, at the strategic level. Consequentially, performance, which varies between corporations, cannot contribute much to explaining the attitudes of a certain strategic. Thus, a second conclusion is that most of the factors which matter for the evaluation of the organization adaptation are located in the strategy's conglomerate of attitudes and

properties. The question is then; if this conglomerate it reacts to developments. For instance, an economic downturn may not change the economic attitudes of stakeholder on the unsatisfied, but may push more stakeholders to the unsatisfied.

The paper's other question was whether the same economic development exerts different effects for different stakeholder. The cross-level interaction effects testing for such conditionality were found to be significant, indicating that development matters in two ways: a certain economic development exerts a certain influence, e.g. is fostering a certain attitude. This effect is partly universal in the sense that all are equally subject to it. But a part of an managing indicator's effect on economic attitudes, and in some cases even the major share of its effect, operates differently for different stakeholder. The most important factor is ideology, while material stakes - such as being unsatisfied market a more important factor for evaluating the organization adaptation.

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An Evaluation of Advertising Models in
Emergent Countries – The Case of Albania

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Abstract: The market today is confronted with cornucopia of challenges and opportunities. The unfolding scenario is being closely watched by marketers across the globe and they are competing with each other to grasp the market share. In order to win over the consumers, marketers are constantly evolving strategies. The western firms based and operating from market-based economies are progressively being confronted with the growing challenge of creating brand awareness amongst the perspective consumers. As a result, advertising has become an essential marketing tool for these foreign firms in establishing their relatively less or unknown brands and products. The study aims to report the results of a survey about changing attitudes towards advertising in Albania. It examines the questionnaire - based response of a sample population of consumers from the city of Vlora, in their general attitudes towards advertising. Findings will contribute to the understanding of theoretical explanations for advertising in emerging markets, and of western firms using advertising marketing tool to penetrate these markets.

Keywords: marketing; consumer behavior; attitudes; brands

JEL Classification: M37

1. Introduction

The subject of advertising is marked by diverse and conflicting perspectives. Popular writers and social critics, for example, often portray advertising as wasteful and manipulative, while some academic economists argue that advertising can provide useful information for consumers and lower prices. Advertising is often seen as a very important tool in marketing communication. It is a type of promotion where the target audience is reached via a recognizable advertisement placed in a definable advertising media. By using advertising the message of a marketing campaign could be often repeated and through this, awareness could be created

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amongst the new customers at the same time as it helps the already aware to learn more about and remember brands and their benefits. As a form of classical conditioning advertising can build associations between brands, logos, images, and benefits. Some examples of advertising are TV commercials, radio commercials, and print ads in magazines and newspapers. Advantages with advertising are that it can be quickly implemented but still have a widespread market cover. Marketers also have full control over the message content and can easily cut down on marketing cost if necessary by terminating the advertising campaign. However, there are also some disadvantages with advertising. The major drawback is maybe the fact that advertising cannot target individual customers, but also the difficulty in quickly changing the message thrust and the complexity in determining cost effectiveness are also a disadvantage.

Advertising activities have increased rapidly in the 1990s as the retail sector is being privatized and emerging as a dominant contributor (Wells, 1998). Some other authors (Andrews et al, 1994) have characterized it as „the engine of the trade', an old advertising slogan of Mettsel company which continues to be an idiom of the everyday conversation. The advertising dimensions in former centrally planned economies differ significantly from western markets and are often overlooked by western managers in their haste to promote their products (Czinkota, 1997). There seem to be a general belief on their part that their consumers have preference for western brands, and understand and favor western modes and styles of advertising. But a historical dominance of indigenous advertising and marketing paradigms require challenging understanding from western firms in interpreting consumer attitudes towards advertising. Consumers in general, fear convert manipulation and subliminal techniques applied in advertising, and a continuous proliferation of new products and media information (Pollay et al, 1993). Gaining insights into the consumer attitudes towards advertising becomes necessary as advertising does not occur in a vacuum. Advertising agencies which are at the forefront of the societal trends would win, or else they might face dire consequences in the marketplace (Muncy et al, 1998). This article attempts to examine these issues in the Albanian context.

2. How is Albanian Advertising Developed?

Advertising in the emerging markets of Albania has been perceived as critical in its role in 'building a bridge to the future' (Wells, 1994). The economic considerations for greater productive efficiency urged the socialist countries like the Soviet Union and China started to resort to 'capitalistic practices' of advertising, market and consumer research, and flexible pricing strategies. As a generalization, the main features of Albanian advertising of consumer products during the 1960s to the 1980s included:

a) marketing mix decisions were centralized and based on products which met the needs of the centrally planned economy. Consumer products were characterized by a shortage of demand whilst those in excess were not readily available for purchase due to logistics problems. In an economy driven by demand, advertising was restricted to single product promotion, e.g. only one airline was available, only one political party ideology was advertised (the Communist Party). In general, few competitive products or services were available for alternative consumer choices or demand creation.

b) consumer product advertising did not just promote the usage of products but imposed repeat purchase of products which were obtainable in surplus. For instance 'soja milk' which was procured in abundance, was advertised and promoted as being healthy whilst it was not liked by the majority due to its smell. This innate led to the interpretation by consumers that advertising indicates some shortcoming in the product, (Feick et al, 1996) or else why would a producer need to advertise in a shortage economy? Therefore, producers and manufacturers had least pressure to be concerned about consumer preferences or to ensure that they met the 'market needs' or 'standards' as distinct from 'basic needs' and 'standards'

c) the content of advertising was informative but not aimed at individual satisfaction. A greater emphasis was on social welfare emphasizing 'good and healthy life' for people. In this 'Popeye' advertising, social welfare and health were central and the official distinction between 'capitalist' and 'socialist' advertising was maintained. The capitalist advertising was to serve a single company in its quest for sales in an excess supply situation and was therefore 'wasteful'. Socialist advertising, on the other hand, was not supposed to be based on (unhealthy) competition and was aimed at redirecting demand for greater economic and social welfare (Ostlund, 1973). Thus the objective of advertising was not commercial for profit generation which was perceived as capitalistic instrument based on exploitation. The function of advertising in adding value to products was perceived to be ideologically wrong as it fosters for instance monopoly power and profit and its role in the former Albanian economy was ambiguous (Hanson, 1974). Advertising was further discouraged as tax exemptions or reductions on advertising expenditure could not be claimed. Products originating from other than our country were sold in specialized hard currency stores which were beyond the reach of the majority of the population.

3. Objective of the Study

As the liberalization and privatization has increased, perspective consumers and managers in emerging markets like Albania are being exposed to a continuum of processes which aim at their greater participation in the marketing activities. In this context their expectations of and behavior towards new and emerging marketing functions must be understood for successful planning and implementation of marketing strategies (Noar, 1989). Research on consumer beliefs and attitudes and their relative importance for advertising processes, in these new markets will develop an understanding and the potential of advertising in reaching perspective consumers. Western as well as local firms are increasingly using advertising as a tool for developing brand recognition to establish themselves in the Albanian market. Further, western companies and academics explicitly or benignly believe that the only 'correct' model of advertising in emerging markets is based on the free-market western model (Wells, 1994). However research has shown that consumers Albania have a different view of advertising than their western counterparts. This can be attributed to their exposure to different ad stimuli and a different economic and historical background. This survey may contribute to the verification of such popular western beliefs that the western style of advertising is the best method for market penetration. It may illustrate the usefulness of advertising to marketing practitioners by emphasizing the importance of advertising in an integrated marketing strategy in emerging markets.

There is limited research and literature on the Albanian markets. In recent years a number of studies on Eastern Europe have emerged (Iatridis et al, 1998; Estrin et al, 1997; Zecchini, 1997). The prime focus is on studying the impact of changes in macro-economic policy on the transformation of business activities in these transitional markets. Major attention has been on the activities of firms within the macro marketing environment leading to privatization, or the choice and process of selection of markets, and modes of foreign investment (Buckley et al, 1994). Studies focusing on micro issue like changes in consumer or managerial attitudes and behaviors in emerging markets have received little research attention (Pribova et al, 1995). One explanation can be that the marketing scenario is new, and research is limited in general. Secondly, main thrust of business activity has concentrated on macro issues and research work has reflected this trend. In rapidly changing countries substantive advertising and consumer research is sorely needed as consumers are integrating into market related activities (Buckley et al, 1994). Knowledge gained from research on consumer and managerial behavior towards marketing functions will allow greater marketplace efficiencies by matching consumer and producers interests.

Consumers attitudesfocuses on studying consumer attitudes towards advertising in Albania. Using open and close-ended questionnaires, the data was collected by personal approach in the city of Vlora from students in the University 'Ismail

Qemali' and their families. A descriptive analysis of results is presented on demographics, product usage, advertising awareness and media usage and recall. The results were fairly contradictory but indicated that in the sample population decision making is affected by the unavailability of products, and that there is a general indifference to media and an overall muted response to advertising.

4. Methodology

The following section deals with analysis and interpretation of data collected through questionnaire schedule administered in the study area. Results of the findings are presented under various headings. The questionnaire development and design process was guided by the measures developed by two authors (Pollay et al, 1993; Muehling 1987). These studies not only explicate consumers' attitude towards advertising's social and economic effects but also other relevant perceptions of advertising such as media and the ad industry. To avoid the limits set by the prelisted answers or a set of predetermined belief statements by researchers, echo survey method was used which allows free response analysis and is more appropriate in identifying and surfacing underlying beliefs otherwise generally overlooked (Muehling, 1987; Kohan et al, 1972). This is more applicable when knowledge about attitude measures or issues is unfamiliar, as in case of emerging markets. 'New' marketing experiences transform and evolve respondents' attitudes towards advertising progressively. In such a scenario, it is not only appropriate but useful to design descriptive research study that would register the much needed qualitative insights of changing attitudes (Zinkhan, 1994). General attitudes towards advertising were examined through an open-ended questionnaire. Nine questions were devised, and first eight were randomly used in the study. Information on demographic characteristics was obtained last in one question with sub -categories. In total the questionnaire contained items to register general affective perception of advertising (what do you think of advertising? Is there any difference between 'foreign' and 'local' advertising?), functional objective of advertising (Is advertising important, if so, why do you think so? Have you come to know of any new brands through advertising after liberalization? If so, name any ten new foreign brands), general awareness on the societal effects of advertising (Do you think advertising is socially responsible? Do you know of any legal restrictions on advertising? Do you trust advertising?), advertising means to understand the most acceptable medium for advertising practices (What are the most popular mediums of advertising?), and finally, demographic characteristics (age, gender, profession). No income related question was asked. Each question was assigned six numbers for response, except when ten brand names were asked to be listed.

The questionnaire was pre -tested on eight respondents and two marketing studies professors, before our sample population was approached. All suggestions received were discussed and subsequently a final version was prepared. During this process we learnt to pay particular attention to simplify the usage of the language, and to maintain the questions and the questionnaire as short as possible. One question was added after pre-testing of our questionnaire was completed. The test respondents did not understand which advertising was being referred to, i.e. local or foreign. We opted to use this popular concept devised to distinguish between the pre and the post liberalization advertising in the introductory letter as well as in the questionnaire. Essentially local advertising refers to the advertising conducted by the domestic companies and about local brands in both pre and post liberalization period, whilst foreign advertising related to new advertising by western firms following economic and political liberalization. The latter category and was subjected to censorship and heavy restrictions under the communist regime. Since objective of this study is limited to capturing the general attitude during current transition period, our distinction of the two concepts has been rudimentary and simplified in its nature. Any further in-depth research would require augmentation of distinctions between local and foreign advertising. Unless otherwise mentioned, in our results and discussion, all advertising refers to foreign advertising. The study is based on the student population registered to obtain part-time or full -time master degree in Economic Faculty of University of Vlora. The course is partially delivered in English and all participants have a good knowledge of the English language. The student population is expected to have at least three years of work experience.

A convenient sample of randomly stratified population of at least hundred respondents was selected and approached. The selection of this sample was based upon our assumption of the exposure of the age group involved to the pre and post liberalization marketing environment. Therefore it was believed that this group could provide us enriched information on the process of the development of the advertising in Albania with their knowledge from a comparative environment. Given the admission requirements mentioned earlier, the sample group was assumed to be relatively older than an average student age group, and therefore participated in final purchase decisions, and could be categorized as active consumers. As noted in earlier studies also (Andrews et al, 1994), as business students, our respondents may have had more knowledgeable and informed opinions on the topic of advertising than might be found with other samples such as the general population. Each respondent was given a three-page questionnaire where was included an introductory page explaining the purpose of our study and two pages containing survey questions. All data was acquired in unaided research environment with the assistance of colleagues at university. The questionnaire was distributed and collected on the same day on January 2012. Because of our direct approach to respondents to fill in the questionnaire non-response issue is of

insignificant relevance here. One hundred usable questionnaires were received out of a total of 106 responses. Six questionnaires contained incomplete data and could not be used for our research purpose. During the data collection process respondents' preference for closed question based questionnaire was conveyed. Lack of exposure to research and market experience could explain their choices. This inexperience was also conveyed by respondents' queries on our handling of the information provided to us in writing. A legacy of centrally planned regime could explain such a suspicious view on parting with data in handwriting. It is recommended that if feasible, when mistrust in research related activity is high, interview method with small focus group in congenial environment might facilitate higher quality of data collection. Precautionary measures such as emphatic assurance on the preservation of respondent's anonymity and perhaps use of technical devices to fill in the questionnaire could reduce the degree of mistrust.

4.1. Profile of the Respondents

➢ *Sample size 100*

➢ *Per cent Female 52 (Male 48)*

➢ *Age Group 18-24 yr. (N=6), 25-40 yr. (N =78) with 25-34 yr. (N=59)* and 35-40 (N=19), 41 -51 yr. (N=10)

➢ *Current Occupation Managerial (N=37), Education and Research related (N= 23),*

➢ *Full time Student (N =21), Miscellaneous (N=6)*

The above socio-demographic data for the respondents confirmed our assumption that respondents would also be engaged in some employment activity or would have had some previous work experience. Also the respondents group was a relatively older age group with majority being within the range of 25 to 40 years. These characteristics also confirmed that these respondents were active consumers and decision-makers.

4.2. Discussion of Study Findings

General perception of advertising. Respondents varied in their response of their perception of advertising. The economic and functional objective of advertising in providing information on new products (not necessarily brands) is being understood and absorbed. In general, most respondents (N=83) found advertising to be positive and contributive in some form. The main cause for advertising to be necessary was perceived in its economic and instrumental objective in providing information on: the new types of products (quality, usage, information on brand);

new firms (manufacturers and services); effects of advertising (adds to the professionalism in local advertising), and other product characteristics. There are clear indications that advertising message is assisting in comparative decision making. *'(It helps to choose amongst the variety of products in the market, helps to follow the upgrade of different brands'. (25 yr., female bank employee). '(Advertising helps me in making a particular choice in the shop' (29 yr., female translator).* Advertising has been seen as a broader concept with its objective being viewed beyond mere provision of information on products and services. It provides opportunities for consumers, manufacturers and advertisers in creating market efficiencies such as by learning from the methods and styles of advertising used in the West. *'There are many different interesting things in the world that are still unknown to me... besides, it's interesting to watch their way of thinking through ads. ' (24 yr., male student). Or 'Advertising means progress' (30 yr., male manager).* Out of this sample, a small number of respondents (N=6) stated that their perception of advertising was also circumstantial. Advertising might be necessary and informative in one circumstance but less convincing when high claims on product quality are made ('it is necessary but it's too perfect' (41 yr., male manager)). It was also perceived to be negative (N=16) because of its aggressiveness where false claims were made; or because advertised products were beyond respondents' purchasing power or information on quality of products and services provided was not substantiated *'I do not trust its message and when I need to buy a product, I ask for information from my friends'. (29 yr., female translator).* Advertising was wasteful or led to a waste of money (N=11) because it did not address Albanian consumer needs and served the desires of manufacturers and promoted low quality products. Responses on differences between local and foreign advertising were diverse. Local advertising was considered to be essential (N=24) which should continue and must be supported by the state authorities.

These respondents seem to have affinity with local advertising largely due to patriotic emotions ('it's our own promoting our own goods' 46 yr., male *commercial manager). It was also believed to be more trustworthy ('It's not sophisticated like foreign advertising but it's more trustworthy' 27 yr., female student), promoting indigenous products ('It is a must. The Albanian population must be aware of domestic products available at the market to make a right choice'. (24 yr., male engineer.))and using local models ('our people') which was* under the threat of being dominated by the foreign advertising (N=4). It was mentioned to be of high quality and of high performance particularly where density of text in messages was high ('linear and straightforward', 'high quality', and 'more text which is *understandable')(N=17).* Simultaneously perception of local advertising also generated high unfavorable responses (N=51) in some form, while some respondents (N=16) were totally dismissive of local advertising (poor, useless, waste of money, bad quality). This negativism in all categories mainly derived from respondents' subjective visual imagery and related to their hedonic

experiences of advertisements of local products and brands (e.g. bad colors and *style, copies foreign advertising, lack of originality, not interesting, poor text and production, too many words). The importance of aesthetics of ads was further confirmed by the characterization* of foreign advertising for being more profession al, creative and of high quality (N=81).

There is a realization that insufficient capital input is an important reason for a persistent poor quality of local advertising: *'Where there is $, there is creativity' (32 yr., male accountant)* It is interesting to note that absorption of comparative information in this category was emphatically characterized by cognitive responses related to the hedonic effects of advertising. No response related to the preference of foreign advertising for consumer related responses, e.g. provision of better product information.

Brand Awareness. Attitude towards brand awareness was registered through unaided brand recall. All respondents responded affirmatively to that they had been exposed to new brands after the liberalization. When asked to name any ten brands known in the post liberalization period a small number (N=6) was non-responsive. Some mentioned only one to four brands (N=23), and a few mentioned product categories and not brands (N=4), and one response was by company's name (Unilever, and P&G). The most frequently mentioned brands were also global brands, and nearly all brands recalled were in consumer product categories (N=89), even though the question did not specifically referred to consumer brands or products. Some respondents (N=11), also mentioned brands in consumer services sector. These brands mentioned can be randomly categorized as follows: *consumer electronics (Panasonic, Philips, Samsung, Sony, Bosch, Siemens), soft drinks (Coca-Cola, Pepsi Co.), white goods (Tefal, Rowenta, Indesit, Whirpool), cigarettes (Camel, Marlboro, Phillip Morris), computers (Apple, IBM), cars (Daewoo, Hyundai, Kia, Ford, Opel, Mazda and BMW), washing powder (Ariel, OMO), cosmetics (Head and Shoulders, Johnson and Johnson, Revlon), services (KLM, Visa). Only two respondents mentioned food chains (Pizza Hut, McDonalds) and alcohol (Johnny Walker).* The objective was to gain preliminary information on brand knowledge and we realize that within our research design, it is difficult to assess whether the knowledge of these brands existed prior to liberalization or not. At least one respondent mentioned that 'w*e knew these products (brands) before, but now I know what they look like' (32 yr., male ban employee). In other words brand recall might not necessarily have been based on cognitive* perception. In the category of cars Korean brands were more recognized, and in consumer electronics European and Japanese brands were recalled more frequently. Cigarette brands were also frequently mentioned (N=41).

*Is advertising responsible?*General awareness about the societal effects of advertising was registered by inducing three open-ended questions. On social responsibility of advertising, response can be analyzed as being skeptical (N=55)

for at least two sets of reasons. Firstly, false claims, which were perceived to be misleading and thus irresponsible, were made especially when medicines, cosmetics and tobacco were being advertised. Secondly, the content was not fully informative and confusing when the quality of products was experienced to be lower than portrayed in the ads ('sometimes the content of commercials does not reflect the reality' (27 yr., *female teacher) or 'I am not sure, because according to each advertiser only that product is good' (29 yr., female). The non-response to this question was the highest (N=27) while the remaining* respondents' were affirmative in response (N=18) but without any further explanation. This may indicate that respondents were not able to understand the question due to their unfamiliarity with the subject of advertising and social responsibility. When further examined through specification of trust in advertising, response was more translucent. A general feeling of mistrust and skepticism was again experienced by most respondents (N=58). The response in this category related both to attitudes towards advertising content (Aad) ('I trust 50% local ads and 70% foreign ads. I trust Japanese electronic adverts' 28 *yr., female engineer), and towards advertising as an institution (Ad) ('I dislike all ads', 25 yr., male banker). Mistrust resulted from personal experience because information (on product quality, availability, prices) required further verification with one's peer group (friends, family and* other people). At times advertising was perceived to be useful (N=22), 'even if it is a waste of my *time' (20 yr., male student) or 'it depends on my attitude to the specific company' (39 yr., male respondent).* A relatively small number (N=27) expressed all favorable trust in advertising in general. This positivism generated from their belief that the information provided was truthful (N=5); and advertising was more convincing, experienced and truthful in its *presentation (N=7). Within this group, local advertising was perceived to be more* trustworthy (N=14), because information provided could be checked which was not easy for products manufactured abroad ('I trust local adverts because our local brands are proved to be *of higher quality than foreign ones' (28 yr. Male researcher)). There was also non-belief in* advertising (N=12) and aversion by some respondents (N=2). This non-belief and aversion generated from the intensity of advertising which can be confusing ('I don't trust any *advertising' (24 yr., male engineer), or challenges it presents to the viewers level of intelligence ('no, I am a realistic person' (25 yr., female), 'I don't think, I only enjoy looking and hearing the message' (26 yr., female)).* There is a growing awareness regarding the advertising laws in Albania which is by and large a self -regulated industry. In general there is an awareness of regulatory restrictions on advertising of alcohol, tobacco, weapons, drugs and sex related services (N=48). ('yes, all sorts of products that can damage one's health' 21 yr., male student). Specific nature of the legal restrictions were also mentioned and some showed awareness of the compulsory use of the Albanian language in advertisements (N=16). Greater number of respondents (N=51) however, showed ignorance of any regulations by

not answering *(N=18)*, or responding in negative *(N=33)* (*'it's not my job to know them. Govt. should. (know these regulations). (29 yr., male bank employee), or 'I don't care. They (ads) are only a source of information' (34 yr., male manager)).*

What are the means of advertising? Most respondents mentioned TV as the most popular medium of advertising (N=81), followed by print media (N=51), billboards (N=19), exhibitions (N=11). In most cases the Albanian TOP Channel was also mentioned. It was interesting to note that radio and cinema, which constituted popular medium of communication prior to liberalization, were rarely mentioned (N=2). It shows that the new media, along with the print media, has become a very powerful medium of communication. Other forms of advertising e.g. magazines, radio and buses were also mentioned (N=7). Research results should have implications beyond our population who are active consumers and are potentially affected by advertising in their purchase decision making.

Some limitations of our study. a) This study is limited to the urban and central Albanian situation where purchasing power is higher and consumer exposure to new products is potentially greater due to their availability in the shopping malls. b) respondents' paucity in exposure to market and marketing experience might have resulted in their marked difference in response in all categories. c) marketing processes are constantly changing and crystallization of marketing attitudes is transpiring at a high speed. During this process, absorption, processing and interpretation of data is also likely to be different in a market with significant differences in the value system than in the West. The results, therefore, are to be treated cautiously and future research might be conducted with the non-business community and the general population. Assessment of individual integration into western style marketing indicates an increasing awareness towards contemporary advertising while skepticism is prevalent. The desire to gain detailed information about the product and its components, usage, was high. Explanation of this economic effect is in the newness and resulting unfamiliarity such as on the usage or the beneficial usage of the products. *'There are too many new products appearing in the Albanian consumer market... very often, (when) buying new products, consumers use data they get from the commercials and ads' (27 yr., male).* This is consistent with the findings elsewhere that functional and not sensory information is of higher relevance in emerging markets where uncertainty avoidance is high (Donthu, 1998). In our sample, the role of advertising continues to be viewed as essential or significant as indicated elsewhere (Wells, 1997; Andrews et al, 1994). But the effect of such advertising was interpreted beyond this fundamental objective of product information. Its function has been observed to facilitate growth and innovation in the local advertising industry, and competition in the product market. Respondents also showed awareness of the aggressive intensity of advertising. This can partially be explained through consumer's reflection of their nationalistic feelings when felt threatened by a high speed of

social and economic change ('too much advertising *too soon' 39 yr., male, commercial manager). In a transitional economy that is establishing its* independent identity and formulating its ideological convictions away from the communist regime can be counterproductive and arouse negativism and unfavorable brand attitudes. A lack of experience of market economies can manifest in many ways e.g. market disbelief (Fieck et al, 1996). This might lead to premature interpretations of negativism such as respondents noted 'foreign advertising is monotonous' (39 *yr. Male supervisor), or 'it's a waste of money' (22 yr., male student and banker). Further empirical* research is needed for refined identification of such negative attitudes as distinguished from skepticism, criticism, disbelief and mistrust. Theoretical models for advertising in developed markets such as of persuasive hierarchy which follow cognitive – affective – and behavior stage model might be less relevant in emerging markets where skepticism is high. Consumer behavior is influenced by low purchasing power, personal and peer group experiences and word-of-mouth medium of advertising continues to create credence. Advertising is providing foundations for comparative decision making, and engineering self-formation into an institution and industry.

The advertising industry is largely self-regulated and advertising laws have only been introduced recently. A general lack of regulations or awareness of their nature might be a result of the unproductive perception of advertising under former regime (Richman, 1974). Consumers who were aware of regulations also seem to be aware of the necessity of it. A high density advertising of generally prohibited products such as alcohol, tobacco and related products, have added to their beliefs that the western companies are exploiting the absence of or lapse in implementation of existing but relatively weak legal restrictions. This may lead to a review of current laws and contribute towards the establishment of advertising as a socially responsible marketing institution. Marketing processes are constantly developing in Albania and strong indications of change processes of the social and economic life can be deducted from this survey. New media such as TV and news print magazines seem to have replaced the old print media and radio. The newness of the information, presentation and the visual imagery used in these mediums (color, style, aesthetics, models and so on) has made them acceptable and popular. The global knowledge about advertising is on the increase and its future economic and social effects should not be underestimated. For instance, TV and the print media, as the most popular mediums of advertising indicate the importance of brand recall are based on visual perception. This is more likely to form brand recognition and thus develop brand attitudes. Based on our findings, advertising contents should emphasize the product knowledge and quality aspects if persuasion knowledge is to be created. Additional supportive information in print media would need to reiterate and substantiate these claims for consumer assurance if connate consumer attitudes are to be developed.

5. Conclusions and Recommendations

Consumers' evaluation and purchase intention of foreign goods in emergent countries is of great interest to the marketers. The research findings provide the authors an analysis of the current situation for an important emerging market and should be of interest both to academics and practitioners in the field of international marketing. Psychological acceptance of advertising as a means of information on new products is a new phenomenon in Albania, and skepticism and confusion originate from the consumers' inexperience in receiving, processing and analyzing such information. Consumers' negative attitudes can be neutralized by providing detailed information on products through increased transparency in ad content, whilst maintaining professional presentation (color, models, and context). A two-tier advertising approach can be followed where the TV medium could be used for brand creation and awareness, and print media to substantiate and provide additional advertising information. Western advertisers might take into account that local advertising ought not to be displaced by aggressive advertising and a blended approach would smooth the transition. Therefore, managerial perception of the advertising should also be studied to provide a comparative and more reliable view of advertising in emerging markets. Foreign companies entering the Albanian market develop advertising for a relatively unknown market but nonetheless, a positive image of the advertising activity should be created. The content of advertising is firstly, to be interpreted by the 'state bodies with appropriate authority'. These bodies do not have any previous experience of dealing with 'western style' advertising and companies can face further restrictions in their advertising activities. This not only requires creativity in developing the content of advertisements, but also managerial and negotiation skills to deal with such authorities.

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Symbolic and Affective Motivations
Involved in the Purchase Decisions of Consumers

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Abstract: The psychological motivations of consumers' purchases have started to gain more and more attention from various researchers from psychology to sociology and economy. Yet there are many steps needed for the progress of the understanding this less rational part of the consumers' choices. This paper aims to identify in the literature a theoretical model that could be further used in identifying and measuring the affective and symbolic motivations for the Romanian consumers. For this purpose we studied literature from social psychology that is of interest for economic and business studies, and we have identified the model of Dittmar (2008) as a suitable framework for our purpose. We further found some empirical applications of this model that encourage its application in empirical testing, and also provide interesting insights on consumers.

Keywords: consumer behavior; symbolic motivations; affective motivations; purchase decisions

JEL Classification: M30; M31; M39

1 Introduction

The difficult economic context in today's global world is a starting point for the rise of new and old unanswered questions about consumer behavior and its changes. The current consumption evolution asks for new analysis and better understanding of its reasons and change mechanism, especially from the perspective of its consequences to the economic and social development, as well as the environment. It is more and more obvious that the consumption patterns changed and the recent concern of the consumers on their own decisions and budget limits have drawn the marketers to try to adapt their strategies to this new reality. As well, it seems necessary that some assumptions on consumer behavior are re-analyzed, especially regarding their bounded rationality and the role played by emotional aspects in the decision process. Notwithstanding, some concepts offered by sociology and psychology seem of greater importance in this context, like the social construction of the individual identity and the "social conversations"

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in which consumers are involved when buying and using a material good or a service (Jackson, 2005).

The debate on bounded rationality of consumers and the emotional component of choices is quite old, as well as aspects related to identity, but these concepts were viewed most of the time as separate, even contrary, omitting the relations between them at human being level. In fact the basic preconception is that consumer behavior is essentially based on purpose and rational, as opposed the expressive behaviors seen by many as unmotivated, thus lacking a purpose as A. H. Maslow (2007) states. Yet, in the contemporary society many of us use the goods they purchase for expressive purposes, which are mainly unconscious. Leaving out this part of the purchase and consumption process will only diminish our knowledge and understanding in important issues for the economic evolution as well as for the evolution of the society. The fact that the research trying to link this rational, emotional and identity-related components of consumption is insufficient becomes obvious especially when trying to explain rationally the consumption behavior that led to the current economic crisis, when public policies are trying to change consumption behavior to a more sustainable one for the environment, or when researchers try to explain the lack of well-being and life satisfaction in countries where freedom of choice and consumption is part of the daily life for many decades.

The aim of this paper is to identify a theoretical model that connects the rational, emotional and identity-related motives of purchase that could be further applied on Romanian car consumers. We have chosen the car market and car consumers in order to study these aspects for several reasons. First, there is a common assumption that Romanian consumers buy cars for emotional and symbolic reasons, as a BMW sales representative said during an in-depth interview study: "Romanian consumer may suffer for its car, but he owns a BMW" (Ariton, 2012). But this assumption has never been tested empirically. Secondly, the existing research has shown that emotional and symbolic reasons of purchase are more frequent for some types of goods, and that there are gender differences on the importance of these purchase motives according to the type of good. Dittmar (2008a) has shown that women are more inclined to emotional and symbolic purchase motives when we talk about clothes, and states that men are more inclined to these motives for good like tools. Yet, this second part still needs to be tested empirically.

The way how these three types of motives, instrumental, emotional and identity related, influence the decision process of car purchase can provide important insights to the car industry, but also to businesses connected to this industry such as financial institutions and insurers. On the other hand, we would say that these insights are even more important to consumers themselves as understanding their

unconscious reasons and automatic choices can only improve their ability to take the best decision and be satisfied afterwards.

2 The Model of the Psychological Functions of Material Possessions

Material goods are involved in a series of psychological functions, such as offering them control, independence, pleasure and emotional security (Dittmar, 2008a). There are many material goods that are practical instruments that ease our life, making it more controllable and comfortable. For example a car is basically a mean of transportation, that gets us from point A to B. Yet, in addition to this instrumental and practical meaning, there is evidence that possessions play a profound role for us, as they answer a whole set of different psychological functions.

Such symbolic links between material goods and identity are frequently used in advertising, and there is enough literature in the area of consumer behavior on the link between the product and self-harmony, or the goods characteristics and self-conception of the consumers (Sirgy et al., 1997; according to Solomon, Bamossy, & Askegaard, 2002). Almost all the time, advertising highlights that "you, that you are now" are less than "you, the one you wish to be" (Richins, 1991), leading to the claim that marketing does increase consumers self-discrepancies and discontentment towards the present.

People perceive and live the material possessions as integral parts of their self, and this shows that identity has an influence beyond the physical body. The psychological explanations for this close link between possessions and the self, split in two different areas. On one hand, their instrumental functions are enhanced, especially when they help individuals exert control over the external environment, and on the other hand, their symbolic functions are highlighted, when objects represent inter-personal relations, emotional comfort, belonging to a group and a whole series of personal characteristics, values and beliefs.

The conception that individuals use material symbols in order to enhance a certain aspect of their identity is part of the Theory of Symbolic Self-Completion, which suggests that people use material possessions with the aim to compensate the perceived inconsistencies in their own self-conception (Wicklund & Gollwitzer, 1982). Due to the communication ability, material symbols can be used in identity creation and in enhancing it. Under certain limits, we can try to get closer to our ideal conception of ourselves by getting involved in the symbolic self-completion.

The psychological functions filled by material possessions have mainly been examined through qualitative research, using the "preferred possessions paradigm", which requests the respondents to choose the most appreciated personal possessions and then to explain in their own words why those objects are so

important to them (Dittmar, 2008a). Other researches that have used the same paradigm have analyzed the individual stories in order to develop coding categories that summarize the reasons for which possessions are important for individuals (e.g. Kamptner, 1991; Richins, 1991). The resulting categories differ in number and degree of detail, but tend to suggest a series of psychological functions with small differences among them.

The integrative model in Figure 1 offers an hierarchical map of the main types of psychological functions filled in by material possessions, that Dittmar (2008a) identified in content analysis open ended stories, in questionnaire based studies (Dittmar, Beattie & Friese, 1996) and in-depth interviews (Dittmar & Drury, 2000). The model firstly make a distinction between the instrumental and functional use of goods, in order to increase the efficiency of daily activities and to exert control over the environment, on one hand, and their symbolic use as expression mean of own identity, on the other hand.
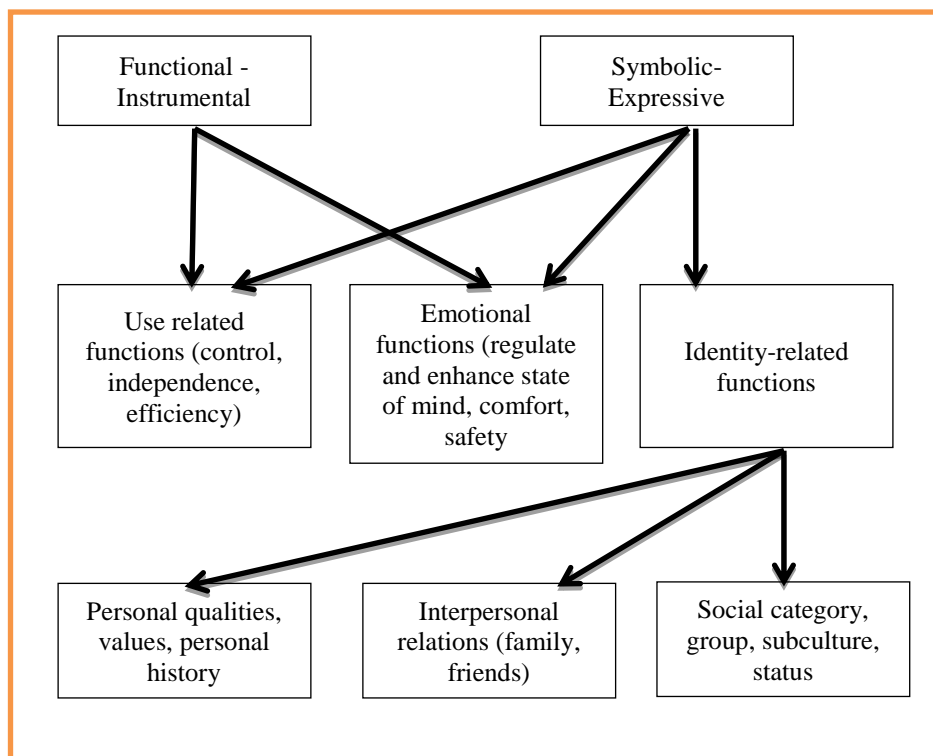

Figure 1. The integrative model of psychological functions of material goods

Source: (Dittmar, 2008)

At the next subordinate level in this hierarchy, possessions have utility and emotional functions, that come from both superior levels, instrumental and

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symbolic. If we take the example of a car, the meaning referring to its usage combines its functionality as an instrument which enables transportation with the fact that for its owner it symbolizes freedom, independence and even sex-appeal.

In a similar way, people use material goods with the purpose to feel better and enhance certain emotions, but the fact of enhancing the state of mind and the emotional comfort are not connected solely the usage characteristics of those goods. It is also related to their capacity to symbolize positive aspects of identity, like an effective self, closer to the ideal self, or a stronger feeling of belongingness to the group of significant others.

The predominantly symbolic functions of possessions can be further subdivided. First as symbols of category: signs of the social identity which enables people to express their social position, wealth and status, and symbolizes the belongingness to a group. Secondly, possessions symbolize special relations with certain individuals, presents and family objects being good examples for such a case. Thirdly, they are also symbols of self-expression and work like marks of personal identity. They represent an instant picture of the personal history and memories, giving individuals a sense of continuity of the self. They can represent unique qualities of a person, its values and attitudes.

3 Results of the Previous Application of the Theory of the Meaning of Material Possessions

There are several studies that have tried to test empirically the model proposed by Dittmar, on different contexts and considering some parts of it, especially. In this section we will present the main findings of two studies we considered of interest for our future research. One is a study on car use in the Netherlands, which wants to identify is the model of Dittmar is testable empirically, and examine the affective and symbolic motives of car use, along with the instrumental ones. The second study is proposed by Dittmar and her colleagues and we consider of interest for testing the fact that the occurrence of psychological motives is related to the good purchased, the gender of the consumer as well as the context of shopping. Thus it provides a bigger picture for using the model of the meaning of material possessions in understanding the influence it can have in purchase situations.

The purpose of the work of Linda Steg (2005) is two folded, firstly it investigates the main categories of motives for car use that can be identifies empirically and secondly it analyses if Dittmar's model can be validated by empirical results. The importance of the three types of motives, instrumental, affective and symbolic, can differ from one group of people to another. Thus, the individual differences were studied (differences among demographic groups) concerning the evaluation of the motives of car use. For this purpose, they have used data from two previous

empirical studies on the instrumental and symbolic functions of using the car, that has used different research methods, as well as different measurements for the relevant variables, in order to test the validity of the findings.

These results suggest that respondents make a clear distinction between instrumental and affective-symbolic motives in car usage and in addition, independency seem to be another reason. Based on these results Linda Steg has built three new variables reflecting the different factors that determine the attractivemess of car use (affective-symbolic aspects, instrumental aspects and independency), by computing the mean scores of the items with the highest correlational score, >.40 for one of the factors.

Secondly, Steg (2005) has tested the model of the meaning of material possessions of Dittmar. This time, she has used a deductive approach, in order to investigate whether car usage actually fulfills instrumental and affective-symbolic functions. A confirmatory factor analysis has revealed that instrumental and affective functions of car usage can be clearly distinguished, that is the items correlated more with the scale they belonged to, on theoretical basis.

The study of Dittmar (2008b) has the aim to identify if the psychological motives of purchase, emotional and symbolic, become more important according to the type of good, context of purchase and gender of the consumer, leading to more impulse purchases.

The purchase motives examined in the study of Dittmar (2008b) refer to the functional, emotional, social and identity concern. Several researchers have focused on the dimensions of purchases – motives and perspectives in the purchase process – with the aim to analyze and understand consumer behavior, researching aspects like utility versus hedonic values (Babin, Darden & Griffin, 1994), or the economical, recreational and social dimension of purchases (Bergadaa, Faure, & Perrien, 1995). The previous studies reveal two main dimensions of purchases: on one hand, the functional concerns, like utility and received value for the price paid, and, on the other hand, emotional and social factors like recreation and the benefit of social interactions enabled by shopping. But these motives leave apart the consumer's concern with constructing his own identity, in spite of the evidence quite consistent that consumers are motivated to buy good as symbols for what they are or what they would like to be. Benson (2006) makes the suggestion that expressing the identity and searching for a better self through consumption products are some essential features of the contemporary consumption. In a series of studies conducted in UK, Dittmar et al (2008a) have used several scales for measuring the purchase motives, and respondents have evaluated how important were for them, personally, the different motives, for different product categories. Each respondent has given multiple scores for each purchase reason. The first two items have focused on functional concerns – "a good quality-price", "useful and

practical", while the third item has evaluated the degree to which people have bought goods because "they provide a good state of mind", reflecting the emotional benefit. The last three items have measured the concerns towards identity: the degree to which people buy good in order to express what they are (how different they are from the others) to get closer to the type of person they wish to be or in order to emphasize the social image (the social status).

Thus, Dittmar (2008b) have identifies three main dimensions of the purchase motives. In addition to the economic (instrumental) motives, there are two more main sets of non-functional dimensions of purchases corresponding to different motivational elements, that is emotional and identity-related benefits. Of course, that knowing that psychological motives are significant is important, yet this is only the starting point for addressing new questions, more interesting, on the type of person most strongly influenced by these motives as well as the type of context that makes them prominent. The study of Dittmar (2008b) examines the way in which the feminine and masculine genders are differently influenced by the purchase motives and by the type of good, considering also the impulse purchases as in interesting context.

Gender differences have been noticed also in previous research, women having a stronger involvement for acquisitions then men (Bergadaa et al., 1995), especially concerning the recreational and social dimensions of purchases, while men have seen greater scores for feelings like apathy to purchases. Dittmar & Drury (2000) have found in a study based on in-depth interviews that purchases seem to have a stronger psychological and emotional role for women, then for men, concerning the consumption goods, other than the routine shopping for household maintenance. Dittmar et al (2008a) also finds that women have especially positive attitudes towards shopping, associating them with recreation, while men tend to have negative attitudes, seeing shopping as a work they wish to accomplish with a minimum of time and effort. This involves the fact that women concentrate usually on the purchase process (most of the time pleasant) and men concentrate on the result: getting the actual good with the lowest involvement.

On the other hand, the authors argue that this general tendency could be stronger or even reversed for certain types of goods, like tools, digital equipment, bought predominantly by male consumers. Apart from these exceptions, Dittmar (2008b)suggests that it would be plausible that, in general, purchasing consumption goods is a more integral part of the personal and social identity of women, at least from the traditional gender identity perspective (Fischer & Gainer, 1991), playing, thus, a stronger emotional, psychological and symbolic role then for men, whose personal and social identity is less related to the purchase processes of consumption goods, at least from the traditional perspective. The consumption activity is also important for men, but they are more concerned with obtaining the right good, usually expensive and unique, like a car, that would denote a high social status.

Altogether, these arguments lead to the expectation that gender differences have a relative importance for the three main sets of purchase motives identified: functional aspects would be more important for men, while social-emotional and identity motives stronger for women. Dittmar (2008b) highlights the fact that gender differences should not be understood as picturing the essential differences in character between feminine and masculine consumers. She suggests that purchases will probably remain different as mentioned earlier according to gender only the time when women and men will continue to internalize the socio-cultural norms and the common social representations that shopping is differently connected to the social, personal and gender identities of women and men.

4 Conclusion

The model of the meaning of material possessions is a theoretical model that was empirically tested and can be used in identifying the different types of psychological functions accomplished by goods. This can be a good model used in identifying the presence and importance of several types of motives on the same consumer good. Yet, this stage needs a further step that is to integrate this concept on goods under a behavioral model that could tell us the way in which a bigger or smaller importance of psychological motives influences the purchase process and final decision.

The study of Dittmar (2008b) starts testing the effects of these psychological functions of goods on a certain purchase contexts aiming to identify whether their presence can determine more impulse purchases and more regretted decisions later. These psychological functions are also present in durable goods, like cars, as we have seen in Steg's (2005) study and they probably have an influence on the purchase decision. It will only need to be tested.

Considering now the context of the Romanian car consumer, that we want to focus on in a further research, we could easily say that these psychological motives are present, but they have never been measured. It will be interesting to find out how important each of them is, in certain brand more than in others or for some personal characteristics present in some consumers. Of course, this will need to be related to the purchase process that has followed, in order to identify those influences that we were speaking about. A further reason would also be the fact that the model has only been tested in western European countries, with a long tradition in choosing products freely in the market, and who are typically considered more pragmatic than Balkanic or Mediterranean people.

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The Mediating Role of Perceived
Risk when Buying Online

Claudia Iconaru[1]

Abstract: This paper aim is to assess if consumers' perceived risk can mediate the relationship between trust and consumers' intention to buy online. Several others studies indicate that perceived risk acts like a barrier to online buying adoption, while trust in the online vendors and the reliability of the online environment is an enhancer of consumers' intention to buy online. Two models were developed for the purpose of this study and Partial Least Squares (PLS) analysis was used on data collected from 98 respondents. Three variables were introduced in the model: perceived risk, perceived trust and consumers' intention to buy online. Each variable was formed as a formative latent variable using multi-items, measured on a 7 point Likert scale. The results of the first structural equation modeling indicate that trust is capable of explaining 44% of the variance in consumers' intention to buy online. Perceived risk was introduced in the second structural equation modeling and results indicate that it has a negative direct effect on consumers' intention to buy online. However, perceived trust is the sole variable capable of decreasing consumers' perceived risk. Thus, online vendors should put a great emphasize on creating a trustful environment for selling online goods and services.

Keywords: online buying behavior; mediating effect; PLS

JEL Classification: M31; L81

1. Introduction

Perceived risk has been identified in previous literature as being a main concern for both online shoppers and non-online shoppers (European Commission, 2011, p. 33). According to a recent survey of the European Commission, the biggest fear of EU citizens is the delivery of wrong or damaged goods or delays in delivery, 68% of the respondents indicating delivery issues as being a source of concern (European Commission, 2011, p. 33). Fear of having to return the product or repair faulty products was indicated by 57% of the respondents (European Commission, 2011, p. 33). However, security risk (theft of payment card details) and privacy risk (the

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misuse of personal data) were less concerning issues, indicated by 20% of the respondents and 21%, respectively.

Several studies show that performance risk or the fear of product malfunctioning or not functioning as expected, can only increase in online environment (Almousa, 2011, p. 25) as there is a temporal separation between ordering and gratification.

Moreover, when buying online consumers are not capable of touching, feeling, testing or trying the product before purchase, deprivations that contribute to an increased performance risk (Teo, 2006, p. 504; Pechtl, 2003, p. 156; Rudolph et al, 2004, p 70; Saprikis et al, 2010, p. 6; Lim, 2003, p. 225).

There are also issue regarding the delivery of the products bought online. Consumers fear that the products will be damaged during handling and transportation or that they will be delivered to another address. Consumers also fear that the delivery will be late or that there will be no delivery at all (Naiyi, 2004, p. 180).

Even though they have a lower importance, credit card fraud is also invoked as a perceived risk when buying online (Delafrooz et al, 2011, p. 75; Pechtl, 2003, p. 152; Rudolph et al, 2004, p. 70; Khalifa & Limayem, 2003, p. 237; Suki & Suki, 2007, p. 89; Saprikis et al, 2010, p. 6; Miyazako & Fernandez, 2001, p. 38; Suresh & Shashikala, 2011, p. 339).

The fear of intentional or unintentional misuse of privacy data has also proven to be a significant obstacle retaining consumers from buying online (Rudolph et al, 2004, p. 70; Suki and Suki, 2007, p. 89; Miyazako and Fernandez, 2001, p. 38).

However, in uncertain situations like online buying, perceived trust becomes a solution for risk concern. Trust has been defined in previous literature as being an assurance that the other party will not leverage upon the vulnerability of the buyer during and after a transaction (Wang, 2005, p. 109). But trust in online environment has not been attributed solely to online buyers. Online trust also implies trusting the online environment as a reliable and secure way of buying. (Kim et al, 2008, p. 545)

2. Perceived Risk and Perceived Trust

Perceived risk has been introduced into various models of consumers' adoption of online buying as consumers perceive a greater risk when buying online compared to the traditional way of buying (Eggert, 2006).

Perceived risk is a subjective perception of consumers (Jahankahani, 2009, p. 83) that has been validating as having a negative impact on both frequent online consumers' intention to buy online and non-online buyers' intention to adopt online buying (Kim et al, 2009, p. 555; Metehan & Yasemin, 2011, p. 90).

Trust has been previously studied in relation to many variables: attitude, intention and perceived risk. In relation to consumers' attitude towards buying online, trust has been validated as having a direct and positive effect (Dash & Saji, 2008, p. 43; Jarvenpa et al, 2000, p. 60; Buttner & Goritz, 2008, p. 44).

Previous studies indicate a direct and positive effect of trust on consumers' intention to buy online (Kim et al, 2008, p. 555; Chen et al, 2003, p. 689). Also, researchers found a negative direct relationship between trust and perceived risk (Dash & Saji, 2008, p. 43; Jarvenpa et al, 2000, p. 60).

3. Conceptual Model

According to the previous literature discussed above I propose the following conceptual model and hypotheses:
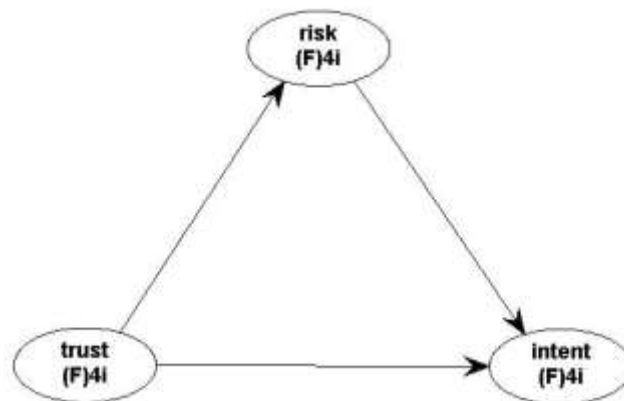

Figure 1. Conceptual model

- Hypothesis 1: Perceived trust will have a direct and positive effect on consumers' intention to buy online.

- Hypothesis 2: Perceived trust will have a direct and negative effect on perceived risk
- Hypothesis 3: Perceived risk will have a direct and negative effect on consumers' intention to buy online.
- Hypothesis 4: Perceived trust will mediate the relationship between perceived trust and consumers' intention to buy online.

According to Baron and Kenny framework for mediation analysis, mediation occurs when an independent variable X has an effect on the mediator M, which in turn affects an independent variable Y (Baron & Kenny, 1986).

4. Data Collection

Data was collected from Romanian online consumers that have previously bought online a product or a service by using a web-based survey, designed in LimeSurvey software tool and hosted on consumatorulonline.ro. For the purpose of this study, 98 valid responses were gathered.

5. Measurements

In order to measures the three latent variables, multiple items for each LV were employed as follows (see Table 1):

Table 1. Measurements

Latent Variable	Type	No. of items	Dimensions
Intention to buy online	First order formative	4	Intentions as expectations/plans/ wants/ stated intentions
Perceived trust	First order formative	4	Trust in online vendors / Trust in the security of the e-commerce websites
Perceived risk	First order formative	4	Performance risk/ Delivery risk/ Security risk/ Privacy risk

6. Data Analysis

Data analysis has two stages: first, the reliability and validity of the measurements were assessed; second, the mediating analysis was performed. Data analysis used WarpPLS 3. 0 software, a PLS-based structural equation modeling tool. WarpPLS generates stable results when analyzing small sample sizes lower than 100 and it also differentiates between formative and reflective latent variables (User Manual,

scriptwarp.com). Due to these considerations, WarpPLS is the most suitable SEM software for the purpose of this study.

7. Measurements Reliability and Validity

In table 2 are shown measurements' reliability indicators: composite reliability (CR), Cronbach Alpha and average extracted variance (AVE), following Bagozzi and Yi (1998) approach to assessing measurements' reliability.

Table 2. Measurements reliability

Construct	Composite reliability (CR)	Cronbach Alpha Coefficients	Average extracted variance (AVE)
Intention to buy online	0.924	0.891	0.753
Perceived trust	0.916	0.878	0.733
Perceived risk	0.918	0.881	0.737

As all indicators are above the accepted value of 0.7 (Hair et al, 1998; Nunally, 1978), we can conclude that measurements are reliable.

Table 3 shows the combined loadings and cross-loadings of all items in the study.

As items load more inside the latent variable they were defined to capture, we can state that the measurements have good convergent validity construct (Jewell, 2011).

Table 3. Measurements convergent validity

	Intention	Perceived trust	Perceived risk	SE	P value
I1	0.882	-0.119	-0.083	0.071	<0.001
I2	0.898	0.025	-0.003	0.07	<0.001
I 3	0.837	0.046	0.067	0.082	<0.001
I4	0.853	0.051	0.023	0.069	<0.001
PT1	-0.082	0.814	-0.018	0.082	<0.001
PT 2	-0.003	0.820	-0.145	0.083	<0.001
PT 3	0.022	0.914	0.062	0.071	<0.001
PT4	0.056	0.872	0.089	0.068	<0.001
PR1	-0.054	-0.128	0.824	0.09	<0.001
PR2	-0.147	0.148	0.831	0.077	<0.001
PR3	0.035	-0.054	0.902	0.073	<0.001
PR4	0.154	0.036	0.875	0.084	<0.001

Table 4 shows all the correlations between the latent variables (LVs) and the square roots of AVE on the diagonal axis.

As square roots of AVE for each LV is higher than any of the bivariate correlation involving the LV, I can state that the measurements have a good divergent validity (Fornell and Larcker, 1981).

Table 4. Latent Variables correlations and square root of AVE

	Intention to buy online	**Perceived trust**	**Perceived risk**
Intention to buy online	(0.856)	0.604	-0.498
Perceived trust	0.604	(0.868)	-0.509
Perceived risk	-0.498	-0.509	(0.859)

8. Mediating Analysis

The mediating analysis was conducted using Kock's approach (Kock, 2011):
- First, a model was build where perceived trust was hypothesized to have a direct and positive effect on consumers' intention to buy online
- Second, a model including all three variables was built as trust directly and positively influencing consumers' intention to buy online, trust directly and positively influencing consumers' perceived risk and finally, perceived risk directly and negatively influencing consumers' intention to buy online.

From the structural equation modeling analysis (Table 5) we can note that the path between the independent variable (perceived trust) and the dependant variable (intention to buy online) is significant at $p<0.001$ (the significance level used), with a path coefficient of 0.661.

Table 5. Path coefficient and its associated p value

	Intention to buy online	Perceived trust
Intention to buy online		0.661 (p<0.001)
Perceived trust		

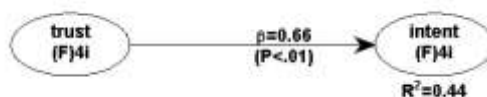Graphically, the relationship between the two variables can be represented:

Figure 2. First SEM analysis

From the structural equation modeling analysis (Table 6) we can note that the path between the independent variable (perceived trust) and the mediator (perceived risk) is significant at p<0.001, with a path coefficient of -0.519.

Also, the path between the mediator (perceived risk) and the dependent variable is also significant at p<0. 001 with a path coefficient of -0. 406.

Table 6. Path coefficients and its associated p values

	Intention to buy online	Perceived trust	Perceived risk
Intention to buy online			
Perceived trust	0.446 (p<0.001)		-0.406 (p<0.001)
Perceived risk	-0.519 (p<0.001)		

Graphically, the relationship between the three variables can be represented:
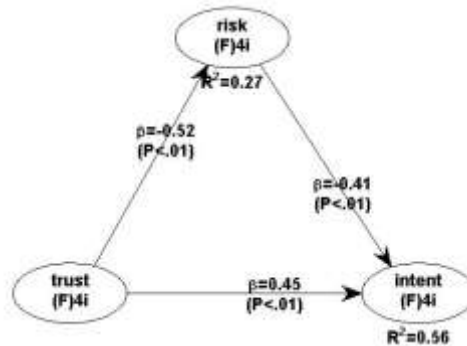

Figure 3. Second SEM analysis

In the second model, where the mediator is introduced in the model, the path between the mediator (perceived risk) and the dependent variable (intention to buy online) controls for the effect of the independent variable (perceived trust).

But, at a closer look at the second SEM analysis, we can note that the effect of trust on intention to buy online is still significant when the mediator is introduced in the model. Due to these considerations, this is the case of a partial mediation (Kock, 2011).

The effect of trust on consumers' intention to buy online have decreased from the previous SEM analysis, from a path coefficient of 0. 661 to a path coefficient of 0.446 at p<0.001. However, we could speak of a perfect mediation only if the effect of trust on intention to buy online would have been insignificant (Kock, 2011).

9. Conclusions and Implications

Trust is one of the main determinants of consumers' intention to buy online as indicated within the two structural equation modeling analyses.

Two dimensions of trust were captured by the latent variable: trust in the online vendor and trust in the reliability and security of the e-commerce platform. Two items were assigned to each dimension and respondents were asked to state their agreement with each of the affirmations. Consumers' beliefs regarding the extent to which they believe that the online vendors have their interest at hand and will not deceive them during or after the transaction were assessed. Second, their faith in the capability of the e-commerce platform for generating a reliable and secure purchase was assessed.

The first structural equation modeling analysis indicated that variances in trust are capable of explaining 44% in the variance of consumers' intention to buy online. The path coefficient between the two variables was 0.661 indicating a strong and positive relationship between the trust and intention.

This means that the more trust consumers have in the online vendor but also in the e-commerce platform, the greater is their intention to buy online.

In the second structural equation modeling analysis perceived risk was introduced in the model as a moderator between trust and consumers' intention to buy online.

Four dimensions of perceived risk were captured by the latent variable: performance risk, delivery risk, security risk and privacy risk (European Commission, 2011, p. 33). These dimensions were previously identified as forming perceived risk when buying online.

The second structural equation modeling analysis indicated that both variances in perceived risk and perceived trust accounts for 56% of the variance in consumers' intention to buy online. Perceived risk has a direct and negative effect on behavioral intention, with a path coefficient of -0.406. Those consumers perceiving a higher risk when buying online are less likely to buy online. Perceived risk acts as a barrier to the adoption of e-commerce.

The path between trust and perceived risk indicated a strong and negative effect of trust on perceived risk, with a path coefficient of 0.519. The more trust consumers have in the online vendor and the reliability and security of the e-commerce platform, the less risk concerns they experience.

Consumers must have faith that the vendor has their interest at hand and will not deceive them during or after the transaction. They must trust that the product bought online will perform as expected and it that it will be delivered as agreed.

Consumers must also trust that online buying is reliable and secure. Consumers' assign confidential data when they buy online. They share credit card information and personal data. The interception of such data by unauthorized people could harm the consumer. Trusting that the online vendor has secured the e-commerce platform against unauthorized access and that, under no circumstances, will he alienate or misuse consumers' personal information will decrease the perceived risk.

When perceived risk was introduced in the model, the influence of the trust on consumers' intention to buy online decreased.

If first SEM analysis indicated a path coefficient of 0.661, the second SEM analysis with risk as a mediator, indicated a path coefficient of 0.446. Thus, the positive impact of trust on intention was reduced due to the mediator effect.

The two SEM analyses indicated that perceived risk has a partially mediating effect between perceived trust and consumers' intention to buy online.

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