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Ms. Ani Wahyu

International Conference on Business Economic, Social Science & Humanities” serves as platform that aims to help the scholarly community across nations to explore the critical role of multidisciplinary innovations for sustainability and growth of human societies. This conference provides opportunity to the academicians, practitioners, scientists, and scholars from across various disciplines to discuss avenues for interdisciplinary innovations and identify effective ways to address the challenges faced by our societies globally. The research ideas and studies that we received for this conference are very promising, unique, and impactful. I believe these studies have the potential to address key challenges in various sub-domains of social sciences and applied sciences.

I am really thankful to our honorable scientific and review committee for spending much of their time in reviewing the papers for this event. I am also thankful to all the participants for being here with us to create an environment of knowledge sharing and learning. We the scholars of this world belong to the elite educated class of this society and we owe a lot to return back to this society. Let’s break all the discriminating barriers and get free from all minor affiliations. Let’s contribute even a little or single step for betterment of society and welfare of humanity to bring prosperity, peace and harmony in this world. Stay blessed.

Thank you.

Ms. Ani Wahyu

Program Coordinator

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Proposal of A New Model for The Algerian Companies to Measure the Effect of Intellectual Capital on Organizational Performance

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Abstract

Currently, the Intellectual Capital (IC) is considered as the main source for obtaining competitive advantage in the knowledge economy. Many researchers and practitioners have attempted to define the various components of the IC. They suggest several models to measure intellectual capital in order to allow the companies to better manage their tangible and intangible assets. The objective of this study is to measure the IC in Algerian companies using two models in order to propose a new model compatible with the Algerian companies managerial culture. This study examines the extent of the use of the IC in 14 companies through two models proposed by Sharbati A, Jawad S & Bontis. N (2010) which divide IC into (human capital , structural capital and relational capital) and the model of Choudhury. J (2010) which divides IC into (human capital, social capital and organizational capital). This study investigates the impact of Intellectual Capital (IC) in Algerian Companies' Business Performance (BP). The data was collected from 307 employees by means of a questionnaire. These two models allow to formalize a new model using cluster analysis which is tested in new study using four companies. This study found in the two models that human capital has a weak relationship with the company's performance. This means that IC should be well taken into consideration in the preparation of the company's strategy. These results relate the need to increase the awareness of the managers on the importance of intellectual capital and its components in order to increase the performance of Algerian companies. About the new model proposed the results show that there is an intermediate variables and moderate variables interfere the relationship between IC and customer satisfaction another the business performance.

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Keywords— Intellectual capital (IC)- Human Capital (HC), Structural Capital (SC), Relational Capital (RC), Social Capital (SC), organizational Capital (OC), New model, Algerian companies, Business Performance (BP), cluster analysis.

Introduction

The revolution in the environment of the company increases the importance of the hidden assets, and leads to the emergence of new companies that rely on knowledge, like consulting firms, software firms and all firms that are totally reliant to their intellectual capital for the success of their business. Greater reliance on intellectual capital means it will be important for the companies to maximize the value of their intellectual capital and to continuously enhance it. Many researchers show that the intellectual capital is a critical factor to create wealth; accordingly, it must study this new capital through different ways (definitions, components, measures).

The purpose of this research is to study the impact of the intellectual capital on the business performance through its different components, and the proposition of measurement models to the Algeria companies. The Algerian companies have unawareness to the importance and the extent of their intellectual assets for the future sustainability, also the Algerian economy has completely changed.

The aim of this study is to investigate the relationships between intellectual capital and business performance in the Algerian companies, especially with the beginning of increased interest the Algerian economy to the local products instead the reliance to the fuel with the collapse of its price.

What we cannot measure we cannot manage, it is necessary to identify the components of the intellectual capital, and determine to the companies different methods to be able to measure it. Researchers and practitioners propose different

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models to measure the intellectual capital that allows managing it, but the path of the thesis is to examine two models proposed by A. Sharbati, S. Jawad & N. Bontis (2010), and a model of Jyotirmayee Choudhury (2010) then propose a new model compatible with our culture with the increasing of the competition. This research is designed to highlight the importance of measuring the intellectual capital in our companies.

Literature Review

Definition of IC

According to Andreisson (2001) the development of Intellectual Capital theory has primarily been guided by the thinking of a handful of influential practitioners. Especially the works of Karl Sveiby and Leif Edvinsson have influenced the thinking about the non-tangible factors, the ‘weightless wealth’, that determine the success of companies. On this foundation, a solid framework for analysing this hidden capital has been built. Ulrich (1998) argues that intellectual capital is related to the skilled workers who are derived to maintain the business goals .

Intellectual capital has also been defined as the difference between a firm’s market value and the cost of replacing its assets. It is those things that we normally cannot put a price tag on, such as expertise, knowledge and a firm’s organizational learning ability. Market value equals book value plus intellectual capital, with book value usually only the tip of the iceberg of wealth. (Bontis, 1996)

Most definitions of intellectual capital show that the aim of intellectual capital is have a future benefits and tend towards including the knowledge of the firm, and the recognition that intangibles can constitute claims to future benefits. This is consistent with the generally from resources not conventionally found on the balance sheet (Sveiby, 1997; Schneider and Samkin, 2007).

The following figure shows the evolution of intangible investment in the US nonfarm business sector, reported as a share of sectoral output expanded to include intangible investment. The corresponding time path of fixed (tangible) investment is also shown. The intangible investment rate rose steadily over the period 1977-2010, starting from just over 8% and reaching to just under 14% by the end of the period. The tangible investment rate shows a secular decline. These patterns are consistent with the transition to a more knowledge-based economy .

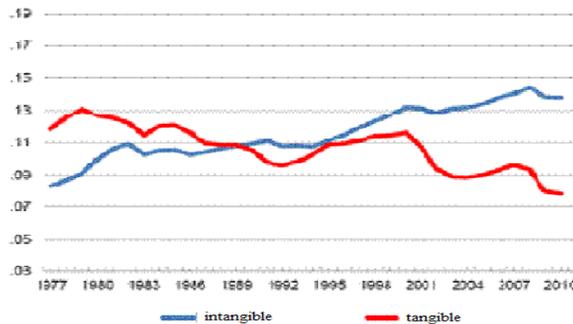


Figure 1: Trends in intangible and tangible investment in US business,1977-2010, unpublished data from corrado and hulten (2012)

Components of IC

Bramhandkor et al (2007) noted that the makeup of IC components varies widely by industry, so the nature of \$10 billion in intangible assets in the microprocessor industry is very different from \$10 billion in intangible assets in the investment banking industry. And the differences matter to practicing managers. So we can say that:

Human Capital is defined as the combined knowledge, skill, innovativeness, and ability of the company’s individual employees to meet the task at hand. It also includes the company’s values, culture, and philosophy. Organizations are increasingly looking at human resources as a unique asset that can provide sustained competitive advantage. (Bouguesri S,Benabou D and Tabeti .H,2013). Human capital cannot be owned by the company.It is a source that can be measured by innovation and creativity .(Bollen et al 2005)

Structural Capital is the hardware, software, databases, organizational structure, patents, trademarks, and everything else of organizational capability that supports those employees’ productivity - in other words, everything that gets left behind at the office when employees go home. It contain four elements in which can improve the productivity (system ,structure, strategy and culture) (Fah and Hsueh ,2007) .

Organizational capital: *contains* company systems, tools and work philosophy, as well as organizational culture. Elements that accelerate the flow of knowledge through the organization. This can be divided into innovation capital (renovation capacity and results of the innovations obtained by means of commercial rights, intellectual property, managerial secrets, and so on) and process capital (techniques of work, procedures that increase the value of the product or service and programs that increase the work efficiency). (Fah and Hsueh ,2007), It Made up of natural and implicit, formal and informal intangibles. These structure and develop effective and efficient activity of the organization.

Relational capital defined as knowledge incorporated in the organization and people as a consequence of the value derived from the relationship; with the representatives from the market and society in general.

While Sandra M. et al (2007) define social capital as the value of the relationships with the remaining agents in the organization’s environment.

Measuring IC

As intellectual capital is a new concept for many organizations and one that may be difficult to embrace, identifying ways of measuring it are likely to appear daunting. The famous saying: “what you manage you must be able to measure” also applies to intellectual capital. Researchers, consultants, accountants and managers soon discovered, however, that the traditional financial accounting measures, such as return on investments and earnings per share, could not be adequately utilized for intellectual capital, as they were out of step with the skills and competencies companies were trying to measure. (Ulrich, 2001).

Human resource accounting (HRA)

The study of Hermanson in 1964 relating to evaluate assets caused numbers of debates among accountants and human resource theorists. The objective of HRA is to quantify the economic value of people to the organization “to provide input to managerial and financial decisions”(Chen J et al, 2004). Researchers have proposed three types of HRA measurement models: cost models, HR value models and monetary emphasis models. It is acknowledged that HRA made significant contributions in the 1970s and it therefore can be regarded as an important branch of IC measurement. HRA models evaluate human capital in financial terms and they are extensively used in service organizations; where human capital comprises a significant proportion of organizational value. All of these models, however, tend to be subjective and uncertain and thus lack reliability in that their measures cannot be testified with any assurance. Besides, HRA methods require too many assumptions, some of which cannot hold and even violate common sense. Furthermore, HRA models only deal with the value of human capital without taking into consideration other important elements, such as customer, internal structure, corporate culture and innovation.

Skandia Navigator:

In the 1980s, to respond to the diversity and complexity needs of the customers, Skandia innovated its own management. After this reformation, the management of Skandia sees that new management system depended on the “hidden value” for Skandia that was not reflected in traditional financial statements, and they wanted a way to visualize that value within the company and to communicate it to the stock market. To do so, they defined intellectual capital as a difference of market value and book value, and developed the Skandia Navigator shown in Figure 1.

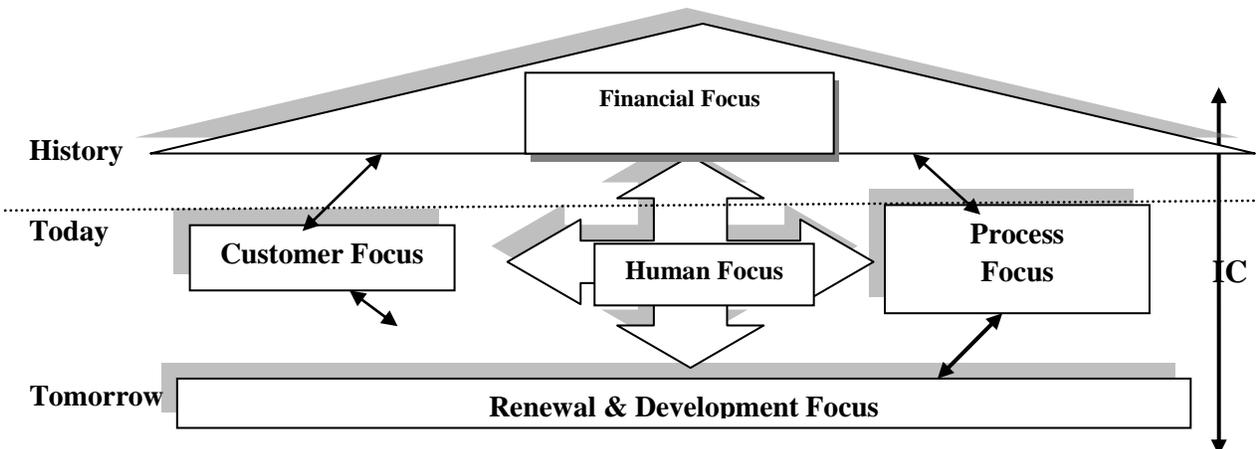


Figure 2: Skandia Navigator

Source: Pulliam Philips, P.(2002). In Action: Measuring Intellectual Capital. *American society for training and development*, p 34.

This is the first dynamic intellectual capital model. Skandia divides the market into financial capital and intellectual capital focusing on the breakdown of the latter. On one level, intellectual capital is comprised of human capital and structural capital (as we showed in the first section). A reciprocal relationship exists between both as the latter makes up the infrastructure of the former and in return, human capital helps develop structural capital. (Sandra, Munoz and Lopez-Guzman, 2007).

IC Index:

The IC Index is a tool to integrate all the different individuals into one index, and link the changes in intellectual capital with changes in the market, it is an example of the second generation practices (Bontis, 2001).The index provides an immediate improvement to having long lists of individual indicators, because it requires companies to understand the priorities and relationships that exist between their different measures.

The notion of an IC-Index was first advanced by Goran Roos and his colleagues at Intellectual Capital Services Ltd, and was first used by Skandia in its 1997 IC supplement to the annual report. When Skandia adopted this tool, it has been endorsed and implemented by many other practitioners. Bontis (2001) shows that the IC-Index proposed by Roos et al (1997) has several distinct features:

- It is an idiosyncratic measure;
- It focuses on the monitoring of the dynamics of IC;
- It is capable of taking into account performance from prior periods;

It sheds light on a company different from an external view typically based on an examination of physical assets; It is a self-correcting index in that if performance of the IC-Index does not reflect changes of the market value of the company, then the choice of capital forms, weights and/or indicators is flawed, are subjective in nature, and Skandia’s IC measures which are objective in measure.

Intangible Asset Monitor

Sveiby (1997) suggests an intangible model with book value of the organization equal to tangible assets minus visible debt. For years, old system of accounting has taken part of a system of non-financial knowledge flows and intangible assets that use new proxies.As we noted previously, IC’s component proposed by Sveiby are based on three families of intangible assets: external structure, internal structure and individual competence. Sveiby proposes a model containing knowledge perspectives that replace the traditional accounting measurement. Also, Sveiby argues that both *non-financial* measure to measure intangible assets and *financial* measures to measure visible equity can be jointly used to provide a complete indication of financial success and shareholder value. (Table 1).

Table 1:

Seeing intangible assets

Visible equity (book value)		Intangible assets (stock price premium)	
Tangible assets minus visible debt	External structure (brands, customer and supplier)	Internal structure (management, legal structure, manual systems, R & D, software)	Individual competence (education, experience)

Source: Bontis (2001).

Research Hypothese

According to the understanding conceptual paradigm, the hypotheses of this research are as follow:

Hypothesis 1: An organisation’s level of intellectual capital is positively related to business performance.

Hypothesis 2: Business performance is positively influenced by Intellectual capital

Research Method

The first model uses in this study is the model of Jyotirmayee Choudhury (2010) uses in Indian IT sector, that divided intellectual capital into three elements : human capital , social capital and organizational capital and their impact on performance

The second model of A.Sharbati ,S.Jawad & N.Bontis (2010) devides IC into components human capital, structural capital and relational capital, with replacing market value by market share (For the nature of the prevailing economic environment in Algeria show figure 2:

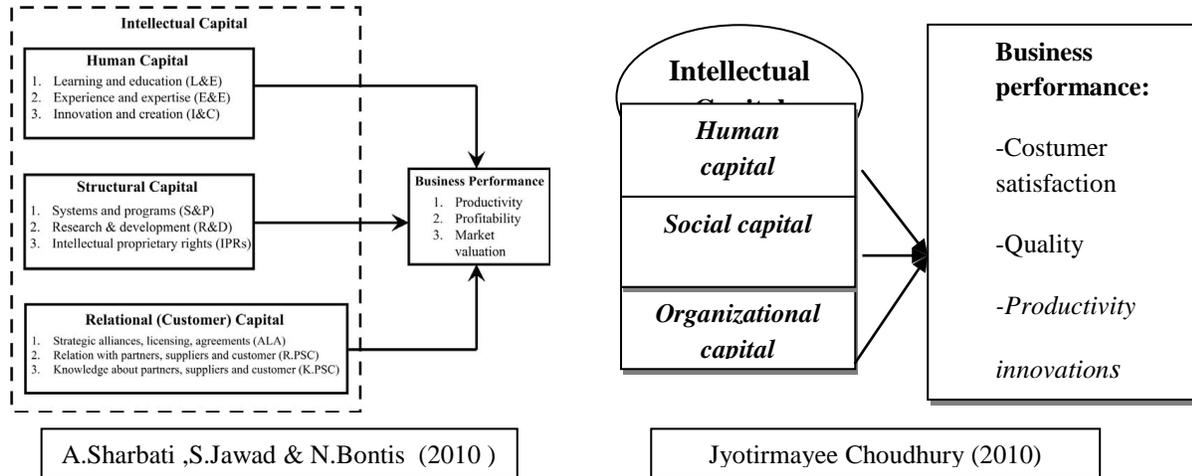


Figure 3: Conceptual Model

Data Collection

The respondents were all employees in Algerian companies. The questionnaire contained 64 statements for the first model and 63 statements for the second model to which respondents indicated the extent of their agreement on a 5-point Likert scale (1 = strongly disagree and 5 = strongly agree).

Our sample of this research was employees working in companies including: Banks, Industrial Goods and Services, Insurance, Telecommunications. Most of the respondents are situated in the medium level of the companies mentioned in the table follows. (Table 2).

Respondents were encouraged to ask questions about the purpose of the survey, and to make sure that the meanings of the questions were clear. All such questions were answered during the administration of the survey.

Very few concerns regarding the meanings of the questions were reported. About 60% of the respondents were from financial services (Banks) and the remaining 40% were from no service industries (e.g., production). See Table 3 for descriptive information. Data collected through quantitative survey approach. The questionnaires is distributed to 320 employees that work in different companies. In order to evaluate the intellectual capital, measurement for the three levels of IC had to be defined.

In this study, the responses and information collected from the various statistical methods will be used to analyze the data that we will collect from the 307 respondents. The Statistical Package for the Social Sciences (SPSS, version 17.0) package.

The response rate was 67.3 per cent. A description of the respondents is represented in table 3. Table 2:

List of the companies used as sample in the study

Company	The Sector
Pepsi Coca Cola	Drinks
Mobilis Djezzy Ooredoo	Telecommunications
Touring Voyage Algérie	Tourism
CNEP NATIXIS BDL CPA Sancellia	Banks
Nestle LU La Vache Qui Rit	Goods

Respondents Profile

The data for the study was collected from 307 respondents from various Algerian organisations. The data set covers various aspects of intellectual capital and business performance. As per the table-3 demographic profiles of the respondents consist of small, medium, and large organisation, where respondents from large organization constitute almost half of the total population in the study. Female participants in the study was one third where as male participants consisted of two third of the total population. Age wise distribution depicts 31-40 age group dominates in the study consisting of more than 40% of the total sample , The almost of the respondent have the license diploma ,it consists28,7% . The respondents having less than 5years of experience at current organisation is very well present in the study consisting of 56,35%.

Table 3:
Respondents Profile

Parameter	Group	#	%
Sex	Female	181	59
	Male	126	41
Age	20-30	48	15,6
	31-40	139	45,3
	41-50	91	29,6
	>50	29	12,1
Education	Primary	60	19,5
	Medium	68	22,1
	Secondary	83	27
	License	88	28,7
	Post Graduation	8	2,5
Profession	General manager	54	17,5
	Account	46	15
	Branch manager	121	39,4
	Others	86	28
Total Experience	>5years	173	56,35
	< 5 years	134	43,65
Total		307	100

Source : from SPSS

Descriptive analysis
The test of the reliability

Table 4:
The test of the Reliability and Normality

Items	Cronbach's alpha	(K-S) Z	Sig
Human capital	0.678	0.674	0.345
Structural capital	0.756	0.104	0.634
Relational capital	0.589	0.554	0.324
Business performance	0.566	0.789	0.213

Items	Cronbach's alpha	(K-S)Z	Sig
Human capital	0.5602	0.768	0.456
Social capital	0.4686	0.02	0.654
Organizational capital	0.6167	0.567	0.354
Business performance	0.7846	0.923	0.234

Source: from SPSS

In order to test for the reliability Cronbach's alpha was used to test the reliability of the measures. All variable and sub-variable items were confirmed valid since their factor loading values were more than 0.4. This result mirrors previous studies conducted by Bontis (1998), Bollen et al. (2005) as shown in the table 4.

The Kolmogorov-Smirnov test

The Kolmogorov-Smirnov test for normality was used to see whether the responses had a normal curve about the mean. All dependent and independent variables were tested for normality. If the significance level was more than 5 percent, normality was assumed.

Table 3 shows that all the independent and dependent variables are normally distributed in the two models .

Testing hypothesis:

Hypothesis 1:

An organisation's level of intellectual capital is positively related to business performance. Since the population for the study is heterogeneous, a stratified random technique has been adopted to select the respondents for the study, 307 respondents were selected randomly from different levels of Algerian organisation. A linear regression model was drawn to explain the relationship between business performance and intellectual capital.

As defined in table4 the regression equation of the business performance with human capital, social capital and organizational capital.

The regression equation of business performance component with human capital, social capital and organizational capital clearly depict the model are well fit with R less than 0.5. Human capital is weak in explaining the relationship with R value 0.370.

The effect of human capital, social capital and organizational capital on business performance are significant with R value 0.370, 0.449 and 0.435 in this arrangement and intellectual capital as a whole has an influence on business performance with R value 0.485.(Table 5).

Table 5:

Correlation matrix

	Mean	Std	1	2	3	4
1-Human Capital	3.24	1.212				
2-Social Capital	3.36	1.205	0.345			
3-Organizational Capital	3.32	1.256	0.456	0.768		
4- Business Performance	3.23	0.928	0.370*	0.449*	0.435*	0.485*

Source : From SPSS

Note: All correlation values are significant at the 0.01 level (two-tailed)

About the second model , As defined in table-6,the regression equation of the business performance with human capital,structural capital and relational capital.

The regression equation of business performance component with human capital, structural capital and relational capital clearly depict the model is well fit with R less than 0.5. human capital is weak in explaining the relationship with R value 0.22.

The effect of human capital , structural capital and relational capital on business performance are significant with R value 0.22 , 0.387 and 0.335 in this arrangement and intellectual capital as a whole has a positive relationship with business performance with R value 0.420(that means the reject of the null hypothesis and accept the alternative hypothesis)

Table 6:

Correlation matrix (model 2)

	Mean	Std	1	2	3	4
1-Human Capital	4.03	0.843				
2-Structural Capital	3.19	0.945	0.410			
3-Relational Capital	3.87	0.924	0.222	0.215		
4-Business Performance	3.25	0.461	0.220*	0.387*	0.335*	0.420*

Source: From SPSS

Note: All correlation values are significant at the 0.01 level (two-tailed)

Hypothesis 2:

Business performance is positively influenced by Intellectual capital

Business performance was regressed again three variables of intellectual capital namely (Human capital, Social capital, organizational capital and Structural capital)

The equation for business performance was expressed in the following equation:

$$Y_s = \beta_0 + B_1X_{hc} + B_2X_{sc} + B_3X_{oc} , \text{ Where,}$$

Y_s = Business performance

β_0 = constant (coefficient of intercept)

X_{hc} = Human capital

X_{sc} = Social capital

X_{oc} = Organizational capital

B_1, \dots, B_3 = regression coefficient of three variables .

The results show that the regression equation is : $Y=1.005+0.311X_{HC}+0.461X_{SC}+0.506X_{OC}$

The results showed that a one-unit increase in organizational capital would lead to a 0,506 unit increase in business performance, one-unit increase in social capital would lead to a 0.461 unit increase in business performance and one-unit increase in human capital would lead to a 0.311 unit increase in business performance.

In conclusion, the results of multiple regression analysis agree hypothesis 2, that there is the effect of intellectual capital to the overall business performance. So, there is a relationship and an impact of intellectual capital on the business performance.

In other words, the table also shows the results of the statistical analysis that mentions there is an influence of the intellectual capital dimensions on business performance, with F calculated equal 9,841 at the level of significance ($\alpha \leq 0.05$) that means the reject of the null hypothesis and accept the alternative hypothesis

About the model of Bontis (2010): The equation for business performance was expressed in the following equation:

$Y_s = \beta_0 + B_1 X_{hc} + B_2 X_{sc} + B_3 X_{rc}$, Where,
Y_s = Business performance
 β_0 = constant (coefficient of intercept)
X_{hc} = Human capital
X_{st} = Structural capital
X_{rc} = Relational capital
B₁, ..., B₃ = regression coefficient of three variables .

The results show that the regression equation is: $Y = 0.987 + 0.396 X_{HC} + 0.449 X_{SC} + 0.345 X_{RC}$

In conclusion, the results of multiple regression analysis agree hypothesis 2, that there is the effect of intellectual capital to the overall business performance. So, there is a relationship and an impact of intellectual capital on the business performance. The results of the statistical analysis that mentions that there is an influence of the intellectual capital dimensions on business performance, with F calculated (65.175), which amounted to 30 that means it is significant at the level of 0.05 that means the reject of the null hypothesis and accept the alternative hypothesis.

Discussion

The results of this study have shown that there is in fact weak and positive evidence that the companies uses this study are becoming managing intellectual capital effectively and that in turn is influencing business performance positively. The Algerian companies should head the management team and directs the company's business policy. A charismatic leader with vision, energy and a strong desire to succeed, he generates commitment and loyalty within all levels of the company. The top managers are functional specialists who have the task of agreeing goals and milestones for the activities within their functions. The top managers also act as key project members. They assume entrepreneurial roles and are required to continue the process of innovation, in which they proactively seek to create opportunities or solve problems to serve business needs. The key project members affect the performance of the project at two levels. Firstly they influence the day-to-day operations of the project. This ensures the effectiveness of the resulting activities and processes that produce the innovative output of the project. Secondly, they work to interconnect the activities that drive value creation by working closely with their alliance partners. The Algerian companies should adopt an IC strategy that help their to built a competitive advantage. Defining the role of IC in a formal way. It can be done by designing a map for IC in each organization. Managers should design systems and set up appropriate programs for monitoring and managing IC and related databases. Finally, identifying key people in each department as IC champion. Managers at the organizations would be responsible for preparing a plan for managing IC and linking it to the organization's strategic goals (Sharbati et al., 2013) With a theoretical analysis in this study, IC is classified into human capital, structural capital, relational capital, organizational capital and social capital. For the purpose of compiling the study variables in the form of a tree cluster, which are similar qualities convergent using the cluster analysis with SPSS program, where the aim of the cluster analysis is the classification sample Views into two categories but unknown or more depending on the configurations of the categories of variables. Usually, the purpose of this study is to analyze and discover a particular pattern regulates Views.

The New Model

We try to propose a new model based on the cluster analysis, Cluster analysis is a term used to describe a family of statistical procedures specifically designed to discover classifications within complex data sets , the objective of cluster analysis is to assign observations to groups ("clusters") so that observations within each group are similar to one another with respect to variables or attributes of interest, and the groups themselves stand apart from one another. In other words, the objective is to divide the observations into homogeneous and distinct groups .

In contrast to the classification problem where each observation is known to belong to one of a number of groups and the objective is to predict the group to which a new observation belongs, cluster analysis seeks to discover the number and composition of the groups. In this section we try to use the cluster analysis to divide data into groups (clusters) that are meaningful useful ,or both . If meaningful groups are the goal ,then the clusters should capture the natural structure of the data .In some cases ,cluster analysis is only a useful starting point for other purposes , such as data summarization. Whether for understanding or utility ,cluster analysis has long played an important role in a wide variety of fields :psychology and other social sciences, biology ,statistics ,pattern recognition ,information retrieval,machine learning and data mining. The table 7 shows the differences between the variables using the method of cluster analysis with Square Euclidean Distances, for example in the cause to have the distance between human capital and structural capital we calculate the mean of human capital and the mean of structural capital then we calculate the square between these two variables Square Euclidean Distances = $(X_{HC}-X_{SC})^2$ when : X_{HC} : shows the mean of human capital X_{SC} : shows the mean of structural capital.

Table 7:

The differences between the variables using the method of cluster analysis using Square Euclidean Distances

	Human capital	Social capital	Organizational capital	Structural capital	Relational capital	Customer satisfaction	Service/ product	Productivity	Innovation	Profitability	Market share
Human Capital	0.000	0.0002	0.0065	0.063	0.0187	0.0004	0.0004	0.0123	0.1243	0.0657	0.0003
Social Capital	0.0002	0.000	0.0085	0.0467	0.0256	0.0002	0.0008	0.0113	0.123	0.0523	0.0076
Organizational	0.0065	0.0085	0.000	0.0115	0.0072	0.02	0.0056	0.0056	0.0645	0.0657	0.043
Structural capital	0.063	0.0467	0.0115	0.000	0.0017	0.0576	0.0545	0.0051	0.023	0.0177	0.0067
Relational capital	0.0187	0.0256	0.0072	0.0017	0.000	0.0021	0.0754	0.0311	0.0031	0.086	0.034
Customer satisfaction	0.0004	0.0002	0.02	0.0576	0.0021	0.000	0.0015	0.0354	0.134	0.076	0.0879
Services/ product	0.0004	0.0008	0.0056	0.0545	0.0754	0.0015	0.000	0.0443	0.0411	0.0154	0.034
Productivity	0.0113	0.0225	0.0056	0.0051	0.0311	0.0354	0.0443	0.000	0.0441	0.0123	0.0897
Innovation	0.123	0.1456	0.0645	0.023	0.0031	0.134	0.0411	0.0441	0.000	0.0052	0.0032
Profitability	0.0523	0.0624	0.0657	0.0177	0.086	0.076	0.0154	0.0123	0.0052	0.000	0.0043
Market share	0.0003	0.076	0.043	0.0067	0.034	0.0897	0.034	0.0897	0.0032	0.0043	0.000

Source:From SPSS

It is evident from the table that the square of the distance between the variables vary depending on the different characteristics and qualities between the variables for example the square of the Euclidean distance between human capital

and social capital was 0.0002, also the square of the Euclidean distance between organizational capital and human capital , and social capital was 0.0065 , 0.0093 ,

These results show that through the distances between the variables, it formulates three clusters mentioned in figure 3. The figure (3) shows the tree cluster of the variables that contains the model proposed.

It is clear from the figure (3) that there are three clusters formed as a result of interdependence and relationship between the 11 variables of the present study, as the square of the distance at least was between human capital and social capital. That reflects the convergence between these two variables in the characteristics and qualities, followed by the square of the distance between the productivity and relational capital, then between organizational capital and service/product quality, finally between structural capital and profitability.

The figure also shows that the similarities in characteristics and qualities between human capital and social capital led to their a relationship with innovation relational capital and productivity and as a result of this link met with relational capital and productivity that allows to formulate the first cluster.

The similarities in the characteristics and qualities between profitability and structural capital allows to relate with market share. Also the similarities in the characteristics and qualities between service /product quality and organizational capital led to relate. And the figure also shows the result of the similarities in characteristics and qualities between productivity and structural capital led to their a relationship with organizational capital that allows the formulation of the third cluster.

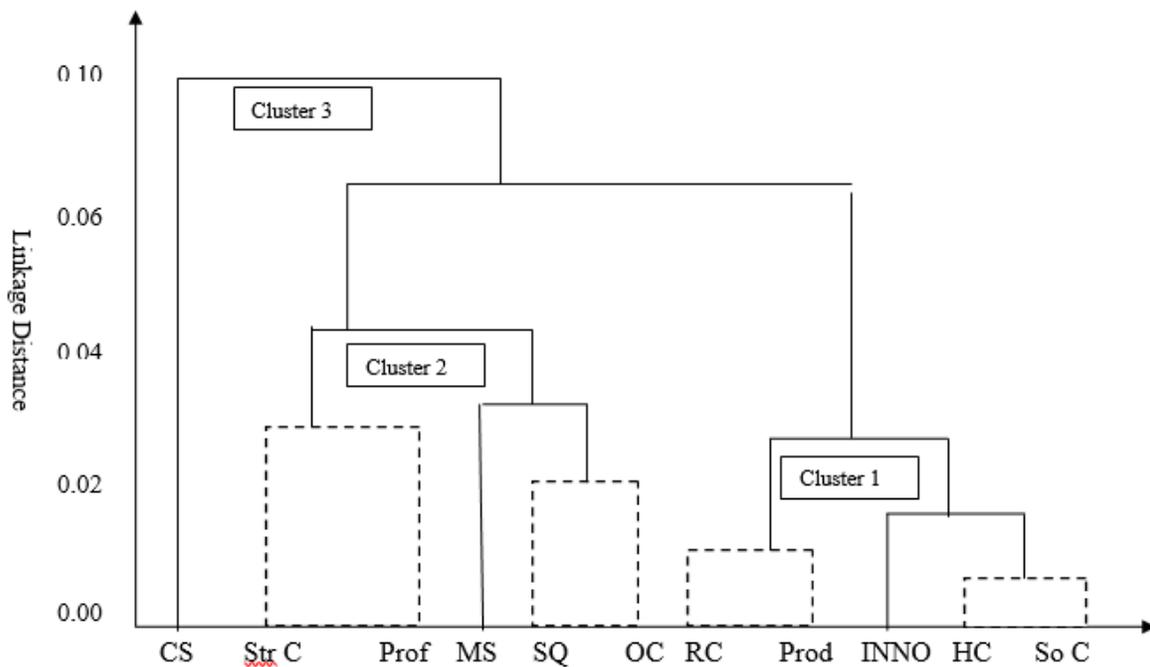


Figure 3: Tree Diagram for 11 Variables Complete Linkage Squared Euclidean Distances Intellectual Capital & Business Performance

When : HC :human capital ,So C : Social capital ,INNO:innovation ,RC: relational capital , SQ:service/product quality ,MS:market share , Str C: structural capital , Prof:profitability , CS: consumer satisfaction

Source:From SPSS

The relation of the first cluster with the second cluster have an impact to make the relationship between these two clusters with the customer satisfaction that we can consider it the independent variable or the final results strategic of the Algerian companies in the long term.

Else, for the aim of the study is to propose a new model for the measurement of the intellectual capital that is compatible with the Algerian environment, we can say that the main aim of the Algerian companies to improve the business performance, they have a consideration of the customer satisfaction as a main strategic objective that allows them to have an added value and to continue in knowledge era.

We divided intellectual capital into intangible capital that has an impact on the satisfaction of the consumers; through some variables that are considered intermediate and motivate variables

Intangible capital is divided into: human capital, social capital, organizational capital and product/service quality, these components have an impact on the customer’s satisfaction instead of the business performance.

The figure below shows that to realize the relationship between intangible capital and customer’s satisfaction; there are some intermediate and motivate variables

Testing of the New Model:

The test of the new model based on the hypothesis as follows :

Hypothesis 1:

The human capital has a positive influence on customer satisfaction through the relational capital in Algerian companies .

Hypothesis 2:

The social capital has a positive influence on customer satisfaction through the productivity in Algerian companies.

Hypothesis 3:

Organizational capital has a positive influence on customer satisfaction through the structural capital in Algerian companies.

Hypothesis 4:

The service/ product quality has a positive influence on customer satisfaction through the profitability in Algerian companies

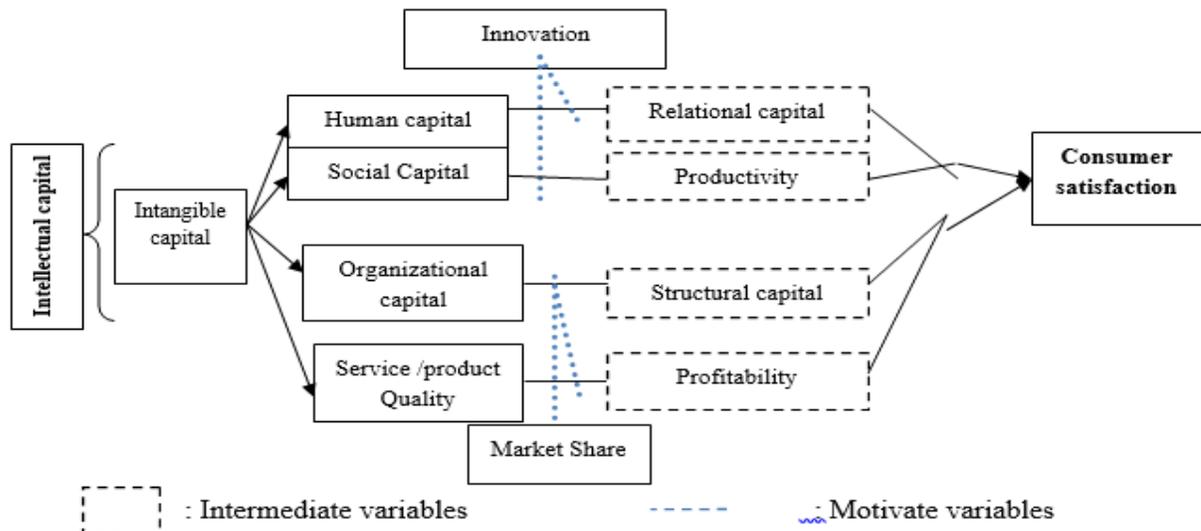


Figure 4: The variables of the new model

Hypothesis 5:

Innovation motivates the relationship between human capital and relational capital

Hypothesis 6:

Innovation motivates the relationship between social capital and productivity.

Hypothesis 7:

Market share motivates the relationship between organizational capital and structural capital

Hypothesis 8:

Market Share motivates the relationship between service/product quality and profitability

Research Framework

Based on the above hypotheses, a research framework with eleven variables outlined in Figure 22 was developed.

Methodology

Quantitative research method using a questionnaire was adopted to examine the direct and indirect influences of intangible capital on consumer satisfaction as well as the moderating role of innovation and share market on the above relationships and the influence on the intermediate variables on the consumer satisfaction .We use 120 questionnaire that is distributed to the employees in different on Algerian companies (Pepsi,Mobilis ,Ooreedoo,Djezzy)

Samples and Sampling Technique

For this study, a simple random sampling technique was chosen to obtain a sample size of 120 potential respondents, a total of 103 responses were received, representing a response rate of approximately 83,33%.

Sample Description

The key demographic characteristics of respondents were summarized in Table 8The gender split of the sample was 67.69% (79) for male and 35.31%(24) for female. In term of education, 33%(34) had graduate school degrees and 55.33%(57) were educated to university level. A total of 42.72 percent were 31-40.In term of experience,52,42 percent(54) had experience less than 5 years . By looking at the results of the demographic analysis, respondents reflected general demographic information and provided similar results to a previous study.

Table 8:

Demographic Characteristics of Respondents(new model)

	Demographic characteristics	Frequency	%		Demographic characteristic	Frequency	%
Gender	Male	79	67.69		Middle school	2	1,94
	Female	24	35.31		High school	10	9.70
Age	25-30	7	6.79	Education	University	57	55.33
	31-40	44	42,72		Graduate school	34	33,00
	40-50	10	9.70	Experience	Less than 5 years	54	52.42
	More than 50	42	40,77		More than 5 years	49	47.57

From SPSS

Data Analysis:

The responses collected were processed to look for both direct and moderating effects using the Statistical Package for the Social Sciences (SPSS) for Windows Version 17.

Reliability

Cronbach’s alpha was used to measure the internal consistency or reliability of the items in each variable of the questionnaire. As a general rule, variables with a Cronbach’s alpha coefficient higher than 0.4 are considered as having a good internal consistency among items. Table 9 summarizes the Cronbach’s alpha coefficients with respect to each of the eleven variables. All eleven variables had a Cronbach’s alpha coefficient between 0.543 and 0.897 and were therefore considered acceptable for further analysis.

Factor Analysis for Reliability Testing

Principle component analysis with Varimax rotation was conducted using SPSS on all items For the eleven variables in the questionnaire. Items with factor loading less than 0.5 were deleted. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is the most test performed to see whether the basic assumptions for factor analysis are met . The

results showed in Table 37 indicate that the KMO values were in the range between 0.612 and 0.832 which were all higher than 0.6, indicating that the performance items were suitable for factor analysis

Table 9:
Results of Reliability and Normality Analyses (New model)

Variables	Items	Cronbach's alpha	KMO value
Human capital	8	0.675	0.635
Social capital	5	0.578	0.612
Structural capital	4	0.768	0.698
Organizational capital	5	0.897	0.766
Innovation	5	0.789	0.654
market Share	4	0.543	0.832
Service /product quality	5	0.645	0.777
Productivity	6	0.845	0.735
Profitability	3	0.756	0.645
Relational capital	5	0.544	0.711
Customer satisfaction	11	0.546	0.633

Source: From SPSS

Testing hypothesis:

Table 10 shows that the mean values for each variable are between 4.34 and 5.45, indicating that all items scored in the affirmative (1 = strongly disagree, 5 = strongly agree, with 3 the mid-point) with mean values greater than 3.0. The Pearson correlation coefficients between the independent variables (i.e., human capital, social capital, organizational capital and service/product quality), moderating variable (i.e., innovation and share market), intermediate variable (relational capital, productivity, profitability and structural capital) and between dependent variable (customer satisfaction) were less than 0.90. These correlations also provide further evidence of validity and reliability for measurement scales used in this research.

Table 10:
Correlation between Variables and Descriptive Statistics(New model)

		Pearson Correlation											
	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1-Human capital	5.23	0.65	(1)										
2-Social capital	4.34	0.67	0,56	(1)									
3- Innovation	5.34	0.54	0.55	0.54	(1)								
4Organizational capital	5.21	0.78	0.54	0.67	0.33	(1)							
5- Productivity	4.34	0.56	0.57	0.34	0.45	0,68	(1)						
6-Profitability	5.22	0.78	0.50	0.44	0,68	0,89	0.33	(1)					
7-Structural capital	5.43	0.67	0.52	0.78	0.54	0.77	0.51	0.34	(1)				
8-Share market	5.45	0.97	0.67	0.45	0.55	0.66	0.87	0.78	0.55	(1)			
9-Relational capital	4.85	0.84	0.45	0.57	0.43	0.65	0.56	0.85	0,33	0.82	(1)		
10-Service /product quality	5.32	0.74	0.53	0,53	0.56	0.43	0.67	0.65	0.85	0,76	0,74	(1)	
11-Customer satisfaction	5.22	0.59	0.89	0.88	0.53	0,62	0.52	0.55	0,62	0.69	0,73	0,67	(1)

Note: All correlation values are significant at the 0.01 level (two-tailed)
Reliability estimation are shown diagonally (value 1)

The table 11 shows the outcomes of testing moderating hypotheses. Firstly, interacting variable (human capital x innovation) significantly correlated with customer satisfaction ($B = 0.23, p > 0.05$), therefore H_3 was accepted.

This result demonstrates that the inclusion innovation had increased the effect of responsiveness on customer satisfaction. This indicates that innovation does an act as a moderating variable in such relationships.

Secondly, interacting variable (social capital x innovation) is insignificant correlated with customer satisfaction ($B = -1.83, p > 0.05$), therefore H6 was rejected. This result demonstrates that the inclusion of innovation had not increased the effect of social capital on customer satisfaction. This indicates that innovation does not act as a moderating variable in such relationships.

Thirdly, interacting variable (organizational capital x share market) significantly correlated with customer satisfaction ($B = 1.72, p < 0.05$), therefore H7 was accepted. This result demonstrates that the inclusion of share market had increased the effect of organizational capital on customer satisfaction. This indicates that share market does act as a moderating variable in such relationships.

Finally, interacting variable (product /service quality x share market) significantly correlated with customer satisfaction ($B = 1.65, p < 0.05$), therefore H8 was accepted. This result demonstrates that the inclusion of share market had increased the effect of service /product quality on customer satisfaction. This indicates that share market does act as a moderating variable in such relationships.

Table 11:
Results of Hypothesis Testing (New Model)

Variables	Customer satisfaction New model		
Dependent variables :			
Human capital	0.38		
Social capital	1,35		
Organizational caital	-1.06		
Service /product quality	0.68		
Moderating variables :			
Human capital * Innovation	0.23		
Social capital *Innovation	-1.83		
Organizational capital * share market	1.72*		
Service/product quality * Share market	1,65		
Intermediate variables : (Path)	Path Coefficient	t -value	p-value
Human capital → Relational capital	0.655	11.034	0.000
Social capital → productivity	0.430	6.903	0.000
Organizational capital → Structural capital	0.765	10.435	0.000
Service product quality → Profitability	0.555	12.345	0.000
Relational capital → Customer satisfaction	0.356	9.324	0.000
Productivity → Customer satisfaction	0.675	12,354	0.000
Structural capital → Customer satisfaction	0.765	13.245	0.000
Profitability → Customer satisfaction	0.847	14.556	0.000
R ²	0.57		
R ² Adjusted	0.35		
F	9.32***		
R ² Change	0.04		
F △ R ²	1.96		

Note: Correlation value significant at * $p < 0.05$, ** < 0.01 , *** $p < 0.001$

X²=298.011, p=0.000, df=82

GFI=0.863, AGFI=0.812, TLI=0.928,

CFI=0.941,

SRMR=0.061, RMSEA=0.083,

NFI=0.909

About the intermediate variable using AMOS 17.0, the data was examined by the structural equation modeling associated with the hypotheses of this study. The structural equation model analysis showed that the overall fit index displays an acceptable level of fit: X²=298.011, p=0.000, df=82; goodness of fit index GFI=0.863, AGFI=0.812, Tucker-Lewis index TLI=0.928, comparative fit index CFI=0.941, standardized root mean residual (SRMR)=0.061, root mean square of approximation (RMSEA)=0.083, normed fit index (NFI)=0.909. Figure 5, presents the structural diagram showing the direction and magnitude of the direct impact through the standardized paths. The results showed that human

capital influenced relational capital ($\beta=0.655$, $t=11.034$, $p=.000$) in a positive way and the same can apply to the other variables.

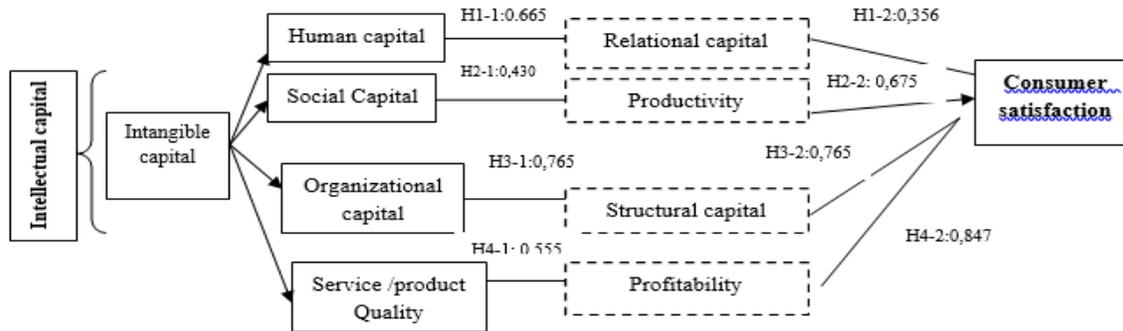


Figure 6: Results of Analysis the new Model

Discussion

The finding for this research shows that:

Relational capital intermediates the relationship between human capital and customer satisfaction in the positive way; this means that the increase of the consideration of the human capital e.g. people innovation, satisfaction of the employees can increase the value of the capabilities of a company to interact with the external world including customers, suppliers, franchisers, partners and other stakeholder (relational capital) in order to increase the satisfaction of the customer.

The productivity intermediates the relationship between the social capital and customer satisfaction this means that the social capital has a positive effect on productivity that has a positive influence on the consumer satisfaction. In other words, the consideration of the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions can increase the productivity; the firm that achieves superior levels of customer satisfaction needs to devote fewer resources to handling returns, rework, warranties and complaint management, thus lowering costs and improving productivity.

The organizational capital has a positive influence on customer satisfaction through the structural capital in Algerian companies; Structural capital can create a strong, supportive culture that enables employees to safely and without any fear enter into new arena and gain experience. Also, structural capital can be a valuable aid to employees to achieve optimal intellectual performance and realize the organization's business performance. In fact, structural capital is a function of human capital, because human capital is considered as a determining factor in shaping the organizational structure of an organization. On the other hand, once structural capital is affected by human capital, it can be manifested clearly while it is independent of human capital. For example, organizational structure and culture can independently have a fundamental impact on the organization; therefore, structural and human capital can highly help organizations through interaction with each other. According to Roos et al. (1997), structural capital includes organizational capital (such as intellectual assets, innovation, processes and cultural assets) along with renovation and development capital (such as patent rights of products and educational efforts); with these interaction between structural capital and organizational capital it can support the increase of the customer satisfaction. (the term "organizational capital" is more appropriate. Structural capital includes all non-human sources of knowledge such as strategies, databases, organizational charts, operating procedures, performances, and anything that is valuable to the organization and structural capital has several infrastructural assets such as technologies, processes, and working methods as well as intellectual assets such as technical knowledge, trademarks and patent rights of products.

The profitability intermediates the relationship between service quality and customer satisfaction; Profitability is stimulated by loyal customers; customer loyalty results from customer satisfaction; customer satisfaction results from the value of services provided to the customers. The value of services provided to the customers is a function of service quality.

The results of this research show also that Innovation motivates the relationship between human capital and relational capital; and does not motivate the relationship between social capital and structural capital.

Market share motivates the relationship between organizational capital and structural capital . And also motivates the relationship between service quality and profitability.

Conclusion

At present , it is difficult to give a financial sense to the knowledge assets because of a lack of tangible collateral. Attempts to measure intangible assets have included treating employees as balance sheet items and measured in money, and using financial variables e.g., discounting a person's output during a lifetime, costing out sick leaves or personnel turnover to create personnel accounting calculations for managers' use.

The researchers emphasis the importance of intellectual capital as a key contributor to create wealth and a competitive advantage, and to transform tangible resource into productive services. Therefore, increasingly the future success of organization will be dependent upon their intellectual capital, for these reasons we try to propose a new model.

The model proposed to measure intellectual capital compatible with our companies points to the importance of managing human capital. Although most of the components of the model were evident in the companies .The model shows that is useful to the companies to take consideration to their human capital as a key important to success.

Despite the absence either of formal management or strategies for intellectual capital there were encouraging indicators of knowledge –based change .The employees (especially the young managers) recognized the importance of the human capital to their business performance. They acknowledged the need for a more proactive approach to managing the human resource. In general, it was a admitted that there were knowledge gaps, and that greater attention need to be given to eliminating those gaps.

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BESSH-16

The Merger of Geely Automobile and Volvo Car Corporation as An Example of the Expansion of Chinese Capital in The Automotive Sector

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Abstract

One of the crucial forms of the expansion of Chinese companies into new markets over the last decade has been the increasing pace and scale of conducted mergers and acquisitions, as well as inter-regional agreements, such as joint ventures. The value of agreements such as mergers and acquisitions, established by Chinese companies worldwide in the year of 2015 reached a record level of \$477.2 billion, far exceeding the results of the previous year, what demonstrates the growing openness of the Chinese investors to cooperation with foreign partners. The fields in which Chinese companies have invested the most in recent years are: energy, real estate, finances, automotive, metals, agriculture and technology. The article presents the effects of the merger concluded in 2010 by a Chinese passenger car manufacturer Geely Automobile with the Swedish company Volvo. The presented example of the expansion of Chinese capital in the automotive sector has been one of the most important investments ever made by the Chinese company on the foreign market. The basis of the analysis made by the author were the results obtained from annual financial reports, published by the mentioned companies. They allowed the assessment of changes in the position of the examined Chinese corporation by using such financial and marketing measures as: market share, market value of the company, value of company's revenues, the popularity of the brand and its image. Comparative analysis of the development of these indicators before and after the merger shows that the actions of Geely Automobile, effectively led to the strengthening of the company's potential, as well as to the increase of its competitiveness on both the domestic and international market, while its strategic aspirations allow to expect further dynamic growth and development of the company on the international arena.

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Keywords— International Merger, Chinese Expansion, The Automotive Sector, Geely Automobile, Volvo Car Corporation

Introduction

The growing rate and scale of carrying out mergers and acquisitions as well as establishing interregional joint ventures are a manifestation of strong expansion of Chinese enterprises to new markets over the past decade. The value of agreements such as mergers and acquisitions carried out by Chinese enterprises worldwide reached the record-breaking level of USD 477.2B in 2015, thus significantly exceeding the results achieved the year before, which proves also the increasing openness of Chinese investors to cooperation with foreign partners. Over the past years, Chinese enterprises have invested mainly in the following sectors: energy, real properties, finance, automotive, metallurgy, agriculture, and technology.

The paper presents the research problems regarding the impact of the Chinese government's policy on the development of the Chinese automotive sector and agreements such as mergers and acquisitions concluded by Chinese-owned enterprises in the automotive sector on creating the position of those enterprises on the global market and, as a consequence, expanding their international competitiveness. The author made an assumption that mergers of Chinese-owned enterprises are one of the major forms of expansion of such organisations on the contemporary market and formation of their position on that market. At the same time, agreements such as mergers and acquisitions are a method for expanding the international competitiveness of Chinese enterprises, thus contributing to their success on the global market. The basis for building competitive advantage of Chinese enterprises and the sectors in which they operate (in this case, the automotive sector) is pursuit of an effective development policy relying on cost reduction, innovative processes and new

knowledge creation. It needs to be also emphasised that initiatives taken by the government of China regarding domestic enterprises play a significant role in the process.

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Methodology

The analysis undertaken in the article concerns the development process of the Chinese automotive sector in the period 2000-2014 as well as the course and effects of the merger finalised in 2010 by Geely Automobile, a Chinese passenger car manufacturer, with Volvo, a Swedish company. The presented example of the Chinese capital's expansion in the automotive sector has been one of the most important investments made by a Chinese company on the foreign market.

The basis for accomplishing the research objectives was analysis of secondary sources, i.e. literature review in the field of economics, in particular international economic relations, and management as well as the research based on the statistical sources concerning the Chinese automotive sector development dynamics in the period 2000-2014. In particular, the information obtained from annual financial reports on the activities of the analysed companies: Geely Automobile and Volvo Car Corporation, were used.

The basic method is a comparative analysis of the enterprise's position before and after carrying out the merger by means of financial and marketing measures such as: the percentage market share, the company's market value, the value of the revenue it generates, brand popularity and image.

Literature Review

The issue of international mergers and acquisitions as well as expansion of Chinese enterprises has been recently touched upon more and more frequently in the Polish and foreign relevant literature. China, as a growing global investor which invests in diverse branches of the industry, is an object of increasing interest on the part of business, politics and science. More and more researchers, especially foreign ones, discuss the issue of mergers and acquisitions in order to explore the sources of the success achieved by Chinese enterprises on various markets.

For instance, Sudarsanam P. S. [1995 and 2010] presents a broad spectrum of contemporary challenges and problems as well as an exhaustive overview of concepts and techniques concerned with mergers and acquisitions, as well as their implementation in different market conditions. The author demonstrates an international and multidisciplinary research perspective oriented towards the mergers and acquisitions carried out both on the European and American markets. Weston [1990 and 1992], in turn, presents the principles the application of which is necessary to succeed as a result of mergers. Sherman A. J. [2010], in turn, describes the entire process involved in carrying out mergers and their consequences and considers each stage of the process by analysing cases of mergers and acquisitions carried out by selected enterprises. Hopkins [1999] and Vasconcellos [1998] focus on international mergers and acquisitions, and specifically, on the strategic meaning of such agreements and integration strategies following mergers. In their research, the authors allow for the financial and economic bases influencing the direction and scale of the integration. The relevant literature [Gallo F. T., 2011] also makes a comparative analysis of the Chinese and Western management style in order to emphasise the challenges faced by the investors who commence cooperation with enterprises from other cultural environments. What is primarily stressed is the crucial role of an appropriate combination of Western business practices with the Chinese wisdom as an essential condition for success of merger-based undertakings. Furthermore, the impact of the Chinese culture, and particularly of Chinese values and tradition, on the development of direct foreign investments such as joint ventures and on the management style as well as on organisational theories and behaviours of Chinese enterprises [Alon I., 2003 and 2008] is also examined.

What follows from the performed analyses is that agreements based on mergers and acquisitions are treated as important stimulants for the economic development and competitiveness building in all countries in the world with undergo transformations. The issue discussed in the paper is underlain by theories of international business, and mainly by the theory of competitive advantage by Porter.

Competitiveness of Chinese enterprises had been based on producing labour-intensive goods with a low added value until recently. Now, however, the competitiveness is not restricted exclusively to the traditionally employed methods and areas. This is because China successfully absorbs new technologies from abroad, thus becoming a fierce competitor for companies from developed countries. According to the prevailing point of view, labour costs, interest rates, exchange rates, and economies of scale are among the strongest indicators of Chinese enterprises' competitiveness. More and more

such enterprises face increasingly greater challenges arising from internationalisation and globalisation. Also, comprehending the dynamics of the continuously changing global market is possible only if the market is examined thoroughly and its development trends are followed skilfully. The fact that Chinese enterprises adapt the globally applied models related to the pursuit of economic activities and the quality of the offered products will facilitate greater acceptance on international markets and thus increased share of Chinese enterprises on those markets as a result of growth in sales and results achieved and the general improvement of the reputation of Chinese enterprises.

In light of Porter’s theory of competitive advantage, which identifies the sources of creating competitive advantage, carrying out mergers and acquisitions is a type of strategy which serves the purpose of gaining a higher market position than that of competitors. This is because having competitive advantage enables generation of a higher value for both the customer and the enterprise. In his theory of national competitive advantage, Porter emphasises the role of the state’s socioeconomic policy in building and reinforcing competitiveness of enterprises on international markets, which in consequence contributes to the improvement of the whole nation’s well-being. This is particularly noticeable in the case of China, where the socioeconomic policy facilitates gaining competitive advantage by enterprises. As a result of mergers and acquisitions, enterprises enhance their potential in the technological, financial, material, and infrastructural aspects, which further increases their market value [Porter, 2008].

Development Process of the Automotive Sector in China

The rapidly and dynamically developing Chinese economy has drawn the attention of world superpowers, such as USA, Western European countries and Japan, which appreciate its high potential both on the domestic and foreign markets. Its progress in the automotive sector development in particular is spectacular. Over the recent years, China has become one of the leading car manufacturers in the world in spite of the fact that passenger car manufacturing was virtually non-existent in China and cars were only a privilege for a relatively small number of high-level officials until 1975. A majority of automotive vehicle manufacturing included heavy goods vehicles and, to a lesser extent, motorcycles, mainly with brands of foreign automotive companies. The increasing vehicle manufacturing and sales growth, which was observed even during the global financial crisis, principally changed China’s position in the automotive sector. For a dozen or so years, Chinese enterprises, such as e.g. Geely Automobile and Chery Automobile, have commenced manufacturing vehicles to foreign markets, owing to which China, with its sales level of 2.3M, competed with Germany for the position of the third largest automotive market in the world (following the USA and Japan) as early as in 2000 [Yang, 2010]. Currently, China is both the largest car manufacturer and investor. In 2009, with its manufacturing level of 13.79M pcs, it was considered the largest manufacturer, leaving behind Japan, which achieved the manufacturing level of 7,934,516 pcs at that time. Despite the slowdown on the global car market, the development of the Chinese automotive sector has still been spectacular, i.e. for over a decade. For instance, the 2008 car manufacturing volume in China was eight times bigger than in the mid-1990s. The car manufacturing dynamics in China against other countries in the period 2005-2014 is presented in Table. 1.

Table 1:
Production volume of cars in China in comparison with other countries in the years 2005-2014 (in million units) and average annual production growth (%)

Country	Production volume and dynamics													
	2014	%	2013	%	2012	%	2011	%	2010	%	2005	%	2000	
World	89.7	102,5	87.5	104	84.1	105	80.0	103.1	77,6	116.7	66.4	113.8	58.3	
China	23.7	107.2	22.1	114.7	19.2	104.6	18.4	100.8	18.2	319.4	5.7	276.3	2.0	
European Union	16,9	104,5	16,2	100	16,2	91,7	17,7	103,5	17,1	94,1	18,1	106,0	17,1	
United States	11,6	105,3	11,0	107	10,3	119,3	8,6	111,8	7,7	64,8	11,9	93,3	12,7	
Japan	9,7	101,4	9,6	96,8	9,9	118,3	8,3	87,2	9,6	98,1	10,7	106,4	10,1	
Germany	5,9	103,3	5,7	101,2	5,6	91,9	6,1	104	5,9	102,5	5,7	104,1	5,5	
South Korea	4,5	100	4,5	99,1	4,5	97,9	4,6	109	4,2	115,4	3,6	118,7	3,1	
India	3,8	98,5	3,8	93,3	4,1	106,2	3,9	110,4	3,5	217	1,6	204,4	0,8	

Source: Own compilation based on: [OICA]

While the manufacturing level in this country was ca. 2M vehicles in 2000, the number increased to nearly 6M in 2005, and to as many as 18M in 2010. Such impressive manufacturing growth was achieved to a large extent through concluding numerous agreements in the form of joint ventures with automotive giants such as Volkswagen and General Motors.

It is worth emphasising here that the initial assumptions of the automotive policy were concerned with importing car parts from other countries, while at present the policy focuses on building supply chains in China. Today, the development of Chinese automotive groups is independent of foreign investors and the strategy pursued by Chinese entrepreneurs concentrates on using the solutions applied before by external competitors and supplementing the acquired knowledge with solutions developed on their own.

China, with its quickly growing and competitive market, has become an object of great interest for global automotive companies, which express their willingness to invest there, thus striving for establishment or expansion of relationships with local investors. As follows from the report prepared by EU SME Centre, the largest investor in the Chinese automotive sector in 2014 was Europe with its export there, mainly from European countries such as Germany, Great Britain, or Belgium, growing by as much as 81% in the period 2010-2014. In 2014, as many as 637,934 European vehicles were imported to the Chinese market, which constituted almost half of the total Chinese import in that sector. Apart from European countries, Japan, the USA and South Korea were among top car exporters to China with their export of 292,552, 291,690 and 95,448 vehicles in the discussed period, respectively (Fig. 1) [EU SME Centre, 2015].

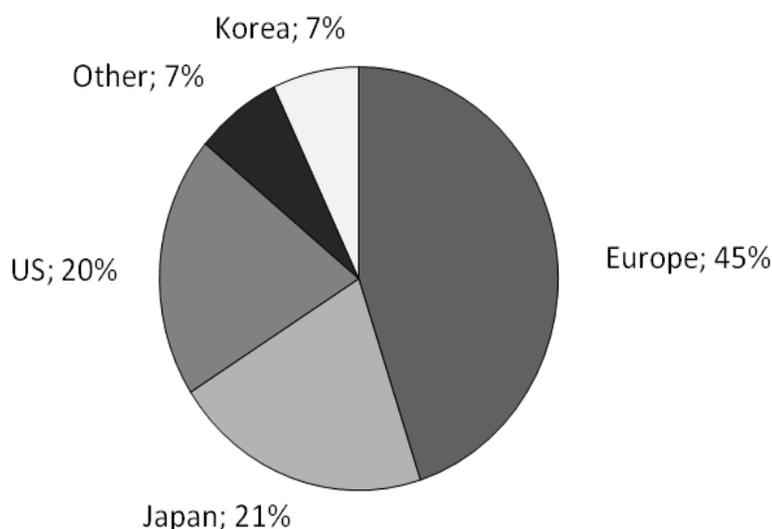


Figure 1: The share of individual countries in car sales on the Chinese market (presented data relate to 2014)

Source: [China's Passenger Car Market, 2006]

A significant role in the development of Chinese enterprises was played by the country's joining the World Trade Organisation (WTO) in 2001, which required certain adjustments and greater market openness. In the face of the increasingly fiercer competition from abroad and the technological gap between domestic and foreign enterprises, many

experts expressed their misgivings about the existence of actual development prospects for Chinese automotive companies.

In fact, the high dynamics of the economy's development contributed to growth in the share of domestic manufacturers in the automotive market from 13.5% in 2001 to 26.8% in 2006, reaching the level of 44.3% in 2009.

Following China's joining the WTO, the local automotive industry began to grow faster than ever. The total manufacturing volume increased by 38.8% and 36.7% in 2002 and 2003, respectively, making China the fourth largest car manufacturer and the third largest car market in the world.

Table 2:
Companies that sold the greatest number of cars in China in 2008

Rank	Company	The number of cars sold
1.	FAW-Volkswagen	498 90
2.	Shanghai Volkswagen	478 05
3.	Shanghai General Motors	395 71
4.	Tianjin FAW Toyota Motors	347 66
5.	Dongfeng Motors	318 78
6.	Chery Automobil	286 56
7.	Guangzhou Honda Automobil	277 35
8.	Beijing Hyundai Moto	253 29
9.	Geely Automobile	221 82
10.	Chang'An Ford Mazda Automobil	200 75

Source: [China Autos Report, 2009]

Surprisingly, it is not the oldest plants in China that became leaders on the ranking list of the largest manufacturers but younger companies, such as Chery Automobile and Geely Automobile. This is shown by the results compared in Table 2.

Table 3:
The number of vehicles produced in China in the years 1998-2009 by the two leading companies Chery Automobile and Geely

Year	Production of two leading domestic companies	Production (Total)	Year	Production of two leading domestic companies	Production (Total)
1998	b.d.	1 627 829	2004	86 000	5 234 496
1999	b.d.	1 829 953	2005	188 000	5 708 421
2000	2 000	2 069 069	2006	514 381	7 188 708
2001	28 000	2 334 440	2007	597 774	8 882 456
2002	50 000	3 286 804	2008	576 955	9 350 000
2003	90 000	4 443 686	2009	508 500 (b.d. relating to Geely)	13 830 000

Source: [Łasak, 2010]

Geely Automobile commenced passenger car manufacturing in 1997, while Chery – in 1999, and it climbed to the fourth position among all car manufacturers in China as early as in 2005 with more than 10% of the share in the manufacturing volume. Both Geely and Chery were ranked among ten largest Chinese passenger car manufacturers at that time (Tab. 3) [Łasak, 2010].

Basic Considerations and Directions of Action for Stimulating The Development of The Automotive Sector

This dynamic growth of the automotive sector in China gives rise to the question about growth factors as well as its sustainability and effects. Undoubtedly, this is owed to the actions taken by China after joining the World Trade

Organisation with the aim of opening the market. They consisted mainly in reducing the tariffs which had been used by the Chinese government to protect local enterprises and eliminate local requirements concerning the content. These actions rapidly led to progress in the development level of the Chinese car market. The growth was also constantly monitored by the government, which strove for expanding the progress in the automotive sector to cover the entire economy.

A key determinant of the continuous growth of the Chinese car industry was the vehicle purchasing power of the local population. The power is driven by two factors: the price/revenue ratio and the capacity to finance or lease vehicles by financial service providers. The increasing income of residents of China has become the main driving force of the demand for sedan cars among the middle class of customers from developed areas. Moreover, after China's joining the World Trade Organisation, the growing number of foreign enterprises occurring on that market has been followed by a greater diversity of the car models offered by the companies, which has become an additional factor encouraging car purchase.

Hence, the increasing manufacturing volume of the automotive industry in China has been a result of both sales growth on foreign markets and high domestic demand. A crucial role in stimulating the development of the Chinese economy has always been played by the government. With reference to the automotive industry, it is essential to shape its structure and to determine the profile and location of manufacturing plants as well as the manufacturing scale. Such regulations used to have an adverse effect on the development of the automotive market until the end of the 1970s. Yet economic reforms and opening the Chinese market to cooperation with foreign partners exerted a positive influence also on the car industry, improving the effectiveness of local manufacturers.

The automotive sector was regarded one of five key branches of the Chinese industry, along with the machinery, electronic, petrochemical, and construction ones, as early as in 1994. This constituted grounds for obtaining state support for its further development. The main problem at that time was to find strategic partners for further expansion, improvement of the quality of the vehicles manufactured in China, and growth in the productivity level in Chinese factories [Holweg, 2005].

In 2008, during the world financial crisis, China – and many other countries – experienced recession as regards the automotive industry. It affected both sales and manufacturing of cars in that country. As a consequence, the sales volume dropped by 6.7% and the car manufacturing volume decreased by 5.2% in 2008. The crisis contributed to deterioration of economic conditions and therefore actions aimed at avoiding certain effects of the crisis and recovering the domestic industry were taken in 2009. Mechanisms for implementing the “Automotive industry adjustment and stimulation plan” were launched in order to support the automotive industry.

The main assumptions of the plan included among others:

- Creating demand for smaller cars,
- Stimulating the development of domestic industrial plants on a continuous basis,
- Striving for integration of manufacturing plants.

Operationalisation of those assumptions through identification of the necessary actions concerned the following areas:

- Stimulating the domestic demand,
- Supporting and stimulating the development of the main areas of the industry,
- Creating money supply (i.a. through greater availability of loans),
- Safeguarding jobs [Łasak, 2010].

Within the above-mentioned areas, discussions were carried out about possible actions for future improvements, presented in Tab. 4. The implementation of those stimulating government actions for ensuring further development of not only the automotive industry but also the whole economy brought very positive effects. This is because tax reduction

contributed to increased domestic demand, which, in turn, resulted in sales growth of small cars (mini and compact cars) by 70%, the purchase of which was to be encouraged by governmental actions.

Table 4:

Actions resulting from implementing the Automotive industry adjustment and stimulation plan

Assumptions of the plan	Actions taken
1. Stimulating the domestic demand	<ul style="list-style-type: none"> • Subsidies for farmers to motivate them to replace their cars for newer models (the total amount = 5T yuan). • Reduction of tax (from 10% to 5%) for cars with engine capacity below 16 litres • Introduction of a more lenient loan policy in order to encourage people to purchase.
2. Supporting and stimulating the development of the main areas of the industry	<ul style="list-style-type: none"> • Development of a car industry development stimulation plan. • Reforms of car industry plants • Stimulation of the development of new technologies (seeking alternative energy sources used both in passenger cars and heavy goods vehicles – 10T yuan were dedicated to that purpose). • Encouragement of manufacturing for export
3. Creating money supply (i.a. through greater availability of loans)	<ul style="list-style-type: none"> • Increase of new bank loans to 1.6 quadrillion yuan in January 2009 • Government subsidies for the development of the infrastructure and public insurance system • Lowered bank requirements from borrowers.
4. Safeguarding jobs	<ul style="list-style-type: none"> • Support for the development of small and medium enterprises as well as the service sector related to the automotive industry. • Reduction of encumbrances related to social insurance for manufacturing plants from the automotive industry. • Support for state industrial plants in order to avoid reduction of jobs. • Development of professional training programmes addressed to university graduates and employees (immigrants) in order to prepare them for work in the car industry.

Source: [Russo, 2009; China's Stimulus Package, 2009]

The effectiveness of the Chinese stimulation package for the automotive industry is confirmed by the fact that that China became the largest market in the world in terms of the number of sold cars in 2009. Therefore, the stimulation actions were continued in 2010, thus extending the path for the dynamic development of the Chinese automotive industry [Lasak, 2010].

In summary, the Chinese automotive industry demonstrated high dynamics with the compound annual growth rate of 11.4% in the period 2004-2014. The growth was to a large extent driven by factors such as: fast economic growth rate and low prices relative to the increasing demand for cars in cities of the region. The largest share in the total 2014 sales was attributable to passenger cars, which constituted as much as 83% of the vehicles sold in that period, followed by heavy goods vehicles with 14% of sales, and tractors with a share of 2.6%. The constant growth of car sales in China was reflected in the number of the vehicles registered in that country, which reached 154M pieces by the end of 2014 and which is expected to grow to as many as 200M vehicles by the end of 2020. Merger of A Chinese Brand Geely Automobile With A Swedish Company Volvo– The Essence and Premises of The Partnership

The Chinese automotive sector manufacturing growth has been to a large extent achieved due to larger openness of the Chinese market and establishment of strategic partnerships in the form of mergers, acquisitions and interregional agreements such as joint ventures with foreign companies by Chinese manufacturers.

The assumed basis for analysing the growth was i.a. the merger of Geely Automobile, a Chinese company, with Swedish Volvo Car Corporation carried out in March 2010. The aim of the conducted analysis is to evaluate the changes in the market position of the Chinese corporation examined with the use of measures such as: the percentage market share, the company's market value, the value of the revenue it generates, brand popularity and image.

Volvo is a brand known and valued on the international arena for its high safety standard and high quality as well as reliability of the vehicles sold. This is because the four major values professed by the company include precision, craft and attention to details in order to achieve a high quality of the manufactured vehicles, appearance, based on fondness of simplicity, reduction of exhaust emissions with simultaneous improvement of capacity, care for the environment, and aspiration for ensuring safety to its customers.

Geely Automobile, in turn, is the largest first private car manufacturer in China. The company deserved recognition of the Chinese government, which offers it both support and access to cash loans and local government projects which have enabled it to pursue the adopted expansion strategy. Today, Geely is among ten largest car manufacturers in China.

It needs to be emphasised that Geely Automobile is a company that is extremely active on the Chinese market – with ambitions for expansion not only home but also abroad. As part of its activities, the company makes significant changes concerning both car makes and manufacturing chains. Moreover, through strategic alliances with key international suppliers and concern about a high quality of services and a high level of customer satisfaction it also has access to a range of valuable resources and expert's opinions [Geely Automobile, 2011].

Both parties negotiated the terms and conditions of the agreement, which was fully supported by Beijing, for over two years. It was the largest, worth USD 1.8B, foreign transaction conducted by the Chinese company. As a result, Geely owned 16% of the total turnover generated by Volvo and its employees in 2009. In the same year, Volvo lost USD 1.3B as a result of selling merely 330,000 cars, including as few as 22,000 in China alone. However, as soon as in 2010, Volvo recorded sales growth by 11.2% in comparison to the previous year owing to sales of as many as 373,525 cars.

The decision to merge Geely, which had been known mainly for manufacturing small cheap cars, with Volvo, which had created its reputation based on manufacturing reliable safe high quality cars for the middle class in the USA and Europe for years, was at the same time surprising and promising.

One of the main premises for the merger of the two companies was the unexpected exchange of the benefits lying in the experience and values of Volvo and in the potential and strategy of Geely Automobile [Volvo Cars]. Another premise for acquiring the Swedish brand by the Chinese company, which is also emphasised, is Geely's aspirations for manufacturing the safest and at the same time the most efficient and environmentally friendly cars in the world and striving for the implementation of the strategy for strengthening Chinese brands through the intellectual capital of a valued company, such as Volvo. Geely perceived the investment as a chance for shaping its reputation anew and reinforcing it as

well as taking advantage of Volvo's experience not only in manufacturing safe cars but also in managing the global supply chain [Geely Automobile, 2010].

Li Shufu, Geely's founder, who also became a member of Volvo's management board, believes that both companies will remain on the market as independent entities. Until October 2010, China was the third largest market for Volvo, while as soon as in 2014 it was its largest outlet. This is because as much as 17.4% of Volvo's total sales were generated in

China in that period. The remaining portion was divided among others between the Swedish market, where over 13% of the manufactured vehicles were sold, the American market, with over 12% of the sold cars, and the British and German markets, where 8.8% and 6.8% of cars were sold, respectively [Volvo Cars].

Effects of the merger of Geely Automobile and Volvo

Under the technology transfer agreement, Geely has now full access to Volvo's technology, the application of which on the Chinese market will permit achievement of its strategic goals. By means of Volvo's technology, Geely is planning to develop a new Geely Automobile car made for the Chinese mass consumer. Relationships between the two companies are described as partnership. There is no competition between them as they are oriented towards different target markets. Geely sells cars intended for a mass consumer, while Volvo aims at the luxury goods market. Therefore, the technological cooperation between Geely and Volvo has been relatively good to date. Directly after concluding the agreement, Geely Automobile recorded a better net profit growth than expected, i.e. 13%, in 2011. Although Geely's domestic sales volume dropped by 3% in that year, export increased by as many as 93%, i.e. by 39,600 cars, which constituted 9% of the total sales generated by the company in 2011, which was 421,611 vehicles [News Flanders, 2012].

As a result, considerable progress was made in 2013, which enabled Geely Automobile Group to optimise the consumed resources further and accelerate the implementation of the platform strategy as well as to standardise and modernise product development jointly. Owing to that, the Group achieved strong and unique competitive advantage.

A factor which facilitates the implementation of the strategy's assumptions is also a change in attitudes of consumers, who are becoming more and more demanding about the expected capacity, environmental impact, energy consumption efficiency, and safety of the vehicles. When observing the cooperation of both companies to date, it can be safely said that, thanks to the synergy effects, Geely has strong bases for accomplishing its long-term goal, which is achievement of the position of the leading international car manufacturer. Geely has been improving the quality of its vehicles and thus reinforcing its competitiveness on the market.

Having recorded a higher net profit growth than expected, i.e. 13%, in 2011, Geely Automobile gained profit growth by 19% as soon as in 2012 and 31% in 2013, which translated into stable growth of the company. Moreover, the number of vehicles sold in 2013, which was 549,468, was higher than in 2012 by 14%, 22% (118,871 cars) of which were sold by the company on foreign markets, i.e. 17% more than in the previous year. As a consequence of the systematic improvement in the range of products offered by the company, its financial results for 2013 were at the level of RMB 28.7B, which also means growth by 17% (Tab. 5). What also deserves emphasising is the fact that the company managed to achieve such spectacular results despite increase in expenditure for research and development in connection with the restructuring processes initiated in the company. This was possible owing to the contribution of the actions taken to a clear improvement of the range of products offered in 2013 [Geely Automobile Reports].

2014 was a great challenge to Geely due to factors such as: political instability on some of the outlets served, weakening of currencies in emerging markets in relation to the American dollar, and crucial structural reforms aimed at facilitating the company's sales and marketing areas. This was manifested i.a. in the total sales volume drop by 16.8% and the export volume drop by nearly 50%, which was recorded by the company in 2014, in comparison to the upward trend of previous years [Fig. 2]. In spite of the difficulties, the company tried to create and reinforce its competitive advantage and managed to maintain good shares on key outlets, which proved that the competitiveness level of the products offered by Geely improved. Although the vehicle sales decreased significantly on foreign markets, the company's export volume was still as much as 11.2% of the total Chinese export in the automotive sector, thus ensuring it the position of one of the largest passenger car exporters in China.

It also needs to be stressed that despite the growing challenges and fierce competition, Geely Automobile was capable of keeping its financial liquidity at a good level both on the domestic market and on foreign markets in 2014. This resulted

from successful implementation of the product development strategy and restructuring in the area of the pursued sales and marketing activities, which – as a consequence – allowed the company to improve the quality of the products and services offered, to increase its sales potential, and to enhance the effectiveness of the actions taken [Geely Automobile Report, 2014].

Following the downward trend of 2013-2014 financial results (the total revenue equal to RMB 21.7B decreased by 24%, while the net profit value dropped from RMB 2.68B by as much as 46%, to the level of RMB 1.45B) Geely's

performance in HY1 2015 met the expectations of the management staff. This is because the sales growth was 53% as a result of selling 233,990 vehicles. In spite of the general slowdown observed on the Chinese automotive market in that period and the challenges which continued to occur on certain foreign outlets, the positive reception of two new models: "New Emerald" and "New Vision", considerably contributed to increasing the sales volume of the brand's vehicles on the domestic market. Sales results of passenger cars of other Chinese brands also improved. The total number of vehicles sold grew by 14.6% over 6 initial months of 2015, which was a particularly good result given the total passenger car sales growth of 4.8% recorded by the Chinese market.

In 2015, Geely Automobile managed to maintain its strong financial position although it incurred higher costs of sales as well as distribution, marketing and promotional activities related to launching of the new car models [Geely Automobile Report, 2015].

The transformation of Volvo, which continued through 2013, resulted in launching the largest line of renewable products, i.e. Drive-E type drive units, in the company's history, which was reflected both in the net income growth by 4%, from SEK 272.6B in 2013 to SEK 282.9B in 2014, and in the operating revenue level, which grew from SEK 7.9B in 2013 to SEK 8.4B in 2014. The result was an important step towards the company's sustainable profitability level. Through the appropriate sales development and cost optimisation, Volvo managed to make up for the loss incurred in HY1 2013 and transform it into full-year profit. The company's retail sales of that year, which was driven mainly by the growth achieved in China, were similar to the number of vehicles sold in 2012. Moreover, Volvo Car Group reinforced its long-term funding structure by concluding loan agreements with partners and financial institutions.

Table 5:
The financial results of Geely Automobile after the merger with Volvo

Geely Automobile Holdings Limited - 6 Years Financial Summary						
	2014	2013	2012	2011	2010	2009
Turnover (RMB'000)	21,738,358	28,707,571	24,627,913	20,964,931	20,099,388	14,069,225
Profit before taxation	1,943,405	3,304,182	2,529,077	2,183,208	1,900,323	1,550,460
Profit for the year (RMB'000)	1,449,128	2,680,248	2,049,786	1,715,849	1,549,711	1,319,028
Annual Sales Volume (Unit)	417,851	549,468	483,483	421,611	415,843	326,710

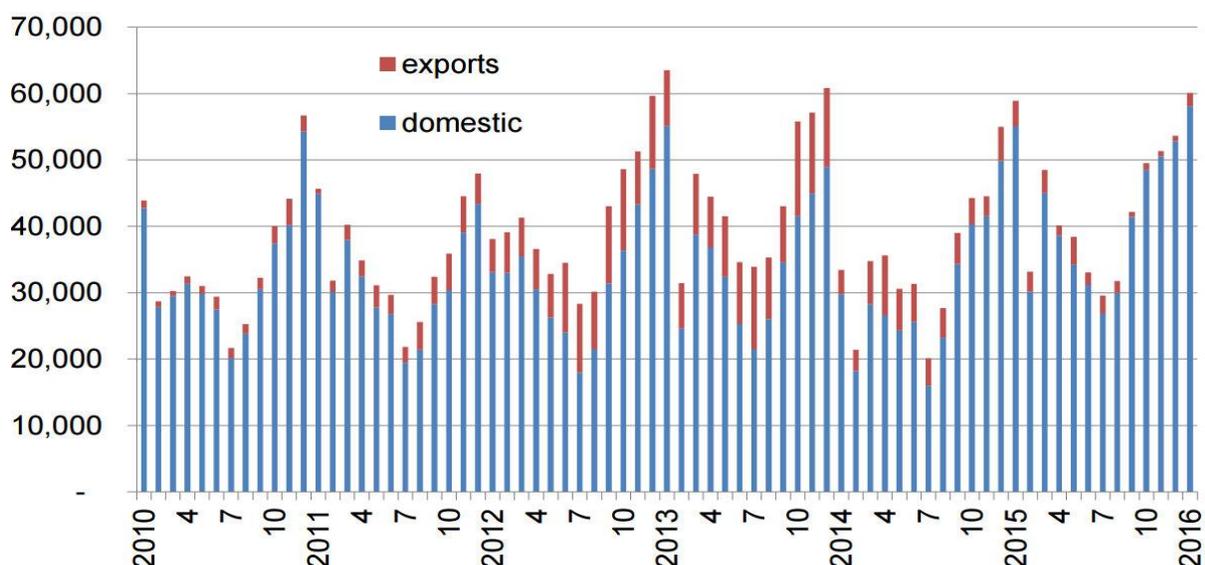


Figure 2: The sales volume achieved by Geely Automobile (monthly)

Source: Own compilation based on: [Geely Automobile Reports].

The attempts made by the company in 2015 resulted in further reinforcement of the brand's profitability. This was confirmed by the growth in the level of the generated operating revenue by as much as 75% and growth in the operating margin in the initial three quarters of 2015 by 2.6%. Additionally, the sales volume, which was over SEK 73B at that time, also increased by 9% relative to the results achieved by Volvo over the three quarters of 2014. A drop was recorded only as regards the number of orders placed for heavy goods vehicles, which was lower by 15% if compared to the previous year, and for construction machinery, where the number of orders decreased by as much as 34% [Volvo Group, 10.2015]. Thus, the number of Volvo heavy goods vehicles sold by the end of 2015 was 18,333. It needs to be emphasised here that, while the company recorded a drop by as much as 63% in South American countries, 2% in North American countries, and 9% in Asia, the European demand for heavy goods vehicles grew by as much as 40%. Thus, the total heavy goods vehicle sales level was similar in 2015 to that in 2014 [Volvo Group, 12.2015].

Another fact that deserves emphasising is that Volvo Car Group achieved a record-breaking result from sales in terms of the number of cars sold in 2015. The company exceeded the number of half million pieces for the first time, with as many as 503,127 vehicles sold, i.e. 8% more than in the year before. It needs to be indicated that the result was driven mainly by the demand for a new version of the flagship Volvo model, XC90 SUV. High sales growth was achieved by the company on all its outlets, and especially on the European and US markets, where the new XC90 model had a particularly positive reception [Reuters, 2016]. This was manifested in the growth by 24.3% recorded by the company in the USA, which resulted from selling as many as 74 thousand vehicles, i.e. 16 thousand more than in 2014 [MenadzerFloty, 2016]. On the European market, in turn, the sales growth was 10.6% at that time, and the largest outlet for Volvo brand in Europe was still Sweden, where 70 thousand vehicles were sold in 2014, which is the second such high result in the history. Despite the general economic slowdown on the Chinese market, the 2014 result was maintained at that time. However, growth in the sales of the car make at the level of 11.4% was recorded as soon as in the last quarter of 2015 [Reuters, 2016].

In response to the demand of purchasers, the company decided to open a Volvo factory in the USA, which would start manufacturing cars for that market in 2018. The factory is expected to manufacture 100 thousand vehicles per year. The company would have then manufacturing centres on as many as three continents, i.e. in Europe, Asia and North America.

As follows from the above analysis, the industrial expansion of Volvo Car Group on the Chinese market has brought good results to date. The company concluded two joint venture type agreements in Zhangjiakou and Daqing, and established a plant in Chengdu, which commenced its operations in November 2013. However, it needs to be stressed that the actual turning point in Volvo's development was its acquisition of 45% of Dongfeng, a Chinese company offering

heavy and medium goods vehicles and being one of four largest car manufacturers in China today. The strategic alliance proves a substantial change in perceiving the company's potential on the Chinese heavy goods vehicle market, which – as needs to be indicated – is the largest market in the world [Volvo Group Report, 2014; Geely Sweden Report, 2013].

With reference to the results achieved in 2015, Volvo is planning to contend with automotive giants such as the German Mercedes-Benz or BMW in 2016. This will be the next step on the company's way to accomplishing its goal, i.e. to achieve the sales volume of 800,000 vehicles by 2020 and become the global premium car manufacturer [MenadzerFloty, 2016].

As a result of the merger, Geely and Volvo commenced sales of jointly developed safe and reliable vehicles in 2015. Geely Automobile hopes that this will help it to additionally strengthen its reputation through achieving the top position as a passenger car exporter in China. CEVT (China – Euro Vehicle Technology), an independent research and development centre opened in Gothenburg, Sweden, in 2013, has become the key platform for facilitating the cooperation between the two companies [Europe Autonews]. Currently the centre employs 200 specialised engineers who are supposed to develop a new modular architecture and a set of C segment car components, with both Volvo Car and Geely Group's needs taken into account. The components will not only provide the world class technology but also permit considerable reduction of development, testing and supply costs, thus leading to generation of significant economies of scale. This will not only be beneficial to Volvo but also increase Geely's capability to compete on the automotive market. This will ultimately translate into profits of the established corporation [MenadzerFloty, 2016].

Conclusion

As a consequence of the slowdown observed on the automotive market in China and the difficulties faced by Geely as regards its export activities, the pressure exerted by competitors on the Chinese market, directed towards domestic brands, is expected to intensify in the coming years as more and more aggressive strategies of action will be used by foreign brands. This is because companies will strive for securing their shares on the Chinese market by implementing appropriate competitive advantage building strategies i.a. through competing with price. The process of introducing stricter regulation requirements as regards fuel efficiency, warranty for products, possible withdrawal of products, and exhaust emission standards will involve an enormous cost pressure for domestic brands in China. This contributed to decreased demand for passenger cars in many large Chinese cities already in HY1 2015.

On the other hand, despite the arisen difficulties and challenges, Geely Automobile managed to not only maintain but also strengthen its competitive advantage on the market. The company's distribution system, which was restructured in 2014, can significantly contribute to improvement of the quality of the offered services, thus increasing efficiency of Geely's sales channels. This, in turn, will provide it the support necessary for maintaining the company's development dynamics and strong market position.

Currently, Geely Automobile's actions focusing on increasing customer satisfaction by improving the quality of the products and services offered bring gratifying results. The company invests in new, more efficient, and environmentally friendly technologies both when developing new vehicle models and when enhancing old ones. The successful cooperation between Geely and Volvo Car Corporation and the considerable progress in their technological cooperation have allowed the company to continue with the optimisation of resource consumption, thus accelerating the company strategy, standardisation and joint modularisation in the product development process. In consequence, it has contributed to achieving synergy effects in terms of the quality of the manufactured products and creation of the brand image, which has translated into the company's strong and unique competitive advantage.

Geely expects that the benefits of the synergy resulting from its cooperation with the Swedish partner will create a solid foundation for implementing the sustainable development strategy for both companies in the coming years, at the same time increasing their competitive strength as regards the quality offered, technology applied, and brand image. In the face of the forecast growth in the demand for environmentally friendly electric cars, Geely Automobile considers also establishment of a strategic partnership with foreign companies which are leaders in applying the required technologies [Geely Automobile Report, 2015; Global Geely, 2016].

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BESSH-16

GDP and the Dimensions of Well-Being in Transition Economies New Evidence

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Abstract

One of the most important questions that economic development has engendered is how people tend to feel the quality of life and well-being, and how citizens from the same society differ in their vision and their approach to welfare. Indeed, the concept of quality of life is not conceived in the same way for all citizens in the same society and between countries. Welfare is not seen as a high level of GDP per capita, but rather as a successful model of economic development that can every citizen benefit from. However, the rise of standard of living is directly linked to the increase in GDP per capita of each citizen and does not reflect the idea that people do on their quality of life, but rather on their ability to dispose of more goods and services in short periods. This article considers that the quality of life is being felt in very different ways between human and between societies. The basic reflection considers that the transition from the stage of development to another, change completely the idea that people have on welfare, even if it does not directly result in increase in GDP per capita. In this context, three dimensions of prosperity and well-being can explain how people differ in their conception of welfare; they are (i) the role of justice, (ii) political and economic freedom, (iii) inequalities. This paper shows that the standard of living measured by GDP does not reflect how people feel the well-being and quality of life. Indeed, a lower GDP per capita compiled with the presence of a fair judicial system, a large political and economic freedom and apparent equality can significantly contribute to ensure a real satisfaction in any quality of life. This affirmation is supported by an empirical analysis of the evolution of the standard of living and the vision of welfare in some Arab countries that have different levels GDP per capita.

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Keywords— Welfare, Standard Of Living, Well-Being, GDP, Economic Development, Inequality, Human Development

Introduction

One of the contradictions in the Arab world is why countries rich in natural resources are unable to find the path to prosperity. Millions of people live under the poverty line and inequalities are growing every day. Economic Growth though positive in some Arab countries especially in the oil states do not allow to increase significantly the standard living, excepting for some Gulf countries.

But this question of standard living is the problem of policy makers and don't concern citizens, a recent studies show that standard of living and well-being are perceived differently by policy makers and citizens. The politicians says that a significant increase in the level of GDP per capita was realized during the last thirty years in most Arab countries, but this reality is different for citizens who perceive the standard of living as a combination of several factors that affect their lives and not only GDP per capita increase.

This divergence is primarily the responsibility of governments and nature of economic policies led for many years. Indeed, policy-makers in Arab countries argue that the well-being of citizens is felt in the ability of governments to deliver services to citizens. They also argue that GDP per capita is growing and consequently the standard of living improves continuously. However, the only indicator used is GDP per capita with in terms of macroeconomic analysis does not reflect real increases in standard of living, but only the ability to offer more goods and services. This view is widely contested by the citizens who far from believing in the continuing rise of standard of living; they consider that the well-being and quality of life results from in economic and non-economic elements.

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GDP and the Dimensions of Well-being

The Limits of GDP and GDP per capita as an indicator of well-being come primarily from the use of these indicators to justify economic decisions. However, the use of GDP as an indicator of economic performance or as an indicator of comparison is widely accepted by economists. But it's still always an indicator of production and not an indicator of well-being. "... it has often been used as a measure of economic well-being. The confusion between these two concepts may lead to misleading about the level of satisfaction of the population and lead to inappropriate policy decisions. The standard of living is more directly associated with measuring of real national income, real income and the real consumption of households: production can grow while incomes decrease, or vice versa".

This observation made by the Committee on the measurement of economic performance and social progress does not concern only the developed countries, the same phenomenon is found in developing countries, including Arab countries. High levels of GDP per capita cohabit with the situation of poverty and misery and with a general deterioration of living conditions. The citizens of several Arab countries argue that their standards of living are degraded even with an increase in their incomes because they evaluate their well-being differently.

In this context the quality of services such as education, health, justice, and access to public transport services doesn't have any direct link with the increase of level income of household. Some households attach directly the increasing of their well-being to their capacities to access to more quality of services and not to their ability to have more products. Therefore, the logic of GDP per capita is based on purely economic considerations, which do not affect its use by policymakers, but which limit its capacity and its extension to include other dimensions of well-being and quality of life.

The insufficiency of GDP as a factor in measuring well-being does not come from its nature, but come from its use by policymakers. This tendency to justify everything by the politicians is widely used in most developing countries, because an increase in GDP per capita according to this approach is always corresponding to an improvement in standard of living and amelioration of quality of life. Therefore, the well-being is related directly to the feelings of citizens, the tendency to believe that only the income and consumption increase citizen satisfaction remains very limited, but still a strong argument for politicians.

" at a given time, the correlation between the level of real income of a country and life satisfaction of its population is not clearly stated. D. Cross and S. Deneulin (1996) observed that: "between different nations, it does not seem to be any strong correlation between income per capita and the results of satisfaction surveys. Easterlin (1974) finds a lack of correlation based on a sample of 14 countries around the world. According to Veenhoven (1991) and Inglehart (1988) there is a significantly positive correlation but a large dispersion remains, some poor countries have higher levels of satisfaction than developed countries". For example, in Brazil average life satisfaction is greater than the Japanese despite the real income per head which clearly inferior doubtless, we must read a different approach to life".

However, this approach confirms that well-being is not the result of growth of GDP per capita should not normally be a problem for researchers, because it only the individuals who really can determine the nature and the origin of the well-being. Indeed, the approach of subjective well-being considers that individuals are the best judges of their quality of life. "It is a straightforward strategy to ask them about their well-being (Frey and Sutzter, 2002).

Since individuals are only able to determine the nature of their well-being and quality of life, this mean that there are several situations in which people can say they are satisfied with their quality of life without linking it directly to their income level.

This statement leads us directly to ask the opposite problem witch concern the possibility of real satisfaction in people's quality of life in situations of low income.

Countries Rich and Poor Citizens

Several Arab countries are oil exporters, which gives them great ability to finance their basic infrastructures. This idea of massive investment meets the interests of these countries to provide basic infrastructure but contribute to relegate the productive investments in second place.

In terms of economic growth these countries have realized different GDP growth rates; GDP per capita has almost doubled in some countries especially the Gulf countries. However, the standard of living of most other Arab countries has shown no significant improvement in long period.

But this improvement in the standard of living measured by GDP per capita is not the only worry of citizens, because in societies which have many forms of inequality, the concept of standard of living takes several dimensions, the well-being is largely depending on how it is perceived by citizens.

In this context, the most important objective of Governments is to prove by statistical data that the standard of living has improved continuously, but it's clear that this level of life is not perceived in the same way by politicians and citizens. In this context, GDP per capita is widely recognized as a best measure which reflects the well-being.

But The majority of Arab citizens, believes that improving the standard of living must reflect changes in certain aspects of development such as improving in judicial system, access to high quality of health services, access to education , equity in access to housing and others services.

In a generational perspective, more people have seen their income level increased compared to those of the 80s and 90s. But at the same time, access to certain services was significantly decreased for the majority of them, and a very significant deterioration in the quality of services was observed.

The data available on GDP per capita show that a significant increase was realized from the 70s, but this increase was positively correlated with rising oil prices. So from a purely economic view the standard of living in most Arab countries has improved steadily.

The Well-being in Some Arab Countries

The quality of life has two different meanings, the first refers to the necessary conditions for a decent life and the second meaning concerns the nature of life that people lead. "in the individual level, the two dimensions are applied. When we say that someone does not have a good life, we mean that he has lack in necessary things. A person can be rich, powerful and popular, but be disturbed and suffering. Moreover, someone who is poor, powerless and isolated can still feel good mentally and physically".

In the light of this affirmation, in Arab world, the peculiarity of this perception is that the well-being and quality of life are strongly characterized by fatality, it means that people are predisposed to accept their quality of life, (even poor). This acceptance of quality of life does not have a relation with acceptance of the political system, only an analysis of quality of life and role of the political institutions can conclude to the existence of this relation.

Most studies of standard of living in Arab countries seem to be marked by a general tendency on the study of correlation between economic growth and institutional factors (Arab Human Development Report 2002, 2003, 2004, 2005). The satisfaction households' surveys in the Arab world are limited and don't present any assertion about the factors that affect the well-being.

Also, the availability and reliability of data are a very important problem in the Arab countries, because most of these countries do not have neutral statistical agencies, in addition to the non-diversity of available data.

The growth rate of GDP per capita is relatively low for all Arab countries, rarely exceeding 3% over the two periods of 1950-1973 and 1973-1998. It should be noted also that the growth of GDP per capita in all Arab countries across periods of Maddison growth is lowest compared to all other countries over the same periods.

The per capita GDP growth rate is relatively low for all Arab countries exceeding that rarely 3 % on two periods of 1950-1973 and 1973-1998. It should be noted also that the growth of GDP per capita Arab countries rate is lowest compared to all other countries on the same periods.

With growth rates of GDP per capita of less than 3%, and sometimes negative, Arab countries have not been able to increase significantly their GDP per capita over a long period; GDP per capita has fallen even 7.8% over the period from 1990 to 1998. Over the same period the rate of economic growth realized by some Arab countries is relatively high, especially those exporting oil. The higher economic growth rate for Arab countries was realized between 1950 and 1973, which explains in some way the increase of standard of living during this period. For Algeria, the economic growth realized between 1950 and 1973 exceed 4% but it slowed down over all the periods 1973-1998.

The Change of Well-being in Arab Countries

The study of well-being in the Arab world suffers from a lack of reliable statistics on the quality of life of households'; human development indices classify the majority of Arab countries in the category of countries which have a medium human development (HDR 2015, AHDR 2008). In addition, the Arab Human development reports do not confirm the existence of a tendency to improve the standard of living in these countries, excepting for the golf countries.

Table 1:

The Evolution of well-being and life condition

	Situation of Well-Being	Future aspiration
Financial situation	Degradation	Decrease
Assets situation	Decrease	Decrease
Home equipment's	Decrease	Increase
Housing condition	Improvement	Increase
Leisure and free time	Degradation	Unpredictable
Jobs conditions	Degradation	Unpredictable
Education quality	Decrease	Unpredictable
Participation in civil life	Decrease	Unpredictable
Health conditions	Degradation	Unpredictable
Citizen involvement	Degradation	Unpredictable
Social connection	Degradation	Unpredictable
Security	Unpredictability	Unpredictable

Source: Estimation of the authors based on local reports

The Effect of Cultural Factors on Wellbeing

As we mentioned, the increase in the level of GDP per capita is not a sign of satisfaction and improvement of quality of life, at the same time a low income is not a sign of complacency. People can be happy with their life without increasing in their income or even their living conditions change over time. Obviously, this assertion cannot be generalized only in a similar social and cultural context. This is the case for the Arab citizens who in large majority consider that quality of life and wellbeing are not always related to economic factors. Indeed, several institutional factors can influence the opinions of individuals in Arab countries on well-being and can change their conception, these factors can be:

- The search for personal quiet (peace);
- The incapacity of people to change their situation and which create a complacency of this situation;
- The satisfaction of the quality of life for religious reasons (we accept what God gave us);
- Poverty is not a sign of degradation of quality of life, but rather a sign of privation to access to certain services (education, leisure, basic rights);
- The absence of equity in access to health services;
- The feeling of discrimination (judicial system);
- The feeling of absence political and economic freedom.

Although these factors are very difficult to quantify, but remain very influential in understanding of well-being in the Arab world, where people consider that they accept their current situation while hoping that it will change in the future.

Evaluation of Well-being

The surveys of subjective well-being enable often to know how people think about well-being and how they judge their quality of life. However, these surveys don't identify a general index on the evolution of household's well-being. "... In addition, the practical difficulties and biases induced by survey methods (formulations of questions, interactions with investigators, etc..) create additional problems (Selnik, 2003). It was also suggested that the comparisons between countries have modest meaning due to cultural differences. In fact, as reported by several authors, none of these objections are likely to invalidate the subjective well-being approach... ". But generally this approach reveals a tendency on the perception of quality of life and factors that have a direct impact. In this context, a study of the situation of well-being has been conducted to determine what factors are most influential in the perception of well-being. This study concerns only Algeria, actually no studies about others Arab countries are available at this moment. This survey takes into account the low level of household income, however, we start from the idea that even a low level of income, the households' perception of their living standards may change provided that non-economic factors act directly on this perception. A summary of results is presented in the following tables:

Table 2:

Evaluation of the Subjective Well-Being of the Household in Algeria

	en %				
	2005	2007	2009	2012	2014
Very satisfactory	12.7	10.4	15.6	13.8	11.6
Satisfactory	30.5	31.1	33.7	30.2	28.8
Unsatisfactory	56.8	58.5	50.7	50	59.6
Total	100	100	100	100	100

Table 3:
Evaluation of the Acceptance of Well-being of the Household in Algeria

	en %				
	2005	2007	2009	2012	2014
Unsatisfactory but I accept (hamdoulillah, thanks god)	68.4	64.2	61.5	59.8	61.9
Unsatisfactory I do not accept	31.6	35.8	38.5	40.2	38.1
Total	100	100	100	100	100

Table 4:
Factors who Influence the Wellbeing of the Households

	by %				
	2005	2007	2009	2012	2014
Education expenditure	12.4	10.3	12.1	12.4	13.4
Health expenditure	10.9	11.7	12.2	11.4	11.3
Justice	21.4	24.8	22.2	23.2	22..2
Political and Economic freedom	9.6	10.5	11.1	12.6	11.8
Poverty	12.1	13.1	12.1	10.9	10.4
Income	11.4	10.3	10.2	11.8	12.7
Unemployment	22.2	19.3	20.1	17.7	18.2
Total	100	100	100	100	100

Table 5:
Factors Influencing Well-Being of The Households (By Elimination)*

	by %				
	2005	2007	2009	2012	2014
Justice	29.4	31.6	32.2	34.6	35.2
Unemployment	24.2	20.3	21.3	19.5	20.4
Poverty	19.1	25.1	21.6	20.1	19.6
Political and Economic freedom	13.1	12.7	13.8	13.9	12.6
Income	14.2	10.3	11.1	11.9	12.2
Total	100	100	100	100	100

* we ask households to eliminate non important factors that impact their well-being and classification of others factors by importance degree

Table 6:
Factors Influencing wellbeing of the households (by elimination)

	en %				
	2005	2007	2009	2012	2014
Justice	55.2	51.3			
Poverty	10.1	16.2			
Political and Economic freedom	19.1	18.1			
Income	15.6	14.4			
Total	100	100			

Unemployment is excluded from others factors

Table 7:
Factors who influence the wellbeing of the households (by elimination)

	en %				
	2005	2007	2009	2012	2014
Justice	42.5	45.8	46.2	45.3	46.6
Political and Economic freedom	34.1	36.1	40.7	35.6	42.1
Income	23.4	18.1	13.1	19.1	11.3
Total	100	100	100	100	100

Poverty is excluded from others factors

The overall analysis of these results can not indicate clear assertions on the evaluation of householders' well-being. However, they suggest that the factors that influence well-being are not the same for all peoples. Far from seeing the income as only indicator of wellbeing, people attach great importance to non-economic factors such as the existence of an equal and fair equal judicial system can change the opinions of the individuals on their quality of life.

In addition, when we ask people to choose between several heterogeneous elements that affect their well-being, the answers seem to be oriented towards economic factors, but once we proceed by elimination of certain factors, it is clear that perception of welfare change.

Conclusion

The evaluation of well-being changes from one human society to another and between individuals within the same country. The well-being of households' surveys confirms this idea; they also show that non-economic factors can directly influences the perception of individuals of their quality of life. The increase of income level is not directly related to improvement of quality of life in certain human societies.

If the problem of the existence of an equal and fair equal judicial system does not arise in the developed nations, it seems that it determines a large part of the vision that individuals have on their well-being in the Arab world.

The influence of these factors may change over time once the conditions of transition to a new level of well-being are satisfied, which means that the well-being according to the vision which prevail in the Arab world is considered as a stratum, which, once the conditions of the first stratum are joined together will give place to another stratum and will form another conception of wellbeing.

Finally, it should be noted that the results of this study are still at the exploratory stage and its must be confirmed by further Surveys on the conception and feeling well-being by Algerian and Arabs households. Further Surveys on behavior of households will surely help to develop a general trend on the evolution of the quality of life in the Arab world.

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BESSH-16

Measurement of Strategic Management Effectiveness in Tourism Enterprises

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Abstract

The main purpose of this research is to measure the effectiveness of Strategic Management in Tourism Enterprises. For its fulfillment, field research will be held on hotel enterprises in one of the Regions of Greece, the Peloponnese. The structure of the research is described in detail. The research in the field of Strategic Management, addressed by the specific research study, serves two main objectives: it aims to provide the necessary theory in the field of Strategic Management, as well as to provide useful advice to business managers. In this context, therefore, this research initially aims to fulfill the above dual purpose, namely to contribute to the theoretical approach to the field of Strategic Management, particularly in the tourism industry, while also providing useful advice to managers of tourism businesses.

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Keywords— Effectiveness, Hospitality, Strategic Management,, Tourism

Introduction

Strategic Planning is a major management procedure, which, if used effectively, enables hotel companies to achieve both economic and non-economic objectives. Managers of hotel businesses who believe that the level of their hotel unit is inappropriate for Strategic Planning fail to take into account the diversity of activities that need to be addressed [20]. However, Strategic Planning is not merely a means of ensuring the performance of enterprises, but a systematic planning process. This process involves a series of steps to determine the current status of the business, including its mission, vision for the future, needs, objectives, actions and strategies' priorities, action plans and monitoring and evaluation programs. This programming process, which is a key component of the Strategic Management, is thoroughly examined in the research part of this thesis, as we shall see in detail in the subsequent sections. The purpose of this examination is to determine the effectiveness of Strategic Management, particularly in the tourism business.

Methodology

To measure the effectiveness of Strategic Management we followed the model of the researchers [20] for the measurement of strategic planning effectiveness, which was suitably adapted to the research purpose of the thesis. Specifically, researchers [20] have defined four strategic planning parameters and have then set 18 attributes that were considered important to measure the effectiveness of strategic planning. 12 out of the 18 attributes are related to the design parameters of strategic planning, while the other 6 are typical attributes of business performance. For the analysis of the

data collected in this research, the Factor Analysis Technique will $Cov(\varepsilon_i, F_j) = 0$ $Cov(\varepsilon_i, F_j) = 0$, be used. The main purpose of Factor Analysis is to summarize the data in order to enable relations between the variables under consideration to be easily interpreted and understood [25]. The Factor Analysis is a multifactorial (or multivariate) technique which reduces the measured variables into a smaller number of dimensions. The Factor Analysis uses mathematical procedures to simplify interrelated variables in order to discover patterns in a set of variables [25]. This thesis will use the most common method of Exploratory Factor Analysis, which is the Principal Components Analysis, and namely the rectangular model of this. The specific method is used to extract the linear combinations, interpreting the maximum covariance of variables [25]. In this model we assume that the correlations between the variables are a result of the existence of certain common unknown factors, which need to be assessed. Thus, the p variables can be written as a linear combination of the k factors, as follow:

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$$X - \mu = LF + \varepsilon$$

where: XX : The vector of input variables, of magnitude $p \times 1$; $\mu\mu$: The vector of averages, of magnitude $p \times 1$; LL : table $p \times k$, wherein L_{ij} is the loading of the factor F_j on the variable X_i ; FF : table $k \times k$ with the factors, $\varepsilon\varepsilon$: Error or sole factor. The error ε_i is the only factor of the variable i and is the part of the variable which cannot be explained by the factors

Assumptions to be made in the factorial model are the following (Karlis, 2005 as quoted in Bouchoris, 2007):

$$E(F) = 0$$

$$Cov(F) = 1$$

$$E(\varepsilon) = 0$$

$$Cov(\varepsilon) = \Psi$$

where Ψ is a diagonal matrix of the form:

$$\Psi = \begin{bmatrix} \Psi_1 & & & \\ & \Psi_2 & & \\ & & 0 & \\ & & & \Psi_p \end{bmatrix}$$

and:

for each $i = j$

With regard to determining the number of factors to be used in the analysis, the methods which were used in this thesis are *Criterion Kaiser* and *Scree Plot*.

The Principal Components Analysis, briefly described, will be applied to the present thesis by means of the appropriate statistical program SPSS (Superior Performance Software System).

Effectiveness of Strategic Planning

Strategic Planning has proven, through various empirical research carried out in the recent decades, to be essential requirement for business success [20]. In particular, in the tourism sector, Strategic Planning is a critical factor for the effectiveness of Strategic Management [23]. The literature also suggests that Strategic Planning is particularly important, as has been found to be related to the performance of tourism enterprises [21]. The effectiveness of Strategic Planning is a prerequisite for the effectiveness of Strategic Management [23]. However, we realize, that the international literature on the evaluation of the measurement of Strategic Planning effectiveness is quite limited. Studying the international literature, we found an interesting model to measure the effectiveness of Strategic Planning, the one of the researchers [20]. This model, which was described in detail, is a diagnostic tool that offers a new approach to measuring the effectiveness of Strategic Planning in the context of the hotel business. Based on this model, to enhance the effectiveness of Strategic Planning in a hotel business, we need to pay particular attention to:

- Setting clear objectives
- Assigning clear priorities
- Acquisition of high-level commitment to the strategic plan
- Involving all levels of administration
- Obtaining adequate functional coverage
- Use of modern analysis techniques

- Appropriate level of staff assistance

Evaluation of Measurement of Strategic Planning Effectiveness

The model of the researchers [20] for the measurement of the effectiveness of Strategic Planning is a simple but effective strategic planning tool, comprising all the relevant factors to be taken into account when evaluating the effectiveness of Strategic Planning. With the creation of this model the researchers contributed significantly to the achievement of two key objectives: a) they contributed to the coverage of the literature gap at a crucial but neglected issue, and b) they provided a framework for the evaluation of the principal dimensions that can be used to assess effectiveness of Strategic Planning. However, as the researchers characteristically mention, effective Strategic Planning is not an easy task, as it requires "*hard work*". Therefore, the use of this model allows for an easy and effective monitoring and evaluation of the "*work*" required for the successful implementation of Strategic Planning in the hotel industry. These parameters are derived from studying the relevant literature carried out based on literature review. Specifically, the parameters of Strategic Management were based on the Principles of Strategic Management in Tourism, which emerged from the study of various sources of literature. These principles are the following:

- Tourism product comprehension ([3],[22],[11],[16], [14])
- Tourism environment comprehension ([3],[8], [2])
- Vision and Values ([1],[17], [2], [9],[11])
- Customer-oriented approach - Understanding of tourists' behavior ([3], [24], [13])

Also, the design parameters of Strategic Planning were replaced by the design parameters of Strategic Management, as identified by the study of the international literature. Specifically, the design parameters of Strategic Management were based on the model of the researchers [1] on the process of Strategic Management in Tourism. This model includes concisely the following steps:

- Determination of the task that sets out what is the purpose of the organization and what is not.
- Evaluation of tourism.
- Assessment of the internal environment of the tourism organization.
- Assessment of the external environment of the tourism organization.
- Strategic analysis and selection (long-term goals).
- Implementation of strategy.
- Monitoring and evaluation.

Also, the design parameters of Strategic Management were based on Strategic Planning steps which are determined by the researcher [22] as follows:

- Determining the needs of potential tourists and their possible destinations.
- Segmentation of the market according to the type of needs that the companies wish to satisfy.
- Defining the environmental limitations and the competitive environment.
- Formulation of marketing goals and allocation of marketing resources with regard to the design of the tourism product.

Also, the design parameters of Strategic Management were based on the process of Strategic Management, as analyzed by the researcher [2]. Specifically, the process involves the identification of goals, objectives and vision of the organization, the analysis of internal and external environment, the identification of strategic alternatives and the choice of the best solution, the allocation and management of resources, the design of the strategy and at the end, the measurement of performance.

The features of business performance were also adjusted accordingly. The features of business performance include questions on the view of the participants regarding the optimization of business performance through the implementation of Strategic Management. Questions here relate to the key areas mentioned by the researchers [20]: the economic benefits (efficiency), the benefits to effectiveness and adaptability. At this point we added another area, which relates to the benefits to competitiveness.

Finally, the adjusted model which relates to the measurement of the effectiveness of Strategic Management, is shown in the below Table I.

In this research, as will be presented in detail, we chose to use the field research as a framework for addressing the research questions, particularly in the hotel businesses of the Peloponnese, Greece.

Table I:
Model for the Measurement of Strategic Management Effectiveness

Parameters of Strategic Management	
Parameter	Theoretical background
Comprehension of tourism product	([3],[22],[11],[16], [14])
Comprehension if tourism environment	([3],[8], [2])
Vision and Values	([1],[17], [2], [9],[11])
Customer-oriented approach - Understanding of tourists' behavior	([3], [24], [13])
Features of the Measurement of Strategic Management Effectiveness	
Design parameters of Strategic Management	Business Performance
Comprehension of the competitive environment. Effect of the competitive environment on the strategic direction of the business. Effect of the external environment (economic, political, technological) on the strategic direction of the business. Rating of competitive advantages of the company (location, quality of services, innovation, facilities). Differentiation of services in relation to the competitors. Effect of the needs of tourists on the strategic direction of the business. Effect of changes in the behavior and the needs of tourists on the strategic direction of the business. Provision of specialized services to meet the needs of special interest. Designation of business vision. Setting marketing goals of the business. Designation of the mission of the enterprise. Determination of long-term business objectives. Consideration of alternative strategies. Designation of business strategy taking into account the optimal solution. Steps of Strategic Management. Evaluation of the strategy implementation in the enterprise. Use of Strategic Analysis models.	Efficiency Effectiveness Adaptability Competitiveness

Conclusion

Strategic Management is a crucial process in the rapidly changing environment of the tourism industry [6].Comprehension of the various preferences with regard to tourism can only be achieved through effective Strategic Management [22]. Strategic Management in Tourism includes a business strategy that aims to gain a competitive advantage through the unique quality of the services provided [12]. The implementation of measurement of Strategic Management that is the subject of this thesis is expected to bring upon many benefits to businesses. Perhaps the most important benefit, according to researchers [14], is the improvement of business performance.

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