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Dear colleagues,

You are holding the first issue of new, international and open – access socio-economic journal – “The EUrASEANs” which establishing and opening required of intertwining of efforts of the three dozen scientists from more than 25 countries around the world - respected members of our editorial board.

Modern society is developing under the influence of divergent trends: economic globalization, cultural universalization and social life standards’ standardization - on the one hand, and strengthen of intraregional economic linkages, rising of regional cultures, prioritizing of regional competitiveness over national ones – from the other hands. It stimulates the whole complex of socio-economic dynamics’ problems, the results of which research will be regularly published in our journal.



One of the most important issues of modern society and state interaction is a definition of the strategic orientations for further development in conditions of obvious and indisputable failures of global, liberal economy priorities, to overcome the current socio-economic problems of the world. The paper by Ushakov, D. and Khairiree, M. identifies opportunities of self-sufficient economy scientific concept, developed by His Majesty King of Thailand Bhumibol Adulyadej, to form the modern strategic model for country and regions socio-economic development.

Continuing the theme of transformation the concept of state economic regulation paper of Ukrainian researchers Vitalij Serzhanov and Anna Kostov`yat substantiates relevance, effectiveness of the national system of economic planning and forecasting in the current conditions of international markets dynamics.

Two modern trends in international marketing such as social networking and “green technologies” as factors of product promotion were examined in papers of Russian researcher Nina Trubnikova and Vietnamese Professor Tran Huu Ai.

Innovations in the 21st century are the main factor of social and economic modernization, regional and national competitiveness promotion, local community repositioning in the structure of both regional and international division of labor. Chinese scholars Chun-Pei Lin, Yi-Bin Li and Chuan-Peng Yu evaluate new aspect of business innovative modernization - the development of disruptive innovations and their impact on business development at the present stage.

Education is in direct relationships with the innovation processes' dynamics. Educational and pedagogical issues (such as assessment of teachers' professional activity, usage of modern information technologies in educational processes, relationships between educational reforms and national human capital) are studied by Russian professor Tatiana Isayeva and her Malaysian (Shahbaz Ahmad) and Mexican (José G. Vargas-Hernández, Víctor Hugo García Oliva) colleagues.

Continuing the theme of human capital development Indonesian researchers Ria Mardiana Yusuf and Saldy Fidyawan presented an analysis of labor workers distribution in context of corporate human capital growth stimulating. Finally, paper by Edy Suprianto characterized problems of taxation state administration in Indonesia, direction of improving its quality in terms of organization and formalization.

I really hope that the first issue of our journal will be interesting, informative and helpful in conducting of your research.

On behalf of the Editorial Board, I wish you new discoveries and the widespread recognition of your scientific activity

Editor – in - Chief
Dr., Professor Denis Ushakov

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SUFFICIENCY ECONOMY AS AN ALTER-GLOBALIST DEVELOPMENT CONCEPT: TOPICALITY FACTORS AND CONDITIONS NEEDED FOR INTRODUCTION



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The article analyzes the key bottlenecks and problems of globalization as a social progress concept along with the accompanying social and economic problems provoked by liberalization. The potential of sufficiency economy is analyzed as an alternative to the globalist approach. Potential prospects of sufficient economy principles' implementation are assessed. These principles have been suggested by His Majesty King of Thailand Bhumipol Adulyadej as the key values and strategic guidelines for nation's development. The related conditions and requirements for their implementation in the economic policies of today's governments worldwide are discussed.

Key Words: globalization; sufficiency economy; transnationalization; capitalism; world economy; public regulation; Thailand.

Globalizing economy: through “flat world” to world segregation

Contemporary dynamics of capitalistic relations' development has made world economy a complicated and intricate system of national economies, transnational production & distribution constructs, international economic organizations etc. Within its framework competencies of governments and of corporate top managers, directors of supranational unions and of local consumers, business owners and employees are intercrossing and overlapping, resonating and counteracting.

Formation of the global capitalist system, on one hand, has lead to repositioning of countries in the global structure of labour distribution: some of them got the latest and most advanced production factors (including innovations, high technologies and most qualified labour resources), thus, the traditional factors of national competitiveness (geographical location, tourist resources, consumer market volumes) got a completely new value and role.

On the other hand, global economic system made an attempt to combine what is potentially not incompatible into the global pyramid of competitiveness, in which the role of the state within the structure of international production is rather fixed, while the system of vertical lifts between the levels of this pyramid does not seem to be possible as such (Delyagin, 2003). Same applies to widely promoted liberal business values which is partially related to limiting the state regulation of economy and eliminating legal and administrative barriers on the way of globalization's advent (including free trade, freedom in production factors' relocation, unification of public regulation etc.).

Consequently, globalism today as the concept of capital development is actually an attempt to recreate the zones of “limited freedom”, that is those economic and business territories the socioeconomic development of which is rather strictly planned, very much regulated and controlled, however, inside them, standards of free entrepreneurship and competitiveness are nourished in a rather artificial way. High level of this so-called “internal freedom” is often generously sponsored from the inside by means of country's investment attractiveness growth, its growing international ranks (which is today the most widely spread form of international acknowledgement of country's success, at least in a short-term period) and also, by significantly cheaper credit rates. At the same time this “internal freedom” serves to limit national governments in realization of their national strategic interests, since “freed” market forces are actively building the required institutes according to external economic requirements.

Our previous research (Ushakov, 2016, in print) on the dynamics of economic liberalization in a range of countries around the globe has already confirmed our assumption that market instruments of free internal market force the national market system to be oriented not locally, but rather globally – on the world market environment. And these mechanisms of the global market which essentially are transnational production & distribution constructs, highly efficient systems for logistics and communication, today have already created all conditions for national economic systems to strive for their own universalization and standardization, own adaptation to global trends of the world economy's development. And these trends are somehow seen as the only possible way for national competitiveness development. National economic system, being closely connected to global financial, information, labour and other markets, become too sensitive to any global factor, and thus, becomes more oriented to global (that is external) rather than internal, own, local necessities (Ushakov, 2016, in print).

Obviously, such features of globalization raises the overall level of proneness to conflicts within the world economy (Albert, 1993). Despite the fact that conflict indeed may be a powerful factor of progress, in relation to globalization specifically it becomes the factor

limiting the development, a tool for throwing the progress back. This is because a constructive conflict in this situation would be hardly possible due to too different levels of development, the parties are on the very different levels of the competitiveness pyramid. Thus, it would not be possible to win in a fair competition, in the absence of fair competition as such, one side would inevitable serve as a referee. Therefore, within the frameworks of globalization “waves of conflicts” are easily going down, likewise do the “waves of crises”. And in most of the cases the origin of both (waves of conflicts and waves of crises) is predetermined by the necessity to regulate the lower levels of the global competitiveness pyramid.

Globalization delusions: the basis for alternatives' conceptualization

Here we would like to describe the major delusions related to globalization as the concept of global economy's progress.

1. Globalization is NOT the only possible development alternative for the global economy's dynamics. Globalization is often and widely treated as the only possible way out in our further common economic development (Bhagwati, 2004), however, despite the rapid development of global infrastructure and unification of numerous institutes and standards, our world already knows the states which were able to nationalize the advantages of globalization (for example, by means of free trade, foreign investment inflows or external labour migration). Some of the states also managed to reach high levels of competitiveness and economic development not by means of the so-called internal freedom and external competitiveness, but rather by means of harsh regulation and control (South Korea, Malaysia, Singapore). Moreover, there are states which have been able to provide themselves comparatively high (as compared with close, significantly more globalized neighbours) level of socioeconomic development, even being aside all global trends as such for a long period of time (Iran, for example).

2. Globalization does NOT guarantee global inequality elimination, it does NOT create some sort of “flat world” with more or less same conditions for production, trade and/or population life being. As a result of global trends, welfare level, on the contrary, grew only for a very limited number of countries, while gap between the rich and the poor is becoming so big, almost unbridgeable. Today's global construction of our world with its “internal freedom” of countries and rather managed external environment promotes redistribution of the production factors (including qualifications, innovations and technologies), and thus, the latter lose their national belonging because today they can be commercialized, monetized, cashed to the maximum only at global markets. Mobilization of the most valuable production factors has been accompanied by stabilization and standardization of consumer markets (through the mechanisms of global pricing, e.g., for oil, gold, foodstuffs, and also through megamarketing strategies and new consumption patterns, including westernization etc.). This has increased the profitability of production factors exploitation at global markets which are naturally regulated by the most advanced countries

of the world. As the world most recent experience shows, globalization turns out to be especially favourable for the most developed states and also for microcountries which due to their micronumbers of population and microsize of territories have become able (in the absence of large budget expenditures) to create the most liberal conditions for doing business and also the most attractive conditions for foreign investors. In this peculiar way microcountries were able to accumulate the economic potential which is now manifold over their actual necessities and thus can be freely applied at external markets.

3. Globalization does NOT provide extra opportunities for solving the socioeconomic problems within countries, NEITHER it promotes social homogenization. It does NOT ease social tension, and it does NOT promote the development of the middle class. Even in the most advanced countries, located at the very top of the global competitiveness pyramid, it does not seem to demonstrate social equality or stability. Indeed, their official statistics shows rather high per capita income, and their Gini index can be satisfactory (implying that economic distribution inside the country is more or less equal), however, if we take a closer look at how the country's assets are distributed (the land, real estate, leading enterprises), the situation would look completely different, since all of the above is owned by a few rich citizens.

Let us present this situation on a simple example. There is a house with four apartments in it, owned by a family which lives nearby. All four apartments are rented by the family, so that the family of these owners does not have to work. Let the families of these tenants spend a quarter of their monthly income on the apartment rent. In this case, all five families (4 renting families + the family owning the house) have exactly the same, equal monthly income! This means that their Gini ration would be very close to ideal one. Setting the statistics aside, the family owning the house does not work and has only the so-called passive income, while none of the tenants' families can afford buying an apartment of their own.

According to the data of the charity organization Oxfam (www.oxfam.org), the overall income of the top-5 richest families in England is about USD 47 bln, and this is more than the bottom 20% of the UK population have today. According to Swiss newspaper "Bilanz", top-300 richest Swiss residents back in 2015 earned 589 bln Swiss francs, and this is nearly equal to Switzerland annual income as a state!

The research Landais & Fack (2010) revealed that during 1998-2005 nearly 90% of all French families increased their incomes by only 5%, while the top-10% of the richest French families increased their incomes by 9%, and at the same time top-1% of the richest families in France increased their incomes by already 32%, while the so-called "superrich" group increased their incomes by 43%!

According to the survey data of the sociological institute Ifop (www.ifop.fr) of the French think that the system of welfare distribution in their country is "extremely unfair". However, the official statistics of France is in serious contradiction to the feelings of these citizens. France officially belongs to those few developed countries, in which the gap between the rich and the poor was decreasing throughout the period of 1985-2015. Moreover, France was officially among the leaders of this process development.

Needless to add here, that in the rest of the countries worldwide the situation is much worse. Globalization not only failed to introduce the “fair society” but it actually widens the gap between the rich and the poor in many countries worldwide.

Table 1 - Growth changes by regions and decades

Region	# of countries	overall	Average value of change (a)	1950s- 1960s	1970s	1980s	1990s- 2000s
Rises, overall	140	78	6,9	17	13	21	27
Developed countries (b)	37	11	5	5	0	3	3
Developing countries of Asia	22	19	5,6	4	6	4	5
Latin America countries	18	11	4	3	2	4	2
Sub-Saharan countries in Africa	43	22	10,3	4	1	5	12
Other developing countries (c)	20	15	7,4	1	4	5	5
Falls, overall	140	96	-6,3	7	48	30	11
Developed countries	37	21	-5,3	0	15	1	5
Developing countries in Asia	22	15	-6	0	7	5	3
Latin America countries	18	13	-4,6	0	8	5	0
Sub-Saharan countries in Africa	43	26	-8	3	12	9	2
Other developing countries	20	21	-6,9	4	6	10	1

a) Changes in % of GDP per capita real growth before and after the growth rate change;

b) Include: Hong Kong, Japan, South Korea, Singapore and Taiwan;

c) Caribbean countries, Cyprus, Middle East, North of Africa and Turkey.

4. Globalization does NOT create the conditions for sustainable economic growth in the world.

According to the study by the IMF experts (Berg et al., 2008), see Table 1, throughout the second half of the XXth century the world evidenced 78 cases of growth and 96 cases of macroeconomic systems' falls (overall, 140 countries have been analyzed).

On average, the most frequent economic rises have been observed in the developing countries of Asia, and falls – in Latin America. According to the presented statistics and taking into account the average duration of both rises and falls, a statistically average country, during the time period of 1950-2000, had the probability of stable development of no more than 3%, and this is definitely very far from common understanding of global stability as such. Obviously, in early 2000s instability has been only escalating.

5. Globalization does NOT assume some sort of strategic approach to implementation of state development programs. Market itself may have a range of such “falls” which cannot be overcome even provided the state has available the most perfect market mechanisms. Market as a field of society’s economic interests’ realization is supposed to guarantee satisfaction of material needs of humans and thus form the basis for societal development, but not changing it radically. Aside economic activity and economic interests, any society also has at least 3 more fields of activity – social, political and cultural ones. All of them are strongly dependent upon economy and are very much predetermined by the market status, but at the same time they keep the originality of their own functioning. In the opposite case society would turn into some sort of “consumers’ herd” with rather strong competition between its members and without any values and/or features of humanity. Therefore, the market alone, being only a part of society’s activity, is not able to form an environment for fully sufficient development of the society. Society cannot be regulated by market mechanisms only, since market idealizes competition and efficiency as the only values. Finally, ideal market as such is a highly unstable and rather short-life phenomenon. Without external regulation, it tends to turn to the state of monopoly, and rather quickly. And essentially, any monopoly, by its functions and its behavioral features, is identical to corrupted and inefficient bureaucracy. Moreover, market monopoly in relation to social development can be much more dangerous than any corrupted state, since it has no obligations to take care of society members and treats the latter only as consumers (and often, as defeatists). Thus, the globalist concept of societal development is essentially a marxist one, that is, it has the features of economic determinism, it idealizes market mechanisms, high efficiency and performance, and also competitiveness as the only aims of social progress. It is also:

- first of all, expansionistic, demanding constant supply of new resources (land, natural materials, human capital) and new markets, formation of new branches and sectors (including virtual ones, in our times);

- secondly, differentiating, that is, keeping somewhat backwards as a potential reserve the least developed countries and regions, social groups and strata, sectors and even separate enterprises, if they did not manage to achieve certain level of indicators of social competitiveness and efficiency;

- thirdly, of credit nature. It demands initial investment, the volumes and the high market value of which serve as some sort of entry barrier in any economic sector. By the same means it also significantly regulates intra-sectoral competition and sets the direction for further economic development of countries, branches and large enterprises;

- fourthly, highly unstable, with a propensity to crises due to rapid internal social dynamics, conflicts and social polarization, but primarily, due to a range of contradictions between social justice requirements on one side and economic demands of performance and competitiveness on the other;

- fifthly, self-destructing, not having self-preservation functions (as, for example, the society has as a social group); it is neither able to develop the mechanisms for self-preservation and self-protection in dynamically changing conditions (which is manifested mostly through constant monopolization and inability to solve numerous social problems). This requires the constant presence of the state at the market since only the state has the regulating competences and (at least ideally) is independent from the will of market agents.

The way to self-sufficiency: two directions from the society of consumption

In today's world measures of public socioeconomic regulation become more and more topical, being aimed at maintenance of social stability and social justice. These regulation measures also are supposed to be aimed at the destruction of already formed and efficiently functioning mechanisms of internal market adaptation to the demands of the external environment. The contemporary vision of public socioeconomic regulation is focused on transformation of internal social stability into the growing external, global competitiveness. Thus, there is a necessity for reconsideration of the widely spread globalization-related belief that competition growth at internal markets promotes the growth of external national efficiency. This statement is fair for ideal conditions only, provided the society is intolerant to corruption as such, competition is always fair, and legislation as well as information support are provided to the fullest. However, in real world perfect conditions do not exist, just as perfect competition.

In real life, however, social stability, law & order, and social justice have become today the key factors, the markers of country's attractiveness for everyday life, for international investments, for headquarters and branches of international companies, as these factors are partially also the reasons for the availability of high-quality labour resource. At this, external aims of national socioeconomic policy must somehow follow the globalized aims – formation of competitive national industries and enterprises which would become national champions/pioneers to provide and support further external economic expansion of the country.

Another requirement to implementation of the two-vector socioeconomic policy by today's governments concerns the growing autonomy and lessened dependence between external and internal environments of the same state. For example, the volumes of social security payments must not be determined by the world market prices or by the income from country's exports; the volumes of country's internal consumption should not be limited by import opportunities or by national currency rate; credit availability within national economy should not be limited by interest rates in other countries etc. Thus, the vector of foreign economic policy of a state must not be predetermined only by global surroundings, and it

must also have only the minimal impact on the dynamics of socioeconomic reforms inside the countries which must be oriented not so much not on national consumption growth but on stability and self-sufficient economic growth.

Obviously, the society of consumption is primarily about the qualitative growth of consumption and about consumers as such, it determines the fate of dozens highly profitable branches and sectors, and it is also a significant factor of labour resources' motivation. On the other hand, consumer society is essentially global, it makes the very phenomenon of consumption international, thus enlarging the gap between international corporations and less successful local producers. It also stimulates consumer imports instead of promoting the growth of national production. Moreover, it contributes greatly to society polarization since for the large share of country's population it closes the way to the "consumer dream".

Consumer society can become the key factor of long-term economic growth of a country – but, provided only national industrial and service infrastructure have been already formed, and there is enough space for innovations and global competitive advantages' development. Today, global competitiveness is based not as much on expensive and well developed infrastructure for doing business and attracting new investors, on legal protection of private property and liberal business regimes, but mostly on the availability of high-tech potential for further innovations' development (and this concerns both business companies and also local communities themselves), marketing advantages (trademarks, brands which allow introduce new products to markets in only several hours), their formation requires not only huge investments but also significant time resources.

Consequently, reaching this target within consumer society development by the majority of contemporary states which do not possess impressive natural resources, neither financial or human potential, seems to be nearly impossible. To confirm this we can analyze the experience of the United Arab Emirates, for example. This country has invested heavily in national infrastructure development in an attempt to create the most favourable conditions for doing business, it also has spent great deal of investments on logistics development, on medical, education and tourism services' promotion. However, after the 30 years of such activities, UAE is still not the place where innovations and/or technologies are born, and definitely not the trend-setter in science, or education, or creative industries. In other words, this country indeed sells the largest in the world quantity of luxury cars or cell phones, however, its local business is not producing even details for them, despite the actual availability of resource potential, strong political will, social homogeneity and comparative (to other countries in the region) stability for many decades by now.

Another alternative in consumer society development means total and drastic degradation of national economy (since it is unable to compete with global brands in the most profitable sectors) and of social order (due to inevitable income differentiation, a huge gap between public authorities and local population caused by blooming corruption and high public expenditures). Such a gloomy perspective is inevitable in case there is a misbalance between consumption patterns on one hand and opportunities for national businesses on the other. In time this will turn into somehow disguised exchange of national resources for the

right to use temporary the latest achievements of the global technological advance. And as soon as the demanded natural resources are exhausted (or the world prices for them fall), the opportunities of consuming global benefits would be also exhausted, diminishing the country from luxury consumption and easy prosperous life to the level of basic human needs satisfaction.

Economy sufficiency: moral grounds for economic achievements

The socioeconomic alternative we are trying to describe here is represented by the systems oriented on self-sufficient growth, demonstrating their own, unique advantages and long-term competitiveness (often after being a victim in a range of world crises). This model nearly always faces some sort of social opposition, simply because the majority is always naturally more interested in globalized consumption (which is often considered to be the sure sign of development and prosperity). Thus, there arises the need for a strong-willed leader with a wide range of powers which would be capable to be persuasive enough for the general public in explaining the priority of long-term goals over the advantages of short-term consumption boom.

The model of self-sufficient growth has a number of obvious advantages and strong sides, among which: its relative low cost (since there is no necessity to concentrate on global competitiveness achievement and to invest in global infrastructure development); clear control and regulation over the spent means and resources; higher efficiency of reforms' administration etc.

Global capitalism as an economic notion and consumer society as a social progress target today serve as the instruments for neocolonization, both of them promote national resources and national production potential reorientation on global consumption. While the principles of liberalism and free trade are levelling economic and business conditions inside countries and at global markets, fragmenting these markets at the same time, localizing the most profitable ones for further activities of multinational corporations from economically leading countries. This proves the actual necessity to formulate the alternative concepts of national socioeconomic development, in the implementation of which the country and the society must be oriented on their own resources and own potential in order to stabilize internal socioeconomic processes by making them more autonomous, more detached from the highly competitive foreign economic environment.

Thailand has its own original example of self-sufficient economy which has already found its implementation and manifestations at corporations, in various provinces of country and in Thai national economy as a whole. Thailand's Sufficiency Economy Philosophy stems from the remarks made by His Majesty King Bhumibol Adulyadej throughout his 58 years of reign (NESDB, 2004). It stresses the "middle" path as the overriding principle for Thai people's conduct and way of life at the individual, family, and community levels. Within the philosophical framework, the choice of balanced development strategies for the nation in line with the forces of globalization is allowed, with the need for adequate protection from

internal and external shocks (Kantabutra, 2005). In particular, after the Asian economic crisis of 1997 during and after which numerous business organizations in Thailand went bankrupt, His Majesty reiterated this philosophy as the way to recovery that would lead to a more resilient and sustainable economy (NESDB, 2004).

Regarding its forms and functions “Sufficiency Economy” can be considered as:

philosophy serving as “guide for the way of living/behaving for people of all levels toward the middle path”;

an agenda, delivering the middle path as the “economic life guiding principle”, i.e. a secularized normative prescription, but not a religious statement;

it is also scalable, with “universal domain applicability”: individual, household, community, project, business, management, institution, polity, society, nation state, region, humanity, and finally biosphere levels can be differentiated;

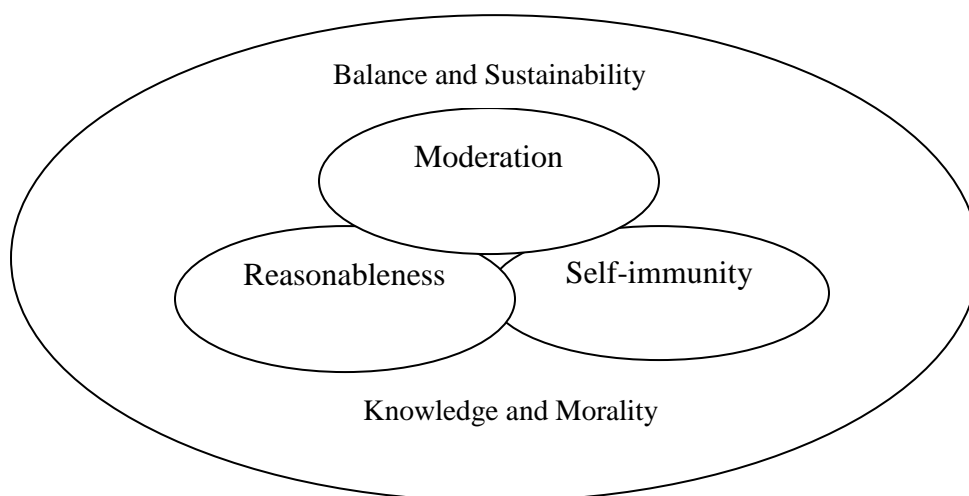


Figure 1 - Sufficiency Economy Philosophy Framework (Kantabutra, 2005)

as the foundation for any economic framework, Sufficiency Economy is complete, governing everything form of motivation in setting the criteria (goals, objectives etc.), shaping the behavior (production, consumption, investment etc.), covering also the system level (collectivity, connectivity etc.), and therefore addressing all issues within dynamic settings.

The Sufficiency Economy Philosophy framework (see Fig. 1) comprises three components and two underlying conditions (Piboolsravut, 2004). First, Sufficiency entails three components: Moderation, Reasonableness, and the requirement for Self-immunity, i.e. the ability to cope with shocks coming from internal and external changes. Second, two underlying conditions necessary to achieve Sufficiency are Knowledge and Morality. Sufficiency Economy requires breadth and thoroughness in planning, carefulness in applying knowledge during the implementation of these plans. As for the Moral/Ethical condition,

Sufficiency Economy emphasizes the features that people are to possess – honesty and integrity – while conducting their lives with perseverance, harmlessness and generosity.

According to the concept of Sufficiency Economy, state regulation of economy must be based on three central principles (see Tab. 2).

Table 2. Key values of state regulation according to the concept of sufficiency economy (compiled by the author)

Internal vector	External vector
Self-sufficiency, self-reliance	Expediency
Trust	Legal support, contract law
Fair distribution	Market freedoms
Modesty	Profit maximization
Continuity	Stable growth
Stability	Adequacy to market trends
Balance of needs and opportunities	Expansion, long-term growth
High potential for autonomy	High potential for global leadership
Welfare growth	Growth of production and trade
Debts' minimization	Efficient financial policy
Transparency of distribution	Business processes' optimization
Stability in each village – stability in the country	Competitive company – competitive nation

Principle #1. Presence of several vectors in state external and internal economic regulation. The key targets in foreign economic policy must be economic efficiency, expansion, determination of national pioneers which have the potential for global leadership and global-level competitiveness. At the same time internal, national economic policy must be based on social justice and social stability in the long term.

Principle #2. Implementation of both internal and external national economic policies must be independent from each other to the maximum possible level. State successes at external markets must not lead to resources' outflow (both technologies and human resource), thus reducing the efficiency of internal economic policy etc.

Principle #3. Implementation of internal economic policy requires exact and clear determination of strategic and tactical/operational levels which are different by their role and meaning in setting the priorities of internal socioeconomic development and autonomy of external vector from internal one in state regulation. If a sector, field of public relations or a

specific resource group is attributed to the strategic level, its aim is to provide and maintain self-reliance of socioeconomic system, fairness of economic policy, autonomy of internal and external policies. If it is attributed to tactical/operational level – it becomes responsible for linking the international/national socioeconomic system to world economy, including the world market of capital, to import-export operations, technology transfer mechanisms etc. Division between these two levels determines to a large extent all further prospects related to planning, investment, control and accounting as well as integration in global economic interaction.

Economy sufficiency under global competition of nations

Summarizing all of the above, we can put forward, debate and explain a range of most popular misleading perceptions of the philosophical concept “self-sufficient economy” (or Economy Sufficiency Philosophy).

First of all, the policy of self-sufficient economy has absolutely nothing in common with the notion of autarchy (which is full-scale economic and trade isolation of a country, its refusal from any sort of external economic activity). Moreover, self-sufficient economy means the presence of external economic activity but while regulating it, the state stands up for its own principles and priorities. The state within the framework of sufficient economy is supposed to support national business in its participation in global economic processes, it encourages and welcomes potential foreign investors, wider trade relations and generally sees in all these processes yet another source of national welfare and social stability.

Secondly, sufficiency economy doctrine has nothing in common with the notorious planned economy and/or the so-called command system, since it assumes planning and administration only within the zone of internal strategic interests, it does not reject, neither limits private ownership – on the opposite, it strictly follows the principle of private ownership and take efforts to protect it if needed. Moreover, sufficiency economy is different from planned/command economic system because it promotes competition and welcomes economic expansion according to the set external vector.

Thirdly, sufficiency economy should not be treated as an South-East Asian analogue of widely popular on Middle East “equity financing” (Samuel & Frank, 1998). The latter assumes concentration of state property of the largest strategic monopolies (traditionally related to natural resources’ sales at global markets) and simultaneous development of free competition at consumer markets mostly which are open for small and medium businesses (trade, public dining, textiles, crafts etc.). While sufficiency economy does not have this rather artificial process of state enterprises enlargement (aside from natural monopolies). It is oriented solely on state control of strategic resources’ distribution (for example, through the system of private enterprises access to them and further export). Moreover, sufficiency economy does not treat state enterprises as the ones which are to be controlled in order to reach maximum efficiency, since it stems from the fact that transparent, debureaucratized and absolutely clear regulation of private business is always more preferential, because it

promotes internal development unlike the case with the closed process of state companies' management.

Fourthly, the concept of sufficiency economy is not yet another social utopia as many think. Because it does not promulgate some sort of abstract ideals which are unrealistically far from everyday life. The very name of this concept proves that it has economic fundamentals and economic grounding, that it is based on market principles (optimization, efficiency and rationalism, inter alia). At the same time, the King Bhumibol's version of the self-sufficient economic system originally, from the very beginning had self-regulators of market dynamics which make sure that competitive market does not seize to exist (for example, due to monopolization), same with the state as such (for example, due to limited economic independence). The system also has internal controllers due to which business interests cannot dominate over the interests of a local community, and foreign economic priorities cannot dominate over the strategic interests of national development. Separate components of the self-sufficiency doctrine nowadays are being implemented in the most successful economies of the world. For example, state support instruments for economic expansions abroad are being used by South Korea and Japan; mechanism of economic planning – in a range of the EU countries; state support for strategically important sectors and types of activities (including agriculture and mining of various materials) – in nearly all developed countries globally.

Finally, we need to note that implementation of the sufficiency economy doctrine does not mean rejection of democracy or concentration of powers in the hands of authoritarian leaders, political dictators etc. As already noted above, long-term implementation of the self-sufficient economic strategy requires there is indeed a strong leader of the nation, and King Bhumibol Adulyadej has always been and will be remembered in the future as a good example of such a strong leader needed for self-sufficient economy, motivating and inspiring, showing on his own example the necessity to reject fast profits and consumption-only priorities for the sake of more strategic priorities of economic sovereignty and stability. At the same time sufficiency economy in the course of its internal implementation and development reveals the interests of the majority of population and is not oriented on providing top-quality consumption for the upper class only. The balance of social forces (striving for integration and high personal efficiency for the competitive part of the society and also looking for social protection, stability and at least minimum satisfaction of the basic needs for the least competitive segment of the society) must be provided by the state by means of making available the individual choice of activities – oriented on external, fully and fairly competitive conditions guaranteeing that in case of success there will be a significant profit, or oriented on internal priorities which in turn guarantee a certain level of life and certain stability; and also by means of the system of both horizontal and vertical rotation of personnel engaged in most efficient and “fair” sectors of national economic system.

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ANALYTICAL FORMULATION OF THE STATE MACROECONOMIC PROGRAMS DEVELOPMENT (THE CASE OF UKRAINE)



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The paper assesses the basic tools of state economic planning and forecasting, which importance in the period of market instability of the global and national scale significantly increases. The authors examine the legal and regulatory frameworks, effective instruments of state economic programming in Ukraine; analyze the strategic objectives and priorities of the country's macroeconomic development.

Key Words: macroeconomic stability, public policy, planning, forecasting, Ukraine.

Economic crises always increase the interests to macroeconomic theories of cycles, inflation, employment, poverty, pricing and competition, economic growth and social welfare.

As noted by the American scientist of Mankiw, G. (1990, 1997) "the prosperity of the economy never comes of itself but is always the result of a well thought out public policy, which, in turn, depends on the level of understanding of people and public mechanism of the market functioning" (Mankiw, Romer & Weil, 1990).

In fact state active influence became the basic line of the modernized market economic systems to develop national economy. Currently, the unregulated power market in the world does not exist. Major levers of government control are prognostication and planning of socio-economic development. The necessity of prognostication and planning in the market economy conditions is predefined, first of all, by state activity in market relations, by inability of market economy to self-regulate (foremost in the period of crises); by public

character of production; by complication of international, inter-branch and regional connections; by the necessity of maintenance the rational proportions for a national economy.

In modern science and practice sufficiently specific and unambiguous understanding of the nature and prognosis prediction is forming. Law of Ukraine "On state forecasting and elaboration of programs of economic and social development of Ukraine", which in the first years of Ukraine independence legislatively defined legal, economic and organizational principles of the forecast and program documents for national, territorial and industrial development. The Law set the following definition: "National forecasting of economic and social development is a scientifically based prediction of directions of countrys' specific economic sectors or individual administrative units, possible state of the economy and social sphere in the future, as well as alternative ways and terms of achieving the parameters of economic and social development" (Law of Ukraine on March 23, 2000 N 1602-III).

To predict the economic, social, political and other trends, scientists distinguish the following methods:

- extrapolation, which provides distribution and real past patterns, connections and relationships for the future;
- interpolation method - determination of intermediate values of the function on the basis of some known values;
- constructing scenarios - the establishment of a logical sequence of events to determine the alternatives of the object;
- statistical modeling - design and analysis models (mathematical equations that describe the relationships, structural and functional parameters of the research object) that are based on statistical data;
- causal modeling (based on establishing causation known events, events);
- operational modeling (based on the application of mathematical tools of operations research);
- imitation - building mathematical models to study and forecast verification solutions;
- games (used to direct the planned research, and verification for example);
- collective idea generation ("brain storm");
- collective peer review method, involving coordination of expert opinion on certain areas of the situation;
- Delphi method, which involves anonymous survey of experts writing in several rounds;
- individual expert predictions - using assessments "expert leader" in a particular field of forecasting;
- historical analogy based on the transfer of patterns of similar events by time or other areas of knowledge;
- contextual mapping - systematic examination of the object by successive or combined review, analysis and synthesis of all plausible combinations of its

components; wood construction purposes (by splitting the object of knowledge on elements structures hierarchically interrelated);

- expert survey, based on completing the special cards developed in relation to specific issues;
- networked graphs - definition of "critical nodes" of development, the shortest routes traffic to a specific purpose;
- analysis mutual influences that involves the use of matrices events that influence the development of the situation or form the basis of the study of certain problems (Babayev, 2011).

Based on the huge economic and social losses that Ukraine suffered during the time of independence, and especially in the last three years the share of the informal sector held steady at 50-52%, and decreased slightly to 47% in 2016. This situation caused by extremely tax reform of 2011-2012 that virtually paralyzed the small and medium business in the country and by the absence of effective reform of the tax system after the Revolution of dignity. As a result, revenues significantly decreased, because almost half of the working capital was ejected in the shadow economy (Forsite Ukraine's economy, 2015).

Thus, the main task of Ukrainian state in 2016 is to achieve macroeconomic stability and to avoid of similar financial crisis in the future. Following objectives of the National development today can be set:

1. Reformation of public finances control system.

One of reasons of permanent crises in the field of Ukraine public finances is an absence of operating rules that would limit possibilities for the irresponsible expense of money and would provide tax efficiency. The off-grade planning of charges from the side of managers of money results in subzero efficiency of the use of money and bad quality of state services. The strong role of Ministry of finance, observance of hard budget constraints, effective use of money and introduction of the medium-term budgetary planning, will become safety devices from similar violations in the future (Zhurovskyy, 2011).

2. The land reform.

Current moratorium on agricultural land sale deprives peasants of their right to property and inhibits the development of the agricultural market. The introduction of the land market may become a source of strong growth in the agricultural sector and to increase the level of welfare in the countryside.

3. Deregulation and improving the investment climate.

Ukraine's big problem is the low level of investment - just over 10% of GDP, while the normal share of investment in GDP is about 20-25%. Lack of investment in Ukrainian business and the low level of foreign investment limit job creation and hinders economic growth.

4. Reformation power to the sector.

Energy markets in Ukraine long time were monopolized and have low competition that limits possibilities for any progressive development. In the same time, establishment for household

understated in comparing to the market value of prices on natural gas created the powerful corruption charts related with gas.

Following targets for National economic development were implemented in 2016 (The draft plan of priority actions of the Government in 2016, 2016)

- 17 clear and understandable medium-term strategies of ministries indicators to measure Governance performance to the same standards and in cooperation with industry experts and civil society approved.

- At least 30% of organizational and administrative functions transferred from the Cabinet of Ministries and other executive bodies.

In the previous period were done:

- Draft Strategy for public administration reforms till 2020 and action plan for its implementation.

- In cooperation with the Advisory team of EU Strategy for public administration reform agreed.

- Limited submission to the Government's draft decisions for "urgent procedure" and so on.

While the country is experiencing a constant increasing in social expenditures, their distribution is not perfect. It leads to the dissipation of resources, leveling of their social effect. Also available system of social benefits is too extensive and complicated, leads to the fact that the funds are representatives of the relatively affluent population. Among the shortcomings include imperfect legal framework, which had to ensure the proper regulation of the social services quality. The threat of the entire market policies is spreading and increasing scale of the shadow economy, criminalization of economic, property and financial and banking relationships and money circulation. Means of protection from the criminalization of the economy are insufficient and ineffective (Bazhal Yu Kiliyevych et al. 2010).

Performing works on prediction of the structure of Ukraine future economy experts of Delphi come to a consensus that in time horizons 2020 - 2030 Ukraine can succeed in the international division of labor based on its geographic location, available human and natural resources, developing these clusters of national economy.

The most effective determination of progress of the large system trends can be arrived at to combinations of an experience and normative prognostication that provide both the estimation of perspective progress of economy trends and determination of ways and terms to achieve desirable economic and social development of country simultaneously.

It should be noted that universal and perfect approaches until now do not exist. There are only attempts to construct possible scenarios of development of those or other phenomena in the future. But a fundamental difference from former practice of decision of similar tasks is that methods that are used for this purpose have not quantitative, but quality character.

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DIGITAL CONTENT: NEW CHALLENGES FOR MODERN MARKETING



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Content is an essential constituent of any marketing product, instrumental in attracting the audience attention. The present work is an attempt to study the significant problem the modern mass media faced: completely erased boundaries of generating and accessing content. Author focuses on the issue of "catering" content, taking into account the modern rhythms and styles of potential target audience's life. The article specifically analyzes the realia of the so-called "users" content - the ways and means of its generating and circulating; its social and economic impact; its specificity in terms of creativity; how it affects communications industry. By undertaking this research the author strives to elaborate an aggregate of approaches which will allow today's advertisers to optimize their integration into the modern media-market.

Key Words: digital technologies, content, new media, communications management, creativity, advertising, public relations

Introduction

The technological revolution has not only changed the forms and strategies to manage informational streams within communication models but also prompted a new development round of mass media audience. Eventually, changes have occurred in the peculiarities of information interpretation, as well as of advertising consumption. Digital technologies are a powerful tool of fine-tuning information consumption to the consumer's preferences. In connection with this relevance of this research is determined by the necessity of studying the marketing communications transformations on the basis of digital instruments which allow moulding a new type of professional and user's content.

The diversity of possibilities to work with information makes it available in practically any convenient format, on any accessible gadget. Qualitative transformations of advertising communication, gradual erasing of the boundaries between advertising and various forms of promotion are legitimate consequences of a new informational epoch advent. Higher speed and quality of innovations in the digital media make systematic approach of content processing consideration increasingly relevant. A wide variety of channels and interaction formats, users' requirements-adapted content and numerous possibilities of further information targeting turn the new media-communications into the most attractive agent of contact with the consumer. Many successful companies achieve impressive results due to

their interactivity and mobile gadgets application in the dialogue with the consumers, which brings forth and emphasizes the necessity of researching the mobile marketing properties. Meanwhile, in practice, the need to use different formats for different types of generated content is widely admitted.

Research methodology

In order to proceed with content management analysis, the meaning of the research main concept can be defined. Content, in this stage, is the informational component of any resource - that is, the entire graphic, textual, audio and other information which becomes accessible to the user when visiting an Internet site. Consequently, content management can be defined as an aggregate of stages of such information channeling.

Content managing includes its preparation and placement, distributing in a certain way, monitoring of its efficiency, as well as content hiding or removing. The dynamic structure of today's sites allows dividing the content from design and to upload pages as required by content addressing. This type of interactions made possible to freely form the so-called user's content. One of the important constituents of the researcher's task is considering content management through the prism of new media development (in computer technologies, media-economics, marketing and other fields). The main aspect of the researches is focusing on the new media digital component.

The modern concept of "new media" encompasses a wide spectrum of multi-platformed formats of interaction between the specialists and users. The phrase "new media" is a loan expression from the researches published in English, where it is considered mostly from points of digital and Internet technologies usage to distribute content, to organize interactive communication with the users etc. From the organizational-functional approach, the new media should be understood as organizations and individuals (bloggers) generating digital content, as well as regular Internet users who can interact with all media participants, processing and sharing information, creating their own content. The role approach allows interpreting the new media as a new stage of work with mass information characterized by an active role of regular users and non-professionals who produce and reproduce information, working with the content by classical way.

Literature review

The problems of managing content and qualitative changes in the media sphere became relevant in the beginning of the XXI century when the Internet was only starting to develop and has not yet acquired its modern capacity. About a decade later, the stir around the social networks and social media in general prompted a new round of research in this field. Analysis of the current state and prospects of using content in the modern digital communication is necessary to understand the tendencies of Russian informational environment evolution. The recent debates have been focused on the issues of changing

approaches to the informational filling of modern media, proceeding from their revolutionary transformation in the digital medium. The often discussed question is a possible absorption by traditional media of new features in the nearest future. The traditional media are criticized for a lack of efficiency as well interactivity and personalization. Therefore, studying the Russian informational sphere peculiarities in the context of the digital revolution, trends of particular mass media audience changing is high relevant (Vartanova, 2008; Galitzkiy, 2008).

The users' content: peculiarities and management problems

The given methodological basis can be used to analyze the existing content management problems in the conditions of the new media ongoing transformation. The peculiarities and characteristics of the target audience are closely linked with the types of consumed content. Thus, the new media present a platform for placing a new type of content. The modern approach to mass media also implies so-called “platform orientation”. Television, radio and printed materials are replaced by more flexible and “friendly” apparatus-program platforms in information distributing (Newell, Pilotta & Thomas, 2008, p. 135). It is just an adaptive part which determines distinctions between the platforms in and, as a rule, significantly influences the peculiarities of users' content generating. In the beginning of the century, the researchers tended to exaggerate the users' content's independence from corporations and government structures. The new media preserve their centralization, determining properties of Internet-communications from the technical and semantic points of view (Baluev & Kaminchenko, 2014, p. 33). Famous service “YouTube” is a vivid example. Initially it was oriented on users' content; but anyway today it's most popular content created by professionals.

The development of digital technologies prompted an emergence of new interactions' instruments of characterized by multimedia indispensability and different platforms' convergences with the purpose to form and maximally effectively distribute content.

Due to the digital transformations, various types of information presentations - from text to video - were delivered to the user in an integrated form (not as separate channels of distribution). A nonprofessional user can create content which, in case of active response from a wide audience, can be complimented and modified by other users, as well as eventually distributed by official mass media, with engagement of classical channels and multiple Internet opportunities.

Active new media formats engagement is impossible without creative technologies. That's why mastering the new tools of new content generating and distributing by ordinary users became a legitimate stage of mass media development (Karyakina, 2010). This made possible to move from the traditional mass media "course" and create a great amount of independent resources with various formats of interaction between users. At the same time the users' entering in the communicational process entailed a number of problems.

Certainly, the new media often supply relevant data which importance cannot be overestimated, but contains subjectivity and sources unreliability can mislead both the

audience and the official mass media which distribute this information. Besides that, there is the question of style and quality of the generated content. Language and presentation distinctions divide professional and users' contents. The information from these respective sources is often perceived differently and depends on multiple factors part of which is unpredictable (Firsova, 2012, p.334). The consumers' interactions with the brand also changed - from the elementary level of consumer's motives to social and even civil motivation when the feeling of social responsibility, compassion, globality of the world is awakened (Young, 2014, p 25).

The evolution of creativity in the new media

As it was noted above, the emergence of the new media grants each user new possibilities and instruments of self-expression (Petrova, 2014, p.131). The creativity sphere is transformed into a new quality, changing the aggregate of concepts, systematizations and values. In the first place, creativity is no longer a result of either working or leisure time. Emotions are the stem of creativity in the epoch of marketing impressions; the rational component, although presents in lesser volumes, and its only valued if combined with the emotional. The accents of the creation concept have shifted from the process to the result. The modern creativity is not only a creative process, but the way of communication with a certain audience, reinforced by marketing component ("the selling moments"). In the industrial epoch, not only product used to go in circulation - thoughts, feelings, cultural values would be cloned as well. Satisfying of standardized demand became the meaning of life for the better part of people.

The necessity of the creator's personal impressions is just the factor that determines different approaches to creative content generating. Gradually, creativity rids itself of its trade aspect, shifting the users' interest towards novelty. Creativity, analyzed in terms of ability to generate new ideas, now belongs to professional competences. While the global character of the Internet allows foregoing "reinventing the wheel" and quickly scaling the ideas. The users themselves are eventually transferred from being the consumers of creativity into its generators (Clift J. (2011) Generating information, and its outdated goes at an increasingly accelerated speed which complicates the possibilities of its analyzing and efficiently digesting by an individual. The informational field oversaturation raises an importance of emotional response from the audience.

Thus, creative content relying on emotions accelerates the users' reaction to advertising messages. Essentially, creativity today figures as a kind of advantage and guarantee that the message will be assimilated by the target audience, reducing the probability of its being lost in the informational "noise". The change of rational-verbal paradigm occurred in the 1960s and was replaced by the emotional-visual. It became possible due to the emergence of the color TV as an instrument of habitual possibilities advertising expanding. Today, the technological process does not only develop further, but accelerates. The Internet technologies have made creativity an important condition of market success (Nazarov &

Vygovskaya, 2012, p. 348). Creativity is no longer exclusively a professional competence, as it used to be before the Internet and in the years of its gaining ground.

The micromedia as carriers of users' content

The classical media in industrial society had a unidirectional character, and mostly advertising was mass-oriented and standardized. Dialogue by such mass media could only be possible for those who had status and capital and were the part of establishment; while in totalitarian societies there was simply no question of any feedback from the audience. The structure of creativity of those times was very different as well - that, too, was unidirectional, elitist and detached from the mass audience. The media in industrial epoch largely kept abreast of the social sentiment, acted as social glue of sorts, modeling causes for massive joys and sorrows. Today, the role of social glue has been taken over by the phenomenon of mediatization. For many people, the mediatization process has made the new media of their natural habitat which provides information's consuming and generating as well as the functions of social communication, self-development and self-assertion (Kolomic, 2009).

The essence of the mediatization process is a faculty of any individual to form own communicational field reinforced by the multimedia-technological possibilities of new digital media. In this system, personal communication becomes emotionally colored. The Internet users have taken over a part of the media functions directed at creating and spreading content, and have formed new category - micromedia. Just like the regular media, such media-units are, in many ways, oriented toward a particular circle of persons. Interpersonal communication in the Internet withdraws into the background, while the possibilities of the users to generate and distribute creative content expand. As a type of generating pragmatic information, oriented on certain goals reaching, a creativity suits to describe the micromedia content. Our habitual B2B and B2C communication types are diversified by a variant of integrated communication C2C - consumer to consumer. Accordingly, added value and "symbolic capital" are, in increasingly greater volumes, created by the consumers themselves who become public opinion's leaders, as opposed to the mass media which lose the audience's confidence. Meanwhile such tools as partisan marketing, provocative marketing techniques, viral advertising etc are used on a large scale, emphasizing the originality and creative capacity of the certain approach. Technical possibilities of the modern human-micromedia are a lot greater than even professional of the last century. Today there is no need to spend years for acquiring a skill, as the colossal informational resources contain all the necessary information complete with the required training instruments which allow learning a trade in a record time.

The field of creativity in the modern digital world is often limited by the culture of remixes. Essentially, remixes in the modern culture are marked with characteristics of creative production which implies associative reworking of existing creative materials (styles, plots, ideas) and presents creativity in a public-oriented format. Interest to remixe is primarily explained by the fact that, for the modern informational field, creation is not as

important as involvement. Another instrument of training and promotion has gained huge popularity are games. In these conditions of "life losing its seriousness", the world arrives at understanding creativity as a skill of predicting the reaction of the target audience to certain material, bringing values of different segments, and ensuring dialogue between all the communicational process participants.

The peculiarities of the Russian digital-marketing

The specificity of Russian digital communications is determined by their relative youth compared to western countries, as well as their existing in the conditions of limited resources - sometimes, even of crisis. Crisis conditions tend to intensify development of digital instruments, as they help the communicators to implement measurable actions with a comprehensible economic efficiency. The factor limiting the development of digital marketing in Russia is the conservatism of the top-management which is not ready to increase the digital media contain (DMC) budget, while retaining high enough expenditure on the traditional communications. The importance of digital communications for most companies is nothigher than that of the traditional marketing means, while digital strategy is not integrated into the general strategy of marketing communications.

Apparently there is a psychological rationale of "balking" at the unknown at work here - the difficulty of mastering the Internet technologies for the managers at a senior age. (Koptev, 2016, p. 28). Other factors that should be mentioned are the insufficiently high computerization of the Russian market in general, as well as a deficiency of highly qualified professionals in the field of DMC - especially on the regional level - and, as a consequence, inefficiency of many digital-communications companies. In their choice of priority instruments, Russian companies more often than not decide to work with the content of sites, context advertising, banners and mobile marketing in its most primitive form - phone-texting. Familiarization with certain types of digital communications is in the initial stage - those including mobile apps, SMM, blogs, viral videos, Internet games - while USA and Europe already use highly developed communications instruments. Web-analytics of companies has irregular character - efficiency of only limited number of communications companies in the digital medium is subjected to analysis (usually, the costliest ones); there is a large gap in applying digital promoting between large and small organizations.

A communicational crisis as the catalyst for a structural-technological revolution in the Russian communication marketing

The anatomy of communicational crises includes transformations of the means of mass communications and the advertising medium, departure of the media from the traditional forms of industrial civilization which are not anymore relevant to modern realia (Trubnikova, 2016, p. 76). Today the advertising industry is aware of its risks more acutely than ever. Those include the complicated relationship with the legislators, the general mistrust of

information delivered in the ad-format, a drop in advertising profits within the framework of the traditional media, the problem of the search for mechanism to gain stable profits from network users in the social media (Milosh, 2016). The crisis affected many business activities, stopped, or stalled the some branches development, considerably limited numerous media-projects. However, a multitude of innovations oriented primarily to efficiency, came in handy just at the right time, changing not only the form but also the content of the communications (Kovylov, 2016, p. 20). In the time of crisis, the advantages of the digital media that proved the most sought-after were "advanced" interactivity, broad possibilities of obtaining diversified marketing information, individualization or "effective addressing" of marketing content messages to the consumers, expanding the possibilities of integrating companies to promote goods and services, boosting transnational marketing prospects. Apart from that, the crisis conditions of austere economy determined the relations of the new media with the advertisers. The control of commercial shows lead to the only advertiser's willing to pay for real presentation of content - that is, one actually viewed by the audience - or, even, only for the audience's connecting to the site directly from the ad.

Notable changes have occurred in the sphere of management, too. Unwieldy full-service agencies with their unpredictable relationship with the subcontractors are ousted from the Russian market. Today, the crest of the wave in offering communications services is represented by holdings, primarily international and global, which completely satisfy the client's communicational demand owing to synergy of efforts, as they encompass multifarious types of agencies - branding-, media-, creative-, event-, sports marketing-agencies etc. (Nazarov & Kovalev, 2008, p. 216). Advertising nets functioning as mediators have considerable expanded their variety of inventory and services.

The times of crisis have certainly always been the times of new opportunities. But, for the Russian industry to be able to realize those, it must learn to work in the new conditions of digital changes.

Conclusions

1. Modern technologies and values of the informational society change their form and the essence of content - it becomes multimedia; while the users themselves participate in generating and spreading content, simultaneously being its consumers.

2. The new media are the main platform for developing the users' content, presenting a multitude of platform solutions and resources for interaction, both on the professional and users' levels.

3. The development and greater influence of the users' content changes the concept of creativity which is now more accessible for the wide audience in technological terms, but not yet capable of fully sustaining the level of quality which characterized the past epochs. In this connection, the culture of remixing - a phenomenon which is an integral part of development of the digital world - acquires a new meaning.

4. The users' involvement in the digital communications with the aid of new media allows them to perform media-functions, eventually becoming micromedia, complete with all the corresponding functions and tangible impact on the audience. Managing the content of such media-units is a complex task which implies engaging various communication technologies to ensure interaction with the brand in the format convenient to the user.

5. Modern digital technologies grant the users practically unlimited freedom of acquiring, interpreting and generating marketing information which requires cardinal reforms of the traditional marketing communications, such as advertising and PR. This is one of the tasks of the modern scientific research and practical activity of the specialists.

6. Russian digital medium is formed in the complicated conditions of communicational crises which imply cutting communications costs. This leads to keen competition between various media, vying for the advertisers' budget. Today the state of marketing communications in Russia is still evaluated as crisis-afflicted. However, one of the pivotal causes of these crises is the comprehensive technological reorganization which accompanies the global change of formats and transfer to the "digital track". Learning to take into account all the aspects of the revolutionary changes will allow the modern media to retain their audience and solve the multifarious tasks of promotion in the conditions of high competitiveness.

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FACTORS AFFECTING CONSUMER BEHAVIOR TOWARD ECO-FRIENDLY SEAFOOD IN HO CHI MINH CITY, VIETNAM



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The safety and quality of aquaculture products have been often concerned in recent years. Green consumption is a problematic concept, not least because it is an apparent oxymoron. “Green” means the conservation of environmental resources, while consumption is often related to their destruction. Green consumption behavior is significantly related to concern for the environment and behavioral intentions. This research used structured questionnaires and a stratified random sampling method to collect data from 326 residents of 3 big districts in Ho Chi Minh City (HCMC) the city with a structural equation model used to identify factors affecting consumption behavior and buying eco-friendly seafood, the study found that environmental response, brand image, emotional response, fake seafood products, social media behavior and perceived quality have a positive and significant correlation with eco-friendly seafood consumption behavior.

Keywords: consumer, behavior, social influence, green, fisheries, seafood

Introduction

Aquaculture and fisheries are an important sources of food and livelihoods for people along the world’s seashores and waterways (Smith et al., 2010a) and identified by the income for more than one billion people. However, awareness of environmental protection leads to the risk of coastal pollution. Aquaculture is distinguished from the other aquatic production such as fishing by the degree of human intervention and control (Anderson, 2002). This leads to over exploitation, and the goods are fished down to low and unsustainable levels.

Nowadays social networking is the most important means of media to understand the customers’ perception about safety, traceability and quality of fishery products and to identify communication levers to improve the perceived image of fishery products. Research focuses on the fresh, frozen or processed fishery products.

In the short term, ecological and social matter has become significant external influences on companies and the markets within which they operate. In the longer term, the

pursuit of sustainability will demand basic changes to the management model which underpins marketing and other business function (Shrivastava, 1994).

Literature Review

Expanding more environment-friendly consuming systems and sustainable production depends on the customers' wishes to engage in a "green customer" behavior. Research efforts have sought to identify, analyze and understand the "green customer" marketing and research were initially focused on the purchasing activities, has been added by studies from industrial areas such as ecology and sociology, supplemented more comprehensive picture of "green consumption" as a process. The knob picture of eco-friendly consumption is a process heavily influenced by emotional and environmental responses, perceived quality, also it is very complex, various and depends on the context of social media behavior, fake products, brand image. There are opportunities for future research to add more scientific knowledge and challenge the assumptions and expectations of our consumption and the nature of customer society.

Environmental response is defined by attitude theory, which is based on beliefs and norms, constructed through individual perception. This perception should be taken as individual's opinion rather than an attitude (Heberlein, 1989). Environmental variables might affect on purchasing behavior of customers (Stern, 1962).

Social media behavior means individual shopping orientation, influences and surroundings that can further change our behavior. Shopping orientation refers to the degree to which an individual sees themselves as a shopper and takes pleasure or personal satisfaction from the act of shopping. Shopping orientation is among the most influential predictors of customer protectorship behavior (Darden & Howell, 1987). Social media is fastly becoming a medium of customer voices.

Perceived quality can be defined as the customer's perception of the overall product or service quality or superiority related with intended purpose and alternatives. Perceived quality is the overall subjective judgment of quality depending on the expectation of quality. These expectations are based on one's own and others' experiences, plus various other sources including brand reputation, price, and advertising (Zeithaml, 1988; Johnson et al., 1995).

Fake product is a form of customer fraud that sold product purported to be something that it is not real. The production and dealing of fake goods are often considered an intellectual property theft, and through this prism it gathers little concerning.

The brand image is developed over time through advertising campaigns with a consistent theme and is authenticated through the consumers' direct experience. When buyer watches an advertisement about the brand and develops appearance for the brand and then eventually willing to buy it (Goldsmith & Lafferty, 2002).

Green consumption behavior can convert to the act of products' consuming that is not a result of statutory control, beneficial for the environment and responding to environmental.

Chan (1999) found that green consumption behavior is significantly related to concerning of environment and behavioral intentions and their green consciousness.

Consumer behavior refers to the selection, purchase and consumption of goods and services for the satisfaction of customers' wants. There are different processes involved in the consumer behavior. Initially the consumer tries to find what commodities he would like to consume, then he selects only those commodities that promise greater utility (Shah, 2010). Considering this issue, many manufacturing companies found that producing eco-friendly products will give them a chance to make a profit. The overall review in Tab. 1 shows a comprehensive picture of the effects of behavior for buying eco-friendly seafood of residents in HCM city

Table 1 - Motives of behavior to buy eco-friendly seafood
(considered by the autor)

Authors	Measures of buying eco-friendly behavior
Adelaar et al. (2003)	Emotional state and responses (arousal, dominance, pleasure) Behavioural responses (sense modalities, information rate)
Khan Niazi et al. (2012)	Emotional response (arousal, dominance, pleasure, brand recall), Enviromental response (information rates, sensory stimulus)
Zayerkabeh et al. (2012)	Brand loyalty, perceived quality, brand prestige , brand credibility
Yusepaldo Pasharibu (2013)	Online advertising, social networking site, attitude, brand recognition
Sallam et al. (2015)	Brand credibility, brand commitment, word of mouth communication
Rahpeima et al. (2014)	Fake products, attitudes toward fake products, integrity, personal gratification
Stegemann (2006), Wu & Chen (2014)	Brand awareness, customer benefits, customer attitudes, brand image, perceived benefit, perceived risk, moral obligation, subjective norm, control strength, control belief

Theoretical models and hypotheses

Based on the above discussions, this study explores the factors relation between: perceived quality, emotional response, environmental response, brand image, social media behavior, fake sea products and eco-friendly seafood consumption behavior.

Table 2 - Measures of variables in the proposed model
(considered by the autor)

Measures of variables	Authors
Perceived quality	Hanzaee & Taghipourian (2012); Aaker (1996)
Emotional Response	Sohail & Shaikh, (2004)
Environmental response	Abdullah (2006), Kwek (2010)
Social Media Behavior	Kang & James (2004), Kwek (2010)
Fake seaproducts	Helgesen & Nasset (2007); Heberlein (2011)
Consumption behavior	Shah (2010)

The following hypotheses are suggested:

There are significant positive relationships between -

- H₀1: perceived quality and eco-friendly seafood consumption behavior,
- H₀2: emotional response and eco-friendly seafood consumption behavior,
- H₀3: brand image and eco-friendly seafood consumption behavior,
- H₀4: social media behavior and eco-friendly seafood consumption behavior,
- H₀5: environmental response and eco-friendly seafood consumption behavior,
- H₀6: fake sea products and eco-friendly seafood consumption behavior.

This study expects that there are relations between the perceived quality (PerceivedQ), emotional response (EmotionalR), environmental response (EnvironmentaalR), brand image (Brandimage), social media behavior (SocialmediaB), fake sea products (FakeS) and eco-friendly seafood consumption behavior (EFSCB).

Research methodology

Data screening and analysis

The screening of the data sets was conducted through an examination of basic descriptive statistics and frequency distributions. Then, the study is preliminary assessed and screened by EFA method and Cronbach's Alpha coefficients for each component. Selection criteria are satisfied when concepts have correlation coefficients turn-total > 0.40, Cronbach's alpha coefficients > 0.60; system load factor > 0.40; total variance extracted for ≥ 50% (Hair et al., 1998).

Quantitative research methods are used in this study. Theoretical models have six independent concepts measured by 28 observed concepts and one dependent concept measured by 03 observed concept. A total of 500 questionnaires were distributed and 364 questionnaires (77.33%) were returned for analysis. In the study, the Likert scale recorded as 1- strongly disagree, and 7 - strongly agree. Finally, 326 valid samples were analyzed. The step in structural equation modeling (SEM) analysis by AMOS 22.0 are CFA analysis, measurement, analysis, discriminant analysis, composite reliability analysis and direct

impact analysis, testing the fit of the hypothesized structural model, revised model (Sentosa et al., 2012).

Data checking

The first step is to assess the CFA measurement model by examining offending estimates. The three most common offending estimates include: (1) negative error variances, (2) standardized coefficients exceeding or very close to 1.0, or (3) very large standard errors associated with any estimated coefficient (Hair et al., 1998). In this study, several fit indices were examined to assess the overall fit of the full measurement model: chi-square (χ^2), c^2/df ratio, goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), root mean square error of approximation (RMSEA), non-normed fit index (NNFI), comparative fit index (CFI), and standardized root mean square residual (SRMR).

Demographic profile of the respondents

Of the total 326 respondents, the proportions of men and women have rather small differences, accounting for 47.24 % male and 52.76 % female, more than 18.4% are below 25 years of age group, maximum is 60 years old. 12% are from the age group of 26 - 35 years old. Nearly 15.95% are from the age group 35- 50 years old and the rest of the 5.53% is from the age group over 50 years old.

The results of the EFA, showed 28 observed variables in the 6 components of the Eco-friendly seafood consumption behavior scale are retained 6 factors with 26 observed variables. As KMO coefficient = 0.887, EFA matches the data and the statistical test Chi-square Bartlett 9113.007, $p = 0.000$ significance level. Thus, the observed variables are correlated with each other considering the overall scope. The variance extracted by 78.809 shows that factors derived from 78.809% explained variance of the data, eigenvalues in the system by 1.378. Therefore, the scale draw is acceptable. The scales have observed variables excluded by EFA, Cronbach's Alpha coefficients were recalculated.

Confirming factor analysis (CFA)

The correlation coefficient between the components with accompanying standard deviation (Tab. 2) shows us these coefficients less than 0.05 (with statistical significance). Therefore, the components: perceived quality (PerceivedQ), emotional response (EmotionalR), environmental response (EnvironmentaR), brand image Brandimage), social media behavior (SocialmediaB), fake seaproducts (FakeS) and eco-friendly seafood consumption behavior (EFSCB).

Regarding the relevance (Fig. 2), linear structural analysis shows this valuable model chi-squared statistic is 368.513 with 191 degrees of freedom and the value of $P = 0.000$. Chi - squared relative degrees of freedom according $Cmin/df$ was 1.929 (< 2). Other indicators such as $GFI = 0.906$ (> 0.9), $TLI = 0.966$ (> 0.9), $CFI = 0.972$ (> 0.9) and $RMSEA = 0.053$ (< 0.08). Therefore, this model fits the collected data. About values converge, the

standardized weights of the scales are > 0.5 and with statistical significance $p < 0.05$, so the scale achieved convergence value.

Table 3 - Results of testing the value of distinguishing between the components of the scale
(author's calculations in SPSS 22.0)

Correlation			Estimate	S.E.	C.R.	P
EmotionalR	<-->	SocialMediaB	.426	.021	5.722	***
BrandImage	<-->	EmotionalR	.341	.020	5.495	***
BrandImage	<-->	SocialMediaB	.301	.018	4.276	***
BrandImage	<-->	PerceivedQ	.864	.026	10.775	***
EmotionalR	<-->	PerceivedQ	.421	.022	6.895	***
SocialMediaB	<-->	PerceivedQ	.344	.020	4.948	***

Results of structural equation model

The results showed that the model last calibration value chi-squared statistic is 176.846 with 75 degrees of freedom ($p = 0.000$). Chi-squared relative degrees of freedom according Cmin/df was 2.358 (< 3). Other indicators such as GFI = 0.936 (> 0.9), TLI = 0.975 (> 0.9), CFI = 0.982 (> 0.9) and RMSEA = 0.065 (< 0.08). Therefore, this model achieved compatibility with data already collected.

Table 4 - Results of estimating causal relationships between the
factors of consumption behavior
(author's calculations in SPSS 22.0)

Relations			Estimate	S.E.	C.R.	P	Label
EFSCB	<---	BrandImage	.546	.111	4.899	***	accept
EFSCB	<---	EmotionalR	.117	.055	2.125	.034	accept
EFSCB	<---	SocialMediaB	.776	.091	8.516	***	accept
EFSCB	<---	PerceivedQ	.354	.101	3.498	***	accept

Testing the reliability of estimates by Bootstrap

Bootstrap method used to test the model estimates the last model with the pattern repeat is $N = 1000$. The estimation results from 1000 samples are averaged together with the deviations are presented in Tab. 5, CR has very small absolute value than 2, it can be said that the deviation is very small; while not statistically significant at the 95% confidence level. Thus, we can conclude that the estimated model can be trusted. As a result of hypotheses testing: perceived quality, emotional response, brand image, social media behavior are in

same direct relationship with the eco-friendly seafood consumption behavior. There are four relationships are worth theoretically.

Table 5 - The results estimated by bootstrap with N = 1000
(author's calculations in SPSS 22)

Parameter			Estimate standard			Estimate Bootstrap with N=1000			
			Estimate	SE	SE-SE	Mean	Bias	SE-Bias	CR
EFSCB	<---	BrandImage	0.546	0.19	0.006	0.563	0.018	0.009	2.000
EFSCB	<---	EmotionalR	0.117	0.068	0.002	0.122	0.005	0.003	1.667
EFSCB	<---	SocialMediaB	0.776	0.115	0.004	0.785	0.009	0.005	1.800
EFSCB	<---	PerceivedQ	0.354	0.163	0.005	0.374	-0.02	0.007	-2.857

Conclusions

Results and Discussion

This study has inherited the previous studies (Geyer-Allely, 2002), This research results show eco-friendly customers have different perception of fishery products. The information channels of brand images are mainly from friends, relatives and neighbors, so word of mouth spreading is very important for a brand. The higher perceived quality and price of foreign fishery brands, images may reduce consumers' emotional response and purchase intention to them.

The results confirm social media behavior ($ES = 0.776$, $p = 0.000 < 0.05$) was circumstantial life events, influence, and surroundings can further change our behavior. Social media already highly influence our shopping, relationships, and education.

The results confirm the positive relationship between brand image and eco-friendly seafood consumption behavior ($ES = 0.546$, $p = 0.000 < 0.05$). This result is consistent with most previous studies (Li, Y., et al., 2012). The success of a brand image depends on the level of value that consumers perceive. The results confirm the positive relationship between perceived quality with eco-friendly seafood consumption behavior, ($ES = 0.354$, $p = 0.000 < 0.05$). The findings show a positive effect of the emotional response on Eco-friendly seafood consumption behavior is the weakest ($ES = 0.117$, $p = 0.034 < 0.05$). This result is similar to those of most previous studies (Kassim, 2001) examined emotional response toward the economic, social-cultural and ecological impacts of consumption behavior in Vietnam.

Implications of the Research

Considered problem related to the transportation of fish catches in the domestic market is not local. According to this the quality of products requires an improvement of distribution channels and products' promotion. Behavioral research indicates that this may be a significant challenge in practice and it needs to be studied more. The purpose of the further

studies is to understand how to motivate, influence, and equip public policy goals (Geyer-Allely, 2002). Fish food quality has always been very difficult problem. The two main parts of overall quality are safety and novelty. That is how the consumer feels about the product based upon their senses, while the consumers normally examine color, flavor, odor and texture when evaluating fishery products (Brockman, 2006).

Some suggestions for further research

The limitation of our research is that the sample was restricted to a certain geographic area in Vietnam. Further research should be used a much larger sample in a different national setting to validate the findings of this study and to see can be developed measures statistically reliable and valid across different national settings. The potential influence of group norms and collective consumption initiatives is likely to emerge as a significant field for future research.

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AN EFFECT OF EXISTING KNOWLEDGE ASSETS TO INBOUND/OUTBOUND DISRUPTIVE INNOVATION



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Innovations are an essential key factor in the history of technology development. Past research on innovation focused more on the innovation behavior of technology, but seldom described the knowledge assets. The effect of knowledge assets attribute and results on disruptive innovation is therefore regarded as the research topic in this study, where disruptive innovation is divided into outbound and inbound to combine combination-embeddedness and major business specificity of knowledge assets as the research model. Manufacturing enterprises in China were proceeded the questionnaire survey, and 173 valid copies are collected. The empirical analysis shows that combination-embeddedness of knowledge assets has significantly positive effects on major business specificity and outbound innovation of an enterprise but reveals remarkably negative effects on inbound innovation. Enterprises are suggested to constantly accumulate knowledge assets with low major business specificity before disruptive innovation in order to reduce ineffective inbound innovation.

Key Words: knowledge assets' combination-embeddedness, knowledge assets' application-specificity for main business, outbound and inbound disruptive innovation

Introduction

Current enterprises are facing the pressure of constant innovation, especially the industries with short product life cycle. Such pressure appears particularly obviously in hi-

tech industry and manufacturing industry. Continuous innovation could sustain competitive advantage and even become the source of competitive advantage. A company has to stress on the technology R&D and innovation, satisfy the needs of major customers, and observe competitors movement in the industry as well as potential entrants and possible alternative new technologies in order to continuously make profits. Christensen (1997) proposed new innovation classification concepts of disruptive innovation and sustaining innovation. Sustaining innovation aims to improve existing product performance, while disruptive innovation intends to bring different value proposition into the market. Disruptive innovation is not emphasized by existing leading enterprises or accepted by the mainstream market due to their small size and performance is not conforming to the mainstream market demand. By cultivating in emerging enterprises and developing in niche markets, disruptive innovation might be successful by being broadly accepted. For instance, Skype network call system destructed existing telephone call systems and Epson continuous printers destructed one-time printing systems at the time. Emerging companies could even replace existing enterprises which originally dominated the mainstream market.

To have enterprises effectively use such innovation strategic instrument, most researchers would discuss the genetic conditions of disruptive innovation and the factors from the aspect of organizations (Assink, 2006; Wan, Williamson & Yin, 2015). Reviewing literatures on disruptive innovation, most of them focused on the description of technology (Danneels, 2004; Christensen, 2006; Palacios Fenech & Tellis, 2016). It is worth mentioning that knowledge assets show critical but unstressed position in the disruptive innovation process (Christensen, 1997; Lindsay & Hopkins, 2010; Corsi & Di Minin, 2014). Knowledge assets, as the innovation development basis of enterprises and the specific knowledge independently owned by enterprises, roughly cover structural experiences, text of information, and unique opinions of experts (Edvinsson & Sullivan, 1996; Davenport, 2008; Hung & Chou, 2013), which are the critical factors in enterprises practicing or executing disruptive innovation. Past research also proved that existing resources, processes, and value of enterprises would restrain the activity of disruptive innovation (Christensen, 1997); or, enterprises being familiar with past businesses was adverse to the generation of disruptive innovation (Assink, 2006). It therefore becomes the major objective in this study how enterprises well utilize existing knowledge assets for creating new or larger value.

Knowledge-Based Theory of the Firm regards enterprises as the set of knowledge resources and considers that the feature attribute of such knowledge determines the survival and competition environment for enterprises, especially the specific innovation environment for enterprises. A lot of researchers regarded the feature attribute of knowledge assets as an antecedent or a moderator and introduced it to the research on organizational behaviors to discuss the effects on knowledge transfer (Argote, 2000; Mcevily et al., 2003; Reagans & Mcevily, 2003), organizational structure (Birkinshaw et al., 2002), and innovation ability. Birkinshaw et al. (2002) indicated that an effective organizational design had to take knowledge-based potential attributes into account. Similarly, it is considered in this study that an enterprise also needs to thoroughly take the feature attribute of existing knowledge

assets into consideration of the innovation activity. Specifically speaking, this study intends to discuss the complicated relationship between combination-embeddedness and major business specificity of knowledge assets and disruptive innovation as well as precedes empirical analyses with the questionnaire survey data of manufacturing enterprises in China, expecting that the research conclusion could provide theoretical guidance and empirical reference for enterprises managing knowledge assets and developing innovation strategies.

Theory analysis and research hypothesis

Internal knowledge of an enterprise is often embedded in employees, instrument, practice, and the interactive network among them (Argote & Ingram, 2003). Embeddedness, as an important feature attribute to identify knowledge assets (Cummings & Teng, 2003; Battistella, De Toni & Pillon, 2015), is the function combination of knowledge embeddedness systems or environment and is composed of several interactive components, such as mutual dependence between individuals and teams working on relative activities, individual experiences, certain activities which could not be separated or modularized, and the specificity of activity sites (Birkinshaw et al., 2002).

Combination-embeddedness of knowledge assets, as an advance form of knowledge embeddedness, refers to the complicated network formed by the interaction among employees, instrument, relationship, and practice in which corporate knowledge is embedded (Cummings & Teng, 2003; Wang, Vanhaverbeke & Roijackers, 2012; Un & Asakawa, 2015). Major business specificity of knowledge assets, a primary concept referring to the degree of existing knowledge assets of enterprise specifically serving the development of current major business (Williamson, 1985; Wu & Haak, 2013; Corsi & Di Minin, 2014; Hang, Garnsey & Ruan, 2015), is an apparent but easily ignored feature attribute of existing knowledge assets of an enterprise.

It is therefore considered in this study that the higher major business specificity of internal knowledge assets, the higher difficulty in the products and technologies correlated to the major business of an enterprise being imitated by competitors; the core competitiveness therefore becomes stronger. Apparently, major business specificity of knowledge assets will be a critical indicator of the core competitiveness of an enterprise.

Furthermore, the higher combination-embeddedness of knowledge assets presents the more diverse knowledge embeddedness involved carriers of an enterprise and higher difficulty in knowledge transferring and imitating between organizations (Teece, 2000; Cummings & Teng, 2003; Un & Asakawa, 2015) that the possibility of serving current major business in the organization to further reinforce the core competitiveness would be enhanced. Based on above analyses and theories, Hypothesis 1 (H1) is proposed in this study that combination-embeddedness of knowledge assets shows positive effects on major business specificity.

The idea of disruptive innovation was firstly proposed to provide a market foothold for enterprises with new consumers or those who were not picky of easier, convenient, and cheap

products or services. It was then constantly improved to become the critical innovation, with more market space, emphasized by mainstream users (Christensen, 1997, 2003, 2006; Lin et al., 2015). New products introduced by enterprises with disruptive innovation might not attract mainstream customers because such products do not show key performance stressed by mainstream customers. Although the product attribute of disruptive innovation is not as stable as original products, it presents specific attributes or combination of attributes emphasized by non-consumers or customers who are over-served by key attribute performance, e.g. price advantage (Christensen, 1997; Christensen & Raynor, 2003; Lin et al., 2015); they are therefore called disruptive products. Gilbert and Bower (2002) indicated that the cognitive judgment of an enterprise would affect the attitudes towards and coping strategies with disruptive changes.

For this reason, disruptive innovation is divided into “outbound” and “inbound”, based on the aspect of enterprise cognition of disruptive changes, in this study. Outbound disruptive innovation focuses on enterprises introducing disruptive product from external markets to compete with non-consumers or products of other enterprises that can develop a new market or erode the product market shares of other enterprises. Inbound disruptive innovation, on the other hand, stresses on enterprises introducing disruptive products to the market led by the current products to nibble, and even completely replace, current product market shares.

When enterprises depend more on external knowledge sources and the knowledge transfer between organizations exists in management challenge, the absorptive capacity of an enterprise becomes the key factor in the innovation activity and performance (Cohen & Levinthal, 1990; Tsai, 2001; Zahra & George, 2002; Lichtenthaler, 2009; Kostopoulos et al., 2011; Chang et al., 2013; Lin, Zhang, Li & Wu, 2015).

High-level absorptive capacity could make enterprises to properly utilize new technology and knowledge of other enterprises, to promote the development of innovation activities (Tsai, 2001; Lichtenthaler, 2009). Nevertheless, the absorptive capacity of an enterprise relies on the prior knowledge bases; such knowledge-based properties and areas determine the field and type of enterprises identifying and acquiring external knowledge to further influence the innovation space and innovation efficiency (Cohen & Levinthal, 1990; Lichtenthaler, 2009; Anderson, Potochnik & Zhou, 2014). The higher prior knowledge-based combination-embeddedness of an enterprise explains the deeper acquaintance with such knowledge to embed it in the organization with a complicated and changeable structure and to transform it to an available form according to organization needs and environmental changes in external markets (Nonaka, 1988) so as to create more new knowledge and new products. Nonetheless, the entire knowledge or product innovation process presents strong path dependence that it is difficult to create brand-new knowledge and products different from current knowledge-based ones.

On the contrary, such new knowledge is correlated knowledge derived from current knowledge bases, and new products are the outcome of current knowledge-based innovation applied to different industries. Moreover, outbound disruptive innovation often originates from the new application of current technology to other markets, and knowledge and skills in

inbound disruptive innovation often reveals larger differences or conflict from current unique capabilities of enterprise. In this case, as considered in this study the higher combination-embeddedness of knowledge assets would generate the organizational inertia promoting an enterprise to focus on current knowledge-based reproduction and cross-industry application and effectively enhance the outbound disruptive innovation, but not inbound disruptive innovation. Accordingly, H2 that combination-embeddedness of knowledge assets reveals significantly positive effects on outbound disruptive innovation and H3 that combination-embeddedness of knowledge assets shows remarkably negative effects on inbound disruptive innovation are proposed in this study.

Knowledge assets are intangible and specific assets (Williamson, 1985). Williamson (1975, 1985) defined major business specificity of knowledge assets as a type of knowledge assets being able to be reallocated in other alternative businesses without sacrificing the productive value. It was essentially a locking effect (Fitzroy & Mueller, 1984), i.e. knowledge assets being constantly reinforced to lock the existing knowledge assets of an enterprise and developing along the directions related to the major business, once major business specificity of knowledge assets was confirmed. When an enterprise attempts to apply such knowledge assets to other business fields, it would be extremely difficult or its economic value would be reduced.

According to Path Dependence Theory, once economic, social, or technological systems enter certain path, they would be constantly reinforced under the habitual function and locked on the specific development path (Davis, 1988). Locking effect of major business specificity of knowledge assets indeed is a kind of path dependence and would affect the innovation activity of an enterprise. Major business specificity of knowledge assets could assist enterprises in continuously acquiring of exclusive advantages on the major business and such unique advantage would guide enterprises to invest in more resources and energy to develop innovation activities related to the major business.

Furthermore, knowledge assets applicability is a critical factor in enterprises developing innovation management strategies (Allarakhia & Walsh, 2011; Di Guardo & Harrigan, 2015). Major business specificity of knowledge assets enhances the applicability to the major business (Ratinho, Harms & Walsh, 2015) and further promotes enterprises developing innovation activities related to the major business. Certainly, such innovation activities would promote the core technology of the major business being applied to different fields to further promote the outbound disruptive innovation. Nevertheless, the higher development degree of major business specificity of knowledge assets would reinforce the path dependence and possible result in the core competence becoming rigid in the major business and being trapped by familiarity, maturity, and propinquity to ignore and even refuse the disruptive innovation opportunity of nibbling current major business market shares (Levinthal & March, 1993; Wu & Haak, 2013). For this reason, H4 that major business specificity of knowledge assets shows positive effects on outbound disruptive innovation and H5 that major business specificity of knowledge assets presents negative effects on inbound disruptive innovation are proposed in this study.

Research design

Data collection and sample situation

Questionnaire survey is utilized in this study for collecting data. Technology supervisors and middle and high-level managers (vice presidents or general managers), who mainly engage in product research and development, market monitoring, and product strategy development and are familiar with the product innovation of enterprises, of manufacturing enterprises in China were surveyed. Total 360 copies of questionnaire are distributed, and 173 valid copies are proceeded. It is found that the percentage of males (53.8%) is slightly higher than females (46.2%), and most of them are middle managers (67.6%), followed by high-level managers (28.9%). Most (126) surveyed enterprises (72.9%) are established below 10-15 years ago, 114 enterprises (65.9%) have more than 300 employees, and most (142) enterprises are private-owned (82.1%). Besides, such enterprises mainly distribute in specific and general equipment manufacturing industry (12.7%), computer, communication, and other electronic equipment manufacturing industry (19.1%), automobile manufacturing industry (12.1%), chemical material and chemical product manufacturing industry (9.2%), and electrical machinery and equipment manufacturing industry (15.6%), and other manufacturing industry appears less than 5%.

Measurement of variables and reliability and validity analysis

Combination-embeddedness of knowledge assets aims to measure the degree of knowledge rooting in internal human-instrument-task of an organization and the complexity of networks. Such an idea and the scale are revised based on Cummings (2002) and combined with Chinese culture. Four questions like “Competitors could hardly acquire the technology skills of the company by field observation and learning” and “Competitors could hardly acquire the technology skills of the company by studying the production equipment” are covered, with Cronbach’s α is 0.806. Major business specificity of knowledge assets intends to measure the degree of existing knowledge assets of an enterprise specifically service current major business. By referring to the idea proposed by Cable & De Rue (2002) and “demand—supply” & “demand—capability”, 5 questions are designed, e.g. “The major business of an enterprise provide large opportunities for the application of existing knowledge assets” and “The existing knowledge assets of an enterprise significantly contribute to the development of the major business”, with Cronbach’s α appears 0.772. The outbound and inbound disruptive innovation scales are referred to the research of Christensen (1997). Outbound disruptive innovation contains disruptive innovation aiming at new markets and competitors, with 7 measurement questions, e.g. “Company often develops disruptive products aiming at brand-new markets” and “Company often introduces disruptive products aiming at competitor markets”, with Cronbach’s α reveals 0.856 and 0.711. Inbound disruptive innovation includes 3 measurement questions, e.g. “Developed disruptive products

reduce the market shares of existing products of an enterprise” and “Developed disruptive products present alternation of existing products of an enterprise”, with Cronbach’s α 0.772.

For the accuracy and reliability, EFA is applied to test the construct validity of the scales. The KMO value of the 19 measuring items shows 0.752 and Barlett test of sphericity Chi-Square appears 1378.183 (degree of freedom 171), achieving the significance that Factor Analysis is suitable as there are common factors between correlation matrices. 5 factors are extracted with Factor Analysis, including new market targeted disruptive innovation, major business specificity of knowledge assets, combination-embeddedness of knowledge assets, inbound disruptive innovation, and competitor market targeted disruptive innovation. What is more, common method variance (CMV) of Harman’s one-factor test data reveals 5 factors extracted with Principal Component Analysis and the total variance 66.03%. A factor shows 23.53%, not reaching a half of the total variance, presenting that one factor does not explain most variance. The common method variance of the research data is properly controlled.

Empirical result and analysis

Correlation Analysis

The mean, standard deviation, and correlation coefficient of variables in this study are listed in Tab. 1, from which combination-embeddedness of knowledge assets presents notably positive correlations with major business specificity ($r=.188$, $p<.05$) that H1 is supported, combination-embeddedness shows remarkably positive correlations with outbound disruptive innovation ($r=.182$, $p<.05$) that H2 is supported, and major business specificity presents positive correlations with outbound disruptive innovation ($r=.265$, $p<.01$) but reveals negative correlations with inbound disruptive innovation ($r=-.328$, $p<.01$). Such results found the basis for successive research.

Structural Equation Modeling

Structural Equation Modeling is utilized in this study for testing the research hypotheses. In order to reinforce the stability of goodness of fit, the average of highest and lowest factor loadings is used for grouping and parceling the measurement questions of new market and competitor market targeted disruptive innovation, and the mean of the group scores is regarded as the measurement index of outbound disruptive innovation; 4 measurement questions are included. Chang et al. (2003) stated that such a method presented satisfactory statistical characteristics. Using AMOS20.0 as the analysis tool and applying Maximum Likelihood to the preliminary estimation, the goodness of fit shows the chi-square (χ^2)-degree of freedom (DF) ratio ($\chi^2/DF=$) 1.981, lower than 3, RMSE 0.076, lower than 0.08, and GFI and CFI 0.887 and 0.896, slightly “higher than 0.9”. Simply revising the model, GFI and CFI achieve the ideal area 0.9, presenting the favorable goodness of fit of the revised model, better than the goodness of fit of sample data. The path coefficient could

reasonably and effectively reflect the causal relationship between variables that it could be used for testing the hypotheses proposed in this study. The results are shown in Fig. 2.

Table 1 - Descriptive Statistics and Correlation Analysis
(made by co-authors)

	M	SD.	1	2	3	4	5	6	7
1. Age of enterprise	3.000	.8694	1						
2. Size of enterprise	2.890	.7958	.462**	1					
3. Nature of enterprise	.179	.3846	.226**	.160*	1				
4. Combination-embeddedness	4.757	.9468	.065	.188*	-.008	1			
5. Major business specificity	5.755	.6165	.111	.068	-.064	.188*	1		
6. Outbound disruptive innovation	5.116	.9128	.030	.036	-.029	.182*	.265**	1	
7. Inbound disruptive innovation	4.121	1.1653	-.117	-.230**	-.122	-.064	-.328**	.224**	1

n=173; *p<.05, **p<.01

From Fig. 2, the standardized path coefficient between combination-embeddedness and major business specificity of knowledge assets appears 0.199, and $P<0.05$ and achieves the significance, showing the directly positive effect of combination-embeddedness existing knowledge assets on major business specificity of enterprises (H1 is supported). The standardized path coefficient between combination-embeddedness of knowledge assets and outbound disruptive innovation reveals 0.187, and $P<0.05$ reaches the significance, presenting the directly positive effect of existing knowledge assets combination-embeddedness on outbound disruptive innovation of enterprises (H2 is supported). The standardized path coefficient between combination-embeddedness of knowledge assets and inbound disruptive innovation appears 0.058, not passing the significant test (H3 is not supported). The standardized path coefficient between major business specificity of knowledge assets and outbound disruptive innovation is 0.233, and $P<0.05$ reaches the significance, revealing the directly positive effect of major business specificity of existing knowledge assets on outbound disruptive innovation of enterprises (H4 is supported). The standardized path coefficient between major business specificity of knowledge assets and inbound disruptive innovation reveals -0.413, and $P<0.05$ achieves the significance, showing the directly negative effect of major business specificity of existing knowledge assets on inbound disruptive innovation of enterprises (H5 is supported).

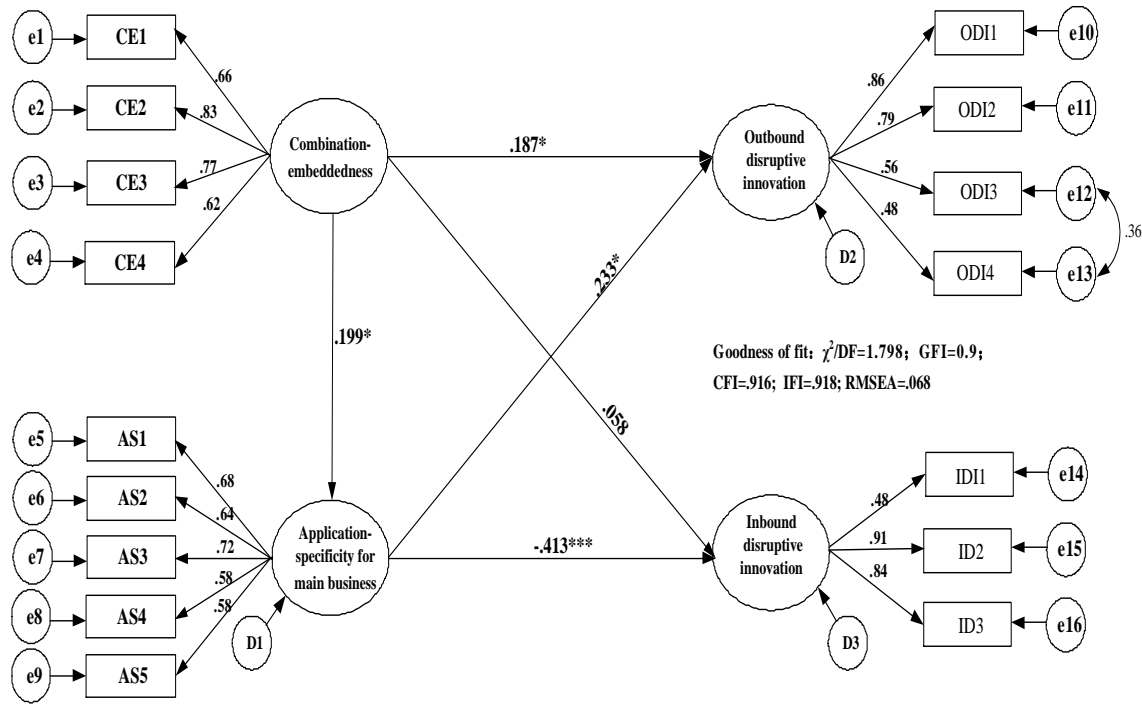


Figure 2 - Path fit diagram
(made by co-authors)

Structural Equation Modeling is utilized for analyzing the mediation effect of major business specificity. Compared with traditional mediation effects based on the test with Multiple Regression Analysis, Structural Equation Modeling allows all variables being tested at the same time, the goodness of fit of the model could be evaluated, and I-type errors could be reduced. As afore mentioned, combination-embeddedness presents notably positive effects on major business specificity (with the standardized path coefficient 0.199*), and major business specificity also appears significant effects on outbound and inbound disruptive innovation (with the standardized path coefficients 0.233* and -0.413***). It explains the remarkable mediation effect of major business specificity on the effects of combination-embeddedness on outbound and inbound disruptive innovation of enterprises (with the mediation effect 0.046 and -0.082, respectively). Meanwhile, combination-embeddedness shows directly positive effects on outbound disruptive innovation, but the directly negative effect on bound disruptive innovation is not notable that major business specificity appears partially mediation effects on the relationship between combination-embeddedness and outbound disruptive innovation, but full mediation effects on the relationship between combination-embeddedness and inbound disruptive innovation.

Conclusion and Inspiration

The effects of the attribute and result of knowledge assets on disruptive innovation are regarded as the research topic in this study. Based on literature review and theories, combination-embeddedness of knowledge assets is the independent variable, major business

specificity is the mediator, and outbound and inbound disruptive innovation is the dependent variable. Based on knowledge attributes, Structural Equation Modeling for the effect of knowledge assets of enterprises on disruptive innovation is constructed, and 173 valid copies of questionnaire on manufacturing enterprises in China are proceeded empirical analyses to present the relationship between combination-embeddedness and major business specificity of existing knowledge assets of an enterprise and the effects on disruptive innovation.

Result discussion

First, combination-embeddedness of knowledge assets presents significantly positive effects on major business specificity of enterprises, showing the higher complicated network formed by the interaction among employees, instrument, and practice, in which enterprises knowledge embeds, the stronger stickness to the major business, and the use area and the economic value would focus more on the major business. Such a conclusion offers a new thinking for the research of Mcevily et al. (2003) and Reagans & Mcevily (2003) on successful knowledge transfer between organizations. Major business specificity of knowledge assets might be the restraint on successful knowledge transfer between organizations, while combination-embeddedness of knowledge assets might reinforce major business specificity to further restrain the successful knowledge transfer between organizations.

Second, major business specificity of knowledge assets appears opposite functions on outbound and inbound disruptive innovation of enterprises. Major business specificity of knowledge assets shows remarkably and directly positive effects on outbound disruptive innovation of an enterprise, but notably and directly negative effects on inbound disruptive innovation. It reveals that an enterprise with higher major business specificity of knowledge assets could allocate more resources to the major business. It, on one hand, digs out the value space related to existing knowledge assets of the major business and develops more external market targeted disruptive product innovation activities, and on the other hand promotes the development of current knowledge assets around the major business to reinforce the innovation activities sticking to current knowledge, which is adverse to internal market targeted disruptive innovation. The research conclusion provides a possible explanation for understanding the viewpoints of Christensen (1997), Assink (2006), and Lindsay and Hopkins (2010) about the relationship between knowledge assets and disruptive innovation. It is not the simply positive or negative relationship between them, major business specificity of knowledge assets and the cognition of disruptive innovation of an enterprise should be taken into account.

Third, combination-embeddedness of knowledge assets shows opposite functions on outbound and inbound disruptive innovation of enterprises. Combination-embeddedness of knowledge assets appears remarkably positive effects on the development of outbound disruptive innovation of an enterprise, including the directly positive effect and the indirectly positive mediation effect of major business specificity. Combination-embeddedness presents

remarkably negative effects on inbound disruptive innovation, and such negative effects are indirect, with the mediation effect of major business specificity. It shows that an enterprise with higher combination-embeddedness of knowledge assets could better control the composition and application of such knowledge assets. On one hand, it could enhance enterprises, based on the use experiences and model of major business, constantly trying such knowledge assets in different business fields for disruptive application. On the other hand, it reinforces the dependence of enterprises on such knowledge assets and the major business, but could have them reject new items and new knowledge which might replace existing products or damaging the major business. The research conclusion, based on the aspect of knowledge assets, expands the research coverage on disruptive innovation and supplements the discussions of Christensen (1997), Assink (2006), and Lindsay and Hopkins (2010) about the relationship between knowledge assets and disruptive innovation. Instead of classifying existing knowledge assets of an enterprise, according to the content and specific form, it is better analyzing knowledge asset attributes which could possibly affect disruptive innovation. Combination-embeddedness and major business specificity are two critical features attribute of existing knowledge assets influencing disruptive innovation of an enterprise.

Management inspiration

The research conclusion presents significant inspiration on enterprises practicing knowledge assets management and innovation management. First, existing knowledge assets are the bases of innovation development, but there is not an “apparent” positive relationship between them; the match between knowledge asset attributes and various types of innovation needs to be considered. For disruptive innovation, enterprises could promote outbound disruptive innovation with combination-embeddedness and major business specificity which show higher knowledge assets. Second, from the aspect of knowledge assets management, enterprises should establish knowledge asset evaluation systems or knowledge search practice (Garud & Nayyar, 1994) to dynamically track and evaluate combination-embeddedness and major business specificity of existing knowledge assets, to classify such knowledge assets, based on above two dimensions, and to guide them developing correspondent disruptive innovation with such information. On one hand, major business specificity of knowledge assets are utilized for promoting existing knowledge assets in the disruptive application to different business fields. On the other hand, the innovative knowledge assets management constantly accumulates low major business specificity of knowledge assets to offer novel knowledge for enterprises developing inbound disruptive innovation.

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ANALYSIS OF APPROACHES TO UNIVERSITY PROFESSORS' PROFESSIONAL ACTIVITY EVALUATION (THE CASE OF RUSSIA)



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Evaluation of university professors' professional activity has big significance: it is used in international university ratings and also helps to improve the quality of education. But the main reason to work out different procedures of professors' evaluation is to create a reliable system that will constantly contribute to the professional growth of faculty members. The research investigated main types of the professors' professional activity, their preferences in working time distributing as well as their attitude to those mechanisms that are able to estimate their contribution into the process of education, research and consultation at university or in community. The results show a great difference in main professional tasks perceiving among Russian and foreign professors. Findings obtained from this study can be used for comparative pedagogy as well as to organize a system of continuous professors' professional development.

Key Words: university professor; higher education; professional education activity; professional evaluation; research and educational activity

Introduction

The universities all over the world have always paid great attention to the professional activity of the faculty. The image of the university and its rank on the international educational arena depends on their professors' efficiency, abilities and talents (Ast, 2012; Kehm & Stensaker, 2009). Michael Shamos (2002), describing the peculiarities of the professor's labour, accentuates that high intelligence, developed research skills, different techniques and methods of information transferring and students motivating have always been the main characteristics of a professor. As Kelly Farrell (2009) notes, nowadays faculty's achievements in research and education are considered as one of the most significant indicators of the university's potential to occupy a leading position in educational services sphere of and to be attractive for the students from the overseas.

Though there is still no unanimity concerning evaluation criteria of the university professor's professional activity. A number of the attempts have been taken by different scholars (Yurevich, 2012; Kim, 2014; Learning Point Associates, 2011; Strategic Evaluation

of the Faculty of Arts, 2014) set the list of requirements to a professor, but the problem of his/her professional merits and activity evaluation has not been solved yet. It happens because every university professor conducts a versatile activity, which realizes in teaching, educating, researching, consulting, transferring knowledge, etc. Moreover, the functions and a scope of responsibilities of a modern scholar have changed greatly in the recent years (Henard & Leprince-Ringuet, 2013). That is why, while defining criteria for evaluation some scientists concentrate their attention on the results that have been reached by professor. For example, describing the process of getting tenure and staff promotion, Theresa Ast (2012) enumerates some professors' achievements (a number of scientific publications, grants, social projects, etc.) that can be fixed and compared to the intensity of the other professors' activity. Other scholars, as Kim (2014) prefer to estimate inner readiness of the professor to realizing his/her activity by means of forming a complete description of the professional, managing and personal competences.

To clear up the situation it is necessary to single out the most typical requirements to a professor and to find out why academic communities in different countries insist on their complexes of methods in evaluating teacher's professional activity.

Objectives, methodology and research design

The above mentioned problems made us to determine the purpose of our research as an identification of the most popular criteria to evaluate professors' professional activity generalizing character for higher education in general. Taking into account a complex character of this problem and various approaches existing in different countries, this objective can be gained through a number of the following objectives:

- a) to compare the main types of activities that the professors are supposed to be engaged;
- b) to find out what types of professional activity are considered the most important for professors' evaluating;
- c) to compare professors in different countries attitudes to the existing procedures of evaluating their professional activity.

We have used a person-centered (Rogers et al., 2014) and competence-based approaches (Competency-Based Education, 2013) as a methodology of our research.

In order to compare the most important aspects concerning professors' work in Russia and some foreign countries we conducted a survey among the professors of the Russian universities and analyzed scientific literature on the investigation problem (Yurevich, 2012; Weinberg et al., 2009), universities' promotional documentation on the requirements of conferring of the 'Professor' title (University expectations of a Professor, 1994) as well as the standards where the expectations to their professorial-level staff were given (Average Monthly Disposable Salary; Department of Education, Employment and Workplace Relations, 2008).

The survey was carried out for a period of 6 months in January – June 2015 with 210 participating professors from 15 Russian universities.

The structure of our research was designed as a number of consequent stages.

On the first stage we made a list of the university professors' main professional activities, then, on the second stage, we conducted the questionnaire among the Russian professors. The questionnaire comprised two sections. The first section was aimed at finding out what types of Russian scholars' activity are considering as the most important for them and how they prefer to distribute working time among them. The second section was related to the procedures of professors' evaluation and faculty's attitude to them. The questions of sections 1 had a five-point graded response scale. The statements of section 2 suggested a rating. The questionnaire was handed out directly to the professors when we met them during conferences or work-shops, or send to them by e-mail.

Discussion of the research outcomes

As our first goal was to find out main types of activity the university professors are engaged into, we made a list of 15 professional activities in higher education and asked Russian professors, participating in the survey, to rate them using 5-point scale. We split all the answers into two categories: according to a number of years of service and according to academic rank.

Even at the stage of making the list of the professional activities (we used both Russian and foreign literature on this problem (Ast, 2012; Kim, 2014; Henard & Leprince-Ringuet, 2013; Role of the Professor; Strategic Evaluation of the Faculty of Arts)), we concluded that there was some difference in professional responsibilities activities among Russian and foreign professors and the results of the survey proved this fact. For example, nowadays scientific work in all the universities gained a priority, because it brings grants, higher salary and prestige in the academic circles. But for Russian professors participation in teaching (4,6) and assessing the students (4,7) is still very important. On the other hand, educational work in the community is not popular among the Russian scholars. The largest what they can do in this sphere is to attract potential applicants by means of visiting schools and telling the school-leavers about the advantages of education in their university.

The results of the survey show that there is a great difference in the rating of the most important professional activities among the university professors with a minimum teaching experience and, correspondingly, the lowest academic titles and their colleagues who have achieved academic recognition. It goes without saying that the responsibilities of the full professor or head of the chair are much more complicated than those of his younger colleagues.

There is a strong tendency to participate in different activities connected with scientific research among the young staff who have recently begun their professional career and are striving to get a doctorate degree (4,1) as well as the full professors (4,7) who usually lead

research of the postgraduate students and actively participate in different conferences and scientific projects (4,7) (Tab.1).

Table 1 – The most important types of professional activity
(as per Russian university staff)
(made by author)

Professional activity	University labour experience					Academic position		
	0 – 5	6 – 10	11 – 15	16 – 20	> 20	Assistant, Lecturer	Associate Professor	Professor
Scientific research	4,1	3,8	2,8	3,8	1,7	3,7	2,8	4,7
Publishing of scientific articles and monographies	4,2	2,7	2,5	2,6	2,2	3,6	3,9	4,6
Consultations for the postgraduate students	1,3	2,8	3,2	4,0	2,4	2,1	2,6	4,2
Scientific consultations for the undergraduates	3,5	3,1	3,9	2,7	2,9	2,5	3,4	3,5
Conducting of the conferences	1,5	2,8	3,2	3,7	2,9	2,1	4,0	4,7
Lectures and practical studies	4,8	4,3	4,5	4,5	4,0	4,3	4,7	4,6
Online consultations and master-classes	1,8	2,9	4,3	1,8	1,1	2,7	4,1	3,4
Viva and written exams	4,8	4,9	4,6	4,7	4,6	4,7	4,5	4,7
Making of the tests	3,7	4,2	4,5	4,1	3,2	4,1	4,3	4,2
Writing of teaching programs and other papers	2,1	3,7	4,6	4,2	3,1	3,1	4,8	3,2
Revising of the programs and teaching documents	0,3	0,7	2,5	3,9	1,7	2,1	2,4	3,7
Advertising work among the potential applicants	2,4	3,9	3,3	4,2	4,0	3,6	4,3	2,2
Membership in different boards and committees	1,1	2,7	4,8	3,8	4,3	4,2	4,4	4,6
Free educative work in the community	0,3	2,1	1,6	2,3	1,7	2,8	1,8	1,3
Heading of the chair	0	2,2	3,7	2,9	3,9	1,7	4,6	4,8

It is also possible to see different approaches of the faculty to the activities which are connected with a use of computing skills, for example: making tests or consulting on-line. Usually professors who have served at the university more than 25-30 years do not have these skills (3,2 and 1,1 correspondently). That is why they try to compensate this gap in the activity with other forms: attracting potential applicants (4,0) or writing educational programmes and methodical literature (3,1).

In the result we were able to enumerate the most common types of professors' professional activity that have a unified character:

- performing advanced scientific research;
- writing and publishing various scientific and educational articles, text-books, etc., explaining the use of innovative methods and technologies;
- conducting lectures and seminars in the fields of their scientific study for undergraduate and graduate students;
- estimating students during the examinations in the fields of their expertise;
- participating in administrative, expertising or managing activities as deans, members of different committees, councils, academic groups;
- conducting online consultations and workshops for younger colleagues and students;
- heading the chair, managing the work of a number of teachers in some academic disciplines;

It should be noted that in Russia the professors are deeply engaged into educational activity aimed at development of students' morality, striving for studying, forming of their general culture and research abilities. So we can also add to the list some more responsibilities of the professors:

- attracting potential applicants to the university by motivating them;
- consulting scientific research of the undergraduate students;
- organizing different conferences and meetings on the social and civic problems.

Besides in the recent years Russian scholars also have been actively engaged into different methodical activities, concerning working out new documentation which is required as a part of new federal educational standards. So the following activities can be mentioned:

- writing educational programmes and methodical literature for courses;
- expertising of the programmes;
- making a complete set of testing materials for measuring students' progress.

However, the professors in all the universities of the world can not hope to achieve tenure or other type of promotion without providing:

- free of charge consultations in the community, schools, colleges, funds, libraries and nonprofit organizations;
- consulting graduate students who are writing master or doctor dissertation on the problems of research;
- participation in the expertise and promotion committees, etc.

The second section of the questionnaire was aimed at finding out the attitude of the professors to different procedures of evaluating of their professional activity. Taking into

account that these methods and procedures differ in Russia and other countries we suggested the participants of the questionnaire short information on each of them and asked them to rate all the 12 procedures, putting numbers from 1 (to the most valuable) till 12. We used the classification of the procedures given by M.A. Yurevich (Yurevich, 2012) and Ronald A. Berk (Berk, 2005). The attitude of the foreign professors was shown according to the popularity of the procedures described in the university instructive documentation (Use of the Title Associate Professor; Illinois Institute of Technology Faculty Handbook; Role of the Professor).

The comparison of the attitudes of Russian professors and their foreign colleagues shows a complete difference in rating of the main procedures and strategies of evaluation. The most striking is the difference towards the ability of the students to estimate their professional activity. In their answers Russian professors completely deny the fact that the students are able to give a just evaluation of their professional activity first of all because the students do not realize all the aspects of the professors' work, secondly, because the students are incompetent in pedagogy and psychology (Tab. 2).

Table 2 - Attitude of the professors to different procedures of their evaluation
((made by author, data from Yurevich, 2012; Berk, 2005 was used)

No	Procedures	Ranking	
		Russian professors	Foreign professors
1	Students' rating	10	1
2	Evaluation by the experts	4	2
3	Self estimation	3	10
4	Video records of the lessons	11	9
5	Students' questionnaire	9	3
6	Opinion of the alumni	12	11
7	Evaluation by the university administration	7	6
8	Special committees and commissions	6	5
9	Professor's portfolio	5	8
10	Colleagues' evaluation	2	12
11	Awards and incentives	8	6
12	Complex evaluation	1	4

There are similar arguments in the surveys of the western scholars, but they note that if students' evaluations are conducted on a regular basis and they are given reliable questioning lists then the results can be more valid (Chen & Hoshower, 2003).

The fact that alumni's opinion and video records of the lessons are not used in Russian universities for professors' evaluation has also decreased their rating in the answers of the Russian scholars.

Conclusion

The analysis of different strategies of evaluating the professors' professional activity has been presented in this paper. The study of this problem showed a considerable difference in the main aspects of the professors' work in Russian universities and higher educational institutions in other parts of the world. Moreover, because of the existing differences in approaches to the criteria of this evaluation, the strategies and procedures of analyzing the professors' contribution into the educational process also vary.

The finding of the research investigation can be used by the administration of the university in creating a continuous system of professional development of the faculty.

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THE ROLE OF LECTURERS' DEMOGRAPHIC AND PROFESSIONAL CHARACTERISTICS TOWARDS ICT UTILIZATION (THE CASE OF PAKISTANI UNIVERSITIES)



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The ICT (Information & Communications Technology) utilization in instruction among university and college lecturers is gaining in prominence in many countries in the world, including Pakistan, for the purpose of globalization and enhancing the quality of instruction and learning. The purpose of the study was to examine the benefits of ICT utilization, the extent of success factors, problems and constraints encountered in ICT utilization in instruction among lecturers in universities of Islamabad. A cross-sectional questionnaire survey was used to find out the level and extent of ICT utilization in universities of Islamabad. The sample from the study consisted of 260 lecturers drawn from the 14 universities of Islamabad. The data was analyzed using descriptive and inferential statistics such as Pearson correlation, and chi square. Results of the study shows that there are significant relationships among the 14 areas of ICT utilization, significant relationships between ICT utilization and lecturers' characteristics, and significant relationships between ICT utilization and university demography.

Also there are positive correlations between ICT utilization and some demographics such as lecturers' age, working experience, personal experience of computer using, frequency of ICT using, computer using at home, ICT training duration, extent of ICT knowledge, awareness of ICT and ICT written / published in university. The findings of this study could be used to improve quality of theaching among lecturers and to design a training model for instruction among lecturers in the pursuit of enhancing excellence and quality of universities education.

Key Words: university, Pakistan, information and communication technologies

Introduction

Quality ICT using has become a basic for advanced industrial society development in a short time. Being an expert in ICT and knowing the basic command together with skills and concepts of Information and Communication Technology are highly respected and important in many countries. Information and Communication Technology are being utilized at very high rate in quality learning and success teaching. This study endeavors to measure the extent of available ICT, levels of its utilization, to determine the relationship between extents of

technology utilization with university characteristics and instruction among lecturers' characteristics, amount of budget spent and factors affecting ICT utilization in instruction among lecturers of Pakistani capital universities.

Jones and Preece (2006) reported that online learners (and lecturers) need to study to "trust the technology" for technological performance as well as enhance the uptake and reduce resistance to technology. Lecturers need to be confident and competent in using various ICT tools to build their trust in the technology. Without their competency and mastery skills of ICT utilization appropriate to their needs, ICT could not be put into good use for instructional delivery. Barker (2001) stated that this should possess a range of multiple communication and technical skills along with using the chat rooms, web page authoring, word processing skills and using different kinds of Information and Communication Tools like File Transfer Protocol (FTP), compress and decompress of files, e.g. Win zip etc.

Technology can be helpful in decreasing absenteeism, lower dropout rates and motivate more students to continue on to university. Students take more pride in their work while using technology, gain more confidence in their abilities, and develop a higher level of self-esteem. Furthermore, researchers have mentioned that ICT utilization in instruction among lecturers alleviates many teaching difficulties, controlling and administering large number of students, and teachers express positive opinion about it (Altun, 1996). Most universities seem not yet ready to implement ICT utilization. The reason for this low uptake may vary from university to university.

Generally speaking, some of the more prominent constraints include, among other things, substandard technology infrastructure delivery and support; low funding; failure to localize technologies; low levels of instruction among lecturers / facilitators' expertise and / or commitment coupled with a shortage of educational technology, instructional design, and learning development staff; low levels of student accessibility to the Internet; bandwidth availability and / or accessibility; and non-suitability of academic content and goals to such designs. Thus, in order to keep lecturer and trainers updated with current technological changes, related studies on technological utilizations should be conducted on a regular basis.

This study is carried out to analyze ICT utilization that is necessary for instruction among lecturers of the capital universities of Pakistan. Chen (1995) investigating the perceptions and network performance in Taiwan, reported that overall network staff and lecturers' perceptions toward network organization (NBINET) were not quite positive. The major factors in lecturers' negative perceptions were: inability of the governing body to carry out its policies, added workload, slow response, limited number of skilled technicians, lack of motivation, and dissatisfaction with the hit rate. Chen further investigated the feasibility of the information-sharing network establishment in Riyadh, Saudi Arabia and found that the existing cooperative activities among Saudi universities were also ineffective and inadequate.

He determined a number of factors hindering cooperation including lack of comprehension of the value of such a network, lack of standardization in technical processing, limitation of financial resources, lack of initiative of professional associations,

and administrative problems. Chen suggested the exploitation of Internet to implement cooperative networks for physical linkage and to consider the human factor as the most critical for its implementation. It was discovered that the variables most often identified as contributing to receptivity or resistance to changes are:

- Members' participation in decision-making and implementation;
- Perceived availability of training and skills enhancement opportunities;
- Presence of entrepreneurs;
- Gender and age related issues;
- Prior experience with technology;
- Specialization within the organization;
- Degree of professionalism within the organization;
- Organizational slack;
- Fear of technology in general and computers in particular;
- Fear of changes;
- Perceived threats to job security or status;
- The distribution of expertise;
- The presence or absence of feedback and interaction;
- Unionization;
- Patterns of employees' hiring and rewarding.

This study discovered the overall positive perceptions of ICT utilization in education processes in universities. Most of the demographic variables such as gender, age, highest degree obtained, functional areas of instruction among lecturers, and length of experience were not significantly related to individuals' perceptions toward computers. The transfer from print to online education formats was inevitable but would take place gradually, because of the shortage of trained human resources, and ICT tools. Chen (1995) suggested that lecturers training keep pace with ICT developments and changes. He stated that lecturers should not fear computers and should take them as tools to help in different operations. Lecturers' training should shift to computer science and application of computer technology in universities.

Khan (2005) mentioned that the changes occurring due to ICT application would affect the instructors' role. He pointed out that basic functions of information would remain the same, but the methodology and formats of information would drastically change. Wilkins (1999) reported that the educational environment would continue to be influenced by technology and users' needs. It would be governed by global policies that would ensure access to information for a diverse community. The lecturer was seen as playing a role of tutor, mentor, coach and client / student consultant.

Theoretical Framework

In studying user acceptance and technology use, the Technology Acceptance Model (TAM) is one of the most cited. The TAM was developed by Davis (1989) to explain

computer-usage perception. The theoretical basis of the model was Fishbein and Ajzen's Theory of Reasoned Action (TRA). The Technology Acceptance Model (TAM) is an information systems theory that models how users come to accept and use technology. According to this model when lecturers are presented with a new software package, a number of factors influence their decision on using it. They are: Perceived usefulness (PU), defined by Fred Davis as "the degree to which a person believes that using a particular system would enhance his or her job performance" and Perceived ease-of-use (PEOU) defined by Davis as "the degree to which a person believes that using a particular system would be free from efforts" (Davis, 1989).

Task-technology fit (TTF) theory holds that ICT is more likely to have a positive impact on individual performance and be used if the capabilities of the ICT match the tasks that the lecturer must perform. Goodhue and Thompson (1995) developed a measure of task-technology fit that consists of 8 factors: quality, locate ability, authorization, compatibility, ease of use / training, production timeliness, systems reliability, and relationship with lecturers.

Self efficacy is people's perception of their ability to plan and take action to reach a particular goal. Computer self-efficacy (CSE) refers to individuals' judgment of their capabilities to use computers in diverse situations. Computer Self-Efficacy (CSE) constructs is a specialized definition referring to peoples' belief in their ability to accomplish a special task. The concept of SE was developed by Bandura (1986) from the social cognition literature. Bandura noted that SE is affected by past experience, observing others, persuasion and affective arousal (Fig. 1).

Research Methodology

The subjects for this study were the lecturers working in universities of Islamabad, Pakistan. The lecturers were chosen to complete the questionnaire because they were assumed to be the most influential personnel involved in decision-making, obtaining funds, devising ICT innovations, initiating ICT in instructional proposals and implementing ICT utilization and technology developments in their universities. It has also been acknowledged the lecturers' key role in initiation, getting resources and utilizing ICT in instruction in universities. A comprehensive questionnaire was developed to answer the research question. The questionnaire was designed using mostly closed-ended/structured questions, check boxes and Likert type rating scale. ICT is easy for respondents to answer the structured questions and easy for the researcher to analyze and interpret. A perception rating scale yields a single score that indicates both the direction and intensity of a person's perception. ICT helps to differentiate those respondents with strongly agree perception from those with strongly disagree perception. These categories enable the users to make a choice from a range of possible values in questionnaires (Henerson et al., 1987). Likert's perception measuring technique helps to represent an individual's perception toward an object, using one

preference score or average “most acceptable” position on a continuum of positions, which range from strongly agree to strongly disagree.

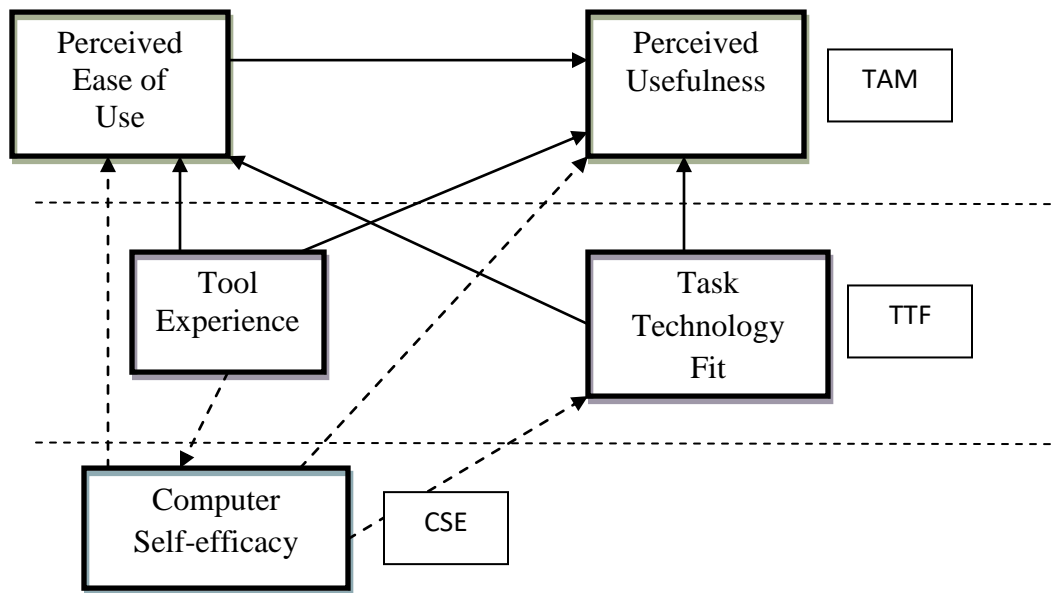


Figure 1 - Theories on ICT utilization in instruction / instructional effectiveness
(Davis, 1989; Goodhue, 1995; Bandura, 1986)

Data Collection

A survey questionnaire was used as an instrument to obtain primary data from the lecturers of 17 sampled universities of Islamabad. The survey questionnaire method is commonly used to investigate the status of tools, techniques and applications, changes over a certain period of time, opinions and characteristics of individuals and characteristics of universities. After pre-testing and pilot study in December 2009, the final questionnaire was prepared and mailed in December 2009 to 850 sampled lecturers working in universities in Islamabad, Sargodha and Lahore, Pakistan.

The questionnaire was accompanied by a cover letter as well as a self-addressed return envelope requesting completion and return of the questionnaire as soon as possible. Given the low response rate in mail surveys, a number of steps were taken to improve the response rate. These steps included:

- Two reminders were made, using email / telephone.
- The target respondents were also reminded personally as well as through professional colleagues and friends across Islamabad.
- Personal visits and follow-up calls were also made to some respondents for confirmation of some of the information they provided in the questionnaire and to ensure that the questionnaire was filled by the intended respondents.

Out of 850 questionnaires administered, 269 (31.64%) completed questionnaires were received. However, in 9 questionnaires, a major part of the ICT utilization and demographic information was incomplete. Finally, 260 (30.58%) questionnaires were used for data analysis and interpretation.

Professional Qualification of the Respondents

Respondents were asked to check four different categories from Master degree to Doctorate degree and the others.

Tab. 1 shows the distribution of frequency and percentage of the scores for professional qualification of instruction among lecturers in universities of Islamabad. Three levels of professional qualification were reported and the distribution was given as in the Tab. 2. It was mentioned that 100 (38.5%) of the respondents held MS/Phil, 95 (36.5%) with Masters, and 62 (23.8%) with a PhD degree.

Table 1 - Lecturers' Professional Qualification
(results of author's review)

Obtained	Frequency	Percent
Master	95	36.5
MS / Phil	100	38.5
Doctorate	62	23.8
Other, degree	2	0.8
Other, diploma	1	0.4
Total	260	100.0

Based on the results in the Tab. 1 above, 95 (36.5%) lecturers had a master degree, 100 (38.5%) with master of Philosophy, and 62 (23.8%) with doctorate degree. Furthermore, 3(1.2%) of them had other degrees or diplomas. This result indicates that slightly more than half of the lecturers in Islamabad universities had master degree.

Tab. 2 shows the distribution of frequency and percentage of the scores for the latest professional qualification of instruction among lecturers in universities of Islamabad.

Based on the results in the Tab. 2, 141 (54.2%) lecturers received their last qualification in 2005-2010, 79 (30.4%) of them in 2000-2004, and 40 (15%) lecturers in 2000 and before. This result indicates that more than half of the respondents received their qualification in 2005 - 2010.

Table 2 - Year of Latest Professional Qualification of Lecturers
(results of author's review)

Year Obtained	Frequency	%
2005 – 2010	141	54.2
2000 – 2004	79	30.4
1995 – 1999	22	8.5
1990 – 1994	15	5.8
1989 and before	3	1.2
Total	260	100.0

Discussion

As for research question mentioned above, the role of professional qualification and the year of professional qualification of the instruction among lecturers towards ICT utilization, this study found that lecturers' qualification was significantly associated with aspects of ICT utilization such as use of Internet, technology enhanced and database.

This shows that the lecturers with high professional qualification were very good to use search engines and logical operators for information in their instruction. They were effectively practicing discussion, instructional strategies online, web-based meeting tools to facilitate instruction in universities of Islamabad.

The analysis indicated that a statistically significant positive correlation exists among the lecturers' qualifications and using of ICT in teaching, lecturers' use of internet at home and the overall ICT utilization among lecturers in order to facilitate the instruction through using different ICT tools and other internet websites.

This shows that those lecturers, who have high professional qualification, use ICT in teaching, use internet at home were good in using overall ICT in their instruction like search engines, logical operators for information in their instruction. They were effectively practicing discussion, instructional strategies online and web based meeting tools to facilitate instruction in universities of Islamabad.

The analyses also suggest that other factors, such as high cost of ICT tools and expenditure for ICT had affected the lecturers' ability to use new technologies in instruction in universities.

Statistically significant association was found in the lecturers' highest professional qualification. Literature review reflected a significance difference in the lecturers' qualifications in the studies of Al-Zahrani (2000). Statistically insignificant association was also determined among the ICT utilization in instruction among lecturers and their year of attaining professional qualification.

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HUMAN CAPITAL AND DECENTRALIZATION OF EDUCATION (THE CASE OF TLAJOMULCO DE ZUNIGA JALISCO, MEXICO)



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This paper aims to analyze and determine human capital in the process of education decentralization in Tlajomulco de Zuniga municipality (Jalisco, Mexico). This objective intends to confirm positive relationships between direct schooling-income intended to measure how variables impact and generate income variations directly in the progress of the project. The research is mainly empirical evidence through mathematical, statistical and economic analysis. The results confirm the theory of human capital through the impact of higher level of education on income of individuals in their work. In the case of Tlajomulco de Zuniga, the results show how it is important to invest in education from an early age because this will impact positively in the future of society as a whole.

Keywords: human capital, decentralization of education, Tlajomulco de Zuniga.

Introduction

Human Capital is third factor of production and therefore it is essential for growth and economic development of a country. Therefore it requires a thorough and detailed study.

Among the authors who began to study human capital may be mentioned Jacob Mincer (1974) known as the father of human capital, Thomas Davenport (2000), Theodore Schultz (1961) and Gary Becker (1964) mainly. According to Thomas Davenport (2000) in company person is the main thing what gives value to the organization. He also pointed out an importance of investing in education. Thus, in the future an individual in the labor market has the possibility of obtaining greater salary than person that has a lower level of education. Indeed, research and empirical evidence confirms the theory of human capital. In the case of Mexico there are records of investigations from 2000 which show the positive relationship between income and education.

The *purpose* of this study is to confirm the theory of human capital through the impact of a higher level of education on income of individuals in their work, this by empirical evidence through mathematical, statistical and economic analysis (Damodar, 2010) for the municipality of Tlajomulco de Zuniga, Jalisco.

This paper is divided into five parts. The first part mentions the human capital of the way how it is integrated into the production process and what is its importance for economic growth and development. Then, it analyzes what is the current situation regarding education levels in the country, its comparison with the state of Jalisco and its municipalities. Finally, an outline of the number of schools at different levels of education for the municipalities that make up the Metropolitan Area of Guadalajara (MAG) is presented.

The second part covers the issues concerning the theoretical framework of human capital, from its concept, characteristics, pure Mincer model, determination of rates of return from the function of profit, factors that alter this pattern, reviews and theories that support this focus.

In the third part, the study shows local development and possibility for entities, municipalities to take over sectors such as education, i.e., that the present decentralization and power pass into the hands of the municipalities would benefit to these areas. Furthermore, the process appears followed in the country around this approach over the years and what results has now.

The fourth part is formed primarily by the methodology used and the data of the survey conducted and by explanation of the variables used in the econometric models. After estimating by regression analysis models describing the outcome of each to verify or disprove the theory of human capital is presented.

Finally, a comparison of the results obtained in the analysis with research done to other municipalities in the metropolitan area of Guadalajara is presented. This with the intention of seeing in those municipalities where are presented more variations on the individuals' income.

Fifth part offers conclusions and recommendations for the municipality of Tlajomulco de Zuniga that arise with respect to guidelines to follow or to improve local education, so that people are more prepared and therefore their productivity increases and becomes more competitive in the labor market. The last part collects general information about the municipality of Tlajomulco de Zuniga, the databases of the survey and information on the population by level of schooling and average degree for the country and municipalities in the state of Jalisco.

Education in Mexico

Analysis on Education for Mexico and the case of the State of Jalisco

To provide development and growth in a country it is essential that the population has a high quality education and training. By educational background it can be understood the level of individual's education. In Mexico, it is classified by: Preschool, Primary, Secondary, High School and University. In the latter, postgraduate studies such as masters and doctorates are included. Each level of schooling provides the individual the tools to build the necessary knowledge in academia and when increased this, the person can specialize in a specific area which in the near future will provide benefits. Since it will allow it to become a competitive in the job market, obtain decent jobs, and yet there is a monetary income of the effort made.

In Mexico, education is compulsory up to the high school level, as it marks the Constitution of the United Mexican States (2015) in its third article: "Everyone has the right to receive education. The State - Federation, States, Federal District and municipalities, provide preschool, primary, secondary and upper secondary education. Preschool, primary and secondary education in the basic education; this and the high school are mandatory".

This education requires certain elements needed to be offered to a nation and this is where the Federation is responsible for carrying it out. Ministry of Public Education (SEP) offers society infrastructure for schools, libraries; teaching materials, furniture, teachers, etc. All this requires an expense. This public expenditure on education includes government spending on educational institutions, educational administration and transfers to local authorities.

The National Institute of Statistics and Geography (INEGI) through the National Population and Housing Census (CNPV) presents indicators concerning education that give a national and by state average educational level of the individuals perspective. The following graph shows the average level of schooling captured by CNPV for 2010 is presented (See Fig. 1, below).

Fig. 1 shows the degree average per state of the Mexican Republic. As it can be seen, the national average is 8.63, i.e. on average the population aged 15 years and over in the country has a level of education completed through second grade high school. Taking into account the above, it is a low level and even it can be deduced that the country is poor speaking in terms of education, while making a comparison with the census conducted in 2005 which showed that the national average was 8.1, it has been an increase in the educational level of the nation.

In the case of Jalisco the grade average it stood at 8.78, which was the same as the state of Tlaxcala and took place 16 out of 32 states and a federal district. First is the DF with an average of 10.53, i.e. an average level of a year of high school finished. In Fig. 1 the municipalities in the metropolitan area of Guadalajara (MAG) are integrated. It can be seen that the largest municipality with academic training is Zapopan with 10.38 degrees in average schooling. There is a considerable distance from this with the jump nearly 3 degrees of

schooling. Specifically and in relation to the interests of the investigation the municipality of Tlajomulco de Zuniga is located in third place with its population of 15 years and over with completed secondary, only below Guadalajara and Zapopan. Being a municipality that little integrated into MAG, it can be highlighted the fact that to prepare native society of the municipality is priority of local government.

More specifically and making a comparison of the municipalities of the MAG with others of the state of Jalisco is presented below a box that exposes the 20 highest average rates of schooling State in 2010. As shown in Tab. 1 effectively MAG municipalities are within the top 20 but not continuously. Zapopan and Guadalajara lead the list in that order. The biggest distinction is evident in the place that belongs to the municipality of El Salto as it is in 21st place; this is too far from the average of the other municipalities.

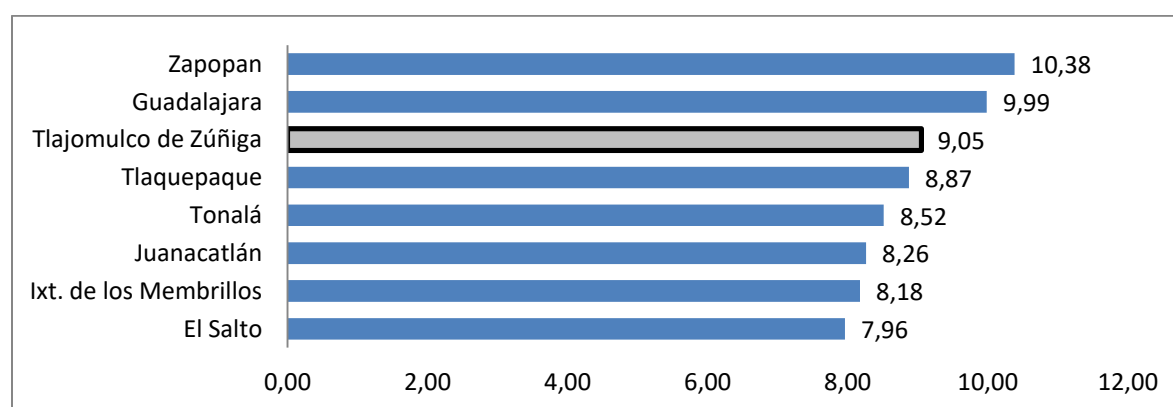


Figure 1 - Average length of schooling for MAG in 2010
(Results of authors' elaboration based on data from the Census of Population and Housing in 2010 (INEGI, 2010))

Education in Tlajomulco de Zuniga

The infrastructure is a fundamental part for a society to have a quality education, this by building schools and schools from preschool to higher level. The municipality of Tlajomulco de Zuniga in 2010 had 161 pre-schools, 157 primary, 60 secondary schools, 20 high schools and 20 schools in training for work. To analyze the level of infrastructure are presented in the following Tab. 2 the same data for the municipalities that make up the MAG.

The Tab. 2 shows the differences between the municipalities of MAG on the type of schools they have. In preschools, first is the city of Guadalajara, and it is expected this result because it is the state capital of Jalisco and therefore where most of the population is concentrated. In this order, Zapopan, Tlaquepaque, Tonalá and Tlajomulco de Zuniga maintain more than 100 schools each. El Salto, Juanacatlán, and Ixtlahuacán of Membrillos are left behind with less than 100 schools. In the case of Tlajomulco de Zuniga, its level of schools could be accepted due to the growth experienced in recent years. The population begins to clump together in the region and the demand for education is evident.

HUMAN CAPITAL AND DECENTRALIZATION OF EDUCATION

In the case of primary schools, the same order is maintained. Only Tlajomulco de Zuniga scale up one place and let down the municipality of Tonalá. With regard to secondary schools the order is maintained in Guadalajara by having 232 followed by Zapopan, Tlaquepaque, Tlajomulco de Zuniga, Tonalá, El Salto, Ixtlahuacán of the Membrillos. As it is noted, as the level of education increases the number of schools decreases in the municipalities. In high school the order remains constant only that the school type training for work is zero in the municipality of Juanacatlán and also in its previous level of education.

Table 1 - Average length of schooling for the municipalities of Jalisco in 2010
(Own elaboration based on data from the Census of Population and Housing in 2010, INEGI (2010))

Rank	Municipality	Average degree of schooling	Rank	Municipality	Average degree of schooling
1	Zapopan	10.38	14	Ixtlahuacán de los Membrillos	8.18
2	Guadalajara	9.99	15	Etzatlán	8.14
3	Zapotlán el Grande	9.44	16	Acatlán de Juárez	8.14
4	Puerto Vallarta	9.36	17	El Grullo	8.12
5	Tlajomulco de Zuniga	9.05	18	Tuxpan	8.11
6	Tlaquepaque	8.87	19	Colotlán	8.09
7	Autlán de Navarro	8.64	20	San Marcos	8.00
8	Chapala	8.63	21	El Salto	7.96
9	Tonalá	8.52	22	Tequila	7.95
10	Ocotlán	8.42	23	Ameca	7.94
11	Juanacatlán	8.26	24	El Arenal	7.89
12	Sayula	8.24	25	Amatitán	7.86
13	Ahualulco de Mercado	8.23			

Table 2 - Schools preschool, primary, secondary, high school and training for the work of the GMA

(Own elaboration based on data from INEGI, 2010)

	Jalisco	Zapopan	Guadalajara	Tlajomulco de Zúñiga	Tlaquepaque	Tonalá	Juanacatlán	Ixt. de los Membrillos	El Salto
Preschool	5378	623	768	161	252	179	11	21	62
Primary	5937	521	715	157	204	167	15	23	64
Secondary	1910	192	232	60	63	41	4	9	19
High school	758	95	145	20	32	18	0	3	5
Training	623	64	290	9	30	14	0	3	3

With this explanation it can be concluded that the municipality of Tlajomulco de Zuniga is located in the fourth place of all municipalities from MAG. This position was for the year 2010. Education in this part of Jalisco it is good compared to the municipalities of smaller population or for whatever reason they are lagging behind in support from the State or the Federation.

Theoretical framework

Introduction to the concept of human capital

Economic growth can be defined as the increase in income and services produced in an economy in a given period. Within the production process 3 production factors are involved. These are: land, labor and capital. The land is represented by all soil resources, mining and natural in general. The value of land depends on many factors such as proximity to major urban centers, availability of natural resources, climate, etc. The work factor integrates all the capabilities of the worker as physical, mental and humanities that are necessary for the production of goods and services. This effort of the worker intends to obtain economic benefit, in this case, a monetary benefit interpreted as income.

The capital is essential for economic growth. This is the result of the accumulation of human production and through which productive assets and services that serve to generate wealth and improve the quality of life of a society will be obtained. One can distinguish three kinds of capital:

Physical capital
Human capital
Financial capital

Concept of human capital

The concept of human capital is defined as the knowledge, talents, skills and abilities in which the individual invests throughout his life to satisfy his personal welfare and increase productivity in the labor market. This investment is mainly in education, and in addition to improvements health, culture, higher social status and prestige.

Initially human capital was seen as a factor of production, where no knowledge is required prior individual had acquired in an educational institution. Thus, the physical capacity only cared that this had to work. Adam Smith (1819) disagreed with this concept: the individual insisted to drive economic activity through the skills for which acquiring he paid a price. These skills became fixed and realized capital (Keelay, 2007, p.30). For capitalism only labor generated for economic growth is essential. It has to be noted that individual will be interested to get skills, talents, knowledge, causes productivity of this work area, increases benefits in production processes. To quote Adam Smith (1819):

"The annual product of labor of any nation can increase in value, increasing either the number of productive workers or the productive forces of those workers who have been employed previously. It is evident that the number of productive workers could never increase if not as a result of increasing capital funds to keep the productive forces of the same number of workers cannot be increased but as a result of either the increase and improvement of the machines and tools that facilitate and reduce the work or a more appropriate division and distribution of employment, in any case, an additional capital is almost always required. "

Gradually, it shows an importance of human capital, because firstly the theory was criticized due it's representing of capitalists' interests. Thus, the issue drew the attention of approaches of Theodore Schultz (1961), Gary Becker (1964) and Jacob Mincer (1974), which provided knowledge and stressed the importance of human capital. On the one hand, the work of Schultz emphasized that human capital, specifically education, was a key pillar to economic growth of a nation. Also for Schultz, the investments made in education would ensure positive rates of returns. Meanwhile Becker, in addition to supporting the work of Schultz, said the family nucleus is like a business, because parents invest in better education for their children to increase their future income.

Characteristics of human capital

For the Theory of Human Capital (THC), investment in education increases an individual productivity in work area, i.e., the more years of schooling has accumulated the increase in income will be higher compared to the individual who has no studied (Thurow, 1975). Investment in education will be given to the point where the individual notes that the marginal return on this investment is greater than or equal to the rate of return on alternative investments, i.e. that benefits from study are greater than engage in other activities.

For THC capabilities that comprise a person are developed throughout his life, this is clear, through education, but there are some "skills" that could be defined as innate because every human being developed better in other activities for the environment that has surrounded him all his life, without learning that requires any investment. Davenport (2000) emphasizes that human capital is composed of an equation which integrates the ability. This is composed by knowledge, skill and talent of the individual. Knowledge that is that intellectual context interact the individual, skill where the person develops in an activity with ability, intelligence and disposition, and finally the talents are those innate abilities that the person has special in some activity (Fig. 3).

However, human capital acquired by the individual cannot be stolen. But this human capital should continue to grow, being updated, because otherwise the new information, technological innovation, new social problems, among others, would leave obsolete the individual and his chances of getting an opportunity in the labor market would decline in a way more than proportional. The fact to study brings many benefits; these can be classified as monetary and nonmonetary. Within the monetary benefits include the following: by

increasing his knowledge through a level of education an individual productivity in the labor markets increases and thus the salary will also rise proportionately.

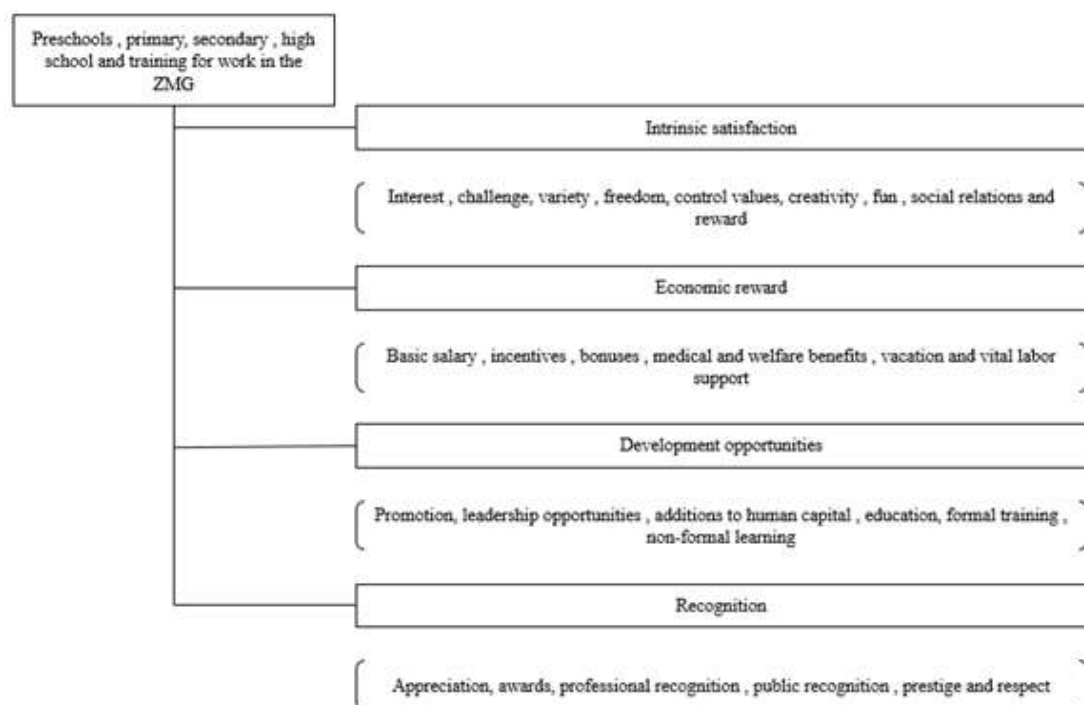


Figure 3 - Return on human capital
(Contreras (2000, 19))

As can be seen in Fig. 4, increasing the level of education stimulates the salary of the worker and makes him more competitive. Speaking in terms of human capital without monetary benefits of increasing levels of education, this would not exist. Another benefit is that by increasing the level of knowledge, the individual grows and develops cultural skills, financial, health, social, among others, that make a human being more capable and interested in their social environment. See Fig. 4.

Now, within these non-monetary benefits are as follows: better health care, food consumed cultural and social activities that are performed. Apart from this the individual to increase his salary access to other interests, like going to plays, exhibition galleries, access to training and class changes (social lifts).

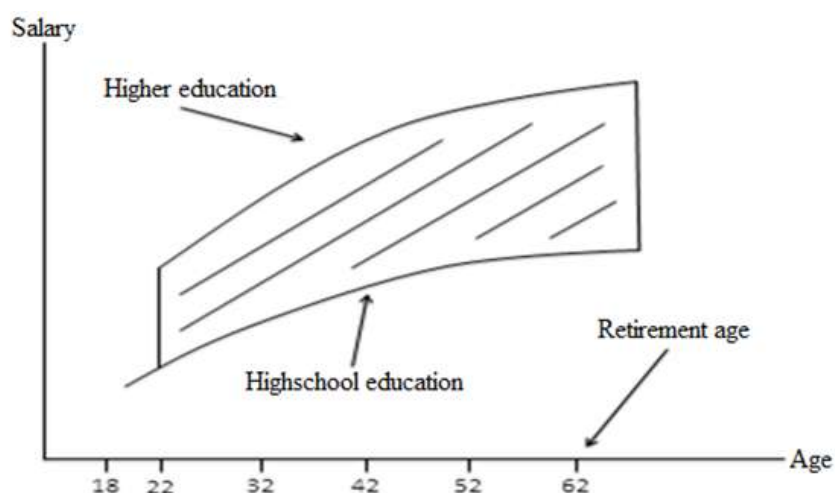


Figure 4 - Profile of income by level of education of the individual
(Lassibille, 2004)

Internal rate of education returns

In short, some of the most important ideas for the human capital which have a direct impact on income and labor supply are as follows:

- a) The time devoted to work activities will increase because higher education suggests higher wages for workers.
- b) Having a higher education level in the job will be more and there will be a reduction of unemployment.
- c) The individual who has a lot of knowledge and a high level of education also load more years of life and to increase his employment opportunities that exist in the experience, training and skills for better jobs.

Model of human capital

In the THC in income level of the individual will not depend solely on the level of education. In addition to this there are other variables such as experience, skills to reinforce or learn to perform these activities; knowledge captured by the new information provided will cause that human capital increase ever. This will make it more competitive in the labor market. Time is a key factor for human capital and is not describable by a static model in the market for educational services. It requires a dynamic optimization model that defines as investment in human capital leads individuals to perceive better future income. In this way the individual will invest in education until it is fulfilled for the marginal unit of education equation:

$$\int_0^t C_i e^{-ri} di = \int_t^T R_i e^{-ri} di \quad (1)$$

Where:

C_i = Is the cost of the marginal unit of education and training in the period i .

R_i = The performance of such training in the i th period.

r = Is the interest rate.

Suppose t is years-long education and T is the time when the individual decides to work. If $i = 0$, the base period is the one where education begins. As such, the individual will invest in education to the point where the marginal unit of education is met. This model of investment in education can deduce that: the larger the distance between t and T performance will be higher because the knowledge gained will be reflected in the level of wage compensation. Within the horizon time, T , it may be mentioned that the earlier it start investing in education, performance is maximized because the years to be allocated to the labor market will be at an early age and have no impact on factors such as health, aging, human capital updated, among others.

Model of schooling

At first it was assumed that the human capital of the individual was acquired only in the period of schooling and investments are concentrated in the early years of his life. At the end of these years begins productive activity that extends to the retirement stage, T ; during the $(T - s)$ years of professional life the individual does not invest in some training. With this, coupled with the hypothesis that human capital does not depreciates by making use of it throughout his life can be inferred that the compensation profile is flat in this work stage.

This is expressed as follows:

$$\ln E_t = \ln E_0 + \sum_{j=0}^s r_j k_j \quad (2)$$

Assuming that the production costs of training in education are integrated by the opportunity costs, and then K_j is equal to one and have the following:

$$\ln E_t = \ln E_0 + \sum_{j=0}^s r_j \quad (3)$$

In this equation $\ln E$ represents the expected income logarithm; r_j is the marginal rate of return on investment applied in the school year j y $\sum r_j$ and represents the performance of all school years.

The latter can be defined as:

$$\sum_{j=0}^s r_j = r_s s \quad (4)$$

Thus the potential income is shown as follows:

$$\ln E_t = \ln E_0 + r_s s \quad (5)$$

And the net income of the individual can be expressed as:

$$\ln Y_t = \ln Y_0 + r_s \quad (6)$$

For the application of this model in the investigation, its expression is as follows:

$$\ln ing = f(esc) + \varepsilon \quad (7)$$

$$\frac{\delta \ln ing}{\delta esc} > 0$$

Where:

$\ln ing$ = expected income natural logarithm

esc = Schooling

ε = error term disturbance

This model relates linearly the logarithm of income of the individual with years of schooling. Thus with the econometric estimation performance is evaluated investment in education.

Experience model

Throughout its productive stage the individual acquires knowledge in the labor market that can be defined as experience. So in the initial human capital hypothesis regarding schooling in relation to income this new variable that influences positively integrates with income this function is defined as:

$$\ln E_t = \ln E_0 + r_s s + \sum_{j=s+1}^{t-1} r_j k_j \quad (8)$$

Where $\sum r_j k_j$ represents the total contribution of professional investment income, which can be expressed as follows:

$$\sum_{j=s+1}^{t-1} r_j k_j = r_p \sum_{j=s+1}^{t-1} k_j \quad (9)$$

Based on the theory of investment in human capital, the proportion of income invested during each period (k_j) decrease over the life cycle of the individual. With support from Mincer, professional investments made at a time (j) can be represented by a linear function decreasing with time spent in the labor force:

$$k_j = k_0 - \left(\frac{k_0}{T}\right)j \quad (10)$$

Where (k_0) is the gross income invested during the first period of professional life, (j) measure the years of professional life and (T) the total investment period. Gross income is expressed by a parabolic function dedicated to the professional life, where:

$$LnE_t = LnE_t + r_s s + r_p k_0 t - \left(\frac{r_p k_0}{2T}\right)t^2 \quad (11)$$

So net income (gross income - training costs):

$$Y_t = E_t - C_t = E_t(1 - k_t) \quad (12)$$

In this model the performance of education and experience of the individual's income is estimated.

Mincer model

The analysis of education yields requires tools that verify the benefits that this entails contrasted with reality. In 1974 Jacob Mincer unveiled an equation which helped analyze and quantify these yields. To determine this equation Jacob Mincer (1974) took two fundamental approaches. These were: the skills that determine the individual's income are observable and these are not normally distributed. Before conceptualizing the model, Mincer (1974) defined the importance of age-income and income-education, called Mincerian income functions. In these functions is related personal income (Y) of the individual to the years of schooling (Esc), expressed as follows:

$$Y_i = f(Esc_i) + \varepsilon_1 \quad (13)$$

To this function must be added a variable representing the post-investment period called years of experience (Exp), which is expressed as age minus years of schooling minus 6, that is:

$$Exp_i = (Edad_i - Esc_i - 6) \quad (14)$$

Thus the model of human capital (CH) would be expressed as follows:

$$Y_i = f(Esc_i, Exp_i) + \varepsilon_i \quad (15)$$

Where:

$$\frac{\partial Y}{\partial Esc} > 0, \frac{\partial Y}{\partial Exp} > 0$$

In this model they are left out dummies or not dummy like gender, sector of employment, informal employment, etc., while important to investigate specific issues are not taken into consideration for the human capital at first (Cortes, 2002). The equation Mincer (1974) defines estimated by ordinary least squares (OLS) a semi log model. Here the dependent variable is income and this is expressed in logarithm. This logarithmic transformation of income leads into the model consideration of normality in statistics. It is also easier to work with her in the regression models and interpret the estimated coefficients in relative terms. The independent variables are the years of schooling, work experience and work experience squared. This is represented as follows:

$$Lning = \beta_0 + \beta_1 Esc + \beta_2 Exp + \beta_3 Exp^2 + \varepsilon \quad (16)$$

Where:

ing = Individual income

Esc = Years of schooling

Exp = Years of work experience

ε = error term

In this model it is showed that each additional year that the individual invests in education will delay the benefits he gets as his income, yet this will be offset by increased income to join the labor market. However, the experience variable is taken into consideration because it represents the learning of people in terms of age. Experience variable squared refers to the individual's income increase, but decreasing order, i.e., there comes a time where worker productivity begins to decrease and thus his income also because of his age.

For Mincer (1974), the individual's income increased through two pathways. One is through education that invests in school and which is required in the labor market, and the other is more specific, where the experience acquired in the workplace and skills provides greater productivity by increasing income also.

The endogenous character of education

In the above problem it is drawn the possibility of observing a history of certain individual's life cycle of a single individual to alternative educational investments, so it is suggested that one should conform to observe only the path by the individual's expected income has been chosen a level of schooling and taking into account that this decision is based on income potential and opportunity costs. Selection bias raises another problem called endogeneity of education. For human capital theory education is seen as the result of an optimization process which emphasizes that each individual will have his level of investment depending on his capabilities and opportunities provided for the instrument. Within the model of human capital the cause of determining the schooling level is unknown and assumed that this is an exogenous variable.

Thus it can be said that there are factors that cannot be observed as are those of individuals or family factors that directly affect education and salary level features. As a result, estimates by Mincer method remain biased. Then the correlation that occurs between wages and schooling of individuals cannot be interpreted within a function of income and the effect that education generates on wages of people because they cannot be attributed only to this variable all impact as there are individuals who have a less education than other.

To correct this problem of education endogeneity is presumed using the called instrumental variables. This has the aim to find a variable that is correlated with the level of education and is independent of the error terms of the earnings equation. This process is performed as follows:

$$\text{Lning} = \alpha + \beta s + \tau \quad (17)$$

With:

$$s = c + dZ + v \quad (18)$$

Here the variable Z directly affects the level of schooling, but has no effect on earnings less than it is through education. The process is in first to estimate the effect of the instrument on education and then to have the effect of this instrument on earnings.

Local development

Definition of local development and decentralization

At first it must define the word "local".

José Arocena refers local to a correlative notion global. Here, more specific aspects are integrated. For there, local development must have local actors to take charge of the construction processes of collective identities. As local actor we understood individuals, groups or institutions acting in a local society to improve their quality of life. Fernando Barreiro (1988) defines three categories of local actors:

- 1) The actors linked to decision-making (political and institutional)
- 2) The actors tied to particular techniques (experts-professionals)
- 3) The actors linked to the action on the ground (the active population and all its expressions)

More specifically Arocena (1988, p 26) defines local actor as an "Agent in the field of political, economic, social and cultural are carriers proposals that tend to better capitalize on local potential. Indeed, it is an advantage the better use of resources, but highlighting the quality of the processes in terms of natural and social equilibrium ". As mentioned by this author, in local development is intended to help local actors to present an improvement in economic, social, cultural terms, among others, from within, that is, from the local level, the endogenous that can be interpreted as municipalities. While it is true that the colonies are more within a municipality, it is the latter that is responsible for providing the necessary services so that they work in the best possible way.

Now, the players have local development initiatives with the intention to take part greater autonomy from the Federation. This process of transferring tasks and functions to municipalities can be defined as decentralization, where power is not concentrated in a few governing bodies, but specific tasks are defined to the states which make decisions on their own, but without avoiding the maximum power. In the case of Mexico the decentralization process has not been established and is in the process of definition, but there is evidence that in the municipalities of the border and in the center there has been a process of administrative modernization and it was extended designing development policies.

Attempted decentralization in Mexico

The need for reform at the national level to promote local development has increased in recent years, as the result of three factors.

First, in the context of globalization of the economy, it requires reorganization relations between the nation-state and state-local.

Second, the economic crisis that Mexico has suffered in recent years has impacted large urban areas where the benefits of economic growth concentrated. Due to the crisis, the presence of unemployment, lack of social welfare and agglomeration has given rise to territorial horizons expanded to promote economic growth.

Thirdly, there is a problem because the crisis brings financial conflicts that make the nation-state incapable of inducing the municipalities for optimal local development and as a result backward and regional inequalities to develop. Despite all this, the central government was able to present a decentralization strategy in 1983 amending article 115 of the Constitution to cede greater autonomy and responsibilities to municipalities. This process is linked to the international environment that seeks to equally allow endogenous development to strengthen and support the growth and development of a nation. Para the year 1992 the National Agreement for the Modernization of Basic Education and Normal (ANMEB) was

published where the federal government, states and the National Union of State Workers (SNTE) agreed that the education system had reached its exhaustion after 70 years.

In this model presented central authority would follow up his duties as responsibility for educational plans and programs, wage bargaining, substantive aspects of the teaching profession, control of fiscal resources for education, while the states would be responsible for the operational aspects as well as the option to add own content to the education system with a previous analysis of the central authority. The agreement raised four strategies:

- 1) Increase education spending by both the federal government and state.
- 2) Reorganization of the education system, with two axes:
 - Educational Federalism, which transfers to state governments the schools, material and financial resources of basic and normal education, leaving the responsibility of central government regulations.
 - Social participation, comprising teachers, parents and authorities to achieve greater involvement of the community to the proper functioning of schools.
- 3) The development of contents and educational materials; reform of content and methods in preschool; curricula and textbooks of primary, replantation program by subjects in secondary, rather than areas.
- 4) The re-evaluation of the magisterial function: update, professional salary, housing, social teaching career and appreciation for its work (Fierro, Tapia, and Red 2009).

Little progress was the initiative, as the central authority outlined the obligations for states and just after years the transfer of operational functions was only allowed. This is part of the decentralization that is required in local development.

Methodology and research data

Research data

The data analyzed in the following section was obtained in a survey conducted in 2008 in the town of Tlajomulco de Zuniga. This set of questions was applied to a sample of the population of the municipality. With a total of 150 surveys randomly throughout the municipality to people over 18 yo, 123 were taken for analysis for the 27 missing had errors in their registration by the respondent.

Following are defined the variables used in the regression models:

Lning. Income individuals in terms of logarithm to facilitate the use of variables to perform econometric analysis.

Esc. Level of education of the individual. This variable is defined by grades of each level of study, i.e. it starts from the primary taking these 6 years of learning, in junior high school three years learning and high school 3 years as well. From the top level or degree varies the exact reference and it is why not determine the years of this level of schooling. This explains the variable that will be used in the variable of integrated experience for its calculation.

Age. Variable defined in completed years of the individual.

Age2. Variable created based on the high age squared.

Exp. This created and based on the time the individual has spent working on the labor market. The following was used for definition: $Exp = (Age - \text{Grados of schooling} - 6)$.

Exp2 = Squared experience.

Gen = Gender is defined by gender (male = 1, female = 0).

Cap = Training the individual at some point in their working lives (trained Individual = 1, untrained individual = 0).

Each one is used in the 9 models that estimate and analyze the results with the intention to verify the theory of human capital. See Tab. 3.

Table 3 - Statistical variables used in the regression models
(Based on data obtained from the survey applied research)

	Edad	Edad2	Ingreso	Lning	Exp	Exp2	Esc
Media	33.2276422	1265.19512	4412.60163	8.12183591	17.9	532.238	9.3276423
Median	30	900	3750	8.22951112	16	256	9
Maximum	65	4225	15250	9.63233478	59	3481	21
Mínimum	16	256	750	6.62007321	0	0	0
Standard deviation	12.7451778	972.447004	3212.10309	0.78935604	14.6138717	727.996245	4.079724
Curtosis	-0.4720007	0.83231336	2.40382219	-0.15340661	-0.193225	3.30342929	0.2694429
Slant	0.69839027	1.2388449	1.4942101	-0.5013929	0.802276	1.8802955	-0.144

Influence of schooling, experience and experience squared on the natural logarithm of personal income

The incorporation of variable experience to the full square the basic model HC with this is explained by the empirical evidence if there is an impact of these on income directly and simultaneously as each one influences. The theory states that schooling is positively related to income, as well as experience. The experience squared meanwhile must relate negatively as it is created with the intention to verify the impact of the individual to increase his lifetime.

$$Lning = \alpha + \beta_1 Esc_1 + \beta_2 Exp_2 + \beta_3 Exp_2^2 + \varepsilon \quad i = 1, 2, \dots, 123 \quad (19)$$

Where:

Lning = Natural logarithm of personal income.

α = Intercept (ordered in the origin) Mincerian function of personal income.

Esc = Degree of education of the individual.

Exp = Experience of the individual.

Exp2 squared = Experience.

α = Variable typical minimum disturbance in quadratic models with normal distribution, zero mean and constant variance: $\varepsilon \sim N(0, \sigma^2)$.

$$Lning = f(Exp, Exp2) + \varepsilon$$

$$\frac{\delta Lning}{\delta Exp} > 0; \frac{\delta Lning}{\delta Exp^2} < 0$$

Table 4 - Coefficients and statistical estimated by model OLS
(Authors elaboration based on data obtained from the survey applied research)

Variable	Coefficient	Standard error	Statistic t	Probabilility p
Exp	0.052571	0.020128	2.611847	0.0102
Exp2	0.056079	0.014793	3.790824	0.0002
Constant	-0.000971	0.000297	-3.266086	0.0014
	7.147624	0.271945	26.28330	0.0000

R2	0.144278
R2 Adjusted	0.122705
Typical error of the regression	0.739343
Summ of squared residuals	65.04870
Statistic Durbin-Watson	1.781897
Media of variable dependent	8.121836
Statistic F	6.687927
Statistic probability F	0.000328
Sample size	123

$$Lning = 7.147624 + 0.052571Exp + 0.056079Exp^2 - 0.000971Exp^3 \quad (20)$$

The data obtained from the estimation show that the three variables almost constant have a very good chance for all are significant at levels greater than 99%. The whole model is significant because the probability of the F statistic confirms with 0.000328 as a result. Signs of the variables satisfy the hypothesis, schooling is positive, so is experience and squared experience remains negative for the reasons described above.

However, the coefficient estimates regarding the relationship posing with expected income defined for every year of schooling income increased by 5.2% approximately. For each year of experience will be an increase in income of 5.6% but at once this decrease by 0.09%. The R^2 register a score of 0.1444 which says that the three variables together explain 14.44% of changes in personal income expected. This is very good because if a comparison with the previous model the schooling variables and experience is represented only 6.7% overall.

By an operation it is shown how predictive is the model. For this case the following operation is performed:

$$\frac{0.739343}{8.121836} = 9.10\%$$

With this result it is concluded that the productive capacity of the model is 9.10%. With regard to the theory that makes a relationship of this model which presents graphically a concave curve in terms of personal income in logarithm and experience which suggests that at older age the increase in personal income expected will be at diminishing marginal rates since human capital is depreciated over the years as described in the following:

Initially it is the result of the regression model:

$$Lning = 7.147624 + 0.052571Esc + 0.056079Exp - 0.000971Exp^2$$

From this is derived the experience variable with respect to the logarithm of income:

$$\frac{\delta Lning}{\delta Exp}$$

The result is:

$$\frac{\delta Lning}{\delta Exp} = 0.056079 - 0.001942Exp$$

With this will be determined the age at which the curve reaches its maximum and thereafter begins to decline the result of the decreasing rate. Here equals 0:

$$\frac{\delta Lning}{\delta Exp} = 0.056079 - 0.001942Exp = 0$$

$$\delta Lning / \delta Exp = 0.056079 - 0.001942Exp$$

Performing algebraic operations remains a division as follows:

$$\frac{0.056079}{0.001942} = 28.8769 \sim 28 \text{ years}$$

This result means that after 28 years in the survey the income will tend to decrease. Perhaps it is critiqued which is a very early age as the other empirical evidence shows that on average the maximum age is between 50 and 55 years old. In the case of this research it should be noted that people who is registered in the survey are young people who do not

have much experience and which will come a few years of life speaking in terms of human capital. Yet the theory is true and the evidence confirms it.

The graph below in Fig. 5 shows the above:

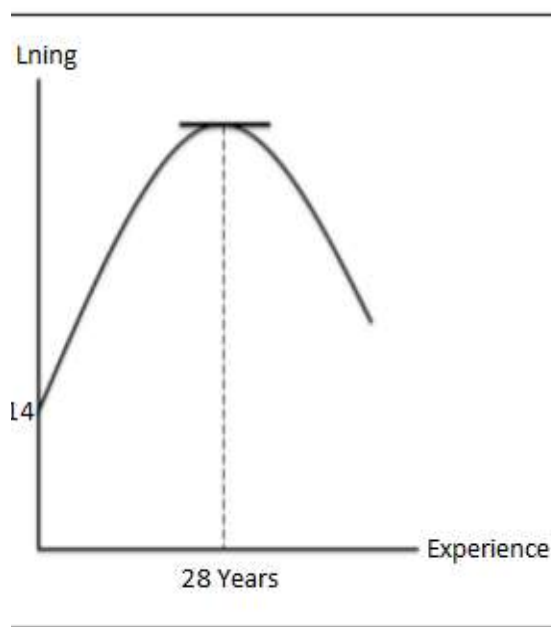


Figure 5 - Relationship between the logarithm of expected income and experience
(Own elaboration based on data obtained from the survey applied research)

Comparison studies in Jalisco on the Theory of Human Capital

Until recently the Human Capital Theory had not been applied about whether its determination for the Mexican case was true or not. Because of this began to conduct research to test the theory in the country and particularly in the case of the state of Jalisco. Nationwide data from 1996 to 2005 based on the expanded role of the Mincer model which is composed of the variables of education, experience and squared experience obtained. The following Tab. 5 shows the results obtained:

As estimates for 1996, 1998, 2000, 2002, 2004 and 2005 show and verify the theory of human capital results shown in the table 5. Schooling variable is positively associated with the expected income of the individual, because of its direct effect on income is between 10% and 11.5%, and is to tell the schooling represented for those years an average of 10.86% increasing each year education in which the person invested. In the case of experience variable this maintains a positive relationship in the same way as brand theory and the percentage changes over the years studied range from 1.1% to 1.9%. This result may seem very low, but in reality the idea that the experience has a direct and positive effect on the expected income people met, while the result remains positive is valid for research.

Table 5 - Results of Mincer human capital model for Mexico
 (Return on investment in human capital: The case of Ciudad Guzman, Jalisco (Diaz Sanchez, 2009))

	Schooling	Experience	Experience
1996	10.2%	1.6%	-0.2%
1998	10.1%	1.9%	-0.2%
2000	10.4%	1.6%	-0.1%
2002	11.1%	1.9%	-0.2%
2004	11.9%	1.1%	-0.1%
2005	11.5%	1.3%	-0.1%

The variable squared experience with its negative sign marks the effects of age and schooling on income, but the result shows that it is very little compared the impact of experience variable. The recorded result explains that the variable affects and creates a decrease in the income of individuals from 0.1 to 0.2% for the years described. Now, for the results of the THC in the state of Jalisco a series of investigations were conducted in several municipalities, these were: Guadalajara (1997), Tlaquepaque (2001) and Zapopan (2003) developed by Dr. Hector Cortes Fregoso, Ciudad Guzman (2007) by Rosario Diaz Sánchez (2013), El Salto by Ulises Osvaldo de la Cruz Guzman, Tonalá (2013) by Marta Sotelo and Tlajomulco de Zuniga by Victor Hugo Garcia Oliva (not published manuscript).

The results are shown below in Tab. 6:

Table 6 - Results of Mincer human capital model for the municipalities of Jalisco
 (Own elaboration prepared with data from several studies about human capital)

	Schooling	Experience	Esperience
Guadalajara	9.6%	1.7%	-0.0089%
Tlaquepaque	13%	4%	-0.034%
Zapopan	7%	2.3%	-0.4%
Ciudad Guzmán	9.5%	5%	-0.8%
El Salto	7.7%	-2.9%	0.6%
Tlajomulco de Zúñiga	5.2%	5.6%	-0.09%
Tonalá	6.9%	1.8%	-0.04%

Again, it is met the assumption that marks the theory of human capital concerning the impact of the variables schooling and experience on income of individuals.

In the results of Table 6 it can be seen that the municipality in which the school has a greater impact on income is Tlaquepaque with 13%. Hence, Guadalajara and Ciudad Guzman follow with coefficients of 9.6 and 9.5% respectively as the highest, while Tlajomulco de Zuniga ranks as the lowest, but the result if it hits the salary. Tonalá resulted in a considerable percentage of 6.9% which suggests that although it is a municipality whose main activity is the craftsmanship, an impact is generated if the person has more schooling.

Regarding the variable experience there is a complete change as the municipality that resulted highest coefficient is Tlajomulco de Zuniga with 5.6% which explains the variations of this with the expected income. Second, it is positioned Ciudad Guzman with 5% and

Tlaquepaque with the third. In this shift is the last place with 1.7% Guadalajara with what it can be concluded that for some municipalities, experience is higher and schooling lower as factors that positively affect salary. Finally, squared experience keeps its negative relationship and the municipality of Guadalajara once again holds the lead to only decrease at a rate of 0.0089 of the income for each year of life that the individual has, the last place is held by City Guzman with -0.08%.

Making a comparison of the municipalities studied with the results of research conducted at national level, it can be commented that there is a relationship with the variables and results. With the level of schooling an average result is shown, i.e., not away between coefficients for both areas. With experience it is noted a slight increase for the results of the municipalities, but this is accepted and in the end the squared experience it remains the same similarly.

Conclusions

The Theory of Human Capital as a tool to measure the impact of education on the expected income of the people is valid and demonstrates how impacts through the empirical evidence shown in this research. Estimates confirmed how education and experience determine changes directly on the expected income of individuals.

In the case of Tlajomulco de Zuniga, the results show how its important to invest in education from an early age because this will impact positively in the future for society as a whole. In this municipality and according to the econometric estimates that were made to the basic model of human capital, for each year of schooling is expected that income increase by an average 5.2%, experience equally to increase by 5.6% but at the same time present a decrease of 0.009% with squared experience on expected income. This is due to deterioration or depletion of human capital that occurs with increasing the age of individual, decreasing their skills and abilities

It is important to mention that the decentralization process in which is currently working at the national level maintains a positive outlook. The efforts made with the intent to disrupt key sectors such as education and which states take charge are aimed to better results in terms of educational quality. For the state of Jalisco, it is still much to work on, but municipalities are working for this change to be generated from the endogenous.

That said and verifying that the investment in education generates high returns for both the individual and the population as whole, municipalities should focus on proposing in their municipal development plans support to the education sector and also a request to the federal government for granting both financial and administrative support. For its part, the creation of local academies and training courses for members of a locality is key elements if it is want to increase the productivity of individuals.

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THE PRACTICE OF HUMAN RESOURCE STRATEGIC ROLES BY “ULRICH” MODEL



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This study examines the practice of Human Resource Strategic Roles Model of Ulrich at Indonesian Nickle Mining Company, which have been divided into Four-Role Model. The various roles that are examined in this study are the strategic partner, change agent, administrative expert and employee champion. All of these roles will be analyzed by using the Pearson Correlation coefficient to test the information about relationship between roles. Through the cross sectional study among 43 data were collected from professional of human resource department, finding showed that in case of roles practice of HRM Strategic of Nickle Mining Company roles of strategic partner, change agent, administrative expert and employee champion are significantly related to each other. Furthermore, it is found that strategic partner and administrative expert has a strongest relational against the other relationships human resource roles.

Key Words: human resource strategic roles, strategic partner, change agent, administrative expert, and employee champion

Introduction

The landscape of business competition is changing and the new era competitiveness are needed to deal with the challenges ahead. The intensity of the challenge is globalization which is needed the proper responses. This responses reveal to the new competitive reality demanding organization capabilities that will be enable organization to differentiate themselves from their competitors (Ulrich, 1996).

The differentiation of organization requires an utilization of a complex array resources or called by “mix resources” to grow, survive and achieve the objectives (Inyang, 2010). The deployment of those mix resources could contribute significantly to the goals of the organization. Of these, the biggest contributor to those goals is human resources (Inyang,

2010). There are three organizational core competences to found influencing the continues competitive advantages of organization, that is physical capital, human capital and organizational capital.

In recent years, there has been much debate according to the strategic roles of Human resource. Especially in area of how human resource could contribute to competitive advantage organization. And the primary way to gain the competitive advantage is to manage people more effectively (Walker, 1992). HR offer a valuable list of professional tasks that current CEO's should expect from HR. Some said that human resource played the invisible role that attention to corporate governance and compensation to the executives had been neglected (Long et al, 2008). Therefore, there are so many barriers that human resource professionals needed to overcome to be truly a strategic partner (Mondy & Noe, 2005).

There is a theoretical challenge facing strategic human resource management, the articulations of "black box". Especially how does "black box" explain HR's contribution to a firm's sustained competitive advantage? (Becker & Huselid, 2006). Accordingly, there are four characteristics that could explain the "black box" situation (Walker, 1992):

- 1) Integrating people related business issue and strategies with business strategy;
- 2) Integrating human resources processes with management processes-enabling managers to manage people effectively by focusing on ways to increase organizational effectiveness;
- 3) Integrating the human resources staff function with the business redefining its organization, roles and capabilities, and
- 4) Integrating human resource measure with business measure focusing on the business impact of actions.

From those four characteristics, Ulrich (1996) explained that human resource should offer a value added and positive contribution into the organization. Consequently, the roles undertaken by human resource professionals are in reality multiple. Ulrich (1996) is also offering four roles played by the professional human resource,

- 1) as a strategic partner,
- 2) as an administrative expert,
- 3) as an employee champion,
- 4) as a change agent.

By fulfilling this role, human resource professionals will increase their capacity to execute business strategies. The principles of the four roles is how deliverables as a system to the organizational human resource.

This research paper intended to analyze the relations within four roles of strategic human resource by "Ulrich" model: as a strategic partner, administrative expert, employee champion, and change agent, in practically at Indonesian Nickle Mining Company Sorowako. Following the literature on human resource strategies and making a kind of confirmation about that literature into the practice of strategic human resource. Specifically we argue that there is strong relationship between those four roles human resource strategic.

Review of Literature

The Four-Role Model of Ulrich

There is a dramatic shift in the role of human resource management (HRM) in recent decades. Becker et al. (2001) found traditionally, the human resource function has been viewed as primarily administrative, focusing on the level of the individual employee, individual job and individual practice. Human resource has now emerged as a strategic paradigm in which individual human resource functions, such as recruitment, selection, training, compensation and performance appraisal, are closely aligned to with each other and also with the overall strategy of the organization (Long & Ismail, 2008). The situation has changed in the past decade (Lawler & Mohrman, 2003).

Becker and Huselid (2006) found that the field of human resource strategy differs from traditional human resource management domain in two important ways. First, strategic human resource management focuses on organizational performance rather than individual performance. Second, it also emphasizes the role of human resource management systems as solution of business problems (including positive and negative complementarities) rather than individual human resource management practices in isolation. A core theoretical rationale for human resource's potential role as strategic assets in the firms, and as a notion to be the competitive advantage, is above-average of financial performance (Wright et al, 1992). But in reality the scenario is quite different (Ismail & Long, 2008), Barney and Wright (1998) pointed out that one reason why human resource executives are not invited to the strategic planning table is that they are perceived as lacking the required competencies.

The design of this paper research is based on four-roles model of Ulrich (1997). He stated that human resource can help organization to deliver organizational excellence by means of four methods. First, HR should become a partner with the management of the firm in helping with strategy execution. Second, human resource should contribute expertise in the efficient and effective performance of work, so that costs are cut and quality is maintained and it called as change agent (Long & Ismail, 2008). Third, human resource should be the employee champion which mean that employee should increase and ensure their ability that contribute to the organization. Finally human resource professional must be continually contribute to the process of change and help to improve the organization's capacity (Ulrich, 1997).

Becoming a strategic partner is the key of human resource role (Ulrich, 1997), which mean the participation of human resource in the process of defining business strategy, not merely responding to the strategy edicts presented by "senior management". Therefore as a professional, human resource must be capable to effective and efficiently aligning their action with the strategy of the business (Ulrich, 1997). It also defined that human resource strategic as a process to linking the human resource practice into business strategy (Ulrich, 1997).

The role of administrative expert is about the technical of human resource management practice as an implication of strategic human resource. The more important objective of this role is to make every effort of human resource to ensure that organizational process are designed and delivered with the utmost efficiency and innovatively (Ulrich, 1997).

The role of employee champion shows the process of employee-friendly environment creating. Its about the role that deals with the day-to day problems, concerns the need of employees (Conner & Ulrich, 1996). To the human resource professionals, it was the function of how they could increase the employee contribution and commitment to the organization (Ulrich, 1997; Csoka, 1995). They must work hard through workshop, communication and employee surveys to orient and train manager, especially the line managers to take responsibility for being the focal point of employee morale (Ulrich, 1997).

The popular phrase says that “change happens”. Modern changes today – due to globalization, customer demands, technological innovation, and information acces- is both dizzying and dazzling (Ulrich, 1996). Ulrich (1997) also said that the change in organization will fall squarely in the human resource role of change agent. Agent’s role refers to helping organization build a capacity of change (Conner & Ulrich, 1996). The capacity of change of course should be the duty of manager of human resource and human resource professional. Ulrich (1997), Baird and Meshoulam (1988) stated that the effectiveness of human resource management depends on it’s fit with the organizational stage and development and that, as the organization grows, human resource practices and procedures must evolve to meet those needs. Ulrich (1996) pointed out that evolving the procedures and practices are a kind of response due to the change itself, and according to Ulrich (1996), three general response types may be identified: initiatives, processes, and cultural adaptations. Initiatives focused on implementing the new procedures, programs or projects. Cultural is about the common values and shared meaning of organization that influence the organizational human resource management systems (Rogg et al., 2001). Accordingly “change” is not simple, but still needs effort and ability to improve initiatives that beneficial to organization success in long term (Ulrich, 1997).

Research of Conner and Ulrich (1996) found that there is the correlation between four-roles of human resource strategy. The same result also founded by Pranofian (2003) who considered correlation between those four-roles of human resource strategy, between strategic partner’s role and employee champion’s role, also between the administrative expert’s role against agent’s role changes. The meaning of those finding is four- roles of Ulrich’s human resource strategic actually is a kind of system that could be a formula helping human resource management to adapt and response to environment needs, and to take care of organizational sustainability. Just like what the expert mentioned before, the new business context, which is characterized by increasing globalization, greater organizational complexity, market competitiveness and cutting-edge information communication technology is prompting organization executive to take more interest in the deployment and utilization of their human resource (Inyang, 2010). Strategic of human resource management

together with the basic of human resource management principles, which is integrate with the concept of business strategy (Inyang, 2010).

Purpose of the Study

The purpose of this study is to analyze the correlation between Ulrich's four-roles human resource strategic in the PT. Inco, Tbk, the biggest Nickel's mining company at Sorowako, Indonesia. The four-roles of human research strategic has been designed by Dave Ulrich in (1996) which consist of strategic partner role, change agent role, employee champion role and administrative role.

Research Methodology

The design of this research is descriptive quantitative by surveying 43 professionals in all level of human resources department. This paper is a case study research on Indonesian Nickle Mining Company. To collect data, this paper used the Ulrich and Conner questionnaire (1997). Questionnaire was divided into four parts for the strategic partner, change agent, administrative expert and change agent. Each of part has 10 items questionnaires, because we use patent questionnaire of Conner and Ulrich, therefore we didn't make some kind of validity and reliability test for those tool. The respondent have been asked to choose the statement that is most relevant in their workplace. Alikert scale is used on the questionnaire with the following ratings. "1 –worse, 2-bad, 3-enough, 4-good, 5-very good.

This research also used The Pearson Correlation to analyze the correlation between four –roles of Ulrich's human resource strategy.

According to the Tab.1, 32.6% of respondents agree to choose good and 16.3% agree to choose bad. It means that for the all question of strategic partner, according to the respondent perception, role of strategic partner often implemented by the organization at their workplace.

Table 1 - Sum of Strategic Partner's Role
(data received by co-autors)

Strategic Partner's Role	Sum	Percentage
- worse	-	-
- bad	7	16.3
- enough	13	30.2
- good	14	32.6
- very good	9	20.9
Totally	43	100,00

Table 2 - Sum of Change Agent Role
(data received by co-autors)

Change Agent Role	Sum	Percentage
- worse	-	-
- bad	4	9.3
- enough	15	34.9
- good	12	27.9
- very good	12	27.9
Totally	43	100,00

According to the sum of change agent questionnaire, 34.9% respondents choose sometimes, and none of respondent chooses. It means that according to respondents, role of change agent sometimes implement on their workplace.

Table 3 - Sum of Administrative Expert Role
(data received by co-autors)

Administrative Expert Role	Sum	Percentage
- worse	-	-
- bad	7	16.3
- enough	16	37.2
- good	9	20.9
- very good	11	25,6
Totally	43	100,00

Tab. 3 illustrates that administrative expert role enough implemented at their workplace. It also means that at Indonesian Nickle Mining Company administrative data sometimes completed by the management.

Table 4 - Sum of Employee Champion Role
(data received by co-autors)

Employee Champion Role	Sum	Percentage
- worse	-	-
- bad	7	14.0
- enough	16	37.2
- good	9	32.6
- very good	11	16.3
Totally	43	100,00

Tab. 4 shows that due to respondent, employee champion role at Indonesian Nickle Mining Company being implemented by the management enough.

Table 5 - Relationship between Four HR Roles of Ulrich
(data received by co-authors)

		Coefficient Correlation
Strategic Partner-Change agent	Correlation Coefficient	0.975*
Strategic Partner-employee Champion	Correlation Coefficient	0.946*
Change Agent-Administrative Expert	Correlation Coefficient	0.777*
Change Agent-employee champion	Correlation Coefficient	0.760*
Administrative Expert-employee champion	Correlation Coefficient	0.760*

*Correlation are significant at the 0.05 level (2-tailed)

As shown in Tab.5, all components of strategic roles by Ulrich have a significant correlation.

This finding is relevant due to the study of Conner and Ulrich (1997), also Pranofian (2003). Those same study also found that a significant correlation between Strategic partner role, employee champion role, administrative expert role and employee champion role at the company, according to the employee of human resource department. The indication of the result showed that in Nickle Mining Company, the implementation of strategic role of employee is well categorized. It means that commitment and contribution of employee to the organization due to employee is good. Mondy (1998) said that the triggering factor to make commitment and contribution being stronger is arise through a lot of factors. One of that is compensation. As the matter a fact compensation of the employee, in the good grade for the public organization that owned by the government. But still in overall perspective, the four role's of strategic human resource have been implemented at Indonesian Nickle Mining Company.

The Implication of the Research for CEO's of Organizations

1. Implementation of four-roles of human resource should be increase, specially the strategic partner role of employee.
2. Get employee and HR personnel to involve in operations meeting and another strategic role.
3. Give to company human resource an opportunity to become involved in planning and policy planning even shared information.

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THE QUALITY OR PUBLIC IMAGE: EXPLANATORY STUDY OF LOCAL GOVERNMENTS FINANCIAL STATEMENT IN INDONESIA



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This research aims to identify a problem which forced by local government in production of qualified financial statement in Indonesia. Local government has two choices to create financial statement. In one hand, they have to produce better financial statement as obligated in Government Accounting Standard (SAP). On the other hand, there is public image about the result of financial statement audit. This research performs qualitative method with survey for data collection. Purposive Sampling is used to choose the sample with criteria the units always report financial report to local government centre. The population of this research is all local government units in Semarang-Indonesia, consisting of 50 units (there are 20 units fulfilling all criteria). Each unit has 5 respondents to analyze unit. The finding shows that local government prefers to maintain public image than financial report quality. They have opinion that the qualified opinion from auditor is important without considering the financial statement quality. The evidence is audited financial statement can not identify corruption problem in this area.

Key Words: Government Accounting Standard, Government Apparatus Quality, Internal Control System, Local Government Performance Report

Introduction

The Government Regulation (PP) № 71, 2010 concerning the Government Accounting Standards has instructed all local governments to be able to implement the government accounting standards properly. The regulation changed to formulating financial statement, local government used a cash accounting basis, but, by the advent of the new regulation, the local governments implement the accrual basis which was started in 2015.

The results of the Government Financial Statements of Semarang city in the year of 2007-2013 show a quite good trend. It is indicated by qualified opinion in 2007 and unqualified opinion in 2013. This result shows the hard work of all working units (SKPD) and Regional Financial Management Officer (PPKD) of Semarang city government to comprehend and implement the government accounting standards in the financial statements

of local government (LKPD). This condition is, of course, a good example and can be inspiring for other local governments in Indonesia in general or in the province of Central Java in particular.

The Implementation of SAP based on accrual basis becomes an obstacle for local governments. Based on data from the CPC (2014), it is only the government of Semarang city that has implemented the accrual basis accounting. While the other local governments still use the cash to the accrual basis accounting. Therefore, many local governments are vying to obtain an unqualified opinion. Therefore, there will be a view or image in society that the government has a good performance if obtaining an unqualified opinion.

The result of financial audit by BPK to Semarang city government shows unqualified opinion. It means that the financial statement is in accordance with government accounting standards in force. In other words, the financial statement is having a good quality. Looking at the result of audit reports on the financial statement of Semarang city government is very encouraging, but if we look at the reality, it is far from expectations. For example, even though the financial statement received an unqualified opinion, it is not able to prove a clean government without corruption. This, of course, is a dilemma for local government because in one hand they must be able to prepare a good quality of financial statement but on the other hand they must get unqualified opinion for public view. Clearly, this is not in accordance with the objective of financial statement which is to improve transparency, fiscal accountability (Gillibrand & Hilton, 1998; Perrin, 1998; Ryan, 1998), and performance.

There are several factors that affect local governments to formulate good quality of financial statements. Subaweh (2008) states that the implementation of SAP has significant positive effect on the quality of financial statement. This result is also supported by research conducted by Vicky (2013) on the effect of Government Accounting Standards (SAP) on the Quality of local government financial statement on the regional revenue agency of North Gorontalo district, Sulawesi province, Indonesia which shows that the implementation of SAP significantly influences the financial statement quality. On the other hand, based on the experience of a provincial government in implementing of new accounting system, the policy to adopt the new accounting regime fails showing low level of institutional capacity of local administrations. As a consequence, the institutionalisation of the new accounting system has yet to bring intended outcomes. In this vein, the role of accounting as a political tool for controlling people overshadows its roles for efficiency and performance improvemen (Harun & Kamase, 2012)

The other important factor for the creation of quality financial statement is human resources. The success of an entity is not only influenced by its human resources but also by human resources competence. In this case, the competence of human resources has a very important role to plan, implement, and control the entity. Competence is the hallmark of someone which can be seen from the skills, knowledge, and ability in completing the tasks assigned to him (Indriasari & Nahartyo, 2008). Competence is the basis of an individual to achieve high performance in completing the task. The incompetent human resource will not be able to complete the work efficiently, effectively, and economically. In this case, the

carried work will not be on time and there is a waste of time and energy. The presence of competent human resources will save time to formulate financial statement. This is because such human resources have already had knowledge and understanding of the things that must be done, so that the financial statements prepared and presented can be completed on time. The faster the financial statement is presented, the better the decision-making process will be (Mardiasmo, 2002).

The Government Regulation № 60, 2008 on the Government Internal control system mentions that Financial Statement presented by the local government should be based on an adequate internal control system and in accordance with Government Accounting Standards. The control function is performed by the Regional Head through the Internal Control System. The internal control system is an integral process in actions and activities carried out continuously by the management and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial statement, security of state assets, and compliance with laws invitation (PP № 71, 2010). Edy (2014) concludes that the internal control system has significant positive effect on the quality of local government financial statement. Therefore, this study will examine the factors described above, so that, the government of Semarang city is able to apply such accounting standards properly.

This research specifically aims to:

- first, to analyze several factors becoming constrains to local government of Semarang city to implement government accounting standards with accrual base accounting;
- second, to evaluate the excess factors of Semarang city government so that they can implement accrual based accounting;
- third, to analyze how the role of local government internal control system conducted by BPK, BPKP and Inspectorate in supporting the implementation of government accounting standards;
- fourth, to analyze how significant the financial and non-financial support in implementing Accrual Based Accounting Standards to succeed the implementation of government accounting standards.

Literature Review

Agency theory

Agency theory is the theoretical basis underlying the company's business practices over years. The theory is rooted from the synergy of economic theory, decision theory, sociology, and organizational theory. The main principle of this theory states that there is a working relationship between the parties giving authority (principal/investor) and receiving authority (agency/manager), in the form of cooperation contracts which is called as "*nexus of contract*" (Subaweh, 2008).

Agency theory emerges as the presence of relationship between the agent and the principal. An Agent is contracted to perform a specific task for principal along with responsibility for a given task. A principal has obligation to reward a top agent for service given by the agent. The existence of difference interest between agent and principal causes an emergence of agency conflict. Both principal and agent want to have profit maximization and avoid risk (Belkaouli, 2001).

The agency theory in the local government began to be applied, especially since the implementation of regional autonomy in 1999. The application of agency theory can be seen from two perspectives, i.e., the relationship between executive and legislative, and legislative and people; in which the implications can be in a positive thing such as efficiency, but more in the form of negative ones like behavior opportunistic (Subaweh, 2008). This happens because the agent has more advantages on financial information than the principals, while the principal may utilize its personal interest (self-interest) by its power. Therefore, problems will arise when an executive agency tends to maximize his interest which is started from budgeting, decision making process up to the present of financial statement only to show that own performance is good, besides to secure the position in legislative and people view.

Agency theory also says that an agent typically has an opportunist stance and tends to dislike risk (risk averse) (Safitri, 2009). The responsibility shown by local government is not only a complete and reasonable presentation of financial statements, but also on how they are able to open up access to the users (stakeholders) financial statement. The local government as agent would avoid risk in the form of stakeholder distrust on their performance. Therefore, the local government will strive to show that their performance is good and accountable especially in financial management field.

Government acting as Agents (administration manager) should set specific strategies in order to provide the best service to the public. The principals absolutely want good performance result of the agents and it also can be shown by the good quality of financial statements.

The Quality of Financial Statement

The Statement of Government Accounting Standards (PSAP) № 1, paragraph 9 states that the financial statement is a structured report of the financial position and transactions performed by a reporting entity. The general objective of financial statement is to provide information about the financial position, the realization of the budget, cash flow, and the financial performance of a reporting entity that is useful for users to formulate and evaluate decisions about the resources allocation. Essentially, the government financial statement is the assertion of government management that provides information useful for decision-making and to demonstrate accountability of reporting entity for the entrusted resources.

The financial statements are primarily used to compare the realization of revenues, expenditures, transfers, and financing, assess the financial condition, evaluate the effectiveness and efficiency of the reporting entity, and help to determine the compliance of

the legislation. According to Mardiasmo (2004), in general, the purpose and function of financial statements of the public sector are:

- 1) Compliance and stewardship;
- 2) Accountability and reporting retrospective;
- 3) Planning and authorization information;
- 4) Viability;
- 5) Public relations;
- 6) Source facts and figures.

Therefore, the financial statements play an important role to fulfill government obligation to the public in a democratic society.

Mardiasmo (2004) describes that public accountability is the obligation of a fiduciary (*agent*) to provide accountability, serve, report, and disclose all activities and agenda to be reported to principal who has the right and authority to hold such accountability.

The Public accountability consists of two kinds:

- (1) vertical accountability, and
- (2) horizontal accountability.

Vertical accountability is the accountability for the management of fund to the higher authority, such as the accountability of work units (departments) to the local government, the accountability of local governments to the state government, and the state government to the Federal Assembly. Horizontal accountability is the accountability to the general public. In the context of government organizations, public accountability is the provision of information and disclosure on activities and financial performance of the government to the interested parties. Government, both central and local, should become a subject of information conduit in order to fulfill the public rights (Mardiasmo, 2004)

Previous research

The policy to adopt the accrual accounting system in provincial government level of Indonesia indicates that the country follows similar patterns aimed at strengthening a more accountable, and transparent efficient government. As with the managerial reforms of public sector organisations in Australia, New Zealand and UK, the decision to adopt accrual accounting has been the central theme of these reforms (Ryan, 1998). The Government Accounting Standards (SAP) is a reference for financial statements policy avoiding the accounting problems which have not been set in the standard. SAP is an accounting principle which is applied in preparing and presenting the government financial statements. Thus, SAP is a requirement which has a force of law in an effort to improve the quality of financial statement of the Indonesia government. Nugraheni & Subaweh (2008) state that implementation of SAP has significant positive effect on the financial statement quality. This is also supported by the research conducted by Vicky (2013) who concludes that the implementation of SAP has significant positive effect on the quality of financial statement of local government revenue department and finance and asset management of north Gorontalo

district. On the other hand, based on the provincial government experience in new accounting system implementing, the policy to adopt the new accounting regime fails to recognise a low level of institutional capacity of local administrations. As a consequence, the institutionalisation of new accounting system has brought intended outcomes. In this vein, the role of accounting as a political tool for controlling people overshadows its roles for efficiency and performance improvemen (Harun & Kamase, 2012)

If the human resource competence is executed properly, then, the quality of financial statements will increase, so that, it is able to meet the qualitative characteristics of financial statements. If the human resources have carried out their duties and functions professionally, effectively and efficiently, then, they will produce quality financial statements. Herawati & Sinarwati (2001) show that human resources competence has positive and significant effect on the Quality of Regional Financial Statement. Internal control system is an integral process conducted continuously to provide reasonable assurance for effectiveness achievement. The efficiency of purpose achieving the state government, reliability of financial statement, security of state assets, are in compliance with legislation through the good SPI implementation and better financial statement produce. Susilawati (2014) shows that internal control system has significant positive effect on the local government financial statement quality.

Research Method

The population of this study is all Regional Work Units or Satuan Kerja Perangkat Daerah (SKPD) under Semarang City government (50 SKPD). The sample is obtained by using purposive sampling method along with the criteria that SKPD always reported their financial statement to the regional government. The method of collecting and analyzing the data is conducted through qualitative approach. Besides employing literature review, this study also uses survey method to several respondents determined before. The questions which were independently proposed to them were about the process of making financial statement such as, how the process of financial statement so far, what obstacles often occurred during making the financial statement, what kind of support given by the Regional Head during the process of financial statement making, and how the role of internal control system likes BPK, BPKP and inspectorate in dealing with financial statement making.

Findings and Discussion

From the 50 SKPD in Semarang becoming the sample, only 20 SKPD meet the criteria and condition determined before. Then, from the sample, it is acquired 2 respondents becoming analysis unit of each SKPD of the sample. Therefore, this research surveyed 40 respondents. Based on respondent distribution on Tab. 1 below, it can be seen that most of them have already experienced more than 5 years in financial statements making and have qualified for good enough education. However, most of their educational backgrounds do not

meet the field they are working in. For more detail, Tab. 1 and Tab. 2 below describe the respondent distribution as follows:

Table 1 - Respondent Distribution

(analyzed primary data, 2016)

No.	Experience	Frequency	Percentage
1.	Less than 5 years	18	45,00
2.	More than 5 years	22	55,00
Total		40	100

Table 2 - Respondent Distribution

(analyzed primary data, 2016)

No.	Education	Frequency	Percentage
1.	Accounting	17	43,00
2.	Non-Accounting	23	57,00
Total		40	100

Followings are the quotations of the interview result with some respondents: The first question *“How is the process of making financial statement so far, what problems often occurs during making it”*. Some of them had various answer. This is natural because each of them had different characteristic and transaction from one day to another; their roles were varied such as to be as cost center, profit center, and revenue center. However, the process of making financial statement generally could be done well and punctually due to computerized program which made the accounting easy. Whereas the problem occurred, they faced nearly the same problem which occurred at the beginning of accounting system implementation and new government standard accounting, they got difficulties in arranging accounting system and making annual financial statement. However, along with the time, they could finish and solve the problems by hard-working. They considered the existed accounting system (cash-base SAP) was difficult; the government gave another load in which they had to meet accrual accounting system.

The second question: *“What kind of support was given by the Regional Head during the process of making financial statement”*. Most of them had similar answer. The government gave very big support dealing with the process of financial statement making. One of those supports was by sending some accounting and financial staffs to intensive accounting training either inside or outside. The government made quite big investment dealing with financial statement in accounting software form to make financial statement. This is hoped that the financial statement could be performed faster, more accurate, and effective, and meet the government accounting standard run at that time.

The third question: *“How the role of internal control system likes BPK and inspectorate dealing with making financial statement”*. All respondent had various answers,

some of them answered that the auditors gave big role but some gave contrast answers. This is because the intensity of auditing conducted was varied in each SKPD, therefore, their answers were also varied. However, it can be concluded that all of the auditors above gave big role in assisting financial statement making of the government of Semarang city.

The success of the government in unqualified opinion (WTP) obtaining cannot be separated from cooperation among parties in all SKPD in Semarang city government. Based on the survey result, it can be concluded that the factors succeeding the government to obtain the WTP from BPK are firstly, the quality of human resource. During the process of making financial statement in SKPD, all of the employees cooperate and help one to another to make financial statement, so that it could be published punctually. Even though most of them do not have accounting or financing educational background, they wanted to learn seriously to implement government accounting standard especially in financial statement making. Nevertheless, the role of consultant either from academician, practitioner or inspectors, BPK and BPKP always give assistance and guidance. Besides, the government also often conducts internal or external trainings about making financial statement.

The second factor is an information technology system. The government has implemented computerized accounting system. This system helps employees to make financial statement in order to be faster, more practical and more accurate. However, this system is just a tool, which means that human should operate it. Thus, human resource factor is more prominent. The third factor is commitment and responsibility. The government has invested that technology system in order to enhance the quality of their financial statement. They use E-Reporting to produce financial reporting for all SKPD in Semarang local government. Even though, many human resources in SKPD have not accounting qualification, but they were helped by this technology. This factor is abstract but very important. All of the employees cooperate one to each other and work hard to implement their responsibilities by holding commitment together.

The government generally is viewed as government who has been successful in implementing government accounting standard based on the PP № 71, 2010. This can be reference or example for other regional governments in accordance with strengthening their financial statement. However, something which should be taken into account is that unqualified financial statement, in fact, is not free from fraudulence or loss of particular government. Even though the government of Semarang City acquire the unqualified opinion from the auditor of BPK, but the cases of corruption in their territory frequently occur. Indeed, this becomes dilemmatic for the government. A qualified financial statement should be free from any faults and fraudulences.

Conclusion, Limitation and Suggestions

Based on the result of the analysis above, it concludes that first, the Government of Semarang City have tried maximally to arrange qualified financial statement even it occurs several obstacles such as the quality of human resource. Second, the success of the

government in obtaining unqualified opinion from BPK depends on three factors namely human resources, information technology, and commitment. Third, the role of internal auditor in financial statement making. Forth, big supports are given by the government toward the financial statement making either financial or non-financial. However, this study has limitations. First, this study focuses only on the Government of Semarang City where this can be generalized for other Regional Government in Indonesia. Therefore, it is suggested for further research to broaden the sample of the research. Second, this study only employs qualitative approach; therefore, it is suggested to employ quantitative approach which gives a brief statistical explanation.

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