Contemporary issues in Organisational and Managerial Context

Employee Internal Voice and Brand Ambassador Behaviour

Project Portfolio Management

Managing Long-term Personal Finances

Humanistic and Economic Management
JOURNAL OF MANAGEMENT AND CHANGE

Contemporary issues in Organisational and Managerial Context
Employee Internal Voice and Brand Ambassador Behaviour
Project Portfolio Management
Managing Long-term Personal Finances
Humanistic and Economic Management

Tallinn 2018
Contents

Mari Kooskora 7
Contemporary issues in Organisational and Managerial Context

Alessandra Mazzei, Luca Quaratino 10
The Influence of the Organizational and Managerial Context on Employee Internal Voice and Brand Ambassador Behaviour: A Study of a Retail Company

Emil Vacík, Miroslav Špacek 24
Project Portfolio Management as a Tool for Innovative Projects Management

Maria Claudia Solarte-Vasquez, Mait Rungi 34
Perceptions on Collaboration Affecting the Viability of the Smart Contracting Approach

Leonore Riitsalu 56
Taking the Path of Least Resistance in Managing Long-term Personal Finances

Krystyna Zimnoch, Barbara Mazur 68
Humanistic and Economic Management - The Case of the Cooperatives of the Disabled in Poland

Jelena Golubeva, Riina Koris, Katri Kerem 78
The Dress I Wear Says More Than a Thousand Words: Conspicuous Choice of Garment among Estonian Elite
Journal of Management and Change (JMC) is a peer-reviewed scholarly journal that serves as a discussion platform and offers guidance in managing change and organisational development.

Changes can take place in different contexts and forms in society, professional activities, organisations, theoretical approaches and orientations. However, managing change is never easy, but is a great challenge for private and public sector leaders alike requiring careful planning, implementation and evaluation, and good change management. JMC aims to provide its readers with assistance, guidance and information in all these areas.
Dear Readers,

With the current issue of the Journal of Management and Change, the editorial team is delighted to present you a variety of papers written on important and contemporary issues relevant in the organisational and managerial context. The authors of the various papers have identified the most pressing issues in today’s organisations and management practices. The papers are often international in nature, including new, often surprising perspectives and challenge traditional thinking, but always with an aim to increase global and individual prosperity. During the times of change, globalisation, and ever increasing global competition, the main focus of many of our authors has been the employee or the individual, and the question in hand has been improving their work, life, or well-being.

Our journal received a high number of manuscripts both from Europe or world-wide and the choice of selecting the few for publishing has always been a tough one. With the help of our internationally experienced reviewers, we are bringing you the best selection that we believe will be enjoyed by our readers and fellow researchers.

The purpose of the first paper by Alessandra Mazzei and Luca Quaratino is to examine the role of organisational conditions and managerial style in enhancing employee internal voice and brand ambassador behaviour. The authors’ approach includes a literature review of the organisational and managerial context influencing employee communication behaviours with a particular focus on the retail sector. Their study was conducted in a retail company where authors carried out interviews with managers, document analysis, and a survey. The main findings indicate that particular cultural conditions, such as freedom of speech and democracy, and relationships with managers, are major factors influencing internal voice behaviour. Furthermore, since employees do not exhibit positive brand ambassador behaviours and their only commitment is continuity commitment, affective commitment is highly strategic. The study revealed that the adoption of conceptual models that address a company’s needs is an effective practice that must be customised to the specific context, and in order to sustain positive voice behaviour among employees, managers should leverage an entire set of contextual conditions. The article embraces a holistic view of encompassing both the internal and external communicative behaviours of employees, and studies their antecedents as a single set, which increases knowledge about drivers of employee communication behaviours.

The authors of the next paper Emil Vacík and Miroslav Špaček argue that in order to ensure and maintain the competitiveness of businesses in the current competitive environment, it is necessary to master sophisticated methods of management in their complexity. An emphasis has to be placed on the exact formulation of strategy, innovation, financial and project management. The authors consider project management in particular as a powerful tool for strategy implementation in the innovative enterprises and maintain that for the successful development of companies, both in the short and long term, it is necessary to work with project portfolios. Working with project portfolios and the issues concerning effective project portfolio management in international context have been dealt with in numerous professional studies presenting various views and hypotheses. The aim of the empiric research
carried out by the authors was to show how these demanding tasks are fulfilled in practice as well as how various individual approaches are mastered and standardised by modern innovative companies. Ultimately, they identify the potential for improvement and suggest steps for the enhancement of the quality of project portfolio management.

In the following paper Maria Claudia Solarte-Vasquez and Mait Rungi suggest that Smart Contracting (SC) is a proactive contract management approach that highlights the value creation potential of collaborative contract negotiation and transaction design techniques. According to the authors SC applies usability heuristics and is expected to increase understanding and trust in legally relevant exchange and in digital trade environments. Their paper reviews this proposal and reports on a mixed methodology study that addressed individual level understandings of collaboration, a key SC viability factor, and successful deployment and dissemination conditions. The data was explored performing a summative and interpretative analysis, which identified signs of public awareness and uniform disposition towards collaborative exchange. The results also showed an aversion within a single group of participants, and marked the influence of cultural factors in attitudes and trust. The authors believe that the findings on the viability of SC have cross disciplinary implications, stimulate integrative theory development, and inform the managerial and legal practices on ways to ease processes, operations, and interactions in context and regard this initiative as unique insofar as testing the grounds for legal innovation and preparing for a systematic application of user centered design techniques in strategic contracting within digital business strategies, a stream of research emerging in nature.

Aging population and the shift from defined benefits to defined contribution pension schemes in many of the developed countries have increased the importance of active saving for retirement. Researchers of financial literacy and behavioural finance have found evidence that people are not capable of making such complicated financial decisions. In theory, a rational and financially literate individual would compare the conditions of several pension funds before deciding, which one to join. Reality however may be somewhat different. These topics are discussed in paper written by Leonore Riitsalu who is focusing on managing long-term personal finances. She argues that empirical evidence from Estonia reveals that only a few individuals compare the terms and conditions of several pension funds before deciding which to choose. Furthermore, such decision making behaviour is not correlated to individual’s financial knowledge or socio-economic status. The author suggests that it may simply be more convenient not to conduct due diligence before choosing a fund, no matter how educated or wealthy the individuals are. The author also argues that the behavioural economists find that we can be myopic, have present-biased preferences, and not even identify with the future-self. Instead of comparing and choosing, we may take the path of least resistance or choose not to choose at all. Therefore, policymakers should address these behavioural issues more when designing financial education programmes, reforming pension systems, or using social marketing for reminding of the need to make active decisions for preparing for retirement, rather than merely providing information and expecting individuals to make considered choices.

The purpose of the paper by Krystyna Zimnoch and Barbara Mazur is to present the model of humanistic and business management and to show the positive effects of the complementary use of the two, as well as to depict the negative effects of only using economic management on the example of the cooperatives of the disabled in Poland. The authors argue that the liberal paradigm of socio-economic policy over the past quarter of the century (which promoted the business management model) has been the cause for failure of many cooperatives of the disabled (CD) and that cooperative management is not
as often studied in management science as enterprise management. Their article complements the existing research gap, proving that in the case of companies such as CDs, economic management occurs to be insufficient and a complementary management approach is necessary. The authors find the example of CDs to be very useful to prove that managing is about people and cannot be executed solely in economic way without considering people’s needs. This article is theoretical-empirical in nature and uses a method of historical analysis as well as the analysis of administrative registers data in Poland.

The authors of the next paper Jelena Golubeva, Riina Koris and Katri Kerem have taken a different view of societal issues. Their paper discusses conspicuous consumption and presents a study focusing on the owning and displaying of luxury items as a means of signalling wealth, social status, and prestige. Their study, set at the Presidential Independence Day Reception in Estonia (a country where capitalism, neoliberal practices and consumerism are just 25 years old), explores whether the economic, political, cultural and military elite have, over the past 25 years, developed elite taste or, as theorised by Weber, Bourdieu, Veblen and Simmel, are still rather displaying signs of conspicuous consumption in its choices of garment. Analysis of expert interviews revealed that in nearly 70% of cases, attendees in general resorted to conspicuous consumption to communicate their social standing, dominance and wealth, depending on the elite category, representatives of different elite categories resort to conspicuous consumption patterns for different reasons. The authors suggest that the economic elite resorts to conspicuous consumption to show off and as a sign of class belonging; the political elite signals social status and power; the military elite (the least conspicuous of all) rather adheres to the in-group rules and dress code; and the cultural elite consumes and displays luxury items to signal self-actualisation, fashion-consciousness and freedom.

Dear readers, we hope that this brief introduction to the topics of the current issue of the Journal of Management and Change was able to spark your interest in the topics and papers gathered here. As in most quality scientific journals, our requirement is that all the articles go through a time consuming process of review and evaluation, and the authors often have to rewrite and re-submit their papers several times before our distinguished editors are satisfied with the results. The process may be long, however, it ensures that the articles are of high quality and accepted by the wider scientific community.

Just like any article can be improved and refined, so can every journal. Hence, the editorial team of the Journal of Management and Change has decided to take a small break in our publishing. We are currently in the process of restructuring and remodelling our journal. We are revising our mission and strategic plans, our operational processes and scope. The aim of this restructuring is to be able to bring you an ever better journal and soon the new face of the Journal of Management and Change will be revealed to you.

Dear readers, we thank you for your loyalty and friendship, and we hope this issue of our journal brings you something interesting to discover. We would also like to show our gratitude to the authors, editors and partners, indeed to everybody who has helped us prepare this issue for our readers. All the articles will be electronically available through the EBSCO databases, and information about submission details can be found from our homepage www.ebs.ee. Wishing you all a pleasant and stimulating read.

On behalf of the editorial board

Mari Kooskora
The Influence of the Organizational and Managerial Context on Employee Internal Voice and Brand Ambassador Behaviour: A Study of a Retail Company

Alessandra Mazzei and Luca Quarantino, IULM University, Italy

Abstract

The purpose of the paper is to examine the role of organizational conditions and managerial style in enhancing employee internal voice and brand ambassador behaviour. Our approach includes a literature review of the organizational and managerial context influencing employee communication behaviours with a particular focus on the retail sector. A study of a retail company based on interviews with managers, document analysis, and a survey. The main findings indicate that particular cultural conditions, such as freedom of speech and democracy, and relationships with managers, are major factors influencing internal voice behaviour. Furthermore, since employees do not perform positive brand ambassador behaviours if their only commitment is continuance commitment, affective commitment is highly strategic. The study revealed that the adoption of conceptual models that address a company’s needs is an effective practice that must be customized to the specific context and in order to sustain positive voice behaviour among employees, managers should leverage an entire set of contextual conditions. This article embraces a holistic view encompassing both the internal and external communicative behaviour of employees, and studies their antecedents as a single set, which increases knowledge about drivers of employee communication behaviour.

Alessandra Mazzei Associate Professor of Corporate Communication, Department of Marketing, Behaviour, Communication and Consumption, IULM University, Milan, Italy. At IULM she teaches Corporate Communication and Public Relations. She has been Visiting Researcher at the Department of Communication Studies, Baruch College/City University of New York and Visiting Professor at the Centre for Corporate Communication, Aarhus School of Business and Social Sciences, University of Aarhus, Denmark. She serves as Vice-Chair of the Temporary Working Group on “Crisis Communication” at the ECREA; as a member of the Advisor Board of Corporate Communication International at Baruch College/CUNY and of the Editorial Advisory Board of Corporate Communications: An International Journal. Her primary research interests focus internal communication, internal crisis communication, corporate communication, reputation and brand management, marketing ad communication for credence goods, communication planning and evaluation. She authored several books and her works has appeared in Corporate Communications: An International Journal, International Journal of Business Communication, International Journal of Strategic Communication, Journal of Communication Management, Journal of Management and Change, The Total Quality Management Journal. E-mail: alessandra.mazzei@iulm.it

Luca Quarantino Assistant Professor of Organization Theory and HRM, Department of Economics, law and accounting studies, IULM University, Milan, Italy. After getting his law degree at Catholic University of Milan, he completed his studies in organization science at ILR-Industrial and Labour Relations Department, Cornell University (USA). For ten years he was Head of the “Organization and HRM” Department of ISTUD-Istituto Studi Direzionali, one of the oldest and most relevant Business School in Italy, where he completed his preparation as trainer, consultant and researcher. Today, at IULM he teaches Organizational Theory and Human Resource Management. He developed a specific expertise on management training assessment in transition economies (Russia, Serbia, Bosnia-Herzegovina, Hungary, Czech Republic, Poland, Romania, Lithuania, Latvia, China). On this, he recently published: Quarantino L., Serio L., Impact assessment of management training in the Russian Federation, Lambert Academic Publishing, 2015. Further research interests are: innovative models for HRM, cultural change inside organizations, adult learning and active teaching methods, generation mix management. On these topics he published books and articles both on national and international Journals. E-mail: luca.quaratino@iulm.it
Keywords

Brand ambassador behaviour, brand citizenship behaviour, commitment, proactive behaviour, retail companies, voice behaviour.

Introduction

Proactive behaviour by employees (Crant, 2000; Parker et al., 2006; Grant and Ashford, 2008) and Organizational Citizenship Behaviour (Organ, 1988; Mayer and Gavin, 2005) are attracting increasing attention from scholars. Among employee behaviours, particular attention has been devoted to communication behaviours (Author 1; Park et al., 2014; Zerfass and Franke, 2013; Frandsen and Johansen, 2011; Heide and Simonsson, 2011; Kim and Grunig, 2011; Kim and Rhee, 2011; Rensburg and de Beer, 2011), voice behaviours (Morrison, 2011), and dissent behaviours (Kassing, 2002). Nevertheless, there is a lack of knowledge about the strategic value of employee communicative actions and the factors affecting them (Kim, 2011; Park et al., 2014; Vallester and de Chernatony, 2006).

This study develops two specific aspects of employee voice behaviours: the expression of suggestions and concerns to managers (internal voice behaviour) and the spreading of referrals about the company to stakeholders (brand ambassador behaviour). So far, employee voice behaviours have mostly been studied as an internal phenomenon. The value of this article is to adopt a holistic view encompassing both internal and external communicative behaviours of employees, and studying their antecedents as a single set (Park et al., 2014), thereby increasing our knowledge about drivers of employee communication behaviour.

The article begins with a review of the literature on employee behaviours and the organizational conditions affecting them. It then presents the findings of a study of a retail company, and concludes with research and managerial implications.

Literature Review

Literature on employee internal voice and brand ambassadorship behaviour, and the organizational and managerial conditions that enhance them, ranges from psychology to marketing and organizational studies. Consequently, the review presented here is selective.

Employee voice behaviours are the “discretionary communication of ideas, suggestions, concerns, or opinions about work-related issues with the intent to improve organizational or unit functioning” (Morrison, 2011: 375). Employee internal voice behaviours have several advantages: improvement of decision-making, job attitudes, individual performance, correction of errors (Morrison, 2001), functioning and company performance (Detert and Burris, 2007), improvement of processes (Botero and van Dyne, 2009), service innovation (Boichuk and Menguc, 2013), participation (Cheney, 1999), and employee entrepreneurship (Park et al., 2014).

Voice behaviour is costly and risky (Milliken et al., 2003), in particular when it consists of dissent (Kassing, 2002) and critical upward communication (Tourish and Robson, 2003).

Employee communication with external constituencies is crucial for brand positioning and for conveying information about products and brands, as highlighted by concepts like brand adequate behaviours (Vallester and de Chernatony, 2006), behavioural branding (Punjaisri et al., 2009), brand consistent behaviours (Henkel et al., 2007), brand citizenship behaviours (Burman and Zeplin, 2005), brand aligned behaviours (Sirianni et al., 2013), and “living the brand” (Bendapudi and Bendapudi 2005).

Brand ambassadorship behaviours aligned with a firm’s brand positioning affect the overall brand evaluation and customer-based brand equity, leading to a brand-building advantage (Sirianni et al., 2013). When they are supported by congruent mass communica-
tion they can contribute to the success of the company (Henkel et al., 2007).

In any company, employee engagement produces customer satisfaction, loyalty and sales (Harter et al., 2002). In retail businesses in particular, employee job satisfaction affects customer satisfaction and perceived service quality (Brown and Lam, 2008; Wangenheim et al., 2007), financial performance (Chi and Gursoy, 2009) and profitability (Yee et al., 2008).

Prior studies emphasize that organizational conditions and managerial style enhance employee behaviour. The quality of organizational relationships measured by trust and commitment, influences members’ attitudes and in turn affects behavioural intentions and behaviours (Ki and Hon, 2012). Commitment engenders supportive behaviour (Ki and Hon, 2012) and reduced absenteeism and turnover (van Vuuren et al., 2007). Commitment has three components (Allen and Meyer, 1990): affective commitment indicates the employee’s emotional attachment to the organization, normative commitment is the employee’s feeling of obligation to remain in the organization, and continuance commitment is based on the cost of leaving the organization. Affective commitment has the strongest influence on organizational citizenship behaviour (Meyer et al., 2002).

Organizational identification is affected by employee communication and perceived external prestige (Smidts et al., 2001).

Internal communication influences employee communication satisfaction, which in turn sustains employee brand identification, loyalty and commitment (Sharma and Kamalanabhan, 2012). Trust influences the perception of organizational openness, which in turn influences employee involvement (Thomas et al., 2009).

Workplace democracy improves trust and manager-subordinate communication, reduces fear of engaging in voice behaviours, and increases change readiness (Holtzhausen, 2002). Timely, complete, and accurate communication and face-to-face managerial communication enhance employee actions in favour of the company (O’Neil, 2008). Communication is crucial to sustain relationships with stakeholders during change management (Kitchen and Daly, 2002).

Internal branding affects brand-supporting behaviours, depending on its ability to affect brand attitude (Punjaisri et al., 2009).

Factors influencing the decision to speak up are the intention to benefit the company, organizational structure and culture, collective beliefs, supervisor openness, relationships with supervisors, leadership style, and individual factors, such as job attitudes, experience and tenure, and position in the organization (Morrison, 2011).

Effectively managed organization-public relations are the antecedents of positive outcomes such as enhanced reputation (Hutton, Goodman, Alexander and Genest, 2001).

Informal and empowering management techniques support brand consistent employee behaviour (Henkel et al., 2007). Trust in management enables employees to dedicate attention to value-producing activities (Mayer and Gavin, 2005).

Mentoring behaviour of supervisors increases subordinates’ communication satisfaction, organizational commitment and job satisfaction (Madlock and Kennedy-Lightsey, 2010). Leader-member exchanges affect voice behaviours (Botero and van Dyne, 2009).

Assertive styles of supervisory communication increase perceived support for employees, which in turn enhances employee communication satisfaction and ultimately affects employee attitudes and behaviours (Dasgupta et al., 2014).
Management communication influences affective commitment (van Vuuren et al., 2007). In particular, the use of motivating language affects perceived leadership and job satisfaction (Sharbrough et al., 2006).

We can summarize the main findings of the literature review in three propositions:

Proposition 1: Literature about voice and brand ambassador behaviours supports the idea that these behaviours have a positive influence on company results, especially in the retail sector.

Proposition 2: Studies about organizational conditions indicate that employee behaviours are engendered by commitment, organizational identification, communication, voice climate, internal branding and perceived organizational justice.

Proposition 3: The literature on managerial style states that employee communication behaviours are affected by management openness, trust, mentoring behaviours of supervisors, leader-member exchanges, supervisors’ assertive style of communication, listening to employees, and motivating language.

At the same time, it emerges from the literature review that there is a lack of an overall model analysing both the internal and external communication behaviour of employees, and identifying their antecedents as a single set of organizational and managerial levers that can be activated in order to improve those behaviours. A study of the field was then developed to contribute to filling this gap.

**Research Design and Method**

This article is based on a study of a retail company. To ensure its anonymity, only that information about the company that is essential for understanding the findings and conclusions is provided. The company is a cooperative firm and in 2013 had about 7,700 employees and 300 stores. It experienced rapid growth, and consequently hired a relevant number of millennials, employees who had previously worked for other companies, part-timers, and casual workers. As a result, corporate culture, cohesion around corporate values, and motivation of co-workers were at risk and the management felt out of touch with the workforce, compared with before. This feeling led to the launch of a structured listening program.

The company asked university researchers to implement the listening program to ensure independence. Furthermore, the management expected researchers to adapt the conceptual models and scientific methods to the company’s situation.

The research combined qualitative and quantitative methodologies in a two-step study.

The first step consisted of a participatory study and involved leaders from both the headquarters and the stores in the definition of the areas to be investigated. The participatory design underlined the effort to increase managers’ listening competencies and make them more open to the findings (Tourish and Robson, 2003). Sixteen semi-structured interviews were conducted (VanderStoep & Johnson, 2009; Daymon & Holloway, 2002) on the following items: culture and identity, leadership style and people management, motivation and commitment, generation mix, participation and involvement, advice for the second step of the research.

The data collected were integrated with the analysis of official documents, including the company profile and top management’s speeches to workers. These documents proved to be useful in integrating a point of view that was independent of the research study (Yin, 1994) and allowed the researchers to gather additional impressions about company habits, organizational climate, and the main cultural features.
The second step of the study consisted of a survey. Based on the conceptual framework discussed in the literature review section, and with the aim of developing a holistic view encompassing both internal and external communicative behaviour of the employees, and studying their antecedents as a single set, the researchers developed a research design to explore the influence of organizational conditions on employee internal voice and brand ambassador behaviour. The interviews carried out during the participatory design phase made it possible for the researchers to develop measures effectively embedded in organizational context and culture. The questionnaire was based on a conceptual framework, and at the same time reflected the company’s distinctive identity and used the company’s lexicon.

The questionnaire addressed the following areas: company identity and values, participation, employee internal voice and brand ambassador behaviour, responsibility, relationships among generations, commitment, motivation, the quality of relationships, managerial style, and perceived external communication. The study covered a broad range but this article discusses only the findings related to internal voice and brand ambassador behaviour and their determinants (see Table 1).

The questionnaire was delivered online over a four-week period and the researchers collected the data directly to ensure the anonymity of the respondents.

Overall, 1,870 answers were collected, with a response rate of 81%. The data were analysed using frequency distributions and bivariate joint frequency. The interpretation of the results was supported by findings from the interviews, open comments at the end of the questionnaire, and the literature.

Findings and Discussion

Following the aim of this study of developing a holistic view encompassing both the internal and external communicative behaviour of employees, and increasing knowledge about their organizational and managerial drivers, the analysis primarily focused on two items: internal voice and brand ambassador behaviour, and their determinants.

The quantitative results from the extensive survey are integrated with qualitative material from the interviews to go deeper in explaining the “how” and the “why” behind the numbers and percentages.

a) Internal voice behaviours were analysed by asking employees what they do to participate in the organization. Internal voice behaviour was found to be strong, with employees claiming they participate mainly by expressing their opinions even if different from the prevalent ones (90.0%), giving advice to their boss (77.8%) and actively participating in meetings (76.1%).

The interviews revealed a strong attitude towards internal voicing of concerns and suggestions: “Everyone feels entitled to express their opinions and discuss them with colleagues”, “People think that they can propose suggestions to their bosses concerning their job and activities” (1).
Table 1. Variables of the research design and their measures

<table>
<thead>
<tr>
<th>Employee communication behaviours</th>
<th>Measurement items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal voice behaviours</strong></td>
<td>What employees do to participate in company life... Express their own ideas even if different from the prevalent ones Give advice to supervisors Participate in an active way in job meetings Take part to company activities outside working hours As members of the cooperative, participate in the Annual General Meeting</td>
</tr>
<tr>
<td><strong>Brand ambassador behaviours</strong></td>
<td>Habits of employees when they are outside their workplace... Recommend the company’s products and services Talk positively about the company Defend the company from criticism Acknowledge the company’s limitations and mistakes Criticize the company Talk about their own job on social networks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational conditions</th>
<th>Measurement items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitment</strong></td>
<td>Main reason to work in my company... I perceive this organization as something that is mine I have a secure job and receive a salary I respect and am grateful to my company Doing shopping in a competitor’s store... I perceive no advantage in shopping with my company I drain my company Is an indicator of a low sense of belonging</td>
</tr>
<tr>
<td><strong>Motivation</strong></td>
<td>Workers of this company usually feel... Ready to take charge of problems and look for solutions Motivated and satisfied Not recognized Discouraged Not very committed Optimistic about the future</td>
</tr>
<tr>
<td><strong>Perceived external communication</strong></td>
<td>I think the way this company presents itself outside... fully reflects the values of the company does not reach all our potential customers is not appealing does not express how good we are is effective is memorable</td>
</tr>
<tr>
<td><strong>Supervisor-member relations</strong></td>
<td>To describe my relationship with my boss I would say... I trust my boss My boss trusts me My boss supports my growth My boss spurs me on with challenging objectives We have daily contact My boss recognizes my contributions</td>
</tr>
<tr>
<td><strong>Manager style</strong></td>
<td>The most important traits of a people manager... being able to listen to people and to accept their proposal giving positive and negative feedback being competent being fair and coherent being protective providing an example</td>
</tr>
</tbody>
</table>
The final question on the questionnaire asking for free comments was answered by 724 respondents (38.7% out of total respondents) and mainly with very long comments, as they were willing to state their personal point of view with the expectation of being listened to.

Internal voice is strong, as employees have the attitude that they can express their concerns and opinions. In particular to voice one’s own ideas even if they are different from the prevalent ones.

This strong attitude towards internal voice is coherent with the company’s nature and culture, as stated by the top management, official documents and interviews. The company is a cooperative firm and values democracy, equality among members, and participation in decision-making, as part of its culture.

Document analysis and interviews also indicated that in this company unions are strong and people are sensitive to affirming their rights. For example, “It is not possible to understand the internal organizational dynamics if the historical role of the unions is not taken into account”, “Especially in the past, everything had to be discussed and negotiated with the unions and nothing happened without their agreement”.

Findings from the survey, declarations of the management, and the interviews indicate that people feel they have the right and duty to express their point of view because freedom of speech is a highly respected value.

This situation of democracy and equality describes an open communicative climate, one of the most relevant factors supporting employee voice behaviour (Morrison, 2011; Holtzhausen, 2002; Keenan, 2002). A remarkable aspect of this company is the attitude to the expression of minority opinions, a form of dissent that people usually refrain from (Kassing, 2002). This study supports previous ones indicating that minority opinions are considered legitimate when top management supports freedom of speech (Mannix and Neale, 2005). In such a context, a minority can influence the majority, increasing the acceptance of diversity and innovation (Moscovici, 1976).

The strong attitude towards internal voice behaviours represents a potential for innovation (Detert and Burris, 2007), more effective decision-making and error detection (Morrisson and Milliken, 2000), and increased performance, job satisfaction and commitment (Vakola and Bourades, 2005). This attitude represents a peculiar situation, as in most organizations voice is refrained, particularly when it is critical upward communication (Tourish and Robson, 2003).

b) Employees were asked about their brand ambassador behaviours when not in the workplace. They feel that it is natural to provide advice on the company’s products and services (72.9%), to talk positively about the organization with acquaintances and relatives (72.6%), and to defend the company from criticism (63.3%). Moreover, they are ready to acknowledge mistakes (40.3%) and to criticize the company (28.6%).

Employees act as brand ambassadors in a limited way and at times are even disloyal. The managers were disappointed by these findings, which they thought were not coherent with the nature of cooperative firms and the culture that the company desired.

The interviews indicate a critical attitude among people toward the company during their interactions with stakeholders. It seems to be a by-product of insufficient communication about strategic choices: “I believe that people lack information and the overall perspective needed to promote the company’s distinctive brand in the eyes of customers”. In other cases, people do not feel loyal to the organization: “Some workers own the loyalty card of competitors”, or workers just forget the relevance of their role: “Here people do not fully perceive the risk of criticizing the company outside”.

ports freedom of speech (Mannix and Neale, 2005). In such a context, a minority can influence the majority, increasing the acceptance of diversity and innovation (Moscovici, 1976).
When employees are not strong advocates, and do not volunteer to communicate organizational strengths, but are highly adversarial, and disperse negative information to external constituencies, amplifying organizational problems, they reduce opportunities and increase threats to the organization (Kim and Rhee, 2011).

The study then examined the contextual setting in which the internal and external communication behaviours are enacted, in order to understand the role of the main antecedents of communication behaviours.

Commitment to the organization was explored by seeking employee opinion about shopping in a competitor’s store. As much as 60% of the workers consider it an economic drain on the company. The percentage is apparently high, but taking into account the cooperative nature of the company – that it is owned by its customers and workers – and its history, one would expect greater awareness of the economic loss. Furthermore, many workers saw shopping in a competitor’s store as a matter of convenience (“I go to the nearest store” 53.8%) and a significant number of them saw it as a normal habit (“It is just normal” 36%). The interviews also underlined the lack of support from the workers: “Here many people do not understand how important it is to support the company by buying and promoting its products”. In relation to both the survey and the interviews, the level of commitment would appear to be a matter of concern.

The researchers analysed the type of commitment to the organization that the workers exhibited. The respondents show a similar level of continuance commitment (“Having a secure job and receiving a salary” 63.4%) and affective commitment (“Perceiving the organization as something that is mine” 62.7%). The interviews indicate the predominance of continuance commitment: “People perceive their rights very clearly, their moral duties much less”, “In this organization it is all about job security, which doesn’t spur proactive behaviours very much: people always get, but seldom give”. Analysing findings from the survey and interviews, it appears that continuance commitment is a cultural trait.

According to previous studies, lack of commitment explains why workers are not forceful in their brand ambassadorship behaviours because commitment is one of the most important supports for employee communicative actions (Kim and Rhee, 2011; Park et al., 2014). In particular, continuance commitment does not encourage “promotive work-related voicing” by employees (Boichuck and Menguc, 2013).

Employee perceptions about the company’s external communication are unsatisfactory. On the one hand, workers believe that it fully reflects the values of the company (61%). At the same time, they feel that, “It does not reach all our potential customers” (50.9%), “It is not appealing” (25.5%), and, “It does not express how good we are” (32.9%).

The interviews help to link this evidence to specific cultural traits in the organization: “We are much more than we appear, and we do not communicate enough how good we are”, “Here a monastic style is prevalent, based on understatement, and probably this affects our external communication and marketing activities”. In addition, the interviews underline that sometimes a complete understanding of the strategic choices related to the brand is missing.

Overall, employees seem to lack confidence in the quality of the company’s external communication, and this perception probably affects their lack of motivation and willingness to become “brand ambassadors” (Schimdt et al., 2001). The internal dimension of corporate identity is strongly linked to its external dimension of corporate branding (Balmer, 2001; de Chernatony, 1999) and a favourable corporate reputation can enhance employee loyalty (Gotsi and Wilson, 2001). An understanding of the brands – and in particular an
understanding of what the brand stands for, of the importance of the brand for success, and of its role in achieving success – influences the decision of employees to support the brand (Xiong et al., 2013).

The level of individual motivation among the employees was explored by asking people about their usual personal condition inside the organization. On the one hand, they feel “ready to address problems and look for solutions” (59%), which is probably a driver for “voice” behaviours. On the other hand, only 39.5% of respondents said they were “motivated and satisfied”, and there is a widespread feeling of “not being recognized” (56.1%) and of “being discouraged” (43.3%).

Both interviews and free comments from the questionnaire help to explain this widespread feeling: “There is a significant amount of knowledge and competence among employees that is not rewarded or recognized”; “Many people try to contribute with ideas and proposals but often they are not listened to by the management”. The limits of a managerial style not ready to acknowledge people’s contributions do emerge.

It seems that often the internal voice is not valued for organizational improvement and development, and this represents a waste of resources (Hirschman, 1970). The feelings of demotivation help to explain the limited efforts of employees to behave as “brand ambassadors”, as pointed out by the literature on employee satisfaction (Kim and Rhee, 2011; Ki and Hon, 2012).

Regarding relationships between superiors and members, employees state that it is mainly based on mutual trust (“I trust my boss”, 76.4%, and, “My boss trusts me”, 70.8%), while the responses related to personal and professional improvement are comparatively weak: “My boss supports my growth” (62.1%), and, “My boss spurs me on with challenging objectives” (59.9%).

The existing managerial style was also analysed by asking employees which are the most important traits of a people manager. The answers focus on the relevance of “being able to listen to people and to accept their proposals” (80.4%), while “giving positive and negative feedback” scores very low (22.7%).

The interviews provide an idea of a boss who is more a “good friend” than a “people developer”, someone with whom it is easy to coexist because he/she is hardly taking team-members out of their comfort zone. This managerial style, which maintains a good internal atmosphere, has been effective in the past, when resources were abundant. However, in the long run it might prevent the development of individual talents, which are the key to present and future competition, especially in a period of declining resources. From this perspective, managers should focus more on people development activities.

The influence of managerial style on brand supporting behaviours (Henkel et al., 2007) and the voice behaviours of employees (Botero and van Dyne, 2009) has been clearly documented in previous studies.

The particular idea of managers as “good friends” could also explain the attitude to internal voice. People feel free to express opinions and concerns, stimulated by an informal atmosphere where everyone is allowed to talk. At the same time, this dynamic might become critical when this huge flow of internal voicing needs to be translated into concrete and purposeful actions. From this point of view, the company’s managerial approach recalls the “country club” style (Blake and Mouton, 1964), characterized by a high concern for people and little concentration on task.

Overall, internal voice behaviours seem to be favoured by a good communication climate and affective commitment, but they hardly translate into concrete actions and initiatives because of the predominance of continuance commitment, a “country club” leadership
style and limited attention from managers in acknowledging contributions and ideas of employees. Besides, brand ambassadorship behaviours are negatively influenced by continuance commitment, perceptions of the company’s external communication and individual motivation.

The findings show that the internal voice is stronger than external brand ambassador behaviours, even though they are both limited. According to the literature, the factors that sustain voice and brand ambassadorship behaviours are those that were found to be weak in this case, and that is coherent with the attitude of not being strong advocates. Considering the particular culture of the company, centred on democracy, equality and freedom of speech, one can argue that internal voice behaviours are quite strong, even though the organizational conditions and managerial style would suggest the prevalence of silence rather than voice.

From a theoretical point of view, this study shows that the cultural features of the organization must be considered among the organizational conditions underlying the voice behaviours of employees. Based on the present study, earlier literature has not adequately considered the cultural aspect of organizations in explaining the voice attitudes of employees, and those cultural aspects may act as a moderating factor. This should be taken into account when seeking the determinants of proactive behaviours and brand citizenship behaviours among employees. As far as it concerns brand ambassadorship behaviours, determinants highlighted in the literature are confirmed, while it seems clear that cultural features also play a significant role.

So the value of the presented study is to contribute in developing a holistic and integrated understanding of the main antecedents of internal and external communication behaviours, seen as linked and mutually interdependent.

Conclusion

This article aimed to increase knowledge about the organizational conditions enhancing employee communication behaviours: internal voice and brand ambassadorship, two strategic proactive behaviours and brand citizenship behaviours of employees. To this end the researchers reviewed the literature from marketing, management and communication fields and studied a retail company by means of interviews, document analysis and a survey.

The literature reviewed allowed the researchers to develop three propositions regarding employee behaviours. The first is that employee internal voice and brand ambassadorship behaviours affect competitive advantage and organizational effectiveness, in particular in the retail industry.

The second proposition affirms that employee behaviours are engendered by organizational conditions, including commitment, organizational identification, communication and voice climate, internal branding, and perceived organizational justice and trust.

The third proposition states that managerial communication style, namely openness, mentoring behaviours, assertive style of supervisors, leader-member exchanges, feedback, and listening affects employee communication behaviours.

Based on this framework drawn from the literature, the researchers designed a study that looked at a broader range of employee communication behaviours, encompassing both voicing to internal stakeholders and conveying brand-consistent messages to external constituencies. This wider concept is a novelty in the current theoretical landscape, as most studies have only considered employee voice as related to the internal environment (Park et al., 2014).

The findings show strong internal voice, albeit not often translated into concrete actions, and
The Influence of the Organizational and Managerial Context on Employee Internal Voice and Brand Ambassador Behaviour: A Study of a Retail Company

weak brand ambassador behaviours. The analysis of the organizational conditions shows a low level of commitment, and in particular a concentration on continuance commitment, a low level of motivation, a negative perception of external communication, all of which are consistent with weak brand ambassador behaviours. Using findings from the interviews to integrate and interpret the data from the survey, the study shows that the foundation on which strong internal voice behaviours are built include the value of democracy, the legitimation of minority influence, and freedom of speech. These are coupled with the idea of bosses as “primus inter pares”, “accommodating listeners” and “good friends”.

The theoretical implications of this study are that particular cultural conditions and relationships with managers are major factors influencing internal voice behaviours. Furthermore, employees do not perform positive brand ambassador behaviours if their main commitment is continuance commitment. Based on this study, affective commitment has greater strategic importance than continuance commitment on producing brand ambassadorship.

This study has some implications for research. It shows the efficacy of adopting theoretical and conceptual models that address a company’s need for knowledge. At the same time it demonstrates that it is important to customize conceptual models to the specific context by adopting the company’s jargon.

From a managerial point of view, the study shows that in order to sustain internal and external positive voice behaviours on the part of employees, managers should leverage an entire set of contextual conditions both organizational and managerial. This implies an appropriate effort to integrate and coordinate between communication and human resource management activities and departments. In particular, the leadership style emerges as a key factor affecting both brand ambassador behaviours and the real usefulness of internal voicing, making it possible to move from “talking” to “actions”.

In order to support organizations willing to invest in an integrated approach to internal and external employee communication behaviours, here some practical indications are given.

Companies should implement specific managerial practices to sustain both internal voice and brand ambassador behaviour such as an open communication climate, the legitimation of minority influence, the value of democracy and freedom of speech, a managerial style that involves two-way communication, continuous listening systems based on periodical surveys, open door policies, grievance procedures, organizational ombudspersons, policies for upward communication, internal reporting systems, and whistleblowing procedures.

According to the present study, to sustain brand ambassador behaviours, it is essential to increase affective commitment, motivation and satisfaction, and to improve the perception of employees about the quality of external communication in order to reinforce the external prestige of the company. Furthermore, it is necessary to implement specific brand-supporting practices, such as brand design, enhancement of communication competencies by means of training and development, programs for employee empowerment, and adopting indirect forms of communication, such as storytelling, to increase the internalization of brand values.

Notes

1. Verbatim phrases taken from interviews shown in quotation marks

References

Allen, N.J. and Meyer, J.P. 1990. The measurement and antecedents of affective, continuance
and normative commitment to organization. Journal of Occupational Psychology, 63, 1–18.


Project Portfolio Management as a Tool for Innovation Project Management

Emil Vacík, University of Economics in Prague
Miroslav Špaček, University of Economics in Prague

Abstract

In order to ensure and maintain the competitiveness of businesses in the current competitive environment it is necessary to master sophisticated methods of management in their complexity. Emphasis has to be placed on the exact formulation of strategy, innovation, financial and project management. Project management in particular is becoming a powerful tool for strategy implementation in innovative enterprises. For the successful development of companies, both in the short and long term, it is necessary to work with project portfolios. Working with project portfolios and the issues concerning effective project portfolio management have been dealt with globally in numerous professional studies presenting various views and hypotheses. The aim of the empiric research carried out here was to show how these demanding tasks are fulfilled in practice as well as how various individual approaches are mastered and standardized by modern innovative companies. Ultimately, potential for improvement was identified and steps for the enhancement of the quality of project portfolio management are suggested.

Keywords

Innovation, multi-project management, project, programme, portfolio, project portfolio management.

JEL Classification: M16, M21, O22

1. Project Portfolio Management

The main goal of this paper is to examine the effectiveness of the management of company project portfolios. A supporting goal was to determine the percentage of the representation of individual innovation projects. Moreover, the paper aims at exploring the roles of innovation projects with regard to company performance and value development. On the one hand, exact approaches to Project Portfolio Management (PPM) have been developed in current business practice, but on the other hand, a formalized methodology is still missing. It is evident that PPM is becoming a part of strategic management processes where innovation plays a key role. That is why the authors made an effort to examine the role of innovative projects within the portfolio framework as well as business models including project portfolios. The paper places emphasis
on monitoring portfolio performance especially in regard to the compliance of the set of objectives of partial projects and their timing, budget priorities and constraints.

The term project portfolio management is understood as the complex planning, coordination and control of many, mostly mutually dependent, projects in one organisation or organisational unit. In Germany, project portfolio management is commonly called multi-project management and is based on DIN 69901, which defines multi-project management as “an organisational and procedural framework for managing more than one partial project”. PPM is therefore ranked among the systems of management. If more projects are scheduled to be implemented simultaneously in the organisation then PPM becomes the method of choice. Selection, planning, management and monitoring of the project portfolio in the organisation or its unit is subjected to PPM (Cooper et al., 2006). The aim of PPM with regard to the strategic goals in a company is to ensure the optimum selection of projects and in parallel to respect the efficient use of resources (technological, financial, personnel, informational and organisational). Conformity between the formulated strategic goals and investment policy of the organisation is pursued in this way. Forst and Souček (2010) define the tasks of PPM, among others, as follows:

- to achieve the satisfactory fulfilment of current goals in all simultaneously running projects within the given extent, quality, time and price;
- to optimize the continuous use of resources in the managed projects;
- to evaluate and prioritize running and potential projects according to particular criteria;
- to identify the extent of risk exposure and to carry out early response, including the option of suspending or terminating projects;
- by means of a portfolio analysis to identify dependencies and synergies between projects and make use of them when defining connections and boundaries between projects and theirs limitations;
- to unify terminology, reporting and ways of communication when managing projects;
- to increase the knowledge growth of individuals and the entire organisation.

PPM includes the elements of operational and strategic decision-making (Foschiani 1999). At the strategic level it is mainly the correct portfolio composition and the choice of the relevant priorities. The following parameters belong to the main objectives of PPM:

- selecting such projects that yield the greatest benefits;
- prioritizing running projects;
- managing risks within the portfolio;
- treating the impact of changes within projects.

The role of the operational level of PPM is to maintain the economy of the progress of the individual projects, to solve conflicts in resources and to maintain time discrepancies between the plan and reality.

At the strategic level, methods of risk management are used for project portfolio management and the process of prioritizing is carried out according to evaluations of the strategic importance and urgency of partial projects (Kunz, 2007). In the case of the operational management of the project portfolio the following instruments can be mentioned: operational controlling, standardization of project progress, quality management and project evaluation (Eberhardt and Dominick, 2010). The methodology known as Critical Chain Project Management1 has spread in practice mainly because of its ability to prevent delays in implementation caused by cumulating projects in narrow profiles, and thanks to the active use of project inventory.
Some literature resources (e.g. Bible and Bivins, 2011), consider PPM processes to be divided into specific phases which commonly correspond to the content of key phases which create the project’s value. Other phases cover portfolio creation and implementation. Bible and Bivins (2011) also separate the PPM model into strategic, screening, implementation and evaluation phases. The theory of PPM divides project portfolio processes into:

- **Programme management** – the projects in programmes have common goals. From the point of view of a project manager this represents a number of limitations (e.g. scheduling, budgeting, technical and personnel limitations), as all the projects having to be coordinated within the programme.

- **Project portfolio management** – projects in a portfolio may compete as far as the in terms of resources and urgency. These priorities have to be respected in the management process.

In company practice it is possible to distinguish between PPM in the narrower and broader sense. In the broader sense PPM is the complex management of the project environment meant to meet the set objectives of the relevant stakeholders by means of the balanced effect of organisational factors, strategies, processes, methods and cultures (Gemünden, 2010). Dammer and Gemünden (2006) presented a functional model of multi-project management based on the company’s need to evaluate a greater number of projects than available resource capacities allow. The particular projects have to be selected according to criteria, which must be set beforehand. Those projects that meet the set criteria are moved forward through a gate to the implementation stage. In the next step it is necessary to coordinate and support the projects leading to successful finalization. A functional model of PPM is illustrated in Figure 1. Differences between projects, programmes and portfolios are specified in Table 1 (Project Management Institute, 2013).

PPM tools primarily support the selection phase of PPM; in other words, the evaluation of projects, their prioritizing, examining mutual dependencies among projects and the most important role they have, selecting projects into the portfolio with respect to risks (Fischer, 2004).

Post-implementation analyses, also called post-implementation reviews (PIR) are part

---

**Figure 1. A functional model of project portfolio management according to Dammer and Gemünden (2006)**
of successful portfolio management. These analyses should be mandatory for the projects of decisive significance for the company, for projects with high risk and projects the progress of which is tied to the progress of other projects. The quality of the PIR influences how informational, financial and organisational aspects are ensured. The benefits of PIRs are observed closely not only in the case of future projects but also in the case of current projects. Creating space for their modification can increase the effectiveness of investment process (Sanches et al., 2008).

2. Innovation and Innovative companies

The principles of project and strategic management are based on the assumption that innova-
Project Portfolio Management as a Tool for Innovation Project Management

Innovation is a driving force of competitiveness and increased company performance. Innovation is understood, in accordance with the Oslo manual, as an implemented change. In the case of project management it is meaningful to distinguish between projects of innovative intention and projects of innovative product (Švejda, 2007). Contemporary companies find themselves in a dynamic environment which stimulates innovativeness. The following factors are typical for innovation projects:

- pressure on shortening innovation cycles;
- increasing technical risk;
- necessity to increase economic efficiency and cost-effectiveness;
- generation of a growing number of innovation stimuli.

According to Jahn (2010) it is possible to apply a systemic approach consisting of five subsequent processes for evaluating portfolios of innovation projects. The scheme of this procedure can be seen in Figure 2.

According to the Eurostat (2010) methodology, innovative companies can be regarded as those entities that have either introduced product innovation or process innovation or tackled on-going or interrupted innovation activities (technical innovation) or introduced marketing or organisational innovation (non-technical innovation) within a certain period. By use of various characteristics it is possible to identify an innovative company (Trommsdorff and Steinhoff, 2009). Typical features are:

- active attitude to innovation projects;
- market oriented research;
- implemented innovation management.

Innovative companies permanently work under pressure. Innovation cycles have become even shorter, costs are forced down, and competitiveness must be retained on a global level. In this situation innovative companies have to generate plenty of new ideas. Typical contemporary companies act in a turbulent environment. Managements must make the right decision concerning the choice of projects in terms of project portfolio design. Managerial decision-making must pay attention to the following (Fotr et al., 2012):

- growing amount of innovation projects;
- growing technical risk;
- pressure to shorten innovation cycles;
- need for increased effectiveness and economy;
- remain on the offensive instead of being defensive.

3. Research questions, approaches and methodology

The basic research questions concerning the research performed here referred to following three topics: (1) Is PPM part of strategic management processes? (2) Do companies use different methods and instruments in evaluating innovative and non-innovation projects to create long-term competitive advantage? (3) Are there problems in reaching set performance goals within a project portfolio during its implementation?

The empirical research here was carried out during the period July 2013 – April 2014. The research focused on the issues of multi-project management in innovative companies. After a comparison of markets sizes and numbers of innovations in the Czech Republic and
the German Federal Republic it was decided to carry out the research only in the German environment. The research focused primarily on the connectedness of the solution for strategic tasks in terms of instruments of project management, the structure and management of project portfolios, methods of prioritizing and evaluation of projects. It is necessary to emphasize that innovation projects are specific with regard to their character within the portfolio, and their implementation is mostly tied, especially at the beginning of the project, to a lack of information and a relatively high level of risk.

Innovative companies constituted the target group of respondents. As it is obvious from the aforementioned definition, an innovation project in our concept does not necessarily need to refer to the aforementioned definition. An innovation project in this concept does not necessarily need to be a project related to research and development. The research primarily focused on small and medium-sized businesses (SME), which possess clearly arranged structure and fast access to project information. In accordance with the EU definition of SMEs, these companies constituted the vital part of the respondents (90%). Altogether 72% of the interviewed businesses had a turnover not exceeding EUR 10 million. Innovative businesses included in the survey operated in various segments of industrial activities and services. The following branches were represented at a higher level (commerce, renewable resources, consulting, marketing, electronics, electrical engineering, IT, E-commerce and engineering). Construction, food, logistics, transport and chemistry were represented at a lower level. With regard to the fact that project portfolio management was the subject of the research, it is possible to consider the evaluated sample to be appropriately homogeneous.

Companies which were found to be suitable for empirical research were identified on the basis of the following logical approaches:

- TOP – 100 innovators for the period 2011 – 2013 (247 potential respondents);
- specific search for respondents by means of the Hoppenstedt databank and associations of innovative companies (1,193 potential respondents);
- the authors’ own contacts and approaches to innovative companies (6 potential respondents).

The research took place by means of a structured questionnaire sent to the selected respondents by email. The number of evaluated questionnaires was 50. Within the evaluation of the results of the empirical research, it was always the answers of the active respondents that were taken into consideration; that is, the answers of those respondents who answered the given question.

4. Crucial results of the research

4.1 The structure of project portfolios and projects

Thirty-three (33) out of fifty (50) businesses interviewed stated that their organisation worked with 1 to 5 project portfolios. A meaningful portion of the organisations (7 respondents) do not work with project portfolios and manage their projects separately. The comparison of the number of innovative and non-innovative projects in the monitored organisations in Figure 3 is interesting. In most organisations the number of projects varies from 1 to 5 (regardless of the type of projects). By contrast, only a small proportion of respondents reported more than 50 projects. It is necessary to emphasize that implementing an innovation project may in particular lead to maintaining or increasing competitive advantage. The research executed here endorses the opinion that the selection of the correct innovation project, within multi-project management, is more important than having initiated a large number of projects.
The average budget for innovation projects reported during the survey, ranged between EUR 101,000 and EUR 250,000 (43% of respondents); the upper budget limit exceeded EUR 1,000,000. For non-innovative projects the budget volumes were usually lower. In this case a budget of up to EUR 100,000 prevailed (55% of respondents). Even here the upper budget limit exceeded EUR 1,000,000.

When comparing the average time for implementing innovative and non-innovative projects, it was found out that the differences were most frequently reported in terms of average project duration. While the time of implementation varied mostly between 13 and 36 months for innovative projects, with non-innovative projects it was between 7 and 12 months. The results found were in conformity with the assumption that innovative projects were basically projects of long-term character.

4.2 Innovation and project portfolio management

The research performed showed that in the environment of innovative enterprises technological innovations prevailed (41%), to a lesser extent incremental innovations were applied (24%) while radical innovations (16%) and marketing innovations (16%) were the least applied types of innovation.

In practice it is possible to use various approaches to the evaluation of innovative projects during the implementation. The most common approach is to divide projects into stages (64% of respondents). The second most common involves setting a specific number of gates (40% of respondents), followed by the quality-function-deployment approach (37% of respondents).

The practice of innovative enterprises corresponds to the above-mentioned findings (55%
of respondents use stages, 21% use gates and 8% use quality-function-deployment). A striking fact is that altogether 17% of the participants do not apply any of the above-mentioned approaches to evaluate innovative projects during the process of their implementation.

A positive fact is that the innovative projects are, to a large extent, evaluated continuously. Figure 4 illustrates the period within which the innovation projects are updated. Altogether 41% of respondents evaluate projects during their implementation within a time range of 3 to 6 months. An interesting fact is that 16% of respondents do not re-evaluate innovation projects at all.

Within the framework of the research, the question of the continuous evaluation of newly listed innovation projects was also discussed. Approximately 78% of respondents took this fact into consideration; 29% established a project repository, where projects not approved for implementation or suspended within the implementation process are stored.

4.3 Fulfilment of key project parameters

In the last part of the empirical research we evaluated how parameters such as goals determined, deadlines and budget were met for both project types. Approximately 72% of respondents reported meeting the goals determined for 75% to 100% of the innovative projects and 77% of respondents reported meeting the goals for 75% to 100% of the non-innovative projects. No significant difference in the cumulative results was identified.

In analysing the adherence to the deadline it was found that 32% of respondents meet the deadline for 75% to 100% of innovative projects and 52% of respondents report meeting the deadline for 75% to 100% of the non-innovative projects. There is a difference in the cumulative results for both project types. The results of the research confirmed that the innovative projects demanded more attention when adhering to the key parameters.

The last aspect was how the set budget was met. The empirical research here showed that 49% of respondents met the budget for 75% to 100% of the innovative projects and 59% of respondents met the budget for 75% to 100% of the non-innovative projects. It is worth mentioning that the budget allocated was not met in a relatively large number of projects.

The causes of such an unsatisfactory situation varied from project to project. Contrary to initial assumptions, some projects proved to be more complex in the implementation phase and required more resources. Another cause might be faulty project planning which did not consider all the factors affecting the size of the budget. Organisations where the monitoring and evaluation of the process of the project implementation is missing, or those that do not analyse failures, tended towards chronic non-adherence to the key parameters of the project.

5. Discussion and proposals for further research

As it was obvious from the empirical research, the methods for managing project portfolios and the elements of multi-project management were applied in the practice of modern companies. Both innovative and non-innovative projects were solved using these techniques. Project portfolios were configured with regard to the company strategy, and project management was therefore understood as an instrument of strategic management. The most abundant type of innovative projects were the projects concerning technology innovation. The number of projects in portfolios varied; approximately ten projects were implemented simultaneously. Innovative projects in portfolios were distinguished from other types. The average duration of project implementation did not exceed the medium-term planning horizon. Little emphasis is, however, put on the mutual dependencies of projects within the
Project Portfolio Management as a Tool for Innovation Project Management

portfolio. In the methodology of prioritizing and evaluating projects different approaches were identified, but in general, the extent to which a systematic approach is employed is still insufficient in this field. As a result it became obvious that a relatively high percentage of projects did not meet the assumed performance goals and there were also problems meeting deadlines. Project portfolio management instruments were common in the examined enterprises. With regard to the fact that there were numerous models, approaches, and methods, no unified procedure dealing with organisational work procedures within project portfolios has been standardized. A considerable proportion of the respondents were not satisfied with the existing practice of project prioritizing. In this sense there were reserves in monitoring portfolio performance in its entirety, especially regarding compliance with meeting the objectives, deadlines and budget priorities of partial projects.

It is obvious that project portfolio management became a perspective instrument for the development of organisations, and not only for the innovative ones. Until now the potential of multi-project management has not been fully utilised or fructified in organisations. In the future it will be necessary to pay attention to the knowledge growth of both project managers and project team members. In addition, the organisational and communication support for the application of multi-project management as a tool of strategy implementation should be also addressed. Despite the fact that current modern and competitive organisations deal with project management intensively, there still remains space for improvement. The results of the survey presented here showed that it was beneficial to carry out research into the effective management of project portfolios in companies. From the theoretical point of view, there are numerous models with ambitions to improve the level of project portfolio management. Nevertheless, for the time being, it may be stated that the level of readiness of the organisational environment is insufficient for standardizing procedures aimed at working with project portfolios and monitoring mutual dependencies in relation to using the disposable resources of the organisation. The growth of the competencies of project managers and project teams, and strengthening the weak elements of organisations and their managements bear also relation to the above findings. On the basis of the outputs of the survey executed here the authors recommend proceeding with further research in the above-mentioned manner.

Acknowledgements

This paper was published with support from the internal grant agency program IGA2 IP 304015 at the Faculty of Business Administration, University of Economics in Prague.

End notes

1 Critical chain project management (CCPM) is a method of planning and managing projects that emphasizes the resources required to execute project tasks (Goldratt, 1997). It was developed by Eliyahu M. Goldratt. It differs from more traditional methods that derive from critical path and PERT algorithms, which emphasize task order and rigid scheduling. A critical chain project network strives to keep resources levelly loaded, but requires that they be flexible in start times, and quickly switches between tasks and task chains to keep the project on schedule.

References


Perceptions on Collaboration Affecting the Viability of the SMART CONTRACTING Approach

María Claudia Solarte-Vásquez, Mait Rungi

Abstract

Smart Contracting (SC) is a proactive contract management approach that highlights the value creation potential of collaborative contract negotiation and transaction design techniques. SC applies usability heuristics, expected to increase understanding and trust in legally relevant exchange and in digital trade environments. This paper reviews this proposal and reports on a mixed methodology study that addressed individual level understandings of collaboration, a key SC viability factor and successful deployment and dissemination condition. The data was explored performing a summative and interpretative analysis, which identified signs of public awareness and uniform disposition towards collaborative exchange. The results showed also aversion within a single group of participants, and marked the influence of cultural factors in attitudes and trust. Collaboration is understood to be a more intense commitment than other forms of associations despite the lack of explicit reference to precise terms. This acknowledgment of the merits of collaborative practices corroborates the assumptions of the SC and recommends adoption as well as continuous, more focused research. The findings on the viability of SC have cross disciplinary implications, stimulate integrative theory development and inform the managerial and legal practices on ways to smooth processes, operations and interactions, in context. This initiative is unique insofar as testing the grounds for legal innovation and preparing for a systematic application of user centered design techniques in strategic contracting within digital business strategies, a stream of research in its beginnings.

Keywords

Collaboration strategy, digital contract management, transaction design, Smart Contracting, contract based innovation, proactive approach.

Introduction

This paper aims at revisiting the proactive lawyering position and divulging empirical contributions to SC, an operationalized application of this perspective (Solarte-Vásquez & Nyman-Metcalf, 2017). The approach integrates business management, law and computer sciences concepts for the strategic transformation of legal interfaces and more agent/user centred transaction design pro-

Maria Claudia Solarte Vasquez is a PhD Ca conducting research on advanced dispute prevention and conflict management from the legal design and smart contracting perspectives. She belongs to the School of Business and Governance of the Tallinn University of Technology (Estonia), holds a Bachelor degree in law and political sciences, and an LLM/MA on international business transactions. She is an experienced lecturer in fields of international and transnational trade, ADR and digital and comparative governance. Some of the courses she has designed and imparted in recent years are comparative contract law, arbitration, mixed research methodology, mediation, business communication, legal environment of business, legislative development and legal language.

E-mail: mariaclaudia.solartevasquez@ttu.com

Mait Rungi, PhD is an Associate Professor in the Department of Business of the School of Business and Governance of Tallinn University of Technology (Estonia). He has over ten years of experience in both the academia and the industry, including positions such as Chief Information Officer, and Team and Project Manager. He holds academic development responsibilities and teaches at all levels of tertiary education. His current research focuses on organizational behaviour, innovation, and strategic management aspects, primarily in the ICTs industry and the start-ups’ context. His publications have appeared in journals and conference proceedings, including the EURAM, EGOS and IEEE conferences. He holds a D.Sc. from Lappeenranta University of Technology (Finland).

E-mail: mait.rungi@ttu.com
cesses. Electronic communication, mediatized interaction and digital exchange are the areas where these disciplines converge, defining the narrow private governance scope that SC addresses. SC builds around collaboration and self-regulation as prevailing phenomena of the times and is premised on two general assumptions: that viewing transactions as relational assets, products and/or services, is needed to smooth digital exchange, and that proactive human interaction can be upgraded with technical enhancements (Solarte-Vasquez et al., 2016). Proactivity involves collaboration by promoting transactional efficiency and effectiveness, while discouraging misunderstanding, and dissatisfaction, commonly resulting in non-compliance and legal disputes (Haapio, 2010). Empirical studies about the expectations of transaction agents help bring into the legal practice the notions of customer satisfaction and user centered design. SC argues that learning about these largely unexplored spheres is crucial to legitimate proactive theoretical propositions and anticipate mutual gain. The study at hand is concerned with the perceptions of ordinary customers about collaboration to determine the extent to which proactive theory captures people’s disposition and latent value applicable to transaction design.

The mainstream legal practice is reactive, resists change, and is behind other domains in terms of digital transformations of substance. Contract drafting in particular is a specialized knowledge management domain, unresponsive and disinterested in other aspects than legal validity and enforcement. When addressing these shortcomings some proactive initiatives acknowledge that effective collaborative techniques should meet not only theoretical standards but also reach out and engage the public (Passera, 2012). In spite of their valuable contributions, these initiatives prototype very rapidly, thus the conditions needed to deploy durable proposals remain unchecked. The Public awareness and the readiness to understand proactive legal innovations, for instance, personal and collective dispositions towards collaborative contracting strategies, are not fully addressed. This study begins to fill in these gaps by recognizing that consulting the public on the preconditions of SC and other proactive proposals is required for the validation of proactive practices, and as important as feedback during later stages when testing specific contract interfaces. The readiness of the users should be the first consideration while composing standards and principles to upgrade experiences associated to legal products, services and/or their attributes.

This paper briefly restates the importance of the proactive shift in contracting to promote the research field consolidation, and reports on the perceptions of the public on collaboration. The disposition to collaborative offerings was obtained from the comparison and correspondences between people’s connotations and the latest conceptual developments on proactive contracting, including an integrative definition of collaboration introduced in this text. Collaboration was markedly understood as a commitment more intense but closely related to cooperation. Goal sharing and other relational values such as understanding highlighted indications of value among the prevailing perceptions, differing only by country of origin. The efforts of proactive law academics and practitioners mostly resonate with the public suggesting that the SC approach could be welcome in practice. These outcomes emerged in response to the following research questions: Do the assumptions on collaboration of the proactive contracting, business and the ICTs’ theoretical developments match the public understanding on the concept? Are the coincidences enough to determine collaboration awareness among ordinary customers and constitute a positive connotation on the concept, and can these be indicative of the readiness of the public to adopt collaborative legal offerings?

The SC viability conditions were explored using a mixture of methods. The data was counted and compared for a descriptive summative analysis (Creswell, 2016), and further
codified according to linguistic cues as in standard thematic analysis processes (Boyatzis, 1998). The resulting connotations were also processed using qualitative techniques. These reflexive and interpretative tasks relied on the researchers’ multidisciplinary expertise and remained closely linked to theory and hermeneutics, imparting validity to the outcomes. The findings endorse the viability of SC, help reassure managers and other potential influencers on the soundness of proactive initiatives, and stir the research agenda towards refining and applying transaction design techniques across cultures and in different fields.

This text is divided into four sections, the first contextualizes the study and explains the theoretical framework including perspectives from the business, law and the ICT fields; the second addresses methodological aspects; the third combines the results and discussion of findings; and the fourth concludes and outlines the implications that speak in favour of continuing this line of research.

Theoretical framework

1.1. Research context

The study belongs to a larger research on legal innovation and the SC concept. The proposal involves an strategic information and specialized knowledge management approach that focuses on technology based interaction activities and transactions, the smallest constituents of current private governance models (Solarte-Vasquez, 2013). SC applies to digital business strategies to upgrade exchange interfaced with legally relevant information, for instance, negotiation processes, contracts, and dispute resolution online. Mediatization refers to the electronic transmission of interactions between agents via interconnected mediums and thus, self-contained in independent entities (computers, the cloud, files, etc.) (Schulz, 2004) that can be intervened (enhanced, distributed, augmented, etc.); interface is the concrete boundary or layer with information and knowledge representations, or for communication and shared meanings, that simplifies the complexity of an underlying system (Passera and Haapio (2013); legal relevance refers to content in purposeful interactions that could transform relationships by modifying the rights and/or duties of the parties involved. The terms customer, agent and user are used interchangeably and refer to any person that is connected to others via ICTs. Agent is defined as a capable, independent person that can act in the capacity of consumer or potential consumer of products and services, or in the capacity of user, when interacting with a system through an interface. Those roles frequently coincide, for example in e-commerce transactions. The word selection would depend of pragmatics or the aspect under consideration with user being the most amenable to HCI, consumer to business and agent to law.

Proactive contract management views collaboration as an organizational level dynamic capability that accrues advantages to firms and customers, because collaborative processes are amenable to currents governance trends and ease global trade complexities (Eisenhardt and Martin, 2000; Winter, 2003; Greer and Lei, 2012; and, Bagley, 2015). Collaboration has become a pervasive phenomenon of the times, a governance principle (Solarte-Vasquez, 2014) notoriously popular in the innovation, business and management literature (Miles et al., 2005; Pisano and Verganti, 2008; and, Dagnino and Padula, 2009), and a key resource to foster sustainable ventures in most related sectors, at all levels (Gueguen, 2009; Dell’Era and Verganti, 2010; Snow et al., 2011; Gnyawali and Park, 2011; Rohrbeck et al., 2013; and, Ebel et al., 2016). Accordingly, SC formulates collaborative techniques such as usability heuristics but to influence the strategic management of personal level interactions. Collaboration inspires SC, and at the same time is served by the approach, becoming a condition for effective implementation, but not the only one. Self-regulation capaci-
ties are also needed; agents in trade should be sufficiently empowered to transact using alternative tools, atypical contractual environments and formats. (Solarte-Vasquez et al., 2016; Hartlief, 2004). This paper focuses on the first condition and in the remaining will be referring only to perceptions on collaboration identified by the study, which can affect the viability of the SC approach.

1.2. Research problem

Despite decades of research on collaboration applied to business strategy, information and communication technology (ICT) fields (i.e. social informatics (SI), human computer interaction (HCI), social computing, etc.) and preventive law and conflict management, the mainstream quality screening of transactions continues to follow criteria based mainly on expertise about the properties and configuration of legal texts (essentialism), and efficiency (costs of drafting). The needs and interests of the public are presumed known and uniform, but remain largely uncorroborated as the agents’ perception is not systematically consulted or people’s feedback, when available, taken into consideration. Similarly, the public awareness and readiness to understand novel contracting strategies and interfaces as collaborative, and the potential value they may assign to this approach is still unclear.

The weight of the current social, commercial, technical and environmental conditions begins to wear down the reactive and unresponsive models of the legal tradition that stiff commerce and legally relevant exchange. However, introducing new contract management strategies can be a challenge for companies unaccustomed to alternative models for legal communication and information sharing (Nguyen, et al., 2007). This is a landscape unexplored likely to have organizational change impact, where the time between implementation and gains can extend long (Huy et al., 2014). Even if proactive contractual capabilities promise to align business and consumer needs, the risks and difficulties are not yet measurable. Interdisciplinary exploratory research can ease the way for scholars to enrich the theory building work already advanced. On concepts such as SC and UX related transaction design techniques empirical evidence of viability should also be provided.

SC applies the consumer centered approach primordially during transaction design processes, assuming the interests and competences of potential agents rather than on the basis of prior research. No empirical study regarding the awareness and disposition from the public’s connotations on collaboration is available to suggest that this precondition is met as to conclude that the SC concept captures, creates some value and/or is sound for effective deployment and dissemination. Once acceptability and viability are established, spread use of the consumer centered approach to legal products could ensue (Solarte-Vasquez, 2016). SC practices can become successful if customers and other agents are able to perceive the benefits of innovative legal formats. In turn, organizations would be more willing to include the SC approach in their digital strategies and become institutionalization agents of the proposal.

1.3. Conceptual background

Collaboration

Collaboration, cooperation and coordination are terms often used interchangeably, denoting various interactions that only few authors differentiate (Wood and Gray, 1991; McNamara, 2012). This laxity leads to inappropriate use and poor inter-disciplinary understanding. These interactions are identified by popular sub fields of the disciplines under consideration, for instance as a component of corporate social responsibility, a phenomenon manifested by open source software applications or a principle guiding good private governance practices. In the general theory collaboration
is linked to empathy, care in the visions and missions of organizations, groups and firms, principled actions, relational capital, better relationships based on understanding of needs, and general wellbeing. The international standards on collaboration (ISO11000), issued by The International Organization for Standardization (ISO), speak of strategic business alliances and collaboration within networks (industrial and sectorial clusters) but without excluding interactions between other transactional agents.1 These standards are important because they may expedite the institutionalization of collaborative practices (Hawkins and Little, 2011) in a way the law and court decisions would not (Gilson et al., 2013).

The Collins English Dictionary defines collaboration in general as a noun denoting “joint operation or action, “assistance or willingness to assist,” 2 using words that specialists would rather link to cooperation and/or coordination. Cooperation in turn is an “act of working with... others on a joint project,” or “something created by...” cooperation, and “the act of cooperating as a traitor, esp with an enemy occupying one’s own country.”3 Both terms are explained with the word “joint.” The meaning of coordination is: “balanced and effective interaction of movement, actions, etc.”4 The many definitions for the word alliance, a related concept, use expressions like union, confederation, formal agreement or pact, and affinity.5 Other terms associated to collaboration are for example connection that is a cross referenced term with 11 dictionary denotative meanings like “the act or state of connecting”; union, link or bond, and “relationship or association.”6; deal denoting engagement, transaction or agreement;7 team designating groups organized to work together and help, while help is a word that can mean the act of helping, being helped, or the helper, “means of remedy,” assisting or aiding, “sharing the work, cost, or burden of something,” and, “to cause improvement.”8

Collaboration in the business management literature

Bryson et al. (2006) and Keast et al. (2007) suggested types of associations that could be explained in terms of a commitment continuum of increasing engagement where the closest, most intense of the connections would be collaborative (purposeful alignment of interests with an integrated adjustment of operations), based on shared and accurate understanding. The least intense would be a mere coincidence. Common efforts would suffice for cooperation as well as team making and timely undertakings, and when partners form alliances, adjust operations and work together (Bruns 2013) with aligned or at least compatible interests. Keast et al., who are among the few authors discussing the empirical differences between the terms, affirmed that cooperation is an “instrumental process” (2007 p.18). Cooperation and collaboration could imply coordination but this also stands alone, as one of the simplest forms of interaction based merely on logistic agreements where processes, not people are trusted. Operational and functional coincidences can also form opportunistically without trust, understanding or prior agreements, deprived of the interdependencies that define a true collaborative spirit. Oliver (1990) and McNamara (2012) wrote on these relationships at the interorganizational level; Gulati et al. (2012) on cooperation and coordination within collaboration in the field of strategic alliances; Himmelman (2001) about the dynamics of these interactions; and, Kilduff and Brass (2010) regarding collaboration as a strategic element in network theory as well as Kanter (1994) in her work about the managerial level strategic collaborative advantage.

---

3 Ibid 3
4 Ibid 4
5 Ibid 5
6 Ibid 6
7 Ibid 7
8 Ibid 8
Cooperation has been the most discussed type of interaction in strategic applications (Brandenburger and Nalebuff, 2011; Peng et al., 2012), resulting in the publication of a decent amount of academic work about co-opetition (combination of cooperation and competition) in recent years (Bengtsson and Kock, 2000, 2014; Ritala et al., 2014; and, Raza-Ullah et al., 2014). Co-opetition appears with the shift to sustainability in organizational theories without abandoning in any way, the search for strategic (competitive) advantages. Enduring associations are more sustainable in the long run; stability is aided by the connection’s intensity and quality. Interfirm relational capital and assets were also linked to competitive advantage decades ago (Dyer and Singh, 1998), as well as the application of collaborative processes modelling from the customer relations management and marketing perspectives. The forerunner concepts of these smart contracting practices and techniques better known in business are co-creation and co-innovation for innovation and service design (Chesbrough, 2003).

Collaborative corporate governance and private regulation issues were also raised before the digital transformation wave began for businesses (Grundmann et al., 2015, p.44). Now it has almost completed with the collaborotive imprint regarding services design. The MIT Center for Digital Business has emphasized that one of the building blocks for effective digital transformation and innovation is an enhanced customer experience (Westerman et al, 2014). Collaboration as survival factor for companies in the highly competitive and changing digital environment of business draws from the dynamic capabilities literature (Eisenhardt and Martin, 2000; Tallman, 2015), in the classical Teece et al. (1997), Winter (2003), and recent unfolding viewpoints in Leih et al. (2014) on business strategies, innovative business models in the way companies such as Airbnb, Blablacar, Crowdfunder, Kickstarter, etc. illustrate (Allred et al., 2011), and organizational design (Arndt et al.,2014).

Collaboration in the ICTs literature

Collaboration is an attribute of the ICTs that steered the development of the networks, an internet governance principle (Solarte-Vasquez, 2013), and a phenomenon playing a prominent role in the global interoperability task of optimizing the interconnectivity and interdependencies of the ICT architecture. Miller (2000) placed interoperability close to collaboration in terms of a precondition, quality, and capacity of systems and/or activities to connect and integrate in a seamless understanding. In business processes, collaborative applications in human environments are already assisted by semantic agents and trending in business. These are technology based solutions for which workflow interoperability becomes necessary, as are other arrangements such as web service choreographies, and sometimes ambient intelligence, requiring enormous semantic interoperability capacities (cooperative interdependencies) and imposing regulatory challenges. Semantic web technologies have become the most promising direction for integration and collaboration in this sphere, realizing the internet of things and advancing machine learning capacities (Gruber, 2008). The rapid development of the semantic web prompts further integration and the strengthening of the networks, which cannot be completed in the absence of collaboration (Panetto and Cecil, 2013 and Mertins et al. (Eds.), 2014). Public policies recognize the fundamental role of these structural collaborative capacities as can be found at the supranational level, for example, in the framework of the digital agenda of Europe. Another accepted notion of interoperability relates to standards and compatibilities for effective communication, integration, and cooperation, with universal validity; a concept that clearly determines the functionalities of collaborative systems (Alonso et al.,2010; Jardim-Goncalves et al., 2012; and, Daclin et al., 2016). Gong et al.’s posture (2006) reminds of Mason

---

Collaboration involves in the ICTs sense rather cooperative and coordinated activities, indicative of which are the innumerable tools, applications, platforms and environments for work, social exchange and play. These have allowed the raise of so-called collaborative entities, self-organizing communities online, multi-contributor projects (Wikipedia), distributed systems, and even massive transnational movements like the creative commons, open source, the internet society etc. (Benkler 2003; Baldwin and von Hippel, 2010). Modular distributed systems design (Coulouris et al., 2005) reflects associative and collaborative work; modular architectures require a careful design of the parts and the whole, which integrates partitions on the basis of the cooperative and collaborative capacities of the agents. In the digital domain goods and assets are by nature not rival, facilitating sharing over antagonism over resources, enriching and preserving a common pool of supplies at everyone’s reach.

A growing interest in social design within technical systems (Ackerman 2000; Booth, 2014) puts social needs on top of technical wishes in the process of building technologies. These priorities are clear for HCI; the user centered design approach transcended the cognitivist emphasis and values such as collaboration inspire all interfaces and user experience design projects (Rogers et al., 2011; Simonsen and Robertson, 2012; and, Friedman et al., 2013).

Collaboration within the legal sciences

The legal practice lags behind managerial and technical innovation processes but intense academic efforts attempt to redefine contract management and capabilities in a collaborative-proactive light, more in accordance to the requirements of the times (Berger-Wallis, 2011; Berger-Wallis, 2012; and, Siedel and Haapio (2016). Ian Mcneil introduced the relational theory of the contract in the mid-eighties, a view that drew on long standing positions on the broader function of transactions, and the projection into the future that exchanges may have (Mcneil, 1985). Campbell invokes Macneil’s emphatic arguments on that the role of contractual interactions in the market could no longer be appreciated in terms of discrete transactions only, especially when contractual functions beyond economics are distinctively recognized in practice (Campbell, 2004). This relational view relates to collaboration because it expands the functional value of relationships regulated by contracts, including the empowerment of the parties, fairness derived from foresight, mutual knowledge (understanding), and reciprocity. Popo and Zenger advanced on the concept of relational governance for formal contract management, introducing trust, cooperation and continuity to the study of exchange performance (2002).

Collaboration particularities acknowledged in legal theory are mentioned by Solarte-Vasquez et al. (2016 p.154-157) within the evolution of conflict management and dispute resolution studies. In this overview, collaboration is claimed to be a practical and virtuous competence, dynamic in nature, and distinguished by amicability and understanding, and for being principled, non-adversarial, responsive and inclusive. The Alternative Dispute Resolution movement (ADR) has been a meaningful helping force promoting needs/interest based standards in negotiations from within the legal practice. Currently in the proactive stage, ADR is the field that provides with greater innovation opportunities in Europe where political institutional support has reached functional levels (Moreno, 2016). For example, an Online Dispute Resolution Platform was implemented to service customers across the European Union, to increase trust in electronic trade and boost digital economy indicators.10

The promotion of “good and better laws” is also a collaborative enterprise that launches initiatives to reduce regulatory complexity and isolation (impact assessment). These persuade on the use of informal and alternative means to manage exchange, and warn against unclear and lengthy statutes and legal documents. One of the many instances denouncing regulatory disproportionate complexity, and championing better drafting efforts, is the set of principles of quality and performance by the Organization for Economic Co-operation and Development. A considerable step ahead at improving transactional processes and outcomes is to propose regulation as data that could be architectured for better representation and analysis (Butt, 2013; Passera et al., 2013; Pohjonen and Koskelainen, 2013).

The incorporation of computational studies into the field of law including visual and schematic representations of legal knowledge and information is taking place now, in view of that the legal information is useful only when precise and understandable. The SC category of proactive legal practices harmonizes these concepts, the relational views and the empowerment conceptions on contracts (Kar 2016). SC also promises to help contract law adapt to automation such as facilitating the use of self-executing block chain technologies (smart contracts), and to preserve human control through user friendly interfaces.

An integrative and principled definition is proposed and preferred in here, as follows: Collaboration is the deliberate organization of human effort aimed at generating long term value for all parties involved and at reducing the risks and disadvantages of competition. Such a definition communicates relational values, is amenable to sustainability, and can encompass a multiplicity of views and fields of interaction.

Methodology

This mixed methodology exploratory study followed a pragmatic research strategy drawing from Tashakkori and Teddlie (2010). A quantitative data collection method was combined with qualitative data analysis processes which suit better when the study object is embedded in the development of theory, especially if integrating multidisciplinary concepts like the present study does (Vafidis, 2007, pp.40-41; Dubois and Araujo, 2004, pp.221). Likewise, these choices fit the purposes of producing priming descriptive overviews, according to guidelines by Clark and Creswell (2011), Creswell, (2013 pp.16), Eisenhardt, (1989), and Silverman (2000). SC is a new proposal for which theory development is the priority. Traditional statistical analyses were discarded in the benefit of producing and early and broad understanding of the SC viability (Brown and Eisenhardt, 1995, pp.353), and in consideration of the data (unordered -none is better than other-, nominal categories) only a ‘summative data analysis’ was performed to the codified survey responses as explained by Creswell (2016). This included counting and comparing, descriptive statistics, and linguistic, comparative, and interpretative techniques. The coding stage was mostly theory-driven and partly data-driven (Piekkari and Welch, 2008), resulting on collaboration in eight plus not-available; on self-regulation six plus not-available and on transactional friendliness five and not-applicable codes.

Instrument

To collect perceptions and identify connotative meanings associated to the words collaboration (Q1) and self-regulation (Q2), and to learn about the most difficult and/or unfriendly transactions and transactional features according to the participants’ opinion (Q3), an original questionnaire was prepared. In addition, standard demographic data was collected on gender, age, occupation, educational level and country of origin. The field of occupation was deemed more important than

11 www.oecd.org/gov/regulatory-policy/
the original academic background of the participants during the categorization process and allowed conjectures of interest for future studies. The segmentation of the variable country of origin was decided upon the sample composition, according to size, where at least 5 countries were represented meaningfully (by more than ten participants), and the rest were sub-grouped as “other.” The type of data and the purpose of the research disallowed specific cultural considerations selecting variables and subgroups.

The questionnaires were distributed by one researcher in person, during casual meetings to provoke no resistance or stage the research, while promoting the maximum possible engagement. The questions to study linguistic-terms-perceptions-user understanding were open but transferred some of the coding and interpretation responsibilities onto the participants, who were expected to describe the terms provided in one word, deprived of context. On the third question these were requested to list the most complicated, confusing or stress producing transactions that first came to mind.

Data Collection

280 questionnaires were distributed between March 2013 and May 2016. The majority of responses were obtained in Estonia, and some in Finland, Spain, Sweden and Colombia. 55 respondents did not write but provided oral answers that were recorded by the researcher on paper and electronically shortly after, so the transcription was made according to the Eisenhard 24 h rule (1989). The process was planned to take place in the most efficient and unaffected way, using the resources available and causing no inconveniences or requiring preparations. The questionnaires were completed within 3 minutes in average. The researcher solved inquires with explanations considered in advance. For example, when participants asked on Q3 if they had to choose only a word like on the other two cases (11 people), the administrator stated that they could list as many instances as they wanted; acting as non-participant in the sense explained by Creswell (2016 pp.121). This involvement normally adds to the qualitative character of the research, but clarifications were not requested in regard to Q1 on Collaboration.

The participants were informed about the most general purpose of the study and explained that the data was going to be anonymized and used exclusively for academic purposes. Two respondents did not indicate their age; and four did not answer what was their occupation or profession, one of which did not state either or. Of the total amount of questionnaires, 25 mostly incomplete or unintelligible exemplars were removed, yielding a final sample size of N=255.

Sample

The resulting sample was composed by 255 adults out of the 280 that agreed to respond or volunteered to participate in the study. The size was much larger than in ordinary multiple-case studies, for the sake of a good overview, (Eisenhardt, 1989), which is not common, but still reported in the literature (Wang et al. 2004). Silverman admits this technique to be valid for cases were qualitative generalizability is weak, to resemble quantitative research criteria (2000, pp.102). The participants were 136 males and 119 females between 20 and 70 years of age; 226 had obtained tertiary education diplomas or were enrolled in university degree programs and 29 had received secondary education degrees or less at the time. The respondents were people from 57 countries to whom random access was gained during the duration of the study. Estonians, Colombians, Finnish and Spanish participants, followed by respondents from the United States of America and Germany formed the most representative groups (with at least 10 individuals). More participants than not were educated and/or familiar with business, law and the ICTs or CS, and their responses generated data pertaining to the terminology and features in question, which enhanced representativeness an com-
Table 1. Sample Summary

<table>
<thead>
<tr>
<th>Segments</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sample</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>255</td>
<td>100</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>136</td>
<td>53.3</td>
</tr>
<tr>
<td>Female</td>
<td>119</td>
<td>46.7</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 25</td>
<td>20</td>
<td>7.8</td>
</tr>
<tr>
<td>26-35</td>
<td>69</td>
<td>27.1</td>
</tr>
<tr>
<td>36-45</td>
<td>68</td>
<td>26.7</td>
</tr>
<tr>
<td>46-55</td>
<td>72</td>
<td>28.2</td>
</tr>
<tr>
<td>56 and above</td>
<td>24</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Field of occupation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>68</td>
<td>26.7</td>
</tr>
<tr>
<td>Law</td>
<td>61</td>
<td>23.9</td>
</tr>
<tr>
<td>Information Technology</td>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>98</td>
<td>38.4</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor</td>
<td>65</td>
<td>25.5</td>
</tr>
<tr>
<td>Master</td>
<td>102</td>
<td>40</td>
</tr>
<tr>
<td>PhD</td>
<td>51</td>
<td>20</td>
</tr>
<tr>
<td>Others</td>
<td>37</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Country of origin (57 countries)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>47</td>
<td>18.4</td>
</tr>
<tr>
<td>Colombia</td>
<td>27</td>
<td>10.6</td>
</tr>
<tr>
<td>Finland</td>
<td>15</td>
<td>5.9</td>
</tr>
<tr>
<td>Spain</td>
<td>14</td>
<td>5.5</td>
</tr>
<tr>
<td>United States of America</td>
<td>11</td>
<td>4.3</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>3.9</td>
</tr>
<tr>
<td>Others</td>
<td>131</td>
<td>51.4</td>
</tr>
</tbody>
</table>

**4 people did not answer occupation or profession one of which did not answer either or profession.**

* Two reported no age


Results and discussion

More than 120 words were associated to the term collaboration of which 5 were repeated by at least ten respondents: ‘help,’ 23; ‘understanding,’ 17; ‘cooperation,’ 16; ‘togetherness,’ 15; and, ‘agreement,’ 12 times. A second set of recurrent words include: ‘trust,’ 7; ‘teamwork,’ 6; and, ‘coordination,’ 5; rather few despite their prevalence in the literature. Some expressions coincided with dictionary denotations such as ‘work together,’ ‘coordination’ and ‘join’ as well as with the mainstream descriptors in the business, legal and CS literature such as ‘teamwork,’ ‘cooperation,’ ‘coordination,’ and ‘trust.’ These became reference concepts which were reduced to 9 categories. Help, answered by 9% of the participants remained one, encompassing support and related terms; Connection was used to group answers that could express more than a neutral alliance were bonding elements could be detected, including ‘understanding,’ and ‘togetherness,’ the second and fourth terms most used by 6.7% and 5.9% of the participants, respectively. ‘Cooperation,’ repeated in 6.3% of the cases was placed under the category team with other terms suggesting union and non-essential commonalities, except ‘coordination’ that was considered to be qualified by purpose. ‘Agreement,’ the fifth most common term amounting 4.7% of the answers for collaboration, was covered by deal indicating consensus based formalized (orderly, structured) coordination, likely to give raise to duties. Additionally, for terms that could be linked to both team and deal, where no partic-
ular intent could be deducted and/or complex connections identified, the category alliance was selected, referring to unintended proximities underlying self-interest interactions. Three other categories organize the answers that expressed opinion: advantage, disadvantage and effort. The last category is important because of the transaction costs analysis that may be involved in the creation and maintenance of traditional connections, and required in the atypical and innovative formulation of texts. In addition, because effort cannot be said to have negative or positive connotations in itself, it remained an independent category. The rest of words that did not fit any criteria above were assigned to the category non-applicable.

3.2. Results description

The summary of results is described in Figure 1., organized from the most frequent overall category at the left to the least frequent to the right of each row, corresponding to each variable by group. The higher the percentage of recurrences, the darkest is the grey form the scale. Connection categorized most connotations correctly associated to collaboration followed by team and deal, respectively. Help, and advantage were popular categories unlike the rest which in the aggregate are less revealing than when taken separately and observed according to the groups where these arose.

The summative analysis revealed few standing values across variables and some discrepancies with the theory. Only a couple of the dictionary descriptions for the categories arose straight from the results such as ‘cooperation,’ ‘coordination’ and ‘alliance’ (Oliver, 1990 and McNamara, 2012). ‘Cooperation’ revealed itself much more concretely, in the way described by Bruns: “working together” (2013). Connection, team and help were categories that prevailed consistently, except for the country subgroups, where disadvantage and advantage were important for the Estonian and the Spanish respondents.

The most unexpected findings regard the country of origin, despite the relatively small size of the subgroups. The strongest connotation of this section of the study is established

<table>
<thead>
<tr>
<th>Segment title</th>
<th>Total in numbers</th>
<th>Connection</th>
<th>Team</th>
<th>Deal</th>
<th>Help</th>
<th>Advantage</th>
<th>Alliance</th>
<th>Disadvantage</th>
<th>Effort</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender male</td>
<td>N=265</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender male</td>
<td>138</td>
<td>19.9</td>
<td>16.4</td>
<td>20.6</td>
<td>11.6</td>
<td>9.6</td>
<td>5.1</td>
<td>5.9</td>
<td>4.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Gender female</td>
<td>119</td>
<td>21.8</td>
<td>16.0</td>
<td>11.6</td>
<td>10.5</td>
<td>10.1</td>
<td>10.9</td>
<td>10.9</td>
<td>4.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Age 25-35</td>
<td>246</td>
<td>24.5</td>
<td>14.5</td>
<td>21.0</td>
<td>17.6</td>
<td>20.6</td>
<td>9.4</td>
<td>12.6</td>
<td>8.9</td>
<td>0</td>
</tr>
<tr>
<td>Age 35-45</td>
<td>62</td>
<td>23.5</td>
<td>17.9</td>
<td>23.6</td>
<td>10.3</td>
<td>4.4</td>
<td>8.8</td>
<td>4.6</td>
<td>2.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Age 45-55</td>
<td>72</td>
<td>28.6</td>
<td>11.1</td>
<td>13.9</td>
<td>9.7</td>
<td>8.3</td>
<td>8.3</td>
<td>8.3</td>
<td>2.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Age 55-65</td>
<td>34</td>
<td>15.7</td>
<td>12.6</td>
<td>28.5</td>
<td>12.5</td>
<td>8.0</td>
<td>9.0</td>
<td>10.2</td>
<td>12.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Occupation business</td>
<td>68</td>
<td>20.5</td>
<td>25.5</td>
<td>14.7</td>
<td>11.9</td>
<td>8.3</td>
<td>5.9</td>
<td>7.4</td>
<td>2.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Occupation law</td>
<td>61</td>
<td>21.9</td>
<td>18.9</td>
<td>21.3</td>
<td>6.6</td>
<td>11.3</td>
<td>6.5</td>
<td>3.3</td>
<td>4.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Occupation ICT</td>
<td>38</td>
<td>17.7</td>
<td>17.6</td>
<td>14.3</td>
<td>7.4</td>
<td>9.6</td>
<td>7.1</td>
<td>0</td>
<td>3.6</td>
<td>0</td>
</tr>
<tr>
<td>Occupation other</td>
<td>32</td>
<td>23.4</td>
<td>22.2</td>
<td>15.6</td>
<td>14.3</td>
<td>11.2</td>
<td>10.2</td>
<td>6.2</td>
<td>5.1</td>
<td>2</td>
</tr>
<tr>
<td>Education MA</td>
<td>102</td>
<td>12.7</td>
<td>23.5</td>
<td>22.5</td>
<td>10.8</td>
<td>10.8</td>
<td>5.9</td>
<td>4.9</td>
<td>4.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Education PhD</td>
<td>51</td>
<td>25.5</td>
<td>23.5</td>
<td>17.6</td>
<td>11.8</td>
<td>2</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Education other</td>
<td>37</td>
<td>18.2</td>
<td>4.4</td>
<td>16.9</td>
<td>20.7</td>
<td>13.5</td>
<td>10.8</td>
<td>2.7</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Country EE</td>
<td>47</td>
<td>12.3</td>
<td>12.6</td>
<td>14.1</td>
<td>4.2</td>
<td>6.4</td>
<td>2.1</td>
<td>21.7</td>
<td>17.7</td>
<td>10.7</td>
</tr>
<tr>
<td>Country CO</td>
<td>27</td>
<td>18.5</td>
<td>11.1</td>
<td>14.4</td>
<td>4.8</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Country FI</td>
<td>13</td>
<td>4.0</td>
<td>13.9</td>
<td>26.1</td>
<td>0</td>
<td>6.7</td>
<td>6.7</td>
<td>6.7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Country ES</td>
<td>14</td>
<td>21.6</td>
<td>14.3</td>
<td>14.3</td>
<td>14.3</td>
<td>29.6</td>
<td>7.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Country US</td>
<td>11</td>
<td>8.1</td>
<td>22.2</td>
<td>18.2</td>
<td>9.1</td>
<td>19.2</td>
<td>9.1</td>
<td>4</td>
<td>0</td>
<td>0.1</td>
</tr>
<tr>
<td>Country DE</td>
<td>10</td>
<td>0</td>
<td>30.0</td>
<td>0</td>
<td>10</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.1</td>
</tr>
<tr>
<td>Country other</td>
<td>131</td>
<td>25.2</td>
<td>19.1</td>
<td>17.6</td>
<td>13.7</td>
<td>9.9</td>
<td>8.9</td>
<td>0.8</td>
<td>1.5</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Figure 1. Summary and seriation of categories on collaboration

*2 people did not report their age

**4 people did not answer occupation or profession one of which did not answer either or

by almost half of the Colombian respondents who consider collaboration a matter of dependency rather than mutuality; the most unusual, resulting from the negative meaning ascribed by almost a third of the Estonians to collaboration as disadvantage, unlike others; and unexpected, the distance of the answers by Germans and US respondents from the category connection, with most choices falling under deal and the cooperative oriented category team instead. No German answered with a word that could be associated with connection in the way understood by this study.

3.3. Findings and discussion

Significant matches with the theoretical proposals on collaborative exchange were found all across, and high awareness on the significance of collaboration regardless of gender. The deal orientation of males does not deviate from the purpose of mutual gain, sustainable relationships and the integrative logic that smarter contracting practices support. Instead, this could indicate a preference for structure and perception of responsibility that is present in traditional transactions and agreement based relationships. Females appealed first to the connotations of support, assistance and care that are grouped under the category help which may reveal a strength in the detection of needs and therefore are amenable to the user, agent or consumer centered design strategies that are in turn, founded on the satisfaction of needs and interests of all parties, rather than on competitiveness or formalism. Helping implies reaching out, consideration of others, enabling associations that are relational like in contracts that seek to strengthen and guide long term, sustainable bonds between partners and between companies and customers. Facilitating relationships, access, participation, and co-creation can be perceived as a collaborative activity at least primarily by females. Males, according to the results, may be first appreciative of information, meaningful contacts, predictability and cooperation.

These results give raise to questions to guide a focused research agenda, for instance: Does gender affect contract based relational capital? Would this apply to trade and any format of exchange and subject matter? Do females establish faster and deeper connections and how would this reduce or augment disputes? The cooperative and collaborative features of both sexes have been discussed within the context of the prevailing stereotypes on gender in the conflict management literature, with findings that could be also used for SC usability interventions (Kray and Thompson, 2004; Holt and DeVore, 2005).

The age segmentation was intended to allow detailed observations but did not yield meaningful results, possibly due to the highly codified data that the survey was meant to collect. Respondents in ages 26-35 were the most deviant in respect of the total average, leaving connection next to advantage far removed from the categories most frequent team and deal. The expectations of people of these ages per country could vary according to a diversity of social and economic factors affecting status and independence. To which extent these groups are required to handle their own affairs and emancipate, should be observed in context. These are identified to be active customers, and engaged users of technology and the networks for whom connectivity and interoperability should be of paramount importance socially speaking, for leisure, commerce and work. Secondary data such Statistics of ICTs usage at the global scale are available and recorded by the ITU (http://www.itu.int/en/ITU-D/Statistics/Pages/default.aspx), CIA (https://www.cia.gov/library/publications/the-world-factbook/rankorder/2153rank.html), and by the World Bank (WB) (http://data.worldbank.org/indicator/IT.NET.USER.P2?page=6&cid=GPD_44). Eurostat records a steady growth of European e-commerce and the rate of internet users, among which the most active in 2015 were between 16-24 and 25-54 years of age.12 The atypical subgroup of

this study is composed by people who may be still building a career and therefore need to be more competitive,\textsuperscript{13} while able to cope with the cooperative logic that technology has popularized and familiar with the network principles. These should be with the group under 25 years of age the most engaged and tech savvy of the sample.

Old age, although not alone, sets an expectation of responsibility and care for connections indicating maturity, an identified catalyst of adaptability, appreciation and wisdom (Khatibi and Sheikholeslami, 2016). Age as predictor of collaborative competences should be studied in combination with behavioural, learning and organizational development theories (Botwinick, 2013; Thomas et al., 2014). To assess the impact of learning processes, age and maturity should be combined in the context of collaborative competences building with the impact of culture and education/degrees obtained. Do age and education correlate independently or together with transactional collaboration disposition and competences? And, to contrast: Can technical exposure and proficiency be linked to more transactional cooperation and efficiency irrespectively of country or region of origin?

Researchers have studied participation and trust in HCI for interfaces that could benefit older adults (Ellis and Kurniawan, 2000; Albert and Tullis, 2013; and, Lee and Coughlin, 2015) and trust as Uzzi has stated, a prerequisite for collaboration, is an issue (1997). People above 56 may be prone to distrust unfamiliar formats of exchange and technology mediated transactions but be collaborative in other areas like in relationships, within communities, families and other loyalty schemes (generational, attachment to certain places, event as traditions, habits and routines, etc.).

Occupation was estimated to be an influential variable assuming that in formal educational settings, and specific domains, certain dominant models of interaction and differentiated approaches to collaboration form. Team and connection were the most frequent categories, very close in recurrence. This suggests that words close to collaboration were provided without conscious consideration on the distinguished intensity levels established by the theory; cooperation and collaboration are concepts understood by the public similarly. The business subgroup did relate to teamwork and cooperative activities as expected, considering the long standing relevance of these concepts in organizational studies, their importance in contemporary strategic management, the growing need to devise sustainable business models, and trends on social responsibility. Business respondents also rated collaboration as a disadvantage the highest at first glance but at a closer look, age and country of origin could have been factors influencing that choice. Interviews with focus groups could corroborate if collaboration may have negative connotations within any given business community or by sector.

The responses from the participants with legal expertise were unusual. This subgroup preferred terms showing concern for relational aspects, meaningful interactions and integrative, principled exchange. These results contrast with widespread intuitions about lawyers and the legal practice about being adversarial and competitive at administering disputes (Solarte-Vasquez et al., 2016). Deal and the sense of duty drew close to connection; thus this subgroup appears to be predisposed to collaborative transactions. This points to an uncommon narrative about the purposes and functioning of legal procedures, given that excluding the well-known advantages of certainty and predictability, outcomes of legal negotiations are seldom reported as satisfying for all parties involved.

A large portion of the IT subgroup gave answers categorized under help instead of the expected categories, connection and advantage. Many of the relationships that are enabled by the

\textsuperscript{13} On employment in Europe, consult the statistics in the European database page at http://ec.europa.eu/eurostat/web/lfs/data/database
global interconnectivity and the technology this sector handles are about operational assistance. Thus, team became, unsurprisingly, the second most frequent category. People in IT are aware of the importance of the networks and interdependencies, often exposed to operate under distributed schemes. Cooperation and deals are distributive, unlike connections as defined in this context. Connection requires an integration that differs from the systematic, exact functionality in information technologies. The understandings of the rest under the subgroup “others” suggest that an average mass assigns value to more intense relationships regardless of expertise, and that the term collaboration is correctly internalized; these ‘co-words’ have been buzzing long enough.

On education the results indicated intriguing directions that warrant further inquiry. For the first subgroup, deal was one of the weakest categories of the nine along with team, so collaboration for these flows from less rigid transactions (informality) Effort was also regarded far from the most intense association in the collaborative spectrum by Ba respondents so this interaction should be effortless for these. Participants in this educational level are not necessarily the youngest. The demographic distribution tells that many of the respondents studied when the Ba level was the average reached by most professionals. The raise of master and PhD enrolment figures resulted from public policies (the 2005 Bologna system adoption in EU, for example) and phenomena such as universities for profit, social mobility and globalization (Marginson and Van der Wende, 2007; Vögtle and Martens, 2014). PhD participants gave unusual responses in that whereas connection, the category closest to the theoretical developments on collaboration, was the most frequent choice, the least frequent was advantage. Deal became a very close second, suggesting appreciation for structure and formality. The biggest subgroup of Ma, show an understanding of collaboration as cooperation, moreover, team applied twice as many times as connection to these responses.

More information is needed to allow conjectures about collaboration strategies and models in tertiary education institutions. It did not seem that differentiation in terms of degrees obtained, given the many factors that could also play a role is determining, which marks a gap worthy of further consideration. This goes to the formulation of hypotheses on whether collaboration can be, is, or should be learned in formal institutional settings.

Country of origin showed to be a factor that could ameliorate or aggravate aversion to collaboration for some users/customers in comparison to other users/customers. Disadvantage was unpopular except within this variable and subgroups where the category suggests a profiling possibility about Estonians who are the only subgroup of the survey who ascribes mainly negative connotations to collaboration and perceives this interaction is burdening. For Estonians, effort was the second most frequent category, and help, the eight. These choices do not resemble even closely the responses of the rest, with disadvantage being the least relevant for lawyers, people that reported no university degree and the respondents from the US and 52 other countries. The likely subject to perceive collaboration in contrast to the way the theory has conceptualized and not to value collaboration, according to the findings, is an Estonian between 46-55 years of age who holds a bachelor degree (probably from the old system of 4-5 years, the equivalent to a current master). Estonian participants also seem to link collaboration and team, which marks the most common terminological confusion in the sample.

Almost half of the Colombian respondents associated collaboration with assistance, resulting in the highest perception under help. The significance of these choices may be related to cultural peculiarities. Collaboration is promoted in highly collectivist societies and practiced to benefit others, caring for the well-being of the group. Verification and further analysis are needed to identify patterns and explain these insights with precision (Triandis,
Most Colombian respondents in this sample belong to privileged social strata and held prominent positions (military ranks, for instance) which is likely to have an impact on their perceptions. Connection was the second most frequent connotation, consistent with the same cultural attributes.

Collaboration was described by the Finnish subgroup with words of more intensity than teamwork or cooperative activities/sharing, matching the theory. However, collaboration was said to be a disadvantage the second after Estonians (although still far in frequency). Germans did not use words signifying connection to refer to collaboration, but instead used descriptors linked to deal, team, and alliance. The German perception qualifies as pragmatic, structured and firm, contrasting with terms flowing from more emotional and integrated degrees of association. Nonetheless undifferentiated for this subgroup could be the words collaboration and cooperation, they do not appear to require any non-objective attachment. This helps disseminating innovation for collaborative purposes, with no obstacles among the population represented (there was no preference for the category disadvantage) that is likely to value structure and precision. Trust and commitment factors may seem fuzzy for some participants but this would not prevent collaboration from developing.

Collaboration was broadly described with intuitive consideration of the intensity levels that the theory uses to distinguish it from other forms of associations; one fifth of the single word answers categorized closer to the integrative and principled definition that this paper proposes. The overall results indicate that educational level and country of origin were the most persuasive indicators of differences in perceptions for the participants, on which claims for more focused research can advance, that ordinary customers show awareness connected to the most common terms associated to collaboration in the literature, if not academic terminological precision and that what is perceived as collaboration is an appreciated activity mostly considered advantageous.

Concluding remarks and further research

This paper addressed the Smart Contracting position on proactive contract management and reported on the first set of results of an empirical study about the perceptions of the public regarding collaboration. According to theoretical developments collaboration competences constitute one viability condition for the successful implementation and diffusion of the Smart Contracting Approach to strategic contract management. Collaboration is a fundamental transactional competence for individuals and organizations in the emerging private schemes of –digital- global governance. Empirical research was deemed necessary to determine public awareness and disposition on this conditions that can in part legitimate the value proposition of SC and other legal proactive initiatives. Collaboration awareness and disposition were regarded basic signals of competence for this analysis. The findings suggest that the collaborative features proposed by the theory correspond to public expectations such as mutual understanding, friendly relationships, ease of access to information, opportune participation, co-creation possibilities, clear information, meaningful exchange, precision and mutual benefit. These outcomes, combined with the findings on the remaining of the study will help identify the interfaces that require urgent upgrades, and the groups most receptive to the deployment of contracts as relational products or services.

The perceptions reflected on the terms and expressions used by the participants showed consistency with the collaborative ideas, trends, strategies, measures and proposals from the literature. Understandings of collaboration are comparable to theoretical counterparts mainly from the business literature, with some need for terminological adjustments...
and precision that can be achieved through increased awareness, training, education and habituation or use. Collaboration and cooperation were described similarly but marked preferences showed for skills with more intense, committed and integrated connections, with connotations of understanding and the meeting of the minds.

Gender differences were insignificant. Age did not yield the results expected but other methods are recommended to investigate documented issues of trust and readiness in the adoption unfamiliar schemes of exchange in technology mediated transactions.

Educational level, occupation and country of origin were the most persuasive variables indicative of differences in perceptions, on which claims for more focused research can prosper. Awareness, readiness and interest in collaboration were mildly affected by the educational level variable. Occupation findings pointed onto an unusual direction about the legal system and the practice of law, challenging the notion about law being the most adversarial and competitive domain. Readiness and opportunities to implement collaborative changes were instead unveiled. Country of origin, suggested the most relevant predictors about propensity and aversion to collaboration among the respondents. The strongest connotation was established by almost half of the Colombian respondents that associate collaboration with good deeds rather than an integrative enterprise; the most unusual, the clearly negative meaning ascribed to collaboration by most of the Estonian participants, followed by the German and US respondents detached perceptions of collaboration and closer to a structured cooperative interaction. In this study, an Estonian, holding a bachelor degree, between 46-55 years of age is the subject less knowledgeable and aware of the meaning of collaboration in the fields of literature that matter to SC and a likely subject not to have a positive disposition to collaboration SC and similar ideas on design transaction are becoming increasingly popular (Waller et al., 2016). They rest on collaborative strategies with focus on information architecture management and result on innovative interfaces. Current research on legal innovation started to explore the potential of visualizations for negotiating and representing contracts to help the public interpreting legal matters, contributing to a better understanding of pacts and improving the appearance of agreements, adding an aesthetic component to the transaction design (Berger-Walliser, et al., 2017). However, whether the public at large can find compliance with contract sand regulations less onerous and intimidating when usability adjustments are applied, is yet to be established. Much more research and commitment is needed for the transformation of the legal environment of business into a more collaborative and sustainable socio technical system.

The present study relied on a relatively small bilingual sample, respecting academic standards of validity but with several repercussions. The type of data collected disallowed the researchers’ ability to examine in depth some of the variables’ impact and interdependencies. Also, detailed cultural factors could not be explained, only indicated from the ways the combined perceptions were configured. This is a risk for any linguistic interpretation of single datasets, and requires verification and repetition. An additional difficulty in evaluating these perceptions was the use of a unified language in the semantic analysis of the terms. Most participants are not native and must settle for word/expression choices affected by their English language proficiency. However, before further endorsement can be declined on these accounts, it should be kept in mind that this study was a first exploratory approach, with no pre-validated instruments that would fit the aim and scope of the work, and that was designed to minimize the participants’ efforts, but sufficient to achieve the goals pursued.

As in other consumer centered research the tasks of scholars and practitioner are continu-
ous. The investigation of specific properties of texts within target groups and other methods such as interviews is planned ahead and necessary to refine theoretical and practical developments, contributing effectively to the managerial practice. The ongoing investigation addresses issues across sectors on collaborative competences building in higher education, cultural and age constraints linked to the interdependencies between viability conditions (collaboration and self-regulation). The inefficiencies in transactional exchange should be priority concerns for private organizations as they are in the public sector factors affecting sustainable governance. These constitute an unexploited source of value that would not only benefit companies but customers and trade at large.

References


Huy, Q. N., Corley, K. G., & Kraatz, M. S. (2014). From support to mutiny: Shifting legitimacy judgments and emotional reactions impacting the implementation of radical change. Academy of Management Journal, 57(6), 1650-1680.


Perceptions on Collaboration Affecting the Viability of the SMART CONTRACTING Approach


Taking the Path of Least Resistance in Managing Personal Finances for the Longer Term

Leonore Riitsalu

Abstract

Aging population and the shift from defined benefit to defined contribution pension schemes in many of the developed countries have increased the importance of active saving for retirement. Researchers of financial literacy and behavioural finance have found evidence that people are not capable of taking such complicated financial decisions. A rational and financially literate individual would compare the conditions of several pension funds before deciding, which one to join. Empirical evidence from Estonia reveals that only a few do that and their behaviour cannot be explained by better financial knowledge or socio-economic status. It may simply be more appealing to choose not to choose, no matter how educated or wealthy the individuals are. Behavioural economists find that we can be myopic, have present-biased preferences, and not even identify with the future-self. Instead of comparing and choosing, we may take the path of least resistance or choose not to choose at all. Policymakers should address these behavioural issues more when designing financial education programmes, reforming pension systems or using social marketing for reminding of the need to make active decisions for preparing for retirement, rather than providing information and expecting individuals to make considered choices.

Keywords

Behavioural economics, behavioural finance, financial education, financial literacy, pension funds, retirement

Introduction

The most complicated decisions in managing personal finances need to be made for planning for the retirement; when to start saving and which ways of investing to choose. Individuals are increasingly responsible for their financial welfare after retirement as defined contribution plans have replaced defined benefit pension plans (Choi et al., 2004), but substantial shortcomings in relevant knowledge (Hastings and Mitchell, 2011; Lusardi and Mitchell, 2011a; Van Rooij et al., 2011) and biased behaviour (Benartzi and Thaler, 2007) decrease their financial wellbeing after retirement.

The first difficulty is finding motivation to get started at all as choices among pension funds are difficult to handle, provide neither fast feedback nor tangible results (Thaler and Sunstein, 2009). As Choi et al. (2004) say, ‘the easiest thing to do is nothing whatsoever’, but the consequences of not taking action on time may prove to be costly. Therefore, it is in the interest of all – people themselves, financial and
governmental institutions – to acknowledge the difficulties with choosing retirement solutions. In conditions of information overload and complex financial services, more help could be provided to nudge people towards making any choices at all. The default options need to be carefully designed (Cronqvist and Thaler, 2004) for those who do not make any active decisions and those who ‘choose not to choose’ (Sunstein, 2014).

In Estonia, citizens born in 1983 or later must choose a mandatory defined contribution pension fund (Pensionikeskus, 2016) and are encouraged to choose among all mandatory pension funds provided by the financial sector. If they fail to decide, the state automatically enrols them into a conservative fund chosen by lottery. Government statistics show that only 5.6% of citizens in eligible age do not choose a mandatory pension fund themselves and even out of those 5.6% majority do decide to shift their savings to another fund within a year (Rahandusministeerium, 2016). This contradicts the findings of research summarised above. As individuals are found to have insufficient knowledge of financial matters and not to optimise their long term financial welfare, it would be a noteworthy challenge to the existing theory if in one country almost everyone was making rational and financially literate long term choices. Therefore, the aim of the paper is to analyse, how these decisions are made in Estonia.

The author of the paper was advising Estonian Ministry of Finance on the design of a nationally representative financial literacy survey in 2015 and added a few questions to the core questionnaire, including the topic of choosing between defined contribution pension funds. The design of the question was tested in a focus group of six people to avoid misleading wording. The results reveal that in reality, only a few people make carefully considered choices and their knowledge of financial issues, income level or risk tolerance are not correlated with making such long term decision. Instead, the majority enrolls into a fund offered by their bank. Therefore, policymakers cannot expect all individuals to make considered choices.

First, an overview is given of research on financial literacy and behavioural finance, to be followed by brief description of the background in Estonia. Next, method and results of the current study are discussed. The paper concludes with suggestions for policymakers, providers of financial education and financial services for helping individuals to find motivation for making active decisions in managing personal finances for the longer term.

**Problems with Saving for Retirement**

Pension reforms have shifted the responsibility for saving for the retirement from governments to people themselves. As pension systems are complex and difficult to understand, emphasis has been on providing information and teaching the basics of financial literacy. Such approach may overlook the human nature. Sunstein (2014) explains that many people do not want to choose retirement plans as they may have no preferences, do not want to take responsibility for the outcomes or simply do not enjoy choosing.

Financial literacy is defined by the Organisation for Economic Co-operation and Development (OECD, 2005) as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. In the international financial literacy measurement carried out by the OECD in 30 countries in 2015, Estonians ranked third in knowledge, but 24th in behaviour (OECD, 2016). To give insight into the possible reasons behind such a gap, relevant research on behavioural sciences is briefly summarized.

When offered many similar services to choose from, people may decide not to decide at all, not to buy a financial service or to stick with
Taking the Path of Least Resistance in Managing Personal Finances for the Longer Term

the already existing one. Choi et al. (2002) call it taking the ‘path of least resistance’. At the time of the study, there were 20 mandatory pension funds offered in Estonia. Terms and conditions of these funds are not easy to compare, it includes complicated terminology and they all seem relatively similar to a lay person. Cronqvist and Thaler (2004) argue against encouraging individuals to choose among a multitude of pension funds and suggest offering reasonable default options instead. Iyengar et al. (2004) say it is the choice overload that makes it easier not to choose at all.

Ferreira talks (2011) about hot and cold selves, two different selves in one person; the hot one who thinks in short term and the cold one who thinks carefully of the long term as well. The cold one would act rationally and invest for the future, but the hot one acts for immediate gratification. Therefore, the cold self would rationally choose the fund that best meets his or her preferences and expectations, but the hot finds always something more urgent to do, postponing the decision into indefinite future. The ‘hot hand’ fallacy makes people believe that successful fund managers will be successful also in the future. It may lead to investing into a pension fund that will not pay the expected income in the old age as the decision of buying into the fund was based only on past performance. In reality, the past performance does not guarantee excellent performance in the future, it should be only one of many aspects to consider.

Individuals are loss averse, they are at least twice as sensitive to losing money as they would enjoy gaining the same amount (Kahneman et al., 1991). Besides loss aversion, also regret aversion influences investment decisions. Individuals hope to avoid situations where they appear to have made the wrong decision even if the decision was the correct one beforehand given the information available (De Meza et al., 2008). It is easier not to make a decision at all and not to invest than to make a decision that turns out to be unprofitable and should be regretted afterwards. In the case of choosing the mandatory pension fund, it is less painful to accept the fund a bank or the state has offered than to make a decision that may need to be regretted later. Hindsight bias helps to blame the institution that offered to join that particular fund if it turns out to be a wrong choice, rather than admitting having made a poor decision.

Yoong (2010) describes myopia – the inadequate treatment of risk and return in time. She says that myopic investors may sell risky assets too fast and buy back too late losing more than they would have if they had kept in mind the long-term perspective. The same
myopia applies for changing frequently from one pension fund to another based on short term fluctuations. People tend to overvalue things that are immediate and concrete over things that are distant and abstract (ASIC, 2011). Therefore, they are not always making wise saving decisions for retirement as the outcomes are too distant and abstract.

Choosing financial services wisely requires searching and processing much information. Reading all conditions of all service providers is not only time consuming but also a very difficult task to handle for a lay consumer. As Thaler points out (2015, 98):

Humans do not have the brains of Einstein, nor do they have the self-control of an ascetic Buddhist monk. Rather, they have passions, faulty telescopes, treat various pots of wealth quite differently, and can be influenced by short-run returns in the stock market.

Research has proven that people are ill-equipped to take complex financial decisions, do not plan ahead sufficiently, and have a poor understanding of investment concepts like risk and diversification (Lewis and Messy, 2012). However, provision of knowledge only is not enough for improving long-term planning and saving. There is evidence that financial education alone generally fails to achieve positive long term impact on financial behaviours (Hastings et al., 2013; Fernandes et al., 2014; Miller et al., 2015). However, a well-designed financial education programme that uses behavioural insights can improve saving behaviour (Ashraf et al., 2006; Carpena et al., 2015). People born later than January the 1st 1983 must join the second pillar pension fund, but are encouraged to choose the fund themselves. In case they do not choose, the state enrols them into a fund with conservative investment strategy by lottery (Pensionikeskus, 2016).

One third of the working age population plans to keep on working after retirement, a fifth expects financial support from children or spouse (Saar Poll 2015). Relying on support from a spouse or children may not be an actual carefully considered choice, it may be self-rationalization instead. Merely a few percent invest in stocks. Meriküll and Rõõm (2016) find such a low level of stock-market participation to be ‘not in accordance with economic theory’.

At the same time, in international financial literacy surveys Estonians rank highly in knowledge – adult population was in the 2nd place among 14 countries in 2010 and the 15-year old students in the 3rd place among 18 countries taking the PISA financial literacy test in 2012 (Atkinson and Messy, 2012; OECD, 2014). Therefore, it cannot be the lack of knowledge that is stopping individuals from investing for increasing their financial welfare after retirement.

**Method and Sample**

As there was no data on reasons or ways of choosing the mandatory pension fund, an open-ended question was formulated by the author and added to the 2015 national financial literacy survey. The additional question was tested in a focus group of six people to avoid misleading wording, the author observed their discussion of the proposed topic and adjusted the design of the question accordingly. Based on the discussion in focus group, a list of more likely responses was created to be used as an assisting material for the interviewer but not to be read out.

**Background of the Estonian Pension System**

Estonian pension system consists of three pillars: pay-as-you-go state pension insurance (1st pillar), mandatory defined contribution pension funds (2nd pillar), voluntary pension funds and insurance products (3rd pillar) (Vörk et al., 2015).
The data was collected in summer 2015 by survey agency Saar Poll. Based on the OECD methodology and using additional questions suggested by the author, 1137 people in age 18-80 were interviewed face to face. The sample is representative of the Estonian population. There were 529 respondents who said to have enrolled into a mandatory pension fund, these form the sample of the current study.

For data analysis, a binary variable ‘choose’ is created. It takes value ‘1’ when the respondent sais to have searched for information and compared the conditions of several mandatory pension funds and ‘0’ in all other cases.

Logistic regression models are calculated where the dependent variable is ‘choose’ and independent variables are age, gender, education, income, nationality, being self-employed, living in a town or rural area. Next, logistic regression model is calculated with two explanatory variables: ‘Confident that have done a good job of making financial plans for retirement’ and ‘Prepared to risk some money when saving or making an investment’. Both of these attitude statements are using a five-point scale where 1 means the respondent does not agree at all and 5 stands for agreeing completely.

Knowledge score is calculated based on the OECD methodology (OECD, 2015). It is the sum of correct answers to eight questions, for example, on the nature of the compound interest and understanding of diversifying investment risks (see Table 1). Each correct answer gives 1 point, in total the maximum score is 8. Last, correlation between choosing and both, overall knowledge score and each of the 8 questions is calculated using logistic regression to study the factors explaining active choosing.

### Results

Descriptive statistics reveal that more than half (55%) of the 529 individuals who said to have joined a 2nd pillar pension fund, are saving into the fund their home bank offered them, 14 percent have accepted the offer from another bank and 13 percent have been enrolled into a fund by the state. Five percent have chosen the fund their friends or relatives have enrolled into. Merely 9 percent have compared the

<table>
<thead>
<tr>
<th>Table 1. Knowledge questions in the financial literacy survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>1 Imagine that five brothers are given a gift of 1,000 euros in total. If the brothers have to share the money equally how much does each one get?</td>
</tr>
<tr>
<td>2 Now imagine that the brothers have to wait for one year to get their share of the 1,000 euros and inflation stays at 2 percent. In one year’s time will they be able to buy: more, less, or the same amount they could today.</td>
</tr>
<tr>
<td>3 You lend 25 euros to a friend one evening and he gives you 25 euros back the next day. How much interest has he paid on this loan?</td>
</tr>
<tr>
<td>4 Suppose you put 100 euros into a savings account with a guaranteed interest rate of 2% per year. You don’t make any further payments into this account and you don’t withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made? and how much would be in the account at the end of five years?</td>
</tr>
<tr>
<td>5 True or false: An investment with a high return is likely to be high risk.</td>
</tr>
<tr>
<td>6 True or false: High inflation means that the cost of living is increasing rapidly.</td>
</tr>
<tr>
<td>7 True or false: It is less likely that you will lose all of your money if you save it in more than one place.</td>
</tr>
</tbody>
</table>

Source: OECD, 2015
conditions of several funds before making the decision. This contradicts the official statistics that suggest majority to make considered choices as discussed earlier.

Socio-economic factors explain very little, why those 9 percent have made a considered decision, only nationality is weakly correlated with making the considered choice. Unfortunately, the sample is too small for analysing that gap – there were only six not Estonians in the sample who had compared before choosing, it is not possible to segment them in any way. Education, income, age, gender, location and being self-employed are not statistically significant to predict the odds of choosing the fund after comparing the conditions of several funds (see Figure 1).

There is a statistically significant correlation with confidence in having made sufficient long term plans, but no correlation with attitudes towards risk (see Table 2). Those who did not compare are less likely to be confident in the sufficiency of their long term planning. This suggests that individuals are aware of the need for investing for retirement but they just do not act upon it. However, their risk tolerance does not significantly differ from those who made a considered choice.

Knowledge of financial matters is high in Estonia as explained earlier and shown on Figure 2. Majority scored 6 points or more in the OECD knowledge questions.

However, knowledge score is not significantly explaining, why some have compared and others rely on opinions of others or the offer from the bank instead (see Appendix 1). Analysis of correct responses to each of the elements of the knowledge score shows that only under-

---

Figure 1. Socio-economic factors and making a considered choice. Logistic regression, dependent variable: choose (n=505)
Taking the Path of Least Resistance in Managing Personal Finances for the Longer Term

Table 2. Logistic regression, the dependent variable is ‘choose’ (n=505)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Odds ratio</th>
<th>Standard error</th>
<th>95% confidence interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confident that have done a good job of making financial plans for retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>not very confident</td>
<td>4.745*</td>
<td>3.194</td>
<td>1.268 17.749</td>
</tr>
<tr>
<td>neutral</td>
<td>5.019*</td>
<td>3.260</td>
<td>1.405 17.928</td>
</tr>
<tr>
<td>rather confident</td>
<td>4.131*</td>
<td>2.880</td>
<td>1.053 16.203</td>
</tr>
<tr>
<td>very confident</td>
<td>11.236**</td>
<td>8.917</td>
<td>2.372 53.223</td>
</tr>
<tr>
<td>have done nothing to plan for retirement</td>
<td>3.041</td>
<td>2.416</td>
<td>0.641 14.429</td>
</tr>
</tbody>
</table>

Prepared to risk some money when saving or making an investment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Odds ratio</th>
<th>Standard error</th>
<th>95% confidence interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>rather disagree</td>
<td>0.396</td>
<td>0.208</td>
<td>0.141 1.110</td>
</tr>
<tr>
<td>neutral</td>
<td>1.900</td>
<td>0.755</td>
<td>0.873 4.139</td>
</tr>
<tr>
<td>rather agree</td>
<td>0.650</td>
<td>0.345</td>
<td>0.230 1.839</td>
</tr>
<tr>
<td>completely agree</td>
<td>0.620</td>
<td>0.433</td>
<td>0.157 2.441</td>
</tr>
<tr>
<td>Constant</td>
<td>0.030</td>
<td>0.018</td>
<td>0.009 0.100</td>
</tr>
</tbody>
</table>

Legend: ** significant on 0.01 level *significant on 0.05 level

Standing of diversification is significantly correlated with making a considered choice (see Figure 3). In logistic regression, the odds ratio for diversification is 4.47 and significant on 0.05 level. None of the other seven questions is significantly correlated with choosing.

Figure 2. Correct answers to knowledge questions (n=1137, max=8)
The results confirm that failures of influencing financial behaviour can be largely attributed to the unjustified belief that provision of unbiased information and teaching the basics of finance will lead to better retirement planning and making well considered choices.

Discussion and Conclusion

The results of the current study reveal that merely 9 percent of the citizens enrolled into a mandatory pension fund have chosen the fund after comparing the conditions of several providers. Majority have taken the ‘path of least resistance’ (Choi et al., 2002) instead and accepted a fund offered by the bank or state. Therefore, policy that encourages taking active choices is not effective. Although a financially literate and rational individual would, in theory, make carefully considered choices to maximize financial welfare after retirement, in reality only a few do that.

There are no significant differences in neither socio-economic background, attitudes towards risk or knowledge between the ones who did compare and choose and those who accepted the fund a bank or the state offered them. Only one of the Big Three financial literacy questions advocated by Anna Maria Lusardi (Lusardi and Mitchell, 2007, 2011a) is correlated with having compared the conditions of several funds. Financial literacy knowledge score calculated using the OECD methodology is not explaining at all, why some have compared and others rely on opinions of others or the offer from the bank instead.

However, those who have compared different pension funds are more confident in having done enough to plan for their income after retirement than those who did not. The only knowledge question significantly correlated with choosing the fund is about risk diversification. Those who knew that the statement ‘It is usually possible to reduce the risk of invest-

Figure 3. Logistic regression coefficients, correct answer to knowledge questions and having made a considered choice (n=529)
ing in the stock market by buying a wide range of stocks and shares’ is correct, were four times more likely to have chosen the fund after comparing the conditions of several funds. This supports the findings of Lusardi and Mitchell (2011b) who found knowledge of diversification to have the strongest influence on investment behaviour. However, it is arguable, did these 9 percent choose themselves because of understanding the need for diversifying investment risks or did they learn about diversification because of comparing the conditions of several pension funds. People do acknowledge they have not done enough as the correlation between choosing and being confident in having made sufficient long term plans indicates, but they still fail to take action. It takes more than awareness and knowledge to make considered decisions in personal finance.

Choosing not to choose a pension fund can happen for a number of reasons: procrastination (O’Donoghue and Rabin, 1998), optimism and overconfidence (Guiso and Jappelli, 2008), problems with self-control (Laibson et al., 1998), inability to identify with the future self (Hershfield et al., 2009) or finding the choice ‘confusing, difficult, painful, and troublesome’ (Sunstein, 2014), to name only a few. Promoters of financial literacy and policymakers should address these issues more when designing financial education programmes, reforming pension systems or using social marketing for reminding of the need to make active decisions for preparing for retirement. Default options need to be carefully designed to improve the financial well-being of those who choose not to choose.

Policy Implications

The incentives for changing behaviour have to be big enough to motivate to act, meaningful and clearly communicated. People will not do something as difficult as choosing an investment service for retirement unless they are motivated by an incentive or see the tangible benefits of prudent decisions. That is a challenge particularly in the case of long term investments. Policymaker cannot guarantee financial security after retirement and even if they could, showing it as a tangible benefit would be very complicated. Especially if these messages try to compete with messages from consumer credit providers who promote being able to make the desired and tangible purchase today and pay for it from future income.

Behaviour change could start from acknowledging the heuristics and biases affecting decisions; creating awareness and helping people to understand their own behaviour could be the first step towards overcoming these obstacles. Also policymakers should keep in mind the biases in order to offer nudges towards wiser behaviour in addition to regulating the financial services market. Fornero (2015) has suggested a new paradigm: reform, inform and educate. Pension reforms must be clearly communicated in human language and done so persistently to reach everyone, despite the information overload. But also the design of the reforms and educational programmes should learn from behavioural sciences and improve the choice architecture of such complicated decisions.

Financial services can be better designed, for example Brigitte Madrian suggested in her talk on conference Behaviour Exchange 2015 (Behavioural Insights Team, 2015) that to increase savings, the services should take use of the fact that people have their money in different pots in their mind. There could be financial services that first fill the ‘rainy day’ pot, if that is filled, the ‘short term goal’ pot can be filled and once these two are full, savings could be invested for retirement. All these pots differ by conditions such as the ease of access to money and the interest rate, but if they are part of one service, it is easier and more convenient for the person to actually save for all these causes. The same applies for providing financial education. Already during the course, the participants should be nudged towards behaviour change to ensure the effectiveness of the programme. It can be some-
thing as simple as a task to draw an image of your life 30 years from today or to check the balance of your mandatory pension fund on your mobile phone right now. As there are many tools, apps and impartial websites available, the key is to find motivation for looking into the matter.

Planning for the retirement is hardly an easy and appealing task. Choosing not to choose and rely on family or the state instead is much more attractive. People need help to find motivation for making informed choices. Interactive tools can help to visualize life after retirement or the proportion of income people will have from the funds they have enrolled into out of the income they expect to receive after retirement. Regular communication is needed for helping people to keep their long term goals in mind even if ‘they have their hands full of present-day losses and worries’ (Fornero, 2015).

References


Fornero, E. 2015. Economic-financial Literacy and (Sustainable) Pension Reforms: Why the Former is a Key Ingredient for the Latter - Revue Banque. Bankers, Markets and Investors, 134 (Special Issue Pension), 18–32.
Taking the Path of Least Resistance in Managing Personal Finances for the Longer Term


Saar Poll. 2015. Finantsalase kirjaoskuse uuring Eesti elanike seas 2015 (Survey report)


| Logistic regression, dependent variable is 'choose' (equals 1 if the respondent has compared the conditions of several mandatory pension funds, n=529) |
|---------------------------------|---------|---------|-----------------|
| **Odds Ratio**                  | **Std.Err.** | **95% Confidence Interval** |
| Male                            | 1.291   | 0.434   | 0.667 2.496 |
| Education (base: less than secondary)                                                                 |
| secondary                       | 0.591   | 0.316   | 0.207 1.686 |
| tertiary                        | 0.713   | 0.417   | 0.226 2.246 |
| Age (base: 18-19, the age when individuals are enrolled into the mandatory pension system)                |
| 20-29                           | 0.446   | 0.348   | 0.096 2.063 |
| 30-39                           | 0.615   | 0.453   | 0.145 2.609 |
| 40-49                           | 0.797   | 0.589   | 0.187 3.391 |
| 50-59                           | 1.102   | 0.832   | 0.251 4.842 |
| 60-74                           | 0.872   | 0.765   | 0.156 4.866 |
| Rural area (base: urban)        | 0.682   | 0.271   | 0.313 1.484 |
| Nationality: other than Estonian | 0.461   | 0.206   | 0.192 1.106 |
| Income (monthly net income per household member, in euros)                        |
| 301-500                         | 0.508   | 0.234   | 0.206 1.252 |
| 501+                            | 0.665   | 0.298   | 0.276 1.600 |
| Entrepreneur, self-employed     | 1.735   | 0.752   | 0.741 4.057 |
| Knowledge score                 | 1.102   | 0.150   | 0.843 1.440 |
| Constant                        | 0.273   |         |         |
| Pseudo R2                       | 0.049   |         |         |

Note: none of the odds ratios is significant on 0.05 level
Humanistic and Economic Management - the Case of the Cooperatives of the Disabled In Poland

Krystyna Zimnoch and Barbara Mazur

Abstract

The purpose of this article is to present the model of humanistic and business management and to show the positive effects of the complementary use of the two, as well as to depict the negative effects of only using economic management on the example of the cooperatives of the disabled in Poland. The liberal paradigm of socio-economic policy over the past quarter of the century (which promoted the business management model) has been the cause for failure of many cooperatives of the disabled (CD). Cooperative management is not as often studied in management science as enterprise management. The article complements the existing research gap, proving that in the case of companies such as CDs, economic management occurs to be insufficient and a complementary management approach is necessary. The example of CDs seems to be very useful to prove that managing is about people and can not be executed solely in economic way without considering people's needs. The article has a theoretical-empirical nature. The method of historical analysis was used as well as the analysis of administrative registers data in Poland.

Keywords

cooperatives, disabled employees, economic management, humanistic management, Poland

Introduction

In a world where people are forced into a hard, rival work at the decay of true relationships, healthy social contacts become a good, and in the world of kitsch and media stupidity, a true culture becomes valuable. Finally, in a world where the number of cases of depression doubles every five years, happiness becomes the most scarce good. Where the emptiness and misunderstanding of the surrounding reality dominate, wisdom and spirituality become a deficit product. The most important good in modern economics is shaping up to be a broadly understood wellbeing, and the most important goal of management is to multiply it - for employees, customers and the social environment. The economy of sustainable development takes care not only of the financial side, but also of the authentic human goods. Led by the principles of this positive economy of sustainable development, human-oriented management and its natural values at all levels - from design and production through trade, marketing and distribution up to using - can

Barbara Mazur (Prof) - research and teaching worker at the Lublin University of Technology specializing in cultural aspects of management, corporate social responsibility and international business. Author and co-author of over 150 original research works, including five scientific monographs published in Polish and English. Member of the Praxeology Scientific Society and three international organizations: the European Business Ethics Network (EBEN), the Consumer Citizenship Network (CCN) and the Partnership for Education and Research about Responsible Living (PERL). Currently, he prepares monographs on the subject of sustainable human resources management in the organization.
E-mail: b.mazur@pollub.pl

Krystyna Zimnoch (Phd) is an assistant professor in the Faculty of Management Engineering at Bialystok University of Technology. Her research interests focus on factors of local and regional development, development management and regional policy. K. Zimnoch is the author of over 30 publications from the above range. In particularly she concentrates on the silver economy as a condition for development and cooperative activity as an endogenous resource for local development. Currently she is working on the book on management of cooperatives after transition period in Poland.
E-mail: k.zimnoch@pb.edu.pl
be called humanistic management (Mirski, 2005). If the goal of economic management is to profit from sales and to increase work productivity, then managers tend to look at diagrams and tables more accurately than they do at people - their employees or customers. If management is focused on human well-being, then it is about choosing a group of people with similar values, similar perceptions of reality, partnership in projects, motivating those working together by broadening cultural horizons.

And though it seems to be true that ‘Major shifts in funding, demography, personal expectations and the rise of a global disabled people’s movement require new and creative solutions to the choices and rights agenda into the twenty-first century’ (Roulston, 2015) it might be useful to look back as well and learn from the past.

Economic vs. humanistic orientation in management

Supporters of the economic orientation in management assume that the main aim of a company is to maximize its profit, and the primary responsibility of the managers is to earn money for the shareholders who own the company.

Milton Friedman is thought to be the best-known representative of this type of orientation. In his article entitled ‘The Social Responsibility of Business Is to Increase Its Profits’ (1970) he introduced the basic postulates of this orientation. According to Friedman, a company should be directed so as to generate the greatest profit possible while respecting legal and moral norms. The manager is primarily (sometimes exclusively) responsible to his or her employers, so the shareholders. They acquire the shares of the company, hoping that as an economic institution it will bring economic profit. According to Friedman, encouraging enterprises to carry out non-economic functions interfere with the functioning of market mechanisms, which are the most effective method of reaching prosperity, while also being positively characterized in the ethical sense. T. Levitt shows a similar way of thinking. He states that the responsibility of business is to conduct a profitable activity while respecting the elementary canons of morality (Lewitt, 1958). If the business of business is business, it is all about profit and not about ethical or social favours, which are secondary to profit.

Management in organizations in the twentieth century was based on the prevailing at that time economic paradigm (Ghoshal, 2005). The management based on the humanities paradigm rejects the concept of a man described as homo economicus guaranteeing a rational economy of human activities (Pirson and von Kimakowitz, 2012). The replacement is a man perceived in the perspective of the many disciplines of social sciences. Although initiated at the end of the twentieth century, the heyday of this kind of management is yet to come (Gratton, 2004).

European management is characterised by a concentration on the man much more than on other continents (Bloom, Calori, 1966; Bonne, van den Bosch, 1997). The revival characterised by the perception of a man across prism of its uniqueness and genius had place only in Europe. Humanistic management is accompanied by a cogitation of a deeply philosophical nature (Arandia, Portales, 2015). The humanistic trend in management focuses on all phenomena concerning a man and his place in the organization. Humanistic management, having utopian thinkers of the nineteenth century as its precursors, was formed in its present form during the twentieth century (Rąb, 2015). Researchers take the perspective of evolutionary development of the principles of humanistic management. D. Melé is one of such researchers. He indicates the existence of three stages in the process of forming the basics of humanistic management (Melé, 2013). These stages were formed consecutively at the beginning of the twentieth
### Table 1: Economism and humanism in management paradigms

<table>
<thead>
<tr>
<th>Paradigm</th>
<th>Economism</th>
<th>Humanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual level</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Model</strong></td>
<td>Homo Oeconomicus</td>
<td>Zoon Politikon</td>
</tr>
<tr>
<td><strong>Motivation</strong></td>
<td>Two drive motivated: Drive to acquire Drive to defend</td>
<td>Four drive motivated: Drive to acquire Drive to bond Drive to comprehend Drive to defend</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Maximization of utility</td>
<td>Balance of interests</td>
</tr>
<tr>
<td><strong>Disposition</strong></td>
<td>Transactional</td>
<td>Relational</td>
</tr>
<tr>
<td><strong>View of other</strong></td>
<td>Means to an end</td>
<td>Means and end</td>
</tr>
<tr>
<td><strong>Organizational level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td>Nexus of contracts</td>
<td>Social community</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Shareholder oriented</td>
<td>Stakeholder oriented</td>
</tr>
<tr>
<td><strong>Model in management theory</strong></td>
<td>Agent</td>
<td>Steward</td>
</tr>
<tr>
<td><strong>Leadership style</strong></td>
<td>Transactional</td>
<td>Transformational</td>
</tr>
<tr>
<td><strong>Goal setting</strong></td>
<td>Command and control based</td>
<td>Discourse Based</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Profit maximization</td>
<td>Financial, social, and environmental sustainability</td>
</tr>
<tr>
<td><strong>Motivation incentives</strong></td>
<td>Geared to 1st and 2nd need (Maslow) Drive to acquire Drive to defend</td>
<td>Geared to 3rd 4th order needs (Maslow) Drive to acquire Drive to bond Drive to comprehend Drive to defend</td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td>Mechanistic</td>
<td>Organic</td>
</tr>
<tr>
<td><strong>Time frame</strong></td>
<td>Short term</td>
<td>Long term</td>
</tr>
<tr>
<td><strong>System level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State orientation to business</strong></td>
<td>Laissez faire</td>
<td>Subsidiary actor</td>
</tr>
<tr>
<td><strong>State-Managerial responsibility</strong></td>
<td>Financial value creation</td>
<td>Supporting a balanced society</td>
</tr>
</tbody>
</table>

Source: Pirson and Lawrence (2009) adapted

The first approach was not considered as a whole. It began at the dawn of the twentieth century and focused on the issue of motivation. Its representatives were M. Parker Follett, Ch. J. Barnard, E. Mayo and A. Maslow.

The second approach had its prime in the 80s of the twentieth century. It circled around the concept of corporate culture. Despite the
fact that it presented a broader perspective on the human condition, taking into account the impact of social culture on people’s behavior in the organization, it was considered incomplete as well. Its representatives were T.J. Peters and R.H. Waterman, T.E. Deal and A.A. Kennedy and E. Schein.

The third approach treats an organization as a human community which values human traits and virtues highly. In the light of the assumptions, such a management, which allows its participants to achieve ever higher moral levels and the organizations to function more efficiently, constitutes a challenge. Humanistic management in this approach aims at building unity, so that the community, which is made by the company’s employees, becomes increasingly stronger. Companies, being a part of society which they enter into relationships with, should form the basis of social life, constituting its important foundation. And although this approach was formed relatively late, Aristotle is acknowledged to be its precursor, and today this position is represented, among others, in the social teaching of the Catholic Church by Pope John Paul II.

Comparison of economic and humanistic paradigm of management can be carried on three different levels: individual, organizational and system. Synthetic juxtaposition of chosen issues concerning the humanistic and economic management has been presented in table 1.

The cooperative movement of the disabled in Poland - manifestation of economic and humanistic management

The idea of cooperatives connected people from different perspectives ranging from Christian to socialist and liberal. What was common was the belief that the combination of activities and own resources could bring fate improvement and a better world for all. ‘Democracy and freedom are created only when people, instead of demanding reforms from the state, carry out these reforms themselves by the power of voluntary solidarity; when instead of human as the voices of election, instead of a puppet in the hands of the bureaucracy or party leaders, instead of one who is only able to either dominate or obey, emerges a man who is a free creator of life, able to work cooperatively with one another and perfecting life’ (Abramowski, 2014). The cooperatives were therefore looking for a system of organization and management that would enable a person’s freedom to be realized within the organization.

The beginning of organized cooperativeness of the disabled in Poland is considered to be the establishment of the Central of the Cooperatives of the Disabled (CCD) in 1949. This cooperativeness has evolved to an unprecedented proportions compared to other countries. It was an important element of the Polish model of rehabilitation, which gained international recognition. Cooperatives of the disabled were a voluntary and self-governing association of people with disabilities, with a view to run a business based on the members’ personal work. Other cooperative’s goals are the rehabilitation and social and cultural-educational activities. Article 181a §1 of the Cooperative Law states that ‘the object of activities of the cooperatives of the disabled and cooperatives of the blind are professional and social rehabilitation of the disabled and the blind by working in a joint venture’ (Cooperative Law, National Co-operative Council, 2015).

With the general post-war market shortage, the CDs provided basic products and services for daily needs, from cleaners to household goods or clothing. Polish society benefited from the humanistic approach in the CDs. These cooperatives had no problem selling their products, and work on the production was beneficial in every respect for disabled cooperatives members. Hence the opportunity to focus on social goals. Owing to the activity of CD enterprises, impressive resources of material, financial and human capital have been accumulated. These were: manufacturing and service establish-
ments including machinery and equipment, grounds and storage areas, clinics and sanatoria, rehabilitation centres, canteens and clubs. Also, a very own research facility - Department of Social and Vocational Rehabilitation Research. Professional production and management staff and, which is extremely important for this group of people, an experienced medical rehabilitation staff were all there. These were: doctors, nurses, social assistants, physiotherapists, medical laboratories workers, psychologists, pedagogues, readers for the blind, physical education instructors, cultural education instructors.

The Polish model of rehabilitation gained international recognition. Establishing the Polish School of Rehabilitation in the 1960s was a great achievement. It was done by the theorists of the Society for Fighting Disabilities, based on the practical application of the principle of comprehensive and collective actions for people with a complex or significant disability (Waszkowski, 2016). Scientific literature on Polish rehabilitation school is vast. The International Labour Organization (ILO) entrusted the Association of the Cooperatives of the Disabled in 1974 and 1977 to organize seminars aimed at acquainting participants with the Polish model of solving the problem of employing the disabled in the form of cooperative enterprises. The result of these seminars was the publication of ‘Cooperatives of the disabled: organization and development’ (ILO, 1980).

Socio-educational activity as one of the cooperative principles is an important component of each cooperative’s actions. In CDs, it was a basic element of social rehabilitation. The cooperative environment allowed for the development of artistic and cultural creativity and sports activities for people who were excluded due to their disability. Many disabled creators have gained international recognition. The CDs also made a significant contribution to the evolution of physical education and sport for people with disabilities in Poland. Movement and physical activity have advanced to the first place in a complex rehabilitation program.

Shortly before the political transformation, in Poland there were 454 cooperatives of the disabled and the blind, employing a total of 270,000 people, including 75% of employees with disabilities. Since then, the number of these entities has gradually decreased year by year (Grzymkowska, 2014). A review of the resources of CDs up until the political transformation is presented in Table 2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Facilities and Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>190 protected work establishments and more than 12,000 disabled people working in them, 17 vocational centers employing 144 workers</td>
</tr>
<tr>
<td>1974</td>
<td>320 protected work establishments and about 25,000 disabled people working in them. There were about 300 company-affiliated clinics and 85 inter-company clinics serving employees of several co-operatives. CDs employed about 1000 full time and part-time physicians of various specialisations and about 1,000 nurses</td>
</tr>
<tr>
<td>The 70s</td>
<td>CDs employed about 40,000 serfs (with heavier disabilities), 35% of all disabled employees. In the 10 cooperative-affiliated schools, there were about 1,000 disabled students in such fields as: mechanical, electronic, printing, clothing, textile, leather, chemical, wood and food. The network of sanatoriums and rehabilitation centers in Busko Zdrój, Bukowina Tatrzanska, Ciechocinek, Krynica Zdrój, Complex Rehabilitation Center in Konstancin, Świnoujście and Wisła. Artistic groups, wide cultural and educational activity. All-Polish Sports Games of the Cooperatives of the disabled</td>
</tr>
</tbody>
</table>

The material and incorporeal achievement of CD was the result of the combination of members’ small capital, their work and the accumulation of resources at their place of work. It is worth emphasizing that cooperative property is private property. And it would seem that the transformation of the Polish economy towards the market one should preserve this form of ownership and entrepreneurship. However, the CD has become a “prey” for privatization, just like state-owned enterprises, and therefore nationwide. The model of the economy forced at that time saw in the CDs an infamous collectivization system imposed by the communist regime in the Soviet Union and its satellite states in Central and Eastern Europe. At the time, according to the new liberal perception of the economy, all social aspects in the economy have hindered economic pursuits - maximizing profit. CDs could not be managed in such a way - their aim was to maximize the usefulness of members, which included both the profitability and the social utility of the disabled, guaranteeing them a decent life. CDs were not able to cope with competition, especially foreign one. And although brushes and paintbrushes produced by The Cooperative of The Blind in Poland still enjoy high quality customer recognition, their Chinese imported alternatives are several times cheaper.

Liberal economic order and the collapse of the CDs in Poland

Notwithstanding the crisis of liberal economic order, boiling down to ‘freedom without order’ (Mączyńska, Pysz, 2014), a shift from the centrally planned economy into the market one, consciously or unconsciously, destroyed the system of social integration and rehabilitation of people with disabilities and all the achievements of CDs.

In numerous publications, it is indicated that changes in cooperatives, the liquidation of cooperative unions and the eradication of some cooperatives were settled by the proceedings of the Round Table1 (Waszkowski, 2016). The act from January 20th 1990, about the changes in cooperativeness liquidated the cooperative structures in order to give the cooperatives the right to associate freely and at the same time it banned associating for the basic level cooperatives in cooperative organizations that existed and were to be liquidated. Such prohibitions violated one of the basic cooperatives’ rules - autonomy. In February 1991, the Constitutional Tribunal recognized the provisions of the Act (Article 19 (1)) as incompatible with Art. 84 par. 1 and 2 of the Constitution of the Republic of Poland. However, during a year of those regulations, the Central Association of Cooperatives of the Disabled and the Central Union of the Cooperatives of the Blind and the Regional and Voivodship-level Unions of Cooperatives of the Disabled were liquidated. On January 23rd 1991, the Congress Delegates of the Cooperatives of the Disabled was convened, during which the decision was made to set up the Foundation for the Protection of the Disabled and to transfer the assets of the Central Association of the Cooperatives of the Disabled on its behalf.

In 1997, the basic level CDs re-established the central union - the National Revisory Union of the Cooperatives of the Disabled and the Cooperatives of the Blind. In the market economy, the policy of equalization of all sectors treated the cooperatives of the disabled and the cooperatives of the blind as all businesses with business objectives. The result of this approach was the limitation of rehabilitation activities, the liquidation of cooperative rehabilitation clinics, cultural and educational groups, sports groups and many cooperatives. The consequence was a decrease in the employment of people with severe and moderate disabilities.

The system of support for the disabled which was made after the transition skipped cooperatives. The State Fund for Rehabilitation of People with Disabilities (PFRON) became its

---

1 The agreement between the Solidarity opposition and the communist authorities signed on 5 April 1989.
As a special purpose fund, it operates under the Act of 27 August 1997 about occupational and social rehabilitation and employment of people with disabilities. Its resources are devoted to vocational and social rehabilitation of disabled people and their employment. The employment of people with disabilities funded by the PFRON includes a protected labour market and an open labour market. The Protected Labour Market consists of Vocational Training Center (ZAZ) and the Institution of Job Safety (ZPCH). The ZPCH status is granted by the voivodeship to those companies that meet the statutory requirements of the law (for instance full-time employment of at least 25 employees, employment of at least 50% of employees with disabilities, provision of nursing and medical care on the area of the workplace, gaining and managing funds for occupational rehabilitation). Compensation for financial contributions to provide the right conditions for people with disabilities is done by tax deductible and exempts from certain taxes. Establishments of professional activity (ZAZ) are also a segment of the protected labour market. The ZAZ status is granted by the Marshal of the voivodeship for those organizational and financial units that meet certain conditions (like employing at least 70% of people with disabilities, especially those who were directed by the poviats or municipalities and foundations, associations and other social organizations whose statutory task is occupational and social rehabilitation of people with disabilities.

The open labour market is made up of all companies not having a ZPCH status. This market offers the opportunity to earn higher wages, a bigger choice of positions and companies, greater chance of promotion of disabled workers. It should be stressed that for an employer in the open labour market, a disability judgment is not important. What matters are skills, qualifications and experience of the employee. All employees are subject to the principle of competitiveness and the principle of labour productivity.

The National Association of Auditors of Cooperatives of the Blind and Cooperatives of the Disabled has been carrying out a project called “The University of knowledge about the cooperativeness of the disabled” since 2009. According to the survey for the year 2015, the statistical employment rate of the cooperatives of the disabled is 131 people, in which 82% of the employees are disabled. The percentage of cooperatives operating a health and rehabilitation center is 38.5%. The percentage of cooperatives profiting from operational activities (with PFRON funds) account for 56%.

By April 1st 2014, ZPCH employers, including CDs, also received higher grants for their employees’ salaries than those from the open job market. After that date, the subsidy was levelled and reduced. This is the result of the amendment of the Act on Rehabilitation, adapting Polish law to EU Commission Regulation 800/2008. Under the Community rules, public aid can be stopped when losses and debts are rising and the turnover decreases.

Table 3: Employees in Supported Employment Entreprises, including the CDs and CBs, as of December of the given year

---

2 For example, the monthly maximum subsidy for a worker with moderate disability was 1890 PLN for the open labor market and 2100 PLN for the ZPCH, after the change it is 1725 PLN for the employers of both markets (PFRON, https://www.pfron.org.pl/pl/aktualnosci-sodir/2193,Zmiana-kwoty-dofinansowania-od-kwietnia-2014.html).
Over the twelve years (2004-2016) the number of ZPCH decreased by almost 60%, the employment of disabled people decreased by 43%. In the case of CD and CB, the number of disabled employees decreased by as much as 64% and the number of cooperatives by 52%. In the cooperative environment, the agony of CDs and CDs is often mentioned.

**Table 3: Employees in Supported Employment Enterprises, including the CDs and CBs, as of December of the given year**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of ZPCHs</th>
<th>Total employment</th>
<th>Including d/p</th>
<th>Number of CDs and CBs</th>
<th>Total Employment in CDs and CBs</th>
<th>Including d/p in CDs and CBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2584</td>
<td>312 077</td>
<td>189 769</td>
<td>308</td>
<td>39 859</td>
<td>33 989</td>
</tr>
<tr>
<td>2005</td>
<td>2393</td>
<td>298 389</td>
<td>189 141</td>
<td>270</td>
<td>45 106</td>
<td>33 989</td>
</tr>
<tr>
<td>2008</td>
<td>2104</td>
<td>284 984</td>
<td>189 141</td>
<td>270</td>
<td>45 106</td>
<td>33 989</td>
</tr>
<tr>
<td>2009</td>
<td>2038</td>
<td>281 756</td>
<td>194 282</td>
<td>265</td>
<td>43 651</td>
<td>33 641</td>
</tr>
<tr>
<td>2010</td>
<td>1952</td>
<td>286 867</td>
<td>204 451</td>
<td>248</td>
<td>41 455</td>
<td>32 468</td>
</tr>
<tr>
<td>2011</td>
<td>1797</td>
<td>271 760</td>
<td>192 536</td>
<td>237</td>
<td>37 898</td>
<td>29 886</td>
</tr>
<tr>
<td>2012</td>
<td>1454</td>
<td>220 332</td>
<td>172 830</td>
<td>202</td>
<td>29 897</td>
<td>23 882</td>
</tr>
<tr>
<td>2013</td>
<td>1416</td>
<td>220 343</td>
<td>177 080</td>
<td>184</td>
<td>23 860</td>
<td>18 981</td>
</tr>
<tr>
<td>2014</td>
<td>1278</td>
<td>185 410</td>
<td>147 790</td>
<td>171</td>
<td>23 641</td>
<td>18 862</td>
</tr>
<tr>
<td>2015</td>
<td>1179</td>
<td>164 088</td>
<td>128 800</td>
<td>155</td>
<td>20 584</td>
<td>16 297</td>
</tr>
<tr>
<td>2016</td>
<td>1102</td>
<td>164 826</td>
<td>130 512</td>
<td>149</td>
<td>17 801</td>
<td>14 447</td>
</tr>
</tbody>
</table>


Over the twelve years (2004-2016) the number of ZPCH decreased by almost 60%, the employment of disabled people decreased by 43%. In the case of CD and CB, the number of disabled employees decreased by as much as 64% and the number of cooperatives by 52%. In the cooperative environment, the agony of CDs and CDs is often mentioned.

They have noted that the number of CDs in Poland as well as the number of their employees has been decreasing every year since 2004. They have analysed the reasons standing behind this decline attributing it to the paradigm shift in the management of CDs - from more humanistic to exclusively economic approach. Although the authors of this paper did not succeed in identifying all the factors contributing to the decline of CDs in Poland during the last decades, they indicated that one of them was the lack of humanistic approach to management. They contributed to the development of human resource management by showing the results of applying the economic measures to management and forgetting about humanity in managing humans.

The proponents of the liberal socio-economic policy in Poland did not notice the fact that...
cooperatives create the cheapest jobs. Equalization of financial support for the employment of people with disabilities by entities from the open and protected labour market condemns cooperatives of the disabled and the disabled people themselves to an instrumental treatment. The entity with whom the employer cooperates is PFRON. Here, the disabled person disappears as a unit deciding for himself or herself (as an employee, consumer and citizen).

Poland ratified the 2006 United Nations Convention on the Rights of Persons with Disabilities. It mentions, inter alia, the promotion of the development of cooperatives of the disabled by the state. It is important to appreciate the economic value of Polish cooperativeness, which is an important employer, especially for people with lower educational attainment. It is also an important element of local development policy, despite many systemic barriers. Cooperativeness is a response to the current decline in demand for work as the automation in the economy progresses. It is necessary to stop the process of extinguishing the cooperativeness of the disabled. This requires improved cooperatives’ stability through public support. There is a need for changes in the tax law, which in the present wording discriminates CDs. According to the principle of equality of taxpayers with respect to the law, CDs and commercial law companies set for profit maximization are treated similarly regardless of the differences between the objectives of both entities (Leś, 2015, p. 73-81).

Socio-economic development, medical and social advances, contribute to a higher life expectancy, while statistics in Poland and other countries show an upward trend in the number of people with disabilities. The causes of this tendency are civilization diseases, the desire to avoid workload and age-related disabilities. Human resources management in such conditions must be holistic. Age management is humanist, managing the efficiency of individual employees must also be humanist. However, those employees have full subjectivity when they influence their destiny themselves. And so it happens in cooperatives. Since management theory now recommends humanistic management practices (that have worked well since the beginning of the existence of cooperatives), it is worthwhile to apply this theory again in practice and save what remains of the good tradition and accumulated resources of the CDs’ movement in Poland as a unique, innovative and simple system of financing and employing people with disabilities.

It is worth continuing the research on the situation of people with disabilities as members or employees of CDs in comparison with the situation of people with disabilities in non-cooperative institutions or commercial enterprises.

References:


Academy of Management Learning and Education, 4 (1), 75-91.


Spółdzielczość inwalidów w Polsce Ludowej, 1980 Warszawa, KAW.

Ustawa z dnia 16 września 1982 r. – Prawo spółdzielcze (tj. stan prawny: 13 września 2015 r.), Warszawa, Krajowa Rada Spółdzielcza.

Ustawa z dnia 27 sierpnia 1997r. o rehabilitacji zawodowej i społecznej oraz zatrudnianiu osób niepełnosprawnych (Dz. U. z 2011 r. nr 127, poz. 721 z późn. zmianami)

Waszkowski, H. 2016. Ruch spółdzielczości inwaliów i jego znaczenie dla rehabilitacji osób niepełnosprawnych w Polsce, Warszawa: TWK.
The Dress I Wear Says More Than a Thousand Words: Conspicuous Choice of Garment Among Estonian Elite

Jelena Golubeva, Riina Koris1 and Katri Kerem

Abstract

Conspicuous consumption – the owning and displaying of luxury items as a means of signalling wealth, social status and prestige – is the underlying topic for this research. The study, set at the Presidential Independence Day Reception in Estonia (a country where capitalism, neoliberal practices and consumerism are just 25 years old), explores whether the economic, political, cultural and military elite have, over the past 25 years, developed elite taste or, as theorized by Weber, Bourdieu, Veblen and Simmel, are still rather displaying signs of conspicuous consumption in its choices of garment. Analysis of expert interviews revealed that in nearly 70% of cases, attendees in general resorted to conspicuous consumption to communicate their social standing, dominance and wealth. Depending on the elite category, representatives of different elite categories resort to conspicuous consumption patterns for different reasons. The economic elite resorts to conspicuous consumption to show off and as a sign of class belonging; the political elite signals social status and power; the military elite (the least conspicuous of all) rather adheres to the in-group rules and dress code; and the cultural elite consumes and displays luxury items to signal self-actualization, fashion-consciousness and freedom.

Keywords: social standing, luxury consumption, elite, conspicuous consumption, fashion, taste

Introduction

Estonia’s institution of capitalism is a relatively recent development in history. After the fall of the Soviet empire and the hardships endured in the 1990s, the country can rightly boast of having built a thriving free market economy in barely 25 years. Being the most developed post-Soviet economy makes Estonia a good laboratory to observe different processes related to social stratification (Golubeva, 2012).

The behaviour of Estonian elite is of particular interest, since they have emerged from a very level starting point (post-Communist poverty) and have had to develop against the backdrop of a culture traditionally discouraging the exhibition of wealth. In this paper we define elite as the people who have access to power and certain privileges, and hold positions where they can make decisions that have major consequences (Mills, 1956: 148). The

1 Corresponding author

Riina Koris is an Associate Professor of the Department of Marketing and Communication at Estonian Business School. Her research interests lie in the area of higher education in general and marketization of higher education in particular. Riina Koris is the corresponding author and can be contacted at riina.koris@ebs.ee

Katri Kerem is a Professor of the Department of Marketing and Communication at Estonian Business School. Her research interests lie mainly in the area of consumer behavior and food marketing.

Jelena Golubeva is a management and marketing specialist with 8+ years hands-on B2B and B2C inter-cultural experience. The current employment is the management of PepsiCo key accounts in the Baltic market. Her research has been focused on the correlation of the social standing and the consumption preferences of the representatives of different social layers.

Jelena Golubeva can be contacted at: jel.golubeva@gmail.com

Katri Kerem can be contacted at katri.kerem@ebs.ee
Estonian elite has come a long way in the last two decades, developing their own class-attributes and adopting those they found traditionally associated with well-established wealthy social classes. Hence, most of the Estonian elite may be regarded as newcomers or new rich in a wider sense.

However, a more nuanced view reveals differences among this young elite. An Estonian Top 500 richest people index has emerged and evolves with relative stability. Military, high public state officials and cultural elite have also emerged and are striving to differentiate themselves from each other and from the lower classes. Even though the cultural and military elite do not always possess financial resources comparable to the economic and political elite, they too want to signal their position and belonging to the higher class.

Over time, the consumption of luxuries has expanded from being limited to the highest layers of society to a much wider range. Early sociologists like Thorstein Veblen and Georg Simmel were among the first to label the owning and displaying of luxury items as a means of advertising wealth, status and prestige as conspicuous consumption. Veblen (1899) argued that individuals engage in the process of conspicuous consumption for the purpose of demonstrating superior resources to other members of society and seek products or goods not for their actual purpose, but more for what it represents in a social context. Based on Weber, Veblen, Bourdieu and Simmel, luxury items symbolically set boundaries between classes and have been classified accordingly as a means of self-expression, class distinction or social dominance. One of the most obvious mechanisms for the display of class or status is fashion.

On its way to consumerism, Estonia has not been immune from displaying signs of conspicuous consumption. The aim of this study is to examine whether the elite that emerged in Estonia over the past 25 years has developed elite taste or, as theorized by Veblen and Bourdieu, is still rather displaying signs of conspicuous consumption in its choices of garment.

To achieve this purpose, the authors use the Presidential Independence Day Reception as a case study and analyse the garment choice of representatives of different layers of the Estonian elite. The objects of the study are female dresses which have, throughout history, had a traditional role in displaying status in Western societies.

In the first section, the authors present an overview of the literature, which helps us understand the drivers of the consumption of luxury products in relation to social structure and creates a framework for the analysis. The second section concentrates on the methodology used to carry out the research. The authors use three expert interviews to analyse and comment on the dresses worn to the Presidential Independence Day Reception. In the third section the authors analyse and discuss the results within the existing theoretical frameworks of Max Weber, Pierre Bourdieu, Thorstein Veblen and Georg Simmel.

It is likely that Estonian consumers (and elite) also displayed consumerism during the first Republic (before World War II). However, that period is not the focus of this study.

**Literature Review**

The framework for this literature review relies on classical works by Marx, Weber, Veblen, Bourdieu and Simmel – exemplary contributors to social theory. Relying on Goodman (2003), these social theorists have been at the foundation of dominant conceptions of modernity and an intrinsic part of most of the paradigmatic shifts in social theory (p. 2–3).

Max Weber: class domination

People use different methods, such as conspicuous consumption, taste and fashion dynamics to empower their social ranking. According to
Weber, different class groups face unequal market situations, which puts them in an either positive or a negative social position in relation to each other. Having privileged access to certain means of consumption, such as products of luxury, grants some individuals a better social position. Weber uses the term status group to distinguish between individuals with different incomes, and therefore, also opportunities. Weber’s theory of class stratification is composed of wealth, prestige or status, and power, and is an elaboration of classical Marxism, where class is based on the relationship between property ownership and means of production (Bendix and Lipset, 1996: 21).

Weber argues that a status group exists only when the members of a group are aware of their belonging to a group with social status and “material monopolies provide the most effective motives for the exclusiveness of a status group.” (Weber, 1978: 935). This marks material possession as the most effective tool of pre-eminence for one group over the other.

Weber states that class differences are dependent upon different purchasing patterns due to invisible restrictions for lower class representatives in acquiring products meant for higher-level customers; this is what divides higher and lower level groups in terms of status (Bendix and Lipset, 1996: 22). In the eighteenth century, for example, open limitations induced by laws restricted lower level status groups from purchasing luxury goods. In England and France sumptuary laws restricted people lower than a certain status from consuming luxury goods such as caviar and foie gras – products commonly used by groups higher in the status order (Morrison, 2006: 307). These prohibitions enhanced the visible status differences.

Class recognition, how status works, and how classes use consumption to differentiate from each other are Weber’s main points of interest in the current research.

Pierre Bourdieu: construction of taste

Bourdieu relates consumption to the expression of the class identity of the person. An individual inherits and develops aesthetic preferences from his class and is then placed in a social position or social group. Aesthetic principles govern many of the options open to an individual, such as choice of clothes, art, sports and even food (Bourdieu, 1984).

The network of mutual understandings between individuals recognizing each other as belonging to the same social group and the potential derived from its use for a given individual was labelled by Bourdieu as “symbolic capital”. The particular differences in symbolic capital displayed by groups and individuals played an integral part in the development of class stratification.

The preferences of each group serve as systems that distinguish people according to divergent tastes. Since human beings present a strong drive to relate to groups of belonging, inherited taste will play a strong role in an individual’s attempt to classify himself among his peers as well as everyone around.

Additionally, Bourdieu raises the issue of imitation. He embraces the idea of a dominant class trying to display proof of its status by purchasing objects that would distinguish them (e.g. paintings or even items of clothing). Bourdieu believes that it is through expressive spending that the higher class demonstrates taste (one which is not necessarily there) in comparison to the representatives of the lower classes (Colebrook, 1997: 101). For example, members of the new rich often try to imitate the bourgeoisie by seeking and obtaining objects that would display class but not an understanding or appreciation of their social meaning (e.g. objects of art or clothing) (Gartman, 2002: 254).

Thorsten Veblen: conspicuous consumption

Thorsten Veblen (1899) was one of the first economists to be interested in the analysis of the consumption of luxury goods. He devel-
oped the concept of “conspicuous consumption” in his work “The Theory of the Leisure Class” (1899) describing why the better-off classes purchase luxury products to display their affluence.

Veblen (1899: 26) argued that when individuals engage in the process of “conspicuous consumption”, the product or good is not sought for its actual purpose, but more for what it represents in a social context. Veblen admits that a rational person will not get any additional pleasure by being overcharged, instead he argues, that an individual will seek enhanced status by means of the public display of his wealth (Bagwell and Bernheim, 1996: 350).

According to Veblen, status enhancement happens by means of the acquisition and public display of luxury goods that fall into “accredited cannons of conspicuous consumption, the effect of which is to hold the consumer up to a standard of expensiveness and wastefulness in his consumption of goods and his employment of time and effort.” (1899: 88) In other words, a luxury product will not enhance the social status of the owner unless the public also sees it as luxury and its signalling effect.

Colin Campbell (1995) is one that openly criticises Veblen’s theory of conspicuous consumption – he argues that a person’s consumption is indicative of his level of wealth and that it is in direct correlation with social status. According to Veblen (1899: 95), competition for higher status results in behaviour imitating the ones already belonging to that status. Campbell (1995: 39) on the other hand, believes that individuals may achieve their goal not only through imitation, but also innovation, trying to even out-jump their “opponents”. Furthermore, in Campbell’s opinion, Veblen seems to ignore the possibility that a product may be consumed because of style or taste.

According to Veblen (1899), New Money worked to copy European aristocratic families through overly demonstrative spending. Despite that, this group was considered by representatives of the previous generations (Old Money) to lack taste and manners. Individuals who have suffered deprivation or do not feel confident enough in their social attractiveness tend to compensate these shortcomings by conspicuous consumption.

Even though Estonia does not have its own Old Money, living within open borders leaves a lot of room for the New Money in Estonia to observe, benchmark and follow the elite of other countries. This is of considerable relevance to the purpose of this research, which explores whether the elite which emerged in Estonia over the past 25 years has developed elite taste or whether it is still rather displaying signals of conspicuous consumption in its choices of garment.

Georg Simmel: fashion as a means of class distinction

Around the same time as Veblen was developing his theory of the leisure class, a German sociologist, Georg Simmel, commenced investigating the relationship between consumption and social life. He understood luxury consumption as a process combining social status and rank.

In Simmel’s view, fashion is a necessary attribute of any developed society where social differences exist (1904). He additionally outlines that “fashion is a product of class distinction and operates like a number of other forms, honour especially, the double function of which consists in revolving within a given circle and at the same time emphasizing it as separate from others” (1957: 433).

For Simmel, fashion and its consumption serve multiple purposes that, if neglected, may cause an individual to be an outcast among the rest in the social group or society as a whole. He described five main social features that make people acquire fashion attributes (Simmel, 1904): 1) fashion as a sign of class belonging; 2) fashion as a set of in-group rules; 3) fashion as a tool to attract attention; 4) fashion as a
sign of wealth and power; 5) fashion as the last freedom.

Simmel considered fashion to be an equalizer, bonding together people of the same class, but on the other hand, pulling them away from individuals of higher or lower classes. Simmel’s approach to fashion states an individual purchasing a luxury product sends a signal to his social peers, who give a response by purchasing a similar or even the same product, thus reinforcing the original choice that had triggered this chain reaction. If the people surrounding the individual are not able to purchase a product of a similar nature, they become secluded, thus representing lower status.

Previous theoretical efforts have been discussed in order to understand the main drivers of the consumption of luxury products and their relation to the social structure in order to infer a framework for further empirical analysis. As indicated above, consumers use objects that display power and status, thereby signalling their standing in society. Social classes try to imitate the upper class, and the easiest way to do this is to imitate fashion, or other attributes of that class. According to Veblen, every social class tries to copy the behaviour of the class above, which drives even the poorest layers of the population to occasionally engage in acts of conspicuous consumption.

Methods

The following section will discuss the research design and methods adopted for collecting data, which will be further analysed to understand and explain the fashion consumption of the Estonian elite displayed at the Presidential Independence Day Reception.

The Independence Day Reception of is a formal ceremony hosted by the President and the First Lady on 24 February. More than 600 guests attend the reception every year. It is a socially significant event that is broadcast on national television and attracts wide attention. There is a distinct set of social norms and etiquette associated with the reception and it also bears a highly symbolic value in the country.

The participants of the ceremony are selected and invited by the Presidential Office; typically they are members of the government and the parliament of Estonia, archbishops, judges, high military and police officers, accredited ambassadors and dignitaries, businessmen, activists, sportsmen, teachers and students.

The research focused exclusively on female clothing since the official “black tie” dress code for men does not leave much room for experimentation, self-realization or conspicuousness. Also, the female body has often been considered a way of exhibiting the husband’s wealth.

Research design. The current study is set up as an embedded single case study research. A case study is the best way of carrying out an empirical inquiry about a contemporary phenomenon set within its real-world context (Yin, 2012: 18). The case is defined as the Estonian Presidential Reception of 2012 and the units of analysis are the selected visitors to the reception. For this research, the authors are using two different sources of data: photographs of the visitors and expert interviews. The visual material can be described as a direct observation in the field setting and it was neutral in its composition (guests entering the event venue are introduced and greet the president). In the further analysis, the photographs will be treated as observation recordings rather than expressions of wider meanings.

The sample of the study. The sample of the study was the list of visitors invited to the Presidential Reception. The presidential office declined the request to disclose the list of the visitors, and therefore, it was retrieved from the event’s TV recording where all the participants were also introduced by name and background description. A total of 278 females were counted to be present at the reception.
Some of the females were the invited guests within their official capacity; some were accompanying the invited guests. Printouts of still images from the TV recording and photographs obtained from media coverage of the event were used for further analysis.

The guests at the Presidential Reception were classified into four categories of elite based on theories by Mills and Bourdieu. Mills (1956: 147) believed that there are three main sources of power, the members of which are representatives of the elite: military establishments, political power and economic power. The fourth source of power includes the cultural elite and could be explained through the views of Bourdieu (1986: 46), who sees the prime relationship between culture and capital.

Certain participants were excluded from the sample as they were either wearing traditional folk costumes or they do not directly belong to the Estonian elite (e.g. foreign ambassadors, “parents of the year”, “teachers of the year”, “cooks of the year”, representatives of the association of disabled people, students, etc.). Ninety-nine couples were excluded from the study as they belonged to these exempt categories.

The 278 females belonging to four elite groups were assigned to categories based on the key reason for their invitation to the event. Initially, the researchers planned to randomly select 20 representatives of each elite category and analyse their dresses, but as the economic and military elite were under-represented the final sample was 71 with 20 members from both political and cultural elite, 18 from the economic elite and 13 from the military elite.

Selection of experts. Images of dresses worn by women in four different elite groups at the reception were shown to three Estonian fashion experts. They judged whether they consider each dress to be conspicuous in a Veblenian sense and they were asked to reason their judgment in order to obtain richer qualitative data.

Three experts were recruited for interviews and to assess the dresses of the guests at the event. An important criterion for selecting the experts was that they had not been watching the live broadcast of the event, and therefore, did not know who was wearing which dress.

The aim of the interviews was twofold:
- to obtain a categorical classification (whether a dress can be considered an example of conspicuous consumption or not);
- to see how experts explain and comment upon their decisions.

Personal interviews with the experts were conducted shortly after the reception. Two of the interviews were video-recorded and one interview was audio-recorded based on the permissions and preferences of the interviewees.

All three experts were selected due to their ample experience in the world of fashion design in Estonia as well as their knowledge of the social contexts of dressing in Estonia. The three of them were willing to take part in this research and manifested good will to put their skills into use for the purposes of this research. Having three experts to assess the images minimized the potential bias of a single expert.

The background of the experts was as follows:
- Expert 1 is a founding member of the Estonian Design Association as well as a member of the Artist’s Association. Her experience includes working as lecturer of the history of fashion at the Estonian Academy of Arts, contributing to local newspapers, magazines and television channels. In addition, she has worked at Tallinn Fashion House for 20 years and used to make dresses for representatives of the Estonian elite. Currently, she works as a freelance artist.
- Expert 2 is an Estonian Fashion Industry promoter as well as member of the board at the Estonian Design Association. One
The Dress I Wear Says More Than a Thousand Words: Conspicuous Choice of Garment among Estonian Elite

of her main responsibilities is the management and organization of Tallinn Fashion Week. The expert is involved in the organizing committees of various other fashion related events and competitions. In addition, she teaches fashion management courses at the Estonian Academy of Arts.

- Expert 3 is a professor and head of the Fashion Design Department at the Estonian Academy of Arts. In the past, she has worked at the Tallinn Fashion House as a senior fashion artist and at Textile studio as a senior artist. Due to her vast design and fashion experience she has a sophisticated range of contacts among Estonian elite circles.

The choice of only female experts as the interviewees for this study was not intentional. Although a number of other potential experts were contacted, several declined participation due to a lack of time.

The research process. All the experts were first asked to evaluate the 71 randomly selected photographs of the participants of the Presidential Independence Day Reception and select the dresses that they believed were examples of conspicuous consumption. The faces of the women wearing the dresses were hidden on the pictures to avoid a possible bias related to the identity of the guest.

Every time the experts had identified a case of conspicuous consumption, they were asked to expand upon their decision. The main aim of this was to examine whether the taste towards luxury on the selected photographs differs according to the category of the elite, i.e. whether there is a common underlying pattern within each elite category.

The interviews were structured in a way that later helped to analyse whether the opinions of the experts are in agreement and if they have made similar comments on the same dresses. During the interviews, which lasted from 35 to 90 minutes, the experts had the opportunity to go deeper and discuss issues in more detail; the interviewer had the opportunity to clarify any ambiguities and expand the experts’ responses.

In the transcription process the experts’ comments were labelled INT1, INT2 and INT3. When analysing the interviews, the author employed the principle of pattern matching analysis suggested by Donald Campbell (1966: 92) and Robert Yin (1984: 103). Pattern matching is the means by which theories are confirmed in cases. Confirmation is based on whether the observed pattern (pattern of measured values) matches, or is close to matching, the expected pattern. In the current study the comments were grouped by frequency; that is, how often the experts agreed on a certain subject having displayed conspicuous consumption in the choice of garment. The observed pattern is the taste and behaviour of the representatives of the Estonian elite and the expected pattern is the display of conspicuous taste and the display of social status through acquiring luxuries.

Results and Discussion

The aim of this study was to examine whether the elite that has emerged in Estonia in the last 25 years has developed elite taste or, as theorized by Veblen and Bourdieu, displays a pattern of the conspicuous use of garments at public events.

The experts analysed dresses of female invitees from three different angles: intention, perception and provocativeness. They also assessed how the dress corresponded to the rules people are supposed to follow, in this particular case, the dress code of the Presidential Reception for Independence Day. The experts’ evaluations are based on elements of the distinctive wardrobe: fabric, accessories and colour, correspondence to the event, taste and fashion.

The results of the experts’ assessments of the conspicuousness in the garments of the
guests at the Reception are presented in Table 1 below.

Following the categorization of the dresses into conspicuous and non-conspicuous, expert interviews were conducted to obtain richer insights.

Economic Elite: Conspicuous Consumption to Show Off

According to Veblen (1953), the more a product is visible to the outside world, the more important the role of status and social standing. Through conspicuous consumption members of the economic elite demonstrate evidence of their wealth to other members of society. The comments below were made based on the photographs, pointed at by the experts:

- New rich circles that were invited to the Presidential Reception were not afraid of experimenting: extravagant colours (e.g. dark purple, gold), modern elements (e.g. gladiator-type shoes which have recently gained popularity among the youth), the services of local and foreign designers. These elements definitely distinguish people from the crowd (see Appendix 3c, 1d). (INT2)
- This woman is trying to create an attractive leadership image and maintain grip on her own identity using the garment’s oversaturation that serves as a visual device for the audience. This proves that she did everything to show her status and self-esteem, but also demonstrating her lack of taste as in the lavish pearl combination (see Appendix 1c). (INT1)

It must be noted that all three experts frequently pointed out the tendency for “oversaturation,” characteristic of the new rich, demonstrative spending and lack of aesthetic taste. Using Veblen’s framework, the representatives of the economic elite overused the luxury design solutions, expensive fabrics and other accessories that do not suit them from the point of view of aesthetics. Experts were unanimous in their judgment and concluded that certain choices are purely for the sake of demonstrating social status and financial income. By “garment oversaturation” the experts meant the intricacy of the design elements, extravagance, odd combination of different materials, flashy colours and design of the garment unsuitable for a particular body complexion. According to Veblen, the most “immediate form of conspicuous consumption is quantity, or possession of items of clothing far beyond the requirements of reasonable wear” (Steele, 2010: 706). The latter was witnessed by the experts on several occasions:

- The overly revealing neckline of the flashy evening gown signals vulgar and conspicuous taste, as it is not appropriate for such an official event (see Appendix 1a). (INT1)
- An overly open low-neck dress will bring too much unwanted attention to the owner (see Appendix 1a, f). (INT2)
- The topic of national folk patterns is very up-to-date. Every year the invitees try not to lose the opportunity to use it, yet silk gloves and a red handbag combined with national folk patterns look extremely out of place when put together (see Appendix 1h). (INT2)
- A complete absence of harmony is for instance a bright yellow middle part of the

<table>
<thead>
<tr>
<th>Elite category</th>
<th>Total number</th>
<th>Expert 1</th>
<th>Expert 2</th>
<th>Expert 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>18</td>
<td>9</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Military</td>
<td>13</td>
<td>6</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Political</td>
<td>20</td>
<td>12</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>Cultural</td>
<td>20</td>
<td>11</td>
<td>16</td>
<td>13</td>
</tr>
</tbody>
</table>
The Dress I Wear Says More Than a Thousand Words: Conspicuous Choice of Garment among Estonian Elite

 outfit that draws attention to the waist (see Appendix 1b). (INT1)  
- I understand that the lady is trying to show the fluffiness of the dress, which is seen from the light, airy motifs, but the chequered yellow ornament in the middle has somewhat an unflattering effect (see Appendix 1b). (INT3)  
In addition to the view of demonstrating social status through conspicuous taste, it is necessary to point out the influence of fashion dynamics on consumption patterns among the representatives of the elite. Using Simmel’s framework, fashion attracts the attention of the masses and distinguishes the social status of the owner through a fashionable dress or an attribute:  
- Today’s mass media is filled with ideas of youthful beauty, and fashion products primarily designed for young bodies and young lifestyles. If something does not suit you, it can be the signal of conspicuous taste (see Appendix 1d, g). (INT3)  
- Bad combination: fur bolero and a fur bag. It is obvious that a person is trying to follow fashion, but the given combination is already too much...(see Appendix 1f). (INT2)  
The expert interviews also revealed examples of divergent cases concerning the representatives of the new rich that contradict the canons of Veblen’s theory of conspicuous consumption. Two experts (INT2 and INT3) have indicated two representatives of the new rich who went for modesty in their choice of outfit. The current behaviour could be explained though the views of Campbell (1995), who has criticized Veblen’s theory and claimed that consumer behaviour has changed.  
All appropriate for the context: evening gown and couture pieces (high fashion pieces) (see Appendix 2a). (INT 2)  
- Photogenic white and modest accessorizing with a touch of old-style glamour. White, for example, is an emblem of purity. Colour could still be a good visual device (see Appendix 2a). (INT1)  
- The moderate choice shows more classical taste. It seems that this year some people have chosen to wear simpler dress variations and accessories (see Appendix 2a). (INT3)  
Finally, the experts commented on the overall impression of the dresses and accessories of the economic elite. Although in their evaluations the experts categorized almost 70% of the dresses as conspicuous, they also noticed that the tendency to show off is diminishing. Their answers were almost unanimous; the following three quotes summarize what they said:  
- The current trend is to be more discreet and conservative and many of them have developed their own taste and have a certain attitude towards things. Such changes affect the final decision in a choice of dress. Regardless of the economic state, such things as style, taste, and character will influence you in your choice of outfit. As seen from the photographs, the representatives of the Estonian elite have become more modest in their choices (see Appendix 2a, b). (INT3)  
- …Modesty in their choices is simply the fact that they are attending the event annually. People have become more exposed and educated; as a consequence, they avoid complicated cases and unnecessary critique (see Appendix 2a, b). (INT1)  
- Last year two representatives of the economic elite received an enormous amount of negative feedback…so this year some tried to use simple elements to avoid unnecessary attention (see Appendix 2a, b). (INT 2)  
To conclude, there are still visible examples of conspicuousness that are probably the legacy of the beginning of the 1990s. However, as the comments also demonstrate, today’s trend among the new rich is to become somewhat more modest in their choices.
Political Elite: conspicuous consumption to indicate social status

The study indicated that representatives of the political elite tend to consume luxury goods mainly to emphasize their status and their standing in society. In their comments the experts tended to express the same opinion as in the case of the economic elite: the dresses were frequently too revealing, overly bold in design, and used conspicuous colour combinations. All these factors point to a lack of taste, but the ever-present attempt to display higher standing compels the political elite to make conspicuous luxury purchases. In addition, in order to highlight or emphasize their social status, representatives of the political elite are using luxury garments to complement or enhance the image of the leader. 

As a characteristic tendency of the political elite, the experts pointed out the exploitation of unsuitable colours or colour combinations. Instead of the intended harmony, unsuitable colours highlighted kitschy taste:

- The person tries to stand out from the crowd: a fuchsia colour skirt with a patterned top. Her outfit is bright, she has certain taste and uses design solutions – all of it screams for attention from the rest of the guests (see Appendix 3e). (INT1)

- It is common sense that colours can still be a useful visual device. Dominating fuchsia colours in several photographs call for attention, and for me not in a positive sense. I am pretty sure a lot of thought has gone into the creation of a costume, trying to show good taste and fashion sense; however, the final result is too eye-catching (see Appendix 3a, b). (INT2)  

- Their choice is quite conspicuous; they go for shiny material and an eye-catching colour. Both couples would definitely catch the attention of the media (see Appendix 3a, b, e). (INT1)

- Fuchsia colour signals confidence, assurance, and maturity – qualities typically desired by the political elite. They are not afraid of being extreme in their choices. Yet, there has to be a balance and a certain aura attached to the outfit. In the case of these two outfits, such elements are missing. The outfit has too many decorative details … the total absence of rhythm (see Appendix 3a). The following photograph involuntarily focuses the whole attention on the breast region, which is clear evidence of bad taste. I have the feeling that sometimes people forget where they have been invited…(see Appendix 3b). (INT 3)

These comments are well in line with the theoretical framework provided by Bourdieu, Veblen and Weber, where representatives of the political elite try to underline their important position by showcasing a distinctive taste. They use specific colours to attract attention, thus indicating a conspicuousness of taste. 

In addition to the use of colours, the political elite also uses other means of attracting attention, for example, shiny and expensive fabrics as well as unusual patterns.

- Combination of two fairly similar materials (which are quite flashy and powerful on their own) does not result in a balanced appearance. Such a shiny material makes me immediately associate the outfit with the representatives of the new rich (see Appendix 3c). (INT1)

- The fabric is definitely expensive, extra shiny… The following representative obviously aimed at showing her individuality, self-confidence and courage (see Appendix 3c). (INT3)

- The following invitee definitely made a bold choice of dress. The cut of the dress is very similar to the Westwood style dress. The garment is obviously catchy and seeks attention. The given dress is not considered to be appropriate for such an event as the Presidential Reception: the length of the dress does not correspond to the officially accepted dress code… with this dress I would rather go to a summer party (see Appendix 3d). (INT 3)
Her dress is too dazzling. Being a member of the political elite and knowing the rules of the dress code, such a choice is clear evidence of the person’s desires to show-off her status. The Presidential Reception is not a Ball...(see Appendix 3d). (INT2)

All three experts highlighted the fact that members of the political elite were more visible than those of the economic elite. Although the political elite generally hold important positions in society, they still use every possible moment to draw more attention to signal their importance. This behaviour is in accordance with the information provided by the leading theorists such as Veblen, Bourdieu and Weber.

Cultural Elite: conspicuous consumption to display self-actualization and fashion-consciousness

Although, on the whole, the dresses worn by the cultural elite were rather modest, several of them displayed signs of conspicuous consumption. Two experts agreed on the need for self-expression. The Presidential Reception is a suitable event for the cultural elite to communicate the prestige that they would like the general public to associate with their persona.

- Some people decide in favour of wild solutions (see Appendix 10b), some in favour of simple elegance (see Appendix 4a) when choosing their outfit. (INT2)
- This dress clearly shows daring solutions and therefore reveals the owner’s personality. It is evident that the person is trying to exploit modern elements and designer solutions therefore demonstrating her taste through her choice (see Appendix 4b).
- In this case the expensive, shiny fabric is already quite eye-catching and the excessive use of decorative details creates the effect of oversaturation (see Appendix 4d). (INT2)
- The attendee uses various elements of this dress to stress her self-actualization. However, oversaturation can ruin an image. For me, there are too many elements in this dress...(see Appendix 4c). (INT1)
- Attention was directed to the willingness to experiment (which is seen in the somewhat unusual style of the dress) (see Appendix 4a). (INT3)

The comments above are in agreement with Simmel, according to whom people use fashion to communicate social dominance. The experts also show that the cultural elite use luxury items to display their fashion consciousness and as a means of self-actualization.

Two experts also identified a case of conspicuous taste:

- This lady is trying to demonstrate her taste and personality. A fairly extravagant choice, which is overly saturated with elements of design (see Appendix 4b). (INT2)
- …The following dress is perfectly suitable for the Oscar Academy Awards. The red carpet is missing (she smiles) (see Appendix 4b). (INT1)

Even though the cultural elite is clearly using various decorative elements and designs to communicate their personality, they seem to have forgotten the appropriateness of the garment for the occasion.

Military Elite: Status, Norms of Dress Code and Comfort

When analyzing the dresses of the military elite, keywords such as “status” and “comfort” were mentioned with equal frequency. The experts mentioned that the members of military elite underline their status with luxury purchases, but at the same time they also consider comfort important besides the desire to show wealth or dominance. Although certain signs of conspicuousness were observed among the military elite, it was a lot less pronounced than in the case of other elite categories.

It can be said that on average, the military elite demonstrated modest design solutions and
colour choices. Nevertheless, experts spotted a few extremely conspicuous examples, for example, they all agreed on one particular outfit:

- For me, this particular dress has motifs of the taste of the new rich. It is very expressive with erotic elements in the cut. Hand-made embroidery... I never thought the policemen earn so much...(sarcastic comment) (see Appendix 5a). (INT1)
- ...The dress reflects an oriental influence. In the 17th century oriental ornaments were a sign of wealth and power distribution. The loud colour combination attracts attention. Among the majority of similar colours, that choice stands out from the crowd...you can’t miss it (see Appendix 5a). (INT2)
- There is a sort of a quality present that could be addressed or described as “harmonious” in the way the dress looks. It seems that the lady in the picture is conscious about the status of her partner and is eager to emphasize that (see Appendix 5a, b). (INT3)

In conclusion, it is necessary to emphasize that the representatives of the military elite were more modest in their choice among the four categories in the current study. We have to take into consideration that there were not many guests who belong in this group (n=13 couples) but the prevailing modest choice of clothes was sufficient to show their social status. Each elite class has its own values and virtues that unite class representatives and declare their position within social rankings. The modest choice among the military elite can be attributed to the specifics of this category. Part of military education is focused on teaching to follow rules and not be “creative” or try to stand out from the crowd. In the case of the Presidential Reception, the universally accepted dress code is a rule to follow and this applies equally to the military elite and their spouses. Observing the rules and complying with them is part of maintaining the social status of the military elite; that is the only way to signal their dominance and trustworthiness. This is well in line with Simmel (1957: 450), according to whom one of the main social features of fashion is to create a set of in-group rules.

Conclusions

The purpose of this research was to examine whether the elite, which has emerged in Estonia over the past 25 years, has developed elite taste or, as theorized by Veblen and Bourdieu, is still rather displaying signs of conspicuous consumption in its choices of garment. The results indicate that 25 years has not been long enough a time for the country’s elite to fully develop its distinct elite taste. As the research results showed, nearly 70% of the dresses worn at the event displayed signs of conspicuous consumption. It is important to note, however, that different elite categories resorted to conspicuous consumption for different purposes. The following table (Table 2) sets the elite categories into Simmel’s (1904) five main purposes of fashion consumption.

<table>
<thead>
<tr>
<th>Fashion as a sign of class belonging</th>
<th>Economic, political, cultural, military</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion as a set of in-group rules</td>
<td>Military</td>
</tr>
<tr>
<td>Fashion as a tool to attract attention</td>
<td>Economic, political, cultural</td>
</tr>
<tr>
<td>Fashion as a sign of wealth and power</td>
<td>Economic, political, military</td>
</tr>
<tr>
<td>Fashion as the last freedom.</td>
<td>Cultural</td>
</tr>
</tbody>
</table>

Table 2. Fashion consumption purposes for elite categories (based on Simmel, 1904; primary purpose of given category appears in bold).
ous consumption to signal prestige or status (Weber, 1978); express class identity (Bourdieu, 1984); use fashion to enhance their status (Veblen, 1899); and in some cases display fashion-consciousness (Campbell, 1995).

Quite in line with Weber’s theory, the members of all elite groups showed an awareness of belonging to this group and displayed coherence in terms of the purpose of consuming luxury goods.

Conspicuous consumption purposes that are not present in the theory, but outlined by the experts based on the photographs were self-esteem and self-actualization that play an important role among the cultural and economic elite.

Limitations of the Study and Future Research

As with most research, the results of this study also have limitations. First, one of the reasons for the modesty and minimalism in dresses could have been the choice of the town (Tartu) where the event was held. As many guests came from Estonia’s capital Tallinn (about a 3-hour drive from Tartu), the inconvenience of travel should be considered as an important aspect in the choice of the outfit.

Second, it is possible that the plain interior design of the venue (grey and blue colours) and the absence of glamour prevented the guests from making greater efforts in their choice of garments.

Additionally, the ladies’ garments in this annual event are always a hotly scrutinized (and criticized) topic from the internal and external audience in the few days following the event, and therefore, the media has a strong impact on the attendees. The Presidential Reception is broadcast on national television and the “yellow media” stands greedy to criticize the selected dresses and especially their wearers. Potential criticism influences the (subconscious) choice of the garment for the event and may therefore distort the picture as those who attended the event knew that they will not remain inconspicuous.

Future research should concentrate on exploring the same phenomenon in a longitudinal study where the attendees’ garments in the same (annual) event are analysed over a period of time to see in which direction the conspicuousness of garment choice is evolving.

References


Golubeva, J. 2012. Conspicuous Choice of Garment among Estonian Elite at the Presi-


Appendix 1. Examples of conspicuous dresses of economic elite

A

B

C

D
Appendix 2. Examples of inconspicuous (modest) dresses of economic elite
Appendix 3. Examples of conspicuous dresses of political elite

A

B

C

D
The Dress I Wear Says More Than a Thousand Words: Conspicuous Choice of Garment among Estonian Elite
Appendix 4. Examples of conspicuous dresses (b, c, d) and modest dress (a) of cultural elite
Appendix 5. Examples of conspicuous dresses of military elite

A

B