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***Journal writing is a voyage to the interior***
***Christina Baldwin***

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## From the Chief Editor's Desk

It is a great pleasure to release the fourth issue (volume 2, Issue 2) of International Journal on Global Business Management and Research. Unlike our previous issues, this issue also has brought highly productive and standard papers for the benefit of the readers.

Each of the papers discussed is significant in its own way. The papers on cultural tourism, creative cities and managing creativity are unique contributions to add value to this issue of our journal. Statistically significant papers with reference to discriminate analysis, confirmatory factor analysis, and effects of exchange rate also have added flavor to the existing taste of knowledge spread through this issue. However, evergreen topics like job satisfaction and CRM also have been touched upon without which the significance of research would not have been properly placed before the present day researchers and academicians.

We are very thankful to our contributors and readers of our journal worldwide, without whose patronage this wonderful journey may be impossible. We welcome innovative contributions from corporate members, academicians, and researchers across the globe to contribute and benefit from our journal.

Thanks and Regards
**Professor. S.Sankar**

***The art of writing is the art of discovering what you believe***

- ***Gustave Flaubert***

## Listings in Research Directories

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1. International centre for ISSN, Paris - ISSN 2278 8425
2. Index Copernicus Journals Master List, Index Copernicus International, Poland. IC Value(2012) = 5.06
3. EBSCO's Proquest
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6. Universal Impact Factor (Under Evaluation)
7. Research Bible
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# Managing creativity in alternative cultural spaces in Lithuania

Vita Grigutytė* & **Aistė Urbonienė****
* Vilnius University, E-mail vita.grigutyte@skaitytosknygos.lt
** Vilnius University, E-mail: aiste.urboniene@khf.vu.lt

***Abstract***

*The article examines management of factors that can foster creativity in alternative cultural spaces. The concept of alternative cultural space is analyzed exploring the traditions of cafe's as alternative cultural spaces. Then, factors that can foster the creativity expression in alternative cultural spaces are defined. Finally we discuss the management of factors that influence the expression of creativity in frame of a project "Young Creator 2013", that took place in a bookstore-cafe-art gallery "For Soul" in Siauliai, Lithuania.*

***Key words: creativity, alternative cultural space, informal learning, Lithuania.***

## 1. Introduction

Culture is increasingly identified as a major force for innovation and international competitiveness. It is a source of dynamic changes, creativity, freedom and coming of new opportunities. Culture and creativity based on culture are directly linked with the creation of environment that encourages growth of friendly and civil society. Creativity is the main driving force of the economic growth and social transformation in the world of nowadays market (Florida 2002). In today's world the rapid economic development and the fierce competition is forcing business organizations to adapt to the competitive environment, to search for new ways of establishing themselves in the market and to satisfy expectations of consumers. New, original, unconventional solutions are found using creative thinking. So, creativity is one of the main organization's methods to achieve effectiveness and the competitive advantage. It is one of the factors that let business to adapt to the current conditions and retain the leadership. As creativity's role in economic and social sectors is increasing, the role of applied creativity is increasing too – creativity becomes the means of the expression of information society. Moreover, creativity becomes visual. It is associated with artistic, technological and logical creativity cognates, rebuilding their relationship to the economic, social and cultural environments. But only very little part of alternative cultural spaces phenomenon has been researched which is important issue, because it plays an important role in creating conditions for creative self-expression. Also these conditions play also the educational role; therefore, in such spaces each person can find their own creative space where it is possible to learn himself. Although it is based on the old traditional model of cafes, the alternative cultural space does not have to be a cafe. Any other space in the city can attract people to a certain social environment, allowing them to spend their free time together, to discuss, to learn or to teach others, to exchange information and to share with creativity. Alternative cultural environment encourages personal creativity, develops a capacity to adapt to the changing economic conditions and to avoid critical situations, thus improving the quality of human life (Augustinaitis 2010:193).

Cultural spaces founded by private businesses become the most important centers of youth leisure time, places for their cultural awareness and education. Still it is not clear how to manage the creative expression in alternative cultural spaces. Therefore, this study aimed to analyze the management of creativity expression in alternative cultural spaces in Lithuania. The article is based on the scientific literature and monitored data analysis.

## 2. Cafés as alternative cultural spaces in cities

*Public spaces* in the city are an integral part of them. In the most general meaning *the public space* is "a place where anyone of any gender, race, ethnicity, age or social class citizen can enjoy the co-existence with others, represent a collective and common interest, not devaluing or without quashing its diversity" (Butkus 2009:23). According to J. Habermas, the public space is realized as a social and communicative arena, the citizens' forum. A collection of individuals become an information consumer market, where it is possible to tell arguments and to shape the public opinion, which is based on political decisions of a democratic state (Habermas, 1989; Norris 2000:23).

The concept of *the public space* associated with the state structure and the change of communication models'. Urban planners point out the following types of public spaces: the street, passage, the berth, squares, parks and cemeteries. In addition to the "pure" types of public spaces, there are a lot of a certain public areas forms of ownership. It is a municipal space in the building (municipality, public library, theater or concert hall) or a private space limited by buildings or the space in buildings (markets, bus and train stations, airports). "In this way, the structure of the city leading to new types of public spaces: semi-private public spaces, expropriated public spaces, virtualized urban spaces, interface points. Only one thing is clear that the growing influence of the private sector in the urban planning process, traditional public spaces begin to take new dimensions. First of all, it is said about supermarkets because they change the public space meaning to the measure of the profit" (Butkus 2009:24).

Today the founding of the creative environment is one of the most important terms for city prosperity. The creative environment is apprehensible as a mutual space where „people can learn, grow, compete and collaborate, and where ideas can be brought in, developed, disseminated and also rejected" (Leadbeater et al 1999:31). This is the atmosphere, kind of a "temperature", which provides conditions for talents in the same place at the same time. So, creative environment is characterized by the exchange of information between people, collection and storage of this information, the creation of the competence and innovations in certain fields of activity. The creative atmosphere is the way through creative people, their unique skills and knowledge, their activities, their networks and alliances, to create the distinctive, the exceptional view and the style of the city.

One such creative environment in a cafe with another role for centuries, but the basic function remains - it's a place where people come to know and something to learn - to communicate, read the paper, drink coffee and chat, read or listen to other achievers, if he was not literate. Cafe - This is the space where it was expressed or opinion is shared, practiced science, advertising and job search. It is also a cozy and warm place for anyone who wants to relax and learn"(Mcwilliam 2011:258).

B. Lecoq argues that the cafe was "intellectual laboratory and emphasizes the cafe and newspapers appeared at the same time there also. He cites the nineteenth century. Paris nightlife writer A. Lepage, who noticed that the writers gathered in the cafeteria read newspapers, magazines, write letters, meet with colleagues, receive congratulations, but mostly for fun "(Jackson el al 2013:13).

R. Oldenburg identify cafes as the "third place" and says that people need a different place than home and work, so this place becomes cafes, which provides an ideal space for relaxation, distraction from work and home routine. R. Oldenburg sees the vital creative process inherent communicability and overcoming alienation, and which takes place in cafes (Jackson el al 2013:11). As a complement to J. Habermas considerations of public space on the public, it draws attention to the political aspects of public space. From a historical perspective, the cafes in Europe has been very significant and the public life of the state, since the eighteenth century. Become public spaces. Coffee provides a cozy space for a social, learning the right place and public appearance, where social learning opportunities beyond the formal learning framework. They quickly became a live social centers, interesting places and live discussion about life, art and politics , as well as beyond criticism and fashion, but also intellectuals and the Diaspora home (Mcwilliam 2011:258).

Coffee was bohemian incubators, avant-garde lifestyle stimulants. Bohemian ingenuity became the basement of creative economy. Cafe as a "thinking space" continues to offer a model of how we work in creative economy, where we are all Bohemian. Everybody needs privacy to develop themselves and to generate ideas, but it is important to examine the idea of communication, exchanges with others (Jackson el al 2013). Thus, for centuries a tradition that existed in other cafes, but the basic concept has remained to this day. Adapted to the pace of modern life and society cafes have become alternative cultural spaces, where satisfying the emotional feelings an individual can at least for a short escape from the routine. Alternative cultural space does not have to be a coffee shop, but on the basis of the old traditional cafes model, it can be a space in the city, where people are included in the social environment, i.e. spend their free time together, discuss, learn and teach others, get information, which appears to the public. It would be a different space than the home or work where you can relax, break away from the routine.

## 3. Creativity management factors in alternative cultural spaces

Creativity is a very complicated and complex process which cannot be controlled directly. It is derived from the concept of information and knowledge, and without them actually loses their meaning. In order to manage creativity, you should understand the features and assume that creativity *has the possibility of reification*, which gives today's society of creativity adaptation.

Also creativity can be seen as a communication mechanism that mediates affects the economy and make the creative process of managerial, i.e. theoretically explain their nature and relation to modern life in information environments, where there is a new form of knowledge and technology. Creativity is necessary to "feel" measure, organize, and only then it is possible to manage. The creative knowledge depends on the information (as objectified knowledge) and communication (as media structures and instruments) mechanisms, which directly expresses the creativity of social and economic forms of globalization contexts (Augustinaitis 2010). Creativity reification hierarchical ratio formed as “3C” triangle: “Creativity - Creative Knowledge – Communication”. So creative knowledge allows delve into the reasons of public creativity improvement, linking them with information on survival and competition aspects. No less rich knowledge of the creative relationship with the communication mechanism is. Communicative approach expresses the information space concepts in the modern world, where information, knowledge and creativity, as an ideal public existence, attributes, acquire new communicative structures of the prevailing economic value (Augustinaitis 2010).

*Knowledge* becomes a culture in which people skills and relationship development is the main objective component. According to the B. von Guretzky (2004), *knowledge* has become an essential part of our personality, they form the basis of communication, is a symbol of social status, inner guide, identity marker, filter, and personal presentation potential. Personality resolution also associated with personal knowledge of construction or operation. B. von Guretzky (2004) argues that personal knowledge management is the ability to maintain a positive emotional expression in relation to the social environment, partners, work, family, work-life-balance, in times of crisis or making independent decisions. Managing personal knowledge of the individual expands his understanding, which is understood as an individual study subject options defined level of personal knowledge, realization, limits (Vaivada 2012). The specific area of knowledge can have both positive and negative consequences. On the one hand, knowledge increases the possibility of creating a new understanding, of the other hand - specific knowledge can narrow down the problem solving techniques to learn routine definitions and so to prevent entirely new approaches (Mumford 2000). Also, the creative work is successful, it requires access to *information*, so it is no matter what would be: a man or an organization must continually monitor the development of new technologies and new ways of working, try to creatively adapt.

Creativity is also a key to successful communication. Effective and open communication is considered one of the key factors to ensure a creative environment support (Binnewies et al. 2007:433). Creativity communicative expressions are expressed as the knowledge structure and its components infrastructural improvement and efficiency improvements, which apply to any field of human activity for increasing research activities in the total work process, as well as enhancing the artistic and technological aspects of the role and level including integrity. Effectively organize and manage the communication, more capable not only to promote the knowledge, but also to integrate the creative knowledge in practically all modern human activities, which have been traditionally excluded from creative activities, such as creative knowledge integration in the organization of work processes or leadership development, technological innovation and so on. Successfully managing the communications transmitted to creative ideas and creative solutions to the public. Communication used in developing a technical expression for creativity - the generation of ideas or "brainstorming", various discussions and associative techniques. The technology is also an important part of communication, creative personalities because new technology has a great impact and it provides the ability to completely different ways to report themselves and their ideas. In addition, now it is easier to achieve things that were difficult to access.

Various authors emphasize different factors important to foster creativity. Shalley& Gilson (2004: 35-43), examining contextual factors that can either foster or hinder employee creativity at the individual, job, group, and organizational level, stated that these factors can be divided into some groups. Firstly, individual factors contain a set of core personality traits that include broad interests, autonomy, independence of judgment, and a firm sense of self as creative. Than, some special skills are significant, such as the ability to think creatively, engage in divergent thinking, generate alternatives, or suspend judgment. At the individual level, also knowledge and experience has been linked to creativity. Creativity also requires some level of intrinsic motivation as sustaining force and low risk avoidance. Also Florida (2002:434), analyzing individual factors for creativity development, stresses the importance of the ability to boldly break the established rules and take risks, to experiment, and to look for something new. According to A. Lukas (1983:132), it is also necessary to draw attention to the internal resources, such as already mentioned knowledge, imagination, courage as risk taking ability and inner motivation.

Secondly, external factors play a significant role as well (Shalley& Gilson 2004:39). Thus, time is an important resource as well as access to the necessary resources. The format and complexity of the task should determine the amount of time allocated for creation and management flexibility. In the activity, where you need to work with a lot of sources of information, to evaluate the many factors and take into account in many constraints, are given more time and flexibility (Mumford 2000).

Also rewards (both monetary and nonmonetary), external evaluation, supportive supervision, effective communication of ideas can foster creativity significantly (Shalley& Gilson 2004:40). To evaluate the creative work is also important to take into account the fact that creativity is subjective and difficult to measure it. Too much criticism can cause a significant reduction of the employee's motivation. Creative activities should be seen, not only by the results, but also by the extent of the work performed (Mumford 2000). The rating should be done in educational way, because the fierce criticism might be negatively affected. The one way of evaluate creative ideas properly is to include colleagues who are in the same hierarchical level (Shalley et al. 2004).

One of significant external factors that impact the fostering of creativity is informal learning as continuous process or concerning to Shalley& Gilson, training and other educational activities can lead to higher levels of creativity (2004:42). According to H. Clark (2009), more educational aspects of creativity associated not with the public and the personal level of creativity, but certainly also works as a general competency of integrating role. Educational point of view of public creativity can be expressed in terms of learning environments, the development of criteria when learning is treated as a creative premise. Creativity assumption also considered changing the standard of living and socio-economic conditions, which creates an active aging for the creativity and creative performance incentives (Cabeza et al. 2009). Alternative cultural spaces formed an informal learning environment. Here, the pooling of knowledge and information spaces of cultural knowledge is creating. By participating in such an environment the person becomes active, creative, more diligent and it is triggered his interest and learning.

The management of the creativity expression is important in the environment of cultural space work, so it is important to create favorable conditions for people who implement creative work. The effective management of cultural organizations depends on a conductive environment, in the absence of barriers, management of innovations, evaluation of ideas, motivation, communication and development of ideas. The friendly environment development for creativity should start from the suitable strategic management system installation in the organization. The adequate strategy management forms the view of organization to creativity, but creativity itself helps in strategic management. The most obvious is when using the well-known strategic management instrument - the vision and mission. The management of creativity in creating a vision also is known as the "creative tension" principle. Vision provides a clear understanding of what it seeks the same organization. The perception with actual situation creates a natural tension, which will encourage the development of new ideas (Senge 2000; Abraham, Knight 2002). Creative people have a wide field of attention, consequently when *creative environment* is developing it requires to remove various organizing interferences that may negative affect the creative work efficiency and concentration. External factors are extremely dangerous which can cause a pressure or a stress; also they can reduce the internal motivation and curiosity which are necessary for creative work (Mumford 2000). *Openness to innovations and tolerance for changes* is the main of creative cultural values. For example, changes usually receive resistance in organizations, because innovations threaten a structure of existing power and a sense of insecurity between employees (Salancik, Pfeffer 1977; Tan 1998). For this reason, new ideas are rejected and innovative projects fail. Organizations which are more tolerant of changes are more creative and the innovative installation is easier. Another very important factor for promoting creativity in alternative cultural spaces is the practice of opportunities in artistic activities way. Creative activities encourage a personal spirituality, develop an aesthetic taste, mature emotions and broaden horizons. The most important thing is communication, which appears on artistic activity basis, it helps for a person to reach the surrounding of the social environment.

Another external factor of creativity training in alternative cultural spaces is a *groupware application* that proper management can achieve good results (Paulus 2000; Shalley et al. 2004; Mumford 2007). One of the main advantages of group creativity is that people can share knowledge and different points of view, which increases the possibility of developing new ideas and combinations (Paulus 2000). Group creativity is affected by many factors such as the overall organizational context, group climate, individual creativity and the ability to work in a group. The formation of the group must take into account the fact that individuals are different in their cognitive style, knowledge, expertise, creativity and character. Analyses have shown that differences of the group members effect creativity in a positive way (Mumford 2000; Paulus 2000). However, the differences may also have negative consequences, because they increase the possibility of conflicts, and sometimes can lead to difficulty in making final decisions. In order to ensure effective communication, the group should not be too large, the relationship in the group should be as possible relaxed, without formality and not hierarchical. It is noted that the work is more creatively when the communication in the group is open and based on trust. This is because individuals are more tolerant to each other's differences and easier to communicate with each other in such an environment (Mumford 2000; Martins, Terblanche 2003). Creativity can be leaded by talented group leader, who can create a vision, motivate and coordinate member efforts. Group creativity can be combined with individual creativity. Analyses show that in the process of creating ideas, better results are derived when it begins from the group work and goes to individual work then organizing the work of the other way around (Paulus 2000). In summary it can be stated that the management of the creative expression in alternative cultural spaces at first depends on the ability to properly and creatively manage knowledge, information, communication processes. Communication is important throughout the management process, because only in ably communication the accumulated knowledge will be transferred to and experience of using a variety of artistic expression methods and instruments. Creative forms of activities, expressions and other creative forms add value to social and economic growth.

## 4. Methodology

The research study is based on a project „Young Creator 2013“ that lasted for 11 month in 2013 and took place in Siauliai, Lithuania. In the bookstore-cafe-art gallery "For the Soul" was able to successfully make debuts, excel and gain confidence for young creators. The project consisted of three parts: a literary readings, music evenings and art exhibitions. This project has also been fostered entrepreneurship of artists, because the young artists could not only exhibit their works of art, but also to sell at the bookstore's "For Soul" gallery. The project was completed and summarized by the final event, which evaluated and rewarded the young artists participated in it. Creativity of young artists was promoted by this project, in providing a safe and stimulating environment in which they can present their artistic works to a wider public; together they developed their entrepreneurial skills. The project was funded by the Ministry of Culture of the Republic of Lithuania and the Siauliai city municipality.

The project "Young creator 2013" counts a total of 67 young artists: musicians, singers, writers, painters, photographers. It was presented 10 exhibitions by young artists, organized 27 improvisational musical evenings and arranged 27 literary readings named "Readings over dinner". This project has attracted attention of young people. The active participation of young people showed that young personality needs a space for self-expression and presentation of their creativity works, the space where you can learn, gain and share the knowledge and skills you have. Exploratory observation has been used as a tool for collecting data about factors that increase creativity expression of project participants. Conducting observation involved a variety of activities and considerations, which include establishing rapport, selecting key informants, managing the processes for conducting observations, keeping field notes, and writing up findings (Kawulich, 2005).

## 5. Results & Discussion

According to the peculiarity of the management of creative expression conditions, the results of the project "Young Creator 2013" were analyzed to the following criteria: *informal learning, knowledge, communication, technologies, team work, time management, evaluation and feedback, active participation.*

*Informal learning*. Alternative cultural space where the knowledge is accumulated has become an informal *learning environment,* where young artists have found their space to meet the needs of creative self-expression and communication and learning. According to the old tradition of cafes, a bookstore-cafe-gallery "For Soul" included people in social media, i.e. they allowed free time together, discussed, studied or taught others, received information, created, appeared in public. Project activities taught confidence, in other words, the project organizers were open minded in working with young people, and young artists, have noticed that the space is friendly for them, they trusted in the project organizers. Moreover young artists gained the confidence to present themselves confidently, not to be afraid to appear in public and to be criticized, also to get the evaluation.

One of the most important experience gained in the project – was the knowledge and learning. Young developers watched each other's works, performances, studied and taught each other. In this informal space, they could be wrong, grow, gain confidence and get a boost to their future profession. Communication was not only among peers, but their teachers, professional artists have come to see or hear artistic works of young artists, whom told advices. In addition, the work with young artists showed the lack of knowledge and the lack of methods of the project organizers. It has been noticed that alternative cultural spaces in their activities with the youth become the alternative with youth organizations, so it was necessary for some of the new competencies.

*Knowledge management.* In the preparation and implementation of the project "Young creator 2013" it is necessary to have the knowledge base, so first of all, knowledge was accumulated, i.e. the situation was observed where and how young people spend their free time, what they create and how they actualize themselves in a creative work and develop creativity. The information was shared with the creative work group, with young artists. Observation and the identification of the creative expression need for young creators; the project with activities, objectives and intended outcomes was ready. Knowledge was gained and developed by organizing artistic activities. During the literary readings, young artists were reading their own works or the works of their favorite writers, so they were deepening knowledge in the field of fiction, developing language skills, the feeling of language, imagination and memory. Musical evenings allowed for young musicians to present and share their own knowledge and creativity. The space which was given for rehearsals and performances was important in educational terms, because young musicians were able to try their possibilities together with professional musicians in playing together on one stage, to observe them and communicate with and by this way to acquire the necessary knowledge and skills. Also, young artists could present their works in the openings of art exhibitions, choosing the right works, which says something and to introduce themselves as a future professional artists. Project organizers became teammates with young creators, because together they had discussions, arranged events, helped in the selection of arts works, advised how to exhibit them and so on. The space of the bookstore-cafe-gallery has become a sort of a safe house, where you can always come to talk, to share ideas and to implement them. The motivation and creativity of young artists' was driven this way. Project organizers had an important role, because they became supervisors who need to know the specific methods of working with young people. So the project organizers and young artists were studying together.

*Communication.* In terms of internal communication, it was among the first of the alternative cultural space of people working in the projects. In order to achieve success comunication with participants was one of key points. Communication throughout the project has been successful in most cases. Only sometimes due to lack of time, mismatch of interests or incomplete information there were conflicts. However the project manager was trying to motivate everyone and mobilize to work together. External communication was also very important for a successful project. So, creative ideas and creative solutions and as the evenings of literary texts reading, musical improvisation, exhibitions of young artists was intended for the public. These events took place in the immediate communication between the young artists and the audience. A free, informal environment has encouraged the audience to get involved in the reading of the text, to share ideas, observations, communicate with the author, to have discussions. Young musicians interacted with the audience in their music. In the duration of artistic activities they get to know both them self and the other artists. During the opening of the exhibition young artists presented them self and their works, replied to criticism. The successful co-operation with the media about young artists and their work has been published in the press and on websites or on television.

Technology- Technology is also an important part of communication, because it provides an opportunity to promote young artists and their ideas in different ways. All artistic performances were filmed or photographed and cataloged in the social website of the bookstore-cafe-gallery. Technology has helped to introduce young artists' musical works in the virtual space, so it was an important part of publicity and communication with society.

Team work- To achieve results of the project the creative team were formed, consisting of staff and volunteers who have shared their knowledge and attitudes, which increased the potential for the creation of new ideas. It was also encouraging creativity and motivation in the team work. In art activities team work skills have also been developed, for example, the young musicians played together in musical improvisation and after sometime their built a rock band.

Time management- For a productive management of creative expression in alternative cultural space "For Soul" was influenced by time management. As 2 or 3 events has been held every week, each of which should be pay enough time: to communicate with young creators and arrange a proper date of performance, to advise, which works to deliver, to motivate to participate in. It was necessary for the schedule of participants', flexibility and creativity of someone adjusting. The time management was necessary in order to publicize all events and to prepare information material.

Evaluation and feedback- Other important feature for the management of the creative expression was the evaluation of art activities by young creators. Due to the fact that young artists are not yet professional, they made mistakes and not all works were perfect. Therefore one had to be very careful as too much critical evaluation could ruin young artist's motivation to develop and participate. Thus, peer evaluation was used. Young artists' were rated by peers, their friends, close people, who supported and encouraged to develop further and achieve the artist's career. Also, it was necessary to calm and motivate the creator, if his performance gathered a little crowd, because he was still young and little-known developer.

Active participation is also very important in the management of creative expression, as the project organizers sought for consciousness of a young person, the ability to be free and creative. Active participation in this context means the voluntary engagement of young people and the creation of things that they are interesting and relevant. Active participation spaces and shapes can be various: as artistic activities was organized in the project, such as literary texts readings, presentations of exhibitions, musical improvisation evenings. It is talking about the participation, in which a young person is not a passive observer, but an active developer and implementer of their ideas.

The figure below summarizes elements of the management of creative expression (Fig. 1):


**Figure 1.** Factors fostering creativity expression in alternative cultural environments

All these factors and their influence create favorable conditions for the development of creativity and expression in alternative cultural spaces. Of course, this case study allows doing just assumptions, however, certain factors.

## 6. Conclusion

Summarizing the analysis of progress and the results in the project "Young creator 2013", from the point of view of the management of the creativity expression, it can be said that the management of creativity expression in alternative cultural spaces depends on favorable conditions. They have to ensure the active participation of young creators and learning. This is important to properly manage the acquisition of knowledge, communication, use of technologies, the time management of team work and assessment, also feedback processes.

First of all, the management of the creativity expression depends on the ability to properly and creatively manage knowledge and information, it means, to collect it and to give it creatively to others. Communication is important throughout the management process, as only with proper communication it is possible to transfer the accumulated knowledge and experience by using a variety of artistic expression methods and instruments. Creative forms of activities, expression and other creative forms add value to social and economic growth. In giving the space of the bookstore-cafe-gallery for realize young artists expression, the intense creative process was in this alternative cultural space. From the look of a management side, this cultural event has become a challenge for organizers and young artists: the organization and management of artistic activities, the work with young creative people, educational and communication management processes. Evaluating the results of this analysis, it is said that it is necessary for-profit companies to collaborate with arts managers and to allow their spaces to become an alternative cultural spaces, in seeking for creativity education both for its staff and for local artists.

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# *Motivation for Blogging : A Qualitative Approach*

Aiste Urboniene*
PhD Associated Professor, Department of Philosophy and Cultural Studies,
Kaunas Humanitarian Faculty, Vilnius University, Kaunas, Lithuania. Email:
aiste.urboniene@khf.vu.lt

***Abstract***

*This paper deals with the concept of motivation for blogging. The research problem is expressed in the following questions: What are the main motives for blogging? What stimulates blog users to write personal blogs and to read blogs of others? In the theoretical part, the concept of motivation for blogging is analyzed and a model of its structure is developed. The employed research methods were the following: data collection by conducting a survey using a non-standard open-ended questionnaire and qualitative content analysis was applied for data analysis. The sample consisted of 215 informants that filled in the questionnaire in one Lithuanian website for surveys. In the empirical part, the data is analyzed and funding is presented. The results indicate that the structure of motivation for blogging contains three dimensions with dominating individual motives that mostly cover personal needs as well as knowledge, information sharing and self-realization motives.*

***Keywords*: blog, motivation for blogging, quantitative approach, Lithuania.**

## 1. Introduction

*Nowadays it is very common to have a personal blog to write down thoughts and experiences, share ideas, pieces of poetry, hobbies, etc. Excellence in technology use opens new opportunities for many people to be a part of virtual communities and find new ways in communication. As Hookway notes (2008), since 1999 blogs have become an important feature of online culture, functioning as guardians of democracy, opening new ways of constructing the self. Thus, blogs as an abbreviation of weblogs make it easier to express opinions, share experience and distribute information (Wang et al, 2010).*

While writing a traditional diary is a very personal action, weblogs as electronic diaries are available for many people and do not pose any difficulties for privacy violations. Thus, the core research question is as follows: *What are the main motives for blogging?* This study aims to extend the theoretical understanding of motives that influence blog usage. In Lithuania as well as in any other post-Soviet Eastern European country no similar studies have been conducted to the author's knowledge. Moreover, very few studies have been carried out to analyze the differences in the use of particular blogging as a social media comparing the patterns in the post-Soviet countries and countries that have a long tradition of media freedom (Koulikov, 2007).

## 2.Theoretical Background: Blogging Phenomenon

It is not easy to define blogging that was analysed and attached various terms: from a form of folk journalism to a part of popular culture. A blog is a website that is maintained by an individual or a group with regular updates of information that usually includes diary entries, descriptions of events etc. (Curran, Marshall, 2011). Thus, blogs perform a dual function, maintaining personal discourse as well as initiating social and intellectual interactions (Wang et al, 2004). According to Huffaker (2005), blogs are personal journals or reversed-chronological commentaries written by bloggers and made publicly accessible on the web, and they have distinctive technological features that set them apart from other forms of computer-mediated communication. These features include the following aspects: 1) ease-of-use; 2) ways to archive information and knowledge; 3) opportunities for others to comment and provide feedback; and 4) links to other "bloggers" in such a way forming online communities. Other authors stress different traits that are common for blogs, for instance: 1) public accessibility, 2) personal comments that reflect author's personality, 3) frequent updates, 4) topics of particular interest to the user 5) and an opportunity to collaborate (Cordes, 2004). Gaining increasing popularity, blogs are mostly applied for personal use, but because of their low cost and flexibility, this form of information sharing is applied in a number of information enterprises, i.e. corporate communications, newspaper publishing, stock trading, libraries, etc. Following Trammell & Keshelashvili (2005), to some extent blogs can be defined according to their format, genres, etc. Blogs vary in content and serve different purposes as people, or the so-called bloggers, post their thoughts, experiences, and political views, genres shift from personal, even diary-like pages to in-depth public affairs analysis. As T. E. Mortensen (2004) states, the common practice of blogging is dominated by personal creative writing, academic considerations or political debate. However, while a part of blogs seems to be insignificant in the scientific or political discourse, they still meet different needs of their authors and have a significant role in the public sphere.

Summarizing previous studies, Stavrositu & Sundar (2012) note that two types of blogging can be distinguished, namely *personal journaling* that contains personal thoughts, works and experiences of a blogger and *filter blogging* that is more focused on external, i.e. social, economical or political events. They also state that writing these two types of blogs is stimulated by different motives: personal journals help individuals to document their life, construct identity and cope, while filter blogs initiate social, economic or political discussions.

Analyzing motivation for blogging some aspects should be stressed. First of all, blogging functions as an effective way of human communication. R. MacDougall (2005) emphasizes that blogging allows the participants to get closer to other members of virtual communities who inhabit the same "cultural unit" without meeting them in reality. Creating "intimacy at a distance" by blogging together or using e-mail and instant messaging represents one of the most popular forms of mediated interpersonal communication.

Blogging enables the bloggers to develop relationships by linking back and selecting "friends", being accepted in regard to other kinds of features than in real social life. Additionally, this virtual space for "publishing" personal literary works, thoughts and ideas is of great importance for many people. Such new way of managing interactions and announcing personal thoughts can be evaluated as an evolution of communication that lacks traditional limits, i.e. any censure or restrictions of free speech, without the physical limitations of pages, etc. (Hourihan, 2002).

As blogging creates new spaces for social interaction it also works for building virtual communities and performing social control (Miller, Shepherd, 2004). In this case, self-disclosure functions as a way to build connections with other bloggers and at the same time confirm that personal beliefs conform to social norms.

Secondly, one of the most intriguing aspects of blogging is the intersection of the public and the private. As R. MacDougall writes: "Blogs are an instance of "publicity" (privacy that occurs under the intense acceleration of instantaneous communications). Our notion of privacy was created as an artefact of literacy - silent reading led to private interpretation of ideas that lead to private thoughts that led to privacy. Blogging is an "outering" of the private mind in a public way" (MacDougall, 2005). Such way of communication functions as an interaction with an unseen public that, in contrast to a conversation, is not only interactive, but also public. T. E. Mortensen (2004) also notes that blogging can be seen as a form of writing that stands between personal diary and professional publishing, which is available for many strangers.

As D. Weinberger (2002) observes, the confessional nature of blogs has redrawn the boundary between the private and the public spheres of the bloggers' lives. Blog users can be astonishingly open telling the strangers about their psychological or relationship problems while hiding behind the veil of anonymity. Thus, blogs can be both public and intimate in particularly contradictory ways. As Miller & Shepherd (2004) remarks, they can be addressed to everyone and at the same time to no one. Although they serve no practical purposes, the increasing numbers of both writers and readers show the importance of blogs.

Thirdly, blogs can serve for specific needs in business and education. According to Huwe (2003), blogging is a very effective way of information management, opening great possibilities for collaboration. Some practices of using blogging as a tool to create new learning spaces have already been introduced in organizations and even in educational settings.

Due to its easy-to-use interface and financial feasibility, blogging as an effective digital tool can facilitate critical thinking skills, promote online discussions of various subjects, support formal and informal individual and group learning, etc. (Wang et al, 2004). It seems that blogs can be used to activate knowledge construction through collaboration, debates, and argumentation. Moreover, the easy creation and use of blogs is attractive to educators who are eager to use technological tools in their teaching.

Thus, blogs, similarly to other kinds of social media, provide an opportunity to integrate formal and informal learning as a part of everyday life. Still there are discussions and doubts about the use of blogs in education, especially in schools because of threats that can arise (Curran, Marshall, 2011).

### *3. Motivation for Blogging*

The reasons why people choose to spend time blogging is an issue that wakes up interest of many scholars. It is the wide scientific discourse about motivation for Internet or computer mediated communication use that highlights various motives and factors influencing the behaviour of people.

It is commonly accepted that motivation is a complex issue that can be analysed using intrinsic-extrinsic distinction (Vallerand, 1997). According to Davis et al., a media technology user' behaviour is also affected by these two kinds of motivation: intrinsic as perceived enjoyment and extrinsic as perceived usefulness, easiness of use, and fully mediated effect of system design features on usage (Davis et al, 1992; Davis, 1993).

Another study also focuses on intrinsic (i.e. perceived enjoyment) and extrinsic (i.e. perceived usefulness and perceived ease of use) motivation for the use of the Internet. Its findings demonstrated that while the perceived usefulness had consistently strong effects on all usage dimensions (frequency of Internet usage, daily Internet usage and diversity of Internet usage), the perceived ease of use and perceived enjoyment affected each specific usage dimension differently. Namely, the perceived usefulness and perceived enjoyment were stronger motivators for daily usage of Internet comparing to the perceived ease of use (Teo et al, 1999).

Matthew and Soumitra (2008) suggest another classification of motives for using social media that can be divided into two groups:

- *Rational motives* that are connected with career striving, sharing knowledge and information;
- *Irrational motives* that reflect the need for social relations, acceptance, being a part of social communities.

Flaherty et al (1998) states that Internet users seek to fulfil three types of needs: 1) interpersonal, such as inclusion, affection, pleasure, relaxation, control and escape, 2) needs that are traditionally fulfilled by media, such as social interaction, pass time, habit, information and entertainment, and 3) other needs, such as meeting people and time shifting.

Similarly, Papacharissi and Rubin (2000) analyse motives for computer mediated communication use, stating that media technologies have the ability to fulfil interpersonal and mediated needs of people and that communication is central here. Based on previous research, this study identifies three groups of motives: *interpersonal communication motives* (pleasure, affection, inclusion, relaxation, escape, control), *media related motives* (entertainment, habit, information, social interaction, escape, pass time, relaxation) and *Internet related motives* (time control, convenience, economy and expressive need) (Papacharissi, Rubin, 2000).

Thus, concerning the motivation for blogging, fewer studies have been published and are available. Based on qualitative study, Nardi et al. (2004) found out that five major motivations are significant for blogging: 1) documenting one's life, mostly writing about events and activities, 2) providing commentary and opinions, 3) expressing deeply felt emotions, 4) articulating ideas through writing, and 5) forming and maintaining community forums. As Noonan (2007) also observes, the most important motives for blogging are sexual pleasure, personal happiness, satisfaction with life, and personal interconnectedness with other people.

Hsu C-L. and Lin J-C. (2008) analyse what motivates people to participate in blog activities. Their research model consists of three groups of factors: technology acceptance, knowledge sharing motivation and social influence. The empirical analysis shows that, among *technology acceptance factors,* the easiness of use and enjoyment were found to have the most significant influence on attitudes of bloggers. It was also confirmed that altruism and reputation were important among other *knowledge sharing motivation factors*. Lastly, from a *social influence perspective*, a significant factor was that users were willing to blog because of their community identification.

Wang et al (2010) carried out another structural analysis of factors for blogging motivation, assuming that social, motivational and individual factors impact individuals' intention to blog. Social factors or subjective norms are described as social influences and social norms refer to the degree to which users acknowledge whether or not those people who are important to them think that they should use blogs. Among motivational factors, the perceived usefulness and perceived enjoyment were stressed in both the previous studies as well as in the one discussed as having a great impact on an individual's behavioural intention to blog. It was validated in the previous studies that the perceived enjoyment has a significant impact on user's acceptance of technology. This study has also confirmed that this intrinsic motive is important. Furthermore, blog self-efficacy and personal innovativeness in the domain of information technology are attributed to individual factors that increase personal motivation to participate in blogging (Wang et al, 2010).

One more important issue in the context of blogging motivation is a possibility for blog users to construct online identity (Huffaker, 2005). As Taricani (2007) claims, analyzing some aspects in identity formation via blogs, writing through a blog can be understood as a way of extending one's self in a virtual world. Most blogs are of a personal dairy type, expressing personal experiences and reflections. Identity is formed as a result of the expressed thoughts and online environment has a direct impact on creating active social interactions to assist in defining identity. So it seems that writers and readers of blogs are both motivated and satisfied because of the personal form of blogs, which serves for creating identities and relations between selves. This need can even be stronger than the need for information or knowledge sharing. According to Miller and Shepherd (2004), blogs work to bind together in a recognizable rhetorical form the four functions of self-disclosure: self-clarification, social validation, relationship development, and social control. It is also highlighted that "selecting friends" became an important label in the virtual culture for the main features of identity, status and social capital (Matthew, Soumitra, 2008). Thus, by using blogs people get acceptance and strengthen their virtual identities.

In summary, according to previous research, the structure of motivation for blogging includes three dimensions: individual motives, social motives and technology acceptance motives. As Figure 1 shows, every dimension contains the main motives for blogging:

**Fig. 1.** *Three-dimensional model of blog use motivation*

A precondition can be made that motivation for blogging is a result of motives belonging to all three dimensions and that individual motives dominate in this structure.

## 4. Research Methodology

### Research instrument.

The background of the research instrument consists of the theoretical (Papacharissi & Rubin, 2000; Hsu C-L. & Lin J-C., 2008; Matthew & Soumitra, 2008) and methodological (Giger, Davidhizar, 1995; Miles & Huberman, 1994) approaches in motivation for blogging. An authorized non-standard questionnaire was compiled of 8 open and 9 closed questions and statements that were aimed at identifying *the concept of motivation for blogging* from the informants' point of view. The questionnaire also included 4 demographic questions on age, gender, education, and frequency of Internet use.

This article introduces motives of blogging from the informants' point of view and their answers to the questions: *Why people write blogs?* and *What does your blog mean to you?* The analysis of the statements focuses on the factors and motives that are important for blogging motivation.

**Data gathering.** The research data were gathered in January-March 2011. The employed research method was data collection by performing a survey using a non-standard questionnaire with closed and open-ended questions. The questionnaire has been sent to blog's owners via social websites.

**Sample characteristics.** The sample was purposive: the Internet users that voluntary chose to participate in the survey. It consisted of 215 informants that were blog owners and filled in the questionnaire during three months.

Women were the majority in the sample (N=159). Concerning the age of the informants, 33% were over 35 years, 30% - 20-25 years, 23% - under 20 years and 14% - 26-35 years. Their level of education was relatively varying, with 11.2% attending a secondary school, 25.6% having a secondary education, 19.1% having a college education, and 38.6% having a higher education (5.6% did not answer this question).

The time that informants spend on the Internet differs: 40% use it less than 10h per week, while 32% spend more than 20h per week and 26% usually spend 10-20h.

**Data analysis**. For data analysis the *qualitative content analysis* based on the methodological conceptions by Miles and Huberman (1994) was chosen. It was carried out in order to investigate the open question data that enabled disclosing qualitative differences between the informants. Qualitative analysis of content is based on the systemic step performance: 1) identifying the manifest categories, while referring to the 'key' words; 2) dividing the content of categories into subcategories; 3) identifying intersecting elements in the category/subcategory contents; 4) interpreting the content data.

## 5. Qualitative Data Analysis

Answering the question ***why do people blog?,*** the informants left many comments and considerations. Starting with **individual motives,** it can be stressed that this group is rich with subcategories. The biggest amount of informants indicated ***information and knowledge sharing*** as an important motive for blogging. The list of things that bloggers wish to share with others is rather long, for instance: thoughts, ideas, opinions, experience, important events in one's life, news, feelings, impressions, hobbies, etc. As one informant wrote, "*a blog is a source for mini information that is concentrated on the activity that is interesting for the blogger*", while another user noticed that "*it is an attempt to share one's life with others*". They also expressed that one of the starting impulses for creating a personal blog is understanding that one has something to share and other people need this information. Sharing of information, both personal and impersonal, can lead to interesting discussions and that is also a striving for bloggers, as one informant indicated.

The most popular motives also include ***self realization*** that shows a strong need to share the works of creative writing or handcraft in photos, considerations and thoughts about social or political events and topical issues with others. It becomes possible to demonstrate one's creative or cognitive abilities and get positive evaluation and acceptance. For some informants it serves as a way to have a personal virtual platform or scene to show themselves, sometimes hiding behind the virtual 'I'. One female informant wrote that "*Bloggers blog because of different motives. For me it is like a virtual home which is always nice and pleasant, here I can express myself openly. People that read my blog don't know anything about me in reality, who I am, how old I am, where I work, etc. I write for myself because I like to read older entries*".

Another motive that was indicated by a few informants was ***enjoyment and relaxation***. It was noticed that blog users experience emotional excitement while blogging. It is related to interests, quality free time and hobbies.

A few comments were concerned with ***perceived usefulness*** of blogging stressing that it mostly expresses an attempt for self-promotion and preservation of memories. For instance: "*they want to get popular, so it serves them as a way to reach popularity*" or "*some bloggers want to express themselves and write blogs as a way of preserving memories*". Other examples include the following: making one's services or hobbies famous and known, such as blogs with recipes or handmade bracelets with the possibility to purchase them.

Another small group of comments were meant to ***identity formation*** as a personal need for using a blog to create a personal image or opinion about oneself. Most individuals want to be evaluated by other bloggers as open-minded, honest and friendly.

For some blog users ***pass time*** was a motive for blogging. They described it both as a hobby or a way to spend free time while having nothing to do.

Only one informant stated that blogging can help for ***career striving*** as it is a way for people to sell their works or services. So it can open good career opportunities.

Furthermore, some variations of other motives that were not included in the theoretical model were indicated among the answers in this study. First of all, it was ***lack of attention*** that was stressed by many informants and seems to be one of the most common motives for blogging. Some comments were critically and even ironically mentioning graphomania as an "*attention abuse*" or identifying psychological problems, such as mistrust in people, wish to be accepted and 'suitable', also dependence on others' attention or even a wish to dominate over others. One male informant expressed it in such words: "*I think that the main reason for blogging is the need to show oneself for others. That gives satisfaction. Many blogs have a column for comments and a visitor counter. It is important for blog owners to have a popular and interesting blog, causing reactions of other bloggers*".

Another motive quite similar to the previous one is ***loneliness***: blogs function as a way to satisfy the need to express ones' feelings and thoughts as well as every day impressions and casual thoughts, problems and worries. As one informant pointed out, "*they* *don't have anyone to share everyday life with*".

Blogging is also motivated by another need, i.e. ***seeking for understanding,*** striving to find other bloggers that feel the same or share the same experiences. According to the informants, blogging as an expression of 'hidden' feelings or thoughts should unavoidably evoke reactions because it provokes or raises empathy and compassion.

Lastly, ***expression of feelings*** is also important and, according to the informants, can function as a psychological help for those who want to open their inner world to strangers. To quote the informants: „*writing an anonymous blog gives one a possibility to express one's feelings hidden behind a virtual mask*".

Therefore, the analysed individual motives opened a wide spectrum of personal and even psychological needs that are fulfilled by blogging. It also provides possibilities for individual learning as well as information and knowledge sharing functioning as an educational environment.

Next group of motives for blogging describes **social motives** and also gives some insights in the social interaction that blogging allows. Firstly, two sub-categories were highlighted as important by the informants, namely, social relations and acceptance. Starting with ***social relations***, it can be stressed that many people choose to blog because of this social interaction that functions as various forms of communication for finding friends and supporters, sharing thoughts, discussing issues, expressing opinions, etc. Further, ***acceptance*** of others that bloggers get through this interaction is somehow related to some psychological needs that were already discussed. For instance, one informant noted that "*many bloggers expect attention, advises and compassion from other people as a form of acceptance*". Other informants wrote that many blog owners seek for positive evaluation and acceptance while openly telling their "stories" and looking for public justification for their choices and actions.

Only one informant mentioned that blogging "*unites people in a virtual community*" and also one informant stressed that "*it is becoming a norm to make the private side of oneself public*". Thus, there is noticed a weak tendency of such motives as ***community identification*** and ***social norms*** to inspire bloggers to blog.

Finally, as a part of **technology acceptance motives,** the most common comments among the informants build a group labelled ***safety and anonymity***. Many informants claimed that blogs are safer compared to paper diaries so people writing them feel more free to express their thoughts and experiences by hiding behind a veil of anonymity. Some blog users indicated that it is always easier to tell personal things openly for strangers then for people whom know you. As one informant noticed, "*there is a thin virtual anonymity wall between the private and the public spheres and it is easier to express yourself when nobody sees and knows you*".

Another important motive was ***ease of use*** that was explained as a comfortable, cheap, fast and simple way to write down personal thoughts or diary items. For instance, one comment was "*it is an easy way to make contacts and communicate that can replace a personal website*".

Some comments were related to ***personal innovativeness in IT*** as a modern-day competence that everyone has to develop. A few informants evaluated this as a natural change in the 21st century when emails have replaced letters and blogs have replaced dairies. Others focused on the younger generation writing that young people can no longer write on paper, but only using keyboard instead, because this is easier.

Differently from previous studies, no comments showed that ***blog self-efficacy*** and ***design features*** were important as motives for blogging.

Summarising this part of the analysis, it can be stated that motivation for blogging is mostly influenced by individual and social motives or, in terms by Matthew and Soumitra (2008), by irrational motives that cover various personal needs. Blogs create wonderful opportunities for people to express themselves, share feelings, experiences and information as well as get response and acceptance.

Striving to get a more complete picture of the motives for blogging another question only for blog owners was raised, namely, ***what does your blog mean to you?*** Not all informants that have a personal blog responded to this question, but 23 of them left their comments. Some aspects important in this context are presented below.

Starting with **individual motives,** some informants mentioned ***passion*** as a key-word, stressing the importance of blogs and describing them as the favourite activity. Then, another important feature was identified by stating that a personal blog feels like ***a part of the personal identity***: "*it is one of my faces*" or "*people learn to know me trough it, so it is my world*". It shows that a very close and sensitive relation can develop among some bloggers and their blogs, while others see it as a good way to preserve their thoughts, feelings, experiences and facts gathered during some time. For instance, "*my blog is important to me because 2 years of my life are described there*" or "*I like my blog because it is great to read it sometimes to remember what I was feeling then*".

Another individual motive is ***self-realisation*** that is related to creative writing as well as expression of thoughts. By blogging it is possible to get feedback about one's literary writing and follow personal development. Many comments were self-reflective: "*because I have been writing my blog for 7 years, I can chronologically follow the changes of themes, actual questions and thoughts of my writing*" or "*often I had thoughts that I wished to write down or share with others. I like to inspire other people. Sometimes I had ideas and thought that they were genial and at one of such moments I decided to create my own blog*".

Some answers allow making a precondition that some people use blogs to solve their ***personal or psychological problems***. From this point of view, the following comment is interesting: "*I started my blog because of the need to tell to strangers about how I feel, what I think and why I behave in one or another way, so the beginning was my disappointment in life*".

Among **social motives,** the most important was ***obligations for visitors*** that usually wait for new material or information. As one informant wrote, "*I have many fans and even if I am not on TV, I am a star online and many bloggers are waiting for me to write something new*". Another commenter also stressed that expectations of other blog visitors is the driving force for blogging: "*I have some readers and feel uncomfortable if I keep silent for a longer period of time*".

***Social interaction*** is another motive that was strongly expressed among blog owners and is related to the need for feedback. For instance, "*blogging allow me to find interesting people that also read and write blogs*" or "*blogging helps me to get to know what others think about me and my writing*". Bloggers wish to get comments and raise interest; they even expect compliments and positive evaluations. Social interaction even helps to get attention or, as it was expressed, "*be noticed*".

The answers of blog owners included no statements related to the motives that correspond to **technology acceptance motives**. Hence, it allows making a precondition that this group of motives was not very important for the informants.

## 6. Discussion and Conclusions

This article focuses on the identification of the main motives that impact blogging and comparison of the results with previous studies and, thus, some aspects should be stressed as significant. First of all, the structure of motivation for blogging was proved to contain three dimensions with dominating individual motives. A modified model presents the content of the dimensions prepared according to the results of this study (Fig. 2):

**Fig. 2.** *Modified three-dimensional model of blog use motivation*

Individual motives were revealed as dominating in blogging motivation structure and their spectrum shows a variety of different needs that blogging fulfils. Among individual motives that were maintained in other studies, i.e. information and knowledge sharing, enjoyment and relaxation, perceived usefulness, identity formation, career striving, pass time and habits, some new motives appeared, i.e. lack of attention, loneliness, seeking for understanding and expression of feelings. All of them are related to the psychological needs of acceptance and social interaction. These motives can also be assigned for irrational motives that reflect the need for social relations, acceptance and being a part of social communities.

All this selection of individual motives for blogging, especially the last group discussed, explains why bloggers most often use their blogs as personal journals, referring in terms by Stavrositu & Sundar (2012) and others. It is important for bloggers to seek for understanding and acceptance as well as to share information and knowledge, thus most of them choose to present personal thoughts, experiences, feelings and literary works in their blogs.

The results also maintained that blogging performs some important functions and one of them is serving as an effective and popular way of interpersonal communication. Bloggers make close ties with unseen strangers creating virtual communities and receiving acceptance and understanding. Furthermore, blogging also functions as an educational environment helping to share knowledge and information with others. Through sharing, blog owners get attention, acceptance, understanding and experience self-realization. Prior studies imply that blogging is a very effective way of information management and collaboration: many blog owners use it to publicize their creative writing, tips for cooking, decorating, car tuning, etc. The anonymous character of blogging allows creating "intimacy at a distance"

(MacDougall, 2005), which is so attractive to many bloggers.

Given the strong contrast to prior research, technology acceptance motives were not significantly popular among the informants and such finding can have some explanations. Firstly, blogging is still a new phenomenon in Lithuania as in other post-Soviet countries; thus, many people lack knowledge how to create a personal blog. Therefore, demonstration of skills and design features are not the main movers for blogging in this case. Secondly, it is possible that the users expect blogs to fulfil other needs than the easiness of use and enjoyment of creating and managing a personal blog. The above findings suggest a precondition that blog users strive for self-realization as well as for self-expression as a way of maintaining their identities. Another precondition can be made stating that in Lithuania as in other post-Soviet countries, blogging fulfils other needs of users and this is something that should certainly be subject to further study.

Future research should also attempt to extend this subject by looking explicitly at the educational issues, i.e. how blogging functions as a leaning environment, what kind of learning is practiced and how the knowledge is constructed.

Lastly, a question can be raised without possibility to get an answer in the frames of this study: can blog use motivation be culturally dependant? These findings provide only a few new insights into this interesting and topical issue that requires deeper and even comparative analysis.

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**Appendix A**

**Fig. 1.** Three-dimensional model of blog use motivation

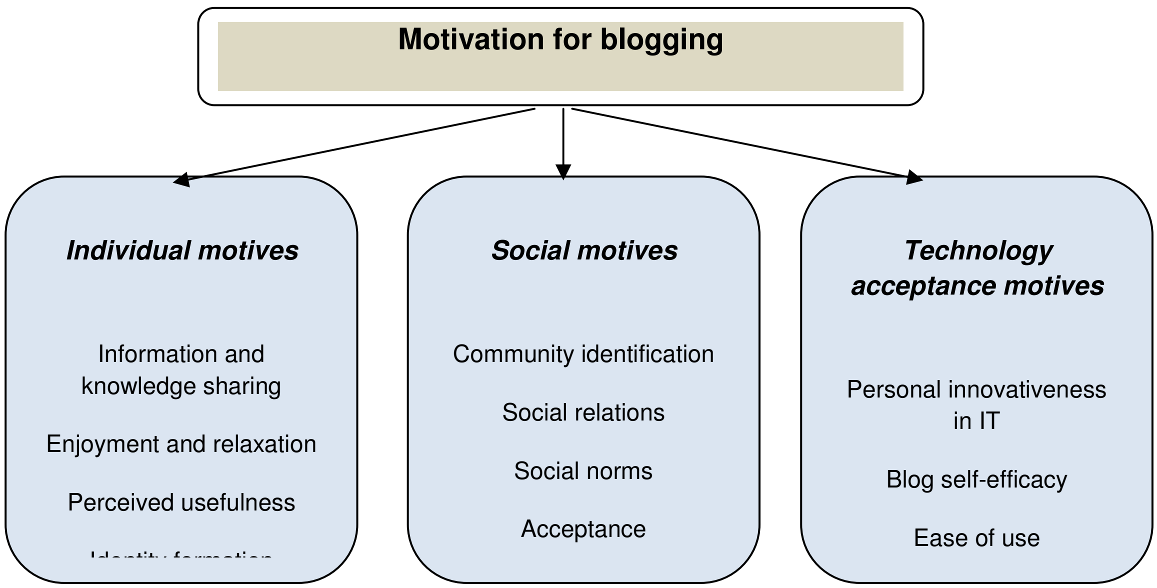
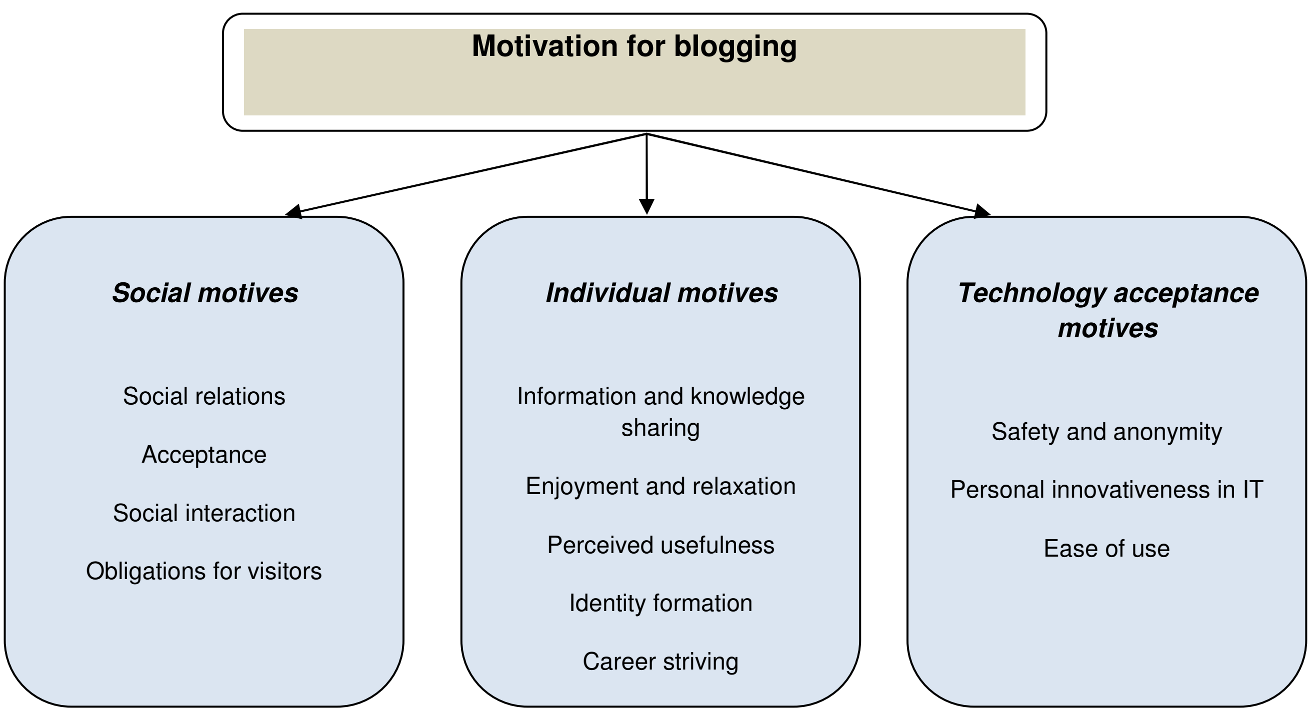



**Fig. 2.** Modified three-dimensional model of blog use motivation



# A Study of Customer Relationship Management (CRM) Practices in organized retail shopping Malls at bengaluru city in India

Mayur Kumar.A*
*Assistant Professor,K.S.R.M college of Management studies, E-Mail-rohinimayur@gmail.com

***Abstract***

*Retailing today occupies a key role in the world economy. It must be concisely and clearly defined; retailing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use. India retailing as seen in sprawling shopping center, multi-stored malls and huge complexes offer shopping, entertainment and food all under one roof. In India shopping malls are growing much more Shopping mall offers customers the possibility to be anything or anybody they want to be, it gives them opportunity to be free and independent even if it's just for a passing moment. CRM is potentially a useful concept in the marketing and customer services areas of a retail sector. CRM stands to be the survival mantra. Managing customer relationship effectively and effectively boots customer satisfaction and retention rates. CRM involves shopping malls enabled business processes that identify, develop, integrate and focus a business' competencies on forging valuable long-term relationships that deliver superior value to its customers. This study is undertaken to identify the CRM practices on the customer satisfaction and retention in organized retail shopping malls in Bangalore city India. The required data of study would be collected from both primary as well as secondary sources. Liker scale was used in designing the questionnaire, A sample of 142 respondents was taken from different malls located in bengaluru city has been selected for the reliability of the analysis. The hypothesis has been tested by using ANOVA and Result of research as concluded the important to enhance the CRM practices makes better to shopping at retail stores in shopping malls at Bangalore city.*

***Keywords: Retailing, organized retailing, Shopping Malls, Customer Relationship Management.***

## 1. Introduction to Retailing in India:

Indian retail market is one & the Indian's fastest growing industries is expected to grow from us $ 350 billion to us $ 427 billion 2010, retail is India's largest industry accounting for over 10 percent & the country's GDP and around eight percent & employment. Retail in India is at the crossroads. It has paced industries with several players entering the market. Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms & format and consumer buying behavior, ushering in a revolution in shopping, modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and good all under one roof. In recent times, however more and more by retail outlets are coming up in the metros and cities and the country. Many business houses now thinking and opening up a retail chain and their own, Spencer and co-limited, Vitan industries limited pantaloon, shoppers stop, Reliance malls, to name a few have already in the business with a big bang.

### Customer Relationship Management practices towards in Retailing:

The highly demanding and knowledgeable consumers are compelling retailers to stock a huge product range, offer attractive discounts in an aesthetically set up environment and soon all in the hope of having a loyal customer base so, customer relationship management may be referred to as a philosophy a set of strategies, programmer and system which focuses on identifying and building loyalty with the retail outlet malls most valued customers. This means that CRM will work on the principle that retailers have to chat out programmes which will help them to raise their profitability ones continuous basis though building long-term relationship with their customer's customer Relationship management is a company business strategy designed to reduce cost and increase profitability by solidifying customer loyalty. CRM practices may shift with each form. Nevertheless, organized retail shopping malls will benefit from the resources it commits to developing its CRM practices in greater customer loyalty. Right time and involves attracting (acquiring),developing and maintaining successful customer relationships over time and building customer loyalty through efficient and effective two-way dialogues that seek to understand and influence customer buying behaviors and improve customer acquisition, retention, loyalty and profitability Although not entirely built on shopping malls CRM involves shopping malls enabled business processes that identify, develop, integrate and focus a business' competencies on forging valuable long-term relationships that deliver superior value to its customers.

## 2. Review of Literature

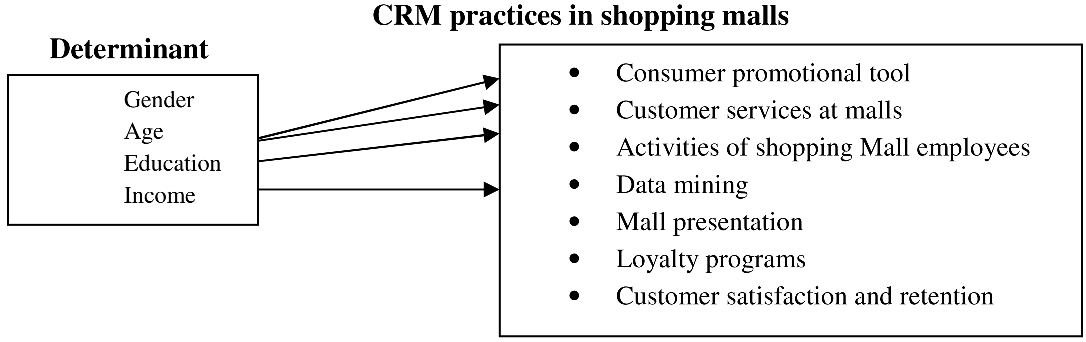
Darshan Desai, Sabrat Sahu and Piyush Kumar Sinha (2007) on the basis of analytical and empirical or case research conducted a random sample study of 334 executives was selected from 29 firms in the following industries: retail (n=60), telecom (n=80) and banking (n=183) in India. They also concluded that. Impact of market orientation on dynamic capability of CRM and competitive CRM performance may be the result and shaping the organizational resources that no longer match the environment. These include processes like analysis customers, developing and delivering tailored offering, providing customer service, orchestrating linkages, assigning accountability and evaluating performance. Dr. N.K. Sehgal (2007) classified customer relationship management as abbreviation about consumers, marketing effectiveness, sales and market trends. He advocated the result of a business is a satisfied customer "in present era of cutthroat competition, it is no longer enough to satisfy the customers. The reason for this is pretty simple". If you would not take care of your customers, your competitors definitely would". So the firm should keep pleasing customers and they will keep coming back. Vandana Ahuja (2008) analyzed CRM build long terms profitable relationships with chosen customers and getting closer to those customers with every point of contact with them. The author noted that a good CRM strategy aims at providing a win-win platform for both the organization and the customer by paying adequate information to the process of adoption by focusing on options available to customers' adequate promotion campaigns and concentration on existing customer. C. Bhattacharjee (2006) in his book "Services marketing concepts planning & Implementation" Classified customer Relationship Management (CRM) have been undertaken to give all possible information to the current and potential customer. He says to achieve CRM, a company-wide set of tools, technologies, and procedures promote the relationship with the customer to increase sales those CRM is primarily a strategic business and process issue, rather than a technical issue. The author concludes CRM is very hard to be implemented throughout a company. The IT department needs extensive infrastructure and resources to implement customer relationship management (CRM) databases successfully.

Joseph. Nunes and Xavier Dreze (2006) in their article "Your loyalty program is betraying you" highlighted creating a successful loyalty program starts with defining what should be gained from the effort. In some cases, loyalty programs create what marketers call barriers to exit. They say that a benefit of loyalty programs that has gained prominence in the past decade is their ability to provide useful data about customers. Sunjay Kumarkar and Alok kumar Sahoo (2007) in his article define "Shopping mall: Driving Force in organized Retailing". Advocated mall is the latest format in the organized retailing, a significant development has occurred in last couple of year due to change in consumer profile and spending behavior, increasing youth population with more purchasing power and less time is looking for shopping a long with entertainment as one stop option. Roulac (1994) concluded from his study that in shopping malls, consumers can shop without the problems of any traffic congestions or parking problems, or security concerns.

**Objectives of the Study**

- To identify the various categories of Demographic factors and variables impacting on CRM practices towards organized shopping mall bengaluru city in India
- To study the impact of Demographic factors CRM practices towards organized shopping mall bengaluru city in India

**CRM practices in shopping malls**




### 3. *Research Methodology*

In order to accomplish the objective of the study to collect data for this research study, both primary and secondary sources were used. Secondary data collected through the researcher-reviewed articles related to research objective that appeared in the scholarly literature, key journals, reports, magazines and proceeding were systematically scanned for articles related to the research topic. Primary data collected through an empirical investigation, online survey was conducted, using a structure questionnaire.

Present study consists and the questionnaire two parts. Part-I questionnaire measures the distribution of participants on the bases demographic characteristics and part-II questionnaire measures CRM practices at shopping mall on a five point scale ranging from (i) strongly disagree to (5) “strongly agree” Sample was collected on the basis of non-probabilistic convenience sampling method. The population in this study comprise of customer who loves shopping malls at Bangalore. It is decided to choose in order to collect the data a through online survey structured questionnaire was farmed Questionnaires were distributed amongst the sample of 150 But received 142 customers respondents of shopping mall in April 2013. The data was collected tying a survey and interpretation through to check the reliability of the data cronbach alpha test was applied in order to find out the most preferable CRM practices shopping malls view point Sample percentage method and one –way ANOVA analysis was applied. All the analysis was carried out by SPSS 16.0

**RESEARCH HYPOTHESES**

H1: There will be significant variance in opinion on CRM practices towards organized shopping mall among the Gender group

H2: There will be significant variance in opinion on CRM practices towards organized shopping mall among the Age group

H3: There will be significant variance in opinion on CRM practices towards organized shopping mall among the Education

H4: There will be significant variance in opinion on CRM practices towards organized shopping mall among the Income

**Table: 1 Demographic Representation of the respondents**

| Demographics | Number of respondents | Valid Percentage |
|---|---|---|
| **A) Gender** | | |
| Male | 85 | 59.9 |
| Female | 57 | 40.1 |
| **B) Age** | | |
| 17-25 | 46 | 32.4 |
| 26-35 | 47 | 33.1 |
| 36-45 | 28 | 19.7 |
| 46-60 | 13 | 9.2 |
| Above 60 | 8 | 5.6 |
| **C) Education** | | |
| Undergraduate | 15 | 10.6 |
| Graduate | 57 | 40.1 |
| Postgraduate | 70 | 49.3 |
| **D) Monthly Income** | | |
| Less than 10000 | 8 | 5.6 |
| 10000 - 20000 | 36 | 25.4 |
| 20001 - 30000 | 41 | 28.9 |
| 30001 - 40000 | 23 | 16.2 |
| 40001 - 50000 | 20 | 14.1 |
| **Total** | **142** | **100.0** |

## 4. Analysis and interpretation – Demographic Profile sample.

A total number 142 respondent participated in the survey the demographic characteristics the respondent (Table1) shows that the sample consisted, majority of respondents percent 59.9 of male and 40.1 percent female respectively. The respondents were mostly between the age 26-35 years age group with 33.1percent and in the age group of 36-45 years 19.7 percent this shows the majority of the respondents were in the group of middle age persons shows much for more influencing to come for shopping malls at Bangalore. Almost 49.3 percent were postgraduate, 40.1percent post graduate are reported that education level play more significant dominant to give preferences and exportations shopping malls at Bangalore in India. Most of the respondents belong to the income groups of Rs (10,000- 20,000) 25.4 percent and (30001,-40000) 16.2 percent the sample mostly represents the middle class income preferred to visits shopping

**Appendix 2 Questionnaire**

**Table: 2**

One –way ANOVA test for significant difference between **gender** on the variable of CRM practices towards organized shopping mall

| | | N | Mean | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|---|---|
| Consumer promotional | Between Groups | 142 | | .066 | 1 | .066 | .190 | .663 |
| | Within Groups | 85 | 3.4882 | 48.475 | 139 | .349 | | |
| | Total | 56 | 3.4439 | 48.542 | 140 | | | |
| Customer Services | Between Groups | 142 | 3.4706 | .093 | 1 | .093 | .219 | .640 |
| | Within Groups | 85 | 3.5521 | 58.973 | 139 | .424 | | |
| | Total | 56 | 3.6046 | 59.066 | 140 | | | |
| Activities of shopping Mall employees | Between Groups | 142 | 3.5729 | .364 | 1 | .364 | .831 | .364 |
| | Within Groups | 85 | 3.4617 | 60.873 | 139 | .438 | | |
| | Total | 56 | 3.5655 | 61.237 | 140 | | | |
| Data mining | Between Groups | 142 | 3.5029 | .293 | 1 | .293 | .380 | .539 |
| | Within Groups | 85 | 3.3221 | 107.203 | 139 | .771 | | |
| | Total | 56 | 3.4152 | 107.495 | 140 | | | |
| Mall presentation | Between Groups | 142 | 3.3590 | .006 | 1 | .006 | .012 | .912 |
| | Within Groups | 85 | 3.8422 | 70.007 | 139 | .504 | | |
| | Total | 56 | 3.8557 | 70.013 | 140 | | | |
| Loyalty programs | Between Groups | 142 | 3.8475 | .038 | 1 | .038 | .078 | .781 |
| | Within Groups | 85 | 3.6338 | 67.940 | 139 | .489 | | |
| | Total | 56 | 3.6674 | 67.978 | 140 | | | |
| Customer satisfaction and retention | Between Groups | 142 | 3.6472 | .936 | 1 | .936 | 1.830 | .178 |
| | Within Groups | 85 | 3.8196 | 71.087 | 139 | .511 | | |
| | Total | 56 | 3.9861 | 72.023 | 140 | | | |

From this ANOVA table 2 The Analysis of Variance test is applied to test for significant difference among the different gender for each influencing factor separately. The results of the ANOVA are given in the above table. It is found from the results of ANOVA that influencing CRM practices factors Consumer promotional tool, Customer services at malls, Activities of shopping Mall employees, Data mining, Mall presentation, Loyalty programs, Customer satisfaction and retention–do not differ significantly among the respondents of the different age groups. Hence, the null hypothesis with respect to all the six influencing factors is accepted.

**Table: 3** One –way ANOVA test for significant difference **age** on the variable of CRM practices towards organized shopping mall

| | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Consumer promotional | Between Groups | .663 | 4 | .166 | .474 | .755 |
| | Within Groups | 47.913 | 137 | .350 | | |
| | Total | 48.575 | 141 | | | |
| Customer Services | Between Groups | 2.627 | 4 | .657 | 1.587 | .181 |
| | Within Groups | 56.688 | 137 | .414 | | |
| | Total | 59.316 | 141 | | | |
| Activities of shopping Mall employees | Between Groups | .816 | 4 | .204 | .461 | .764 |
| | Within Groups | 60.672 | 137 | .443 | | |
| | Total | 61.488 | 141 | | | |
| Data mining | Between Groups | 3.261 | 4 | .815 | 1.072 | .373 |
| | Within Groups | 104.234 | 137 | .761 | | |
| | Total | 107.496 | 141 | | | |
| Mall presentation | Between Groups | .926 | 4 | .232 | .457 | .767 |
| | Within Groups | 69.441 | 137 | .507 | | |
| | Total | 70.368 | 141 | | | |
| Loyalty programs | Between Groups | 1.133 | 4 | .283 | .579 | .678 |
| | Within Groups | 67.001 | 137 | .489 | | |
| | Total | 68.134 | 141 | | | |
| Customer satisfaction and retention | Between Groups | .205 | 4 | .051 | .098 | .983 |
| | Within Groups | 71.926 | 137 | .525 | | |
| | Total | 72.132 | 141 | | | |

From this ANOVA table 3 the Analysis of Variance test is applied to test for significant difference among the different age groups for each influencing CRM practices factor separately. The results of the ANOVA are given in the above table. It is found from the results of ANOVA that influencing factors Consumer promotional tool, Customer services at malls, Activities of shopping Mall employees, Data mining, Mall presentation, Loyalty programs, Customer satisfaction and retention do not differ significantly among the respondents of the different age groups. Hence, the null hypothesis with respect to all the six influencing factors is accepted.

**Table 4 One –way ANOVA test for significant difference education on the variable of CRM practices towards organized shopping mall**

| | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Consumer promotional | Between Groups | .214 | 2 | .107 | .308 | .735 |
| | Within Groups | 48.361 | 139 | .348 | | |
| | Total | 48.575 | 141 | | | |
| Customer Services | Between Groups | .115 | 2 | .058 | .135 | .874 |
| | Within Groups | 59.201 | 139 | .426 | | |
| | Total | 59.316 | 141 | | | |
| Activities of shopping Mall employees | Between Groups | .097 | 2 | .048 | .110 | .896 |
| | Within Groups | 61.391 | 139 | .442 | | |
| | Total | 61.488 | 141 | | | |
| Data mining | Between Groups | 6.319 | 2 | 3.160 | 4.341 | .015 |
| | Within Groups | 101.176 | 139 | .728 | | |
| | Total | 107.496 | 141 | | | |
| Mall presentation | Between Groups | 2.656 | 2 | 1.328 | 2.726 | .069 |
| | Within Groups | 67.712 | 139 | .487 | | |
| | Total | 70.368 | 141 | | | |
| Loyalty programs | Between Groups | .296 | 2 | .148 | .303 | .739 |
| | Within Groups | 67.838 | 139 | .488 | | |
| | Total | 68.134 | 141 | | | |
| Customer satisfaction and retention | Between Groups | 2.521 | 2 | 1.261 | 2.517 | .084 |
| | Within Groups | 69.610 | 139 | .501 | | |
| | Total | 72.132 | 141 | | | |

From this ANOVA table 4, it is observed that the sig calculated are .735, .874, .896, .015.069, .739, .084 for all the influencing CRM practices factors which are greater than the significant ($P > 0.05$) and so it is not significant.

Some factor data mining which is significant hence, the hypothesis formulated is accepted and it is inferred that there is no significant difference among the different educational qualification of the respondents on the influencing CRM practices factors in shopping malls in Bangalore city.

**Table 5 . One –way ANOVA test for significant difference Income on the variable of CRM practices towards organized shopping mall**

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Consumer promotional | Between Groups | 1.888 | 5 | .378 | 1.100 | .363 |
| | Within Groups | 46.688 | 136 | .343 | | |
| | Total | 48.575 | 141 | | | |
| Customer Services | Between Groups | 1.089 | 5 | .218 | .509 | .769 |
| | Within Groups | 58.226 | 136 | .428 | | |
| | Total | 59.316 | 141 | | | |
| Activities of shopping Mall employees | Between Groups | 2.822 | 5 | .564 | 1.308 | .264 |
| | Within Groups | 58.666 | 136 | .431 | | |
| | Total | 61.488 | 141 | | | |
| Data mining | Between Groups | 3.429 | 5 | .686 | .896 | .486 |
| | Within Groups | 104.067 | 136 | .765 | | |
| | Total | 107.496 | 141 | | | |
| Mall presentation | Between Groups | 3.515 | 5 | .703 | 1.430 | .217 |
| | Within Groups | 66.853 | 136 | .492 | | |
| | Total | 70.368 | 141 | | | |
| Loyalty programs | Between Groups | 3.351 | 5 | .670 | 1.407 | .226 |
| | Within Groups | 64.783 | 136 | .476 | | |
| | Total | 68.134 | 141 | | | |
| Customer satisfaction and retention | Between Groups | 3.873 | 5 | .775 | 1.543 | .180 |
| | Within Groups | 68.259 | 136 | .502 | | |
| | Total | 72.132 | 141 | | | |

From this ANOVA table 5 , it is observed that the sig calculated are for all the influencing .363, .769, .264, .486, .217, .226, .180,CRM practices factors which are greater than the significant ($P > 0.05$) Hence, they are insignificant and so the above stated null hypothesis has been accepted

**Table: 6**

| NO. | Hypotheses | Results | Tools |
|---|---|---|---|
| H1 | There will be significant variance in opinion on CRM practices towards organized shopping mall among the Gender group | **reject** | **ANOVA one way** |
| H2 | There will be significant variance in opinion on CRM practices | **reject** | **ANOVA** |

**Table: 6**

| | | | |
|---|---|---|---|
| | towards organized shopping mall among the Age group | | **one way** |
| H3 | There will be significant variance in opinion on CRM practices towards organized shopping mall among the Education | **reject** | **ANOVA one way** |
| H4 | There will be significant variance in opinion on CRM practices towards organized shopping mall among the Education | **reject** | **ANOVA one way** |

**5.Conclusion**

The CRM practices is important variables in the success of the shopping mall.. The study has identified the variables influencing customer satisfaction. It can be understood consumer promotional tool, customer services at malls and high variance in explaining towards services offered by mall retailers at shopping mall at Bangalore. The retailers should see in implementing the Activities of shopping mall employees and loyalty programs variables for enhanced satisfying to go for shopping to build a long-term relationship with services provided by mall retailer by customers. Shopping malls retailers should take in to consideration and understanding the customers touch points related to services offered by shopping malls. Even through the mall retailer were making adequate efforts there are some factors where the salient or unsatisfied services levels are make clear and improve some measures those levels to bridge the gap to built long term relationship enhances customers satisfaction and offers a pleasant shopping experiences when the customers are visiting shopping malls. Today “ customers is God “services offered by mall retailers play a major role in meeting customers’ expectations and perception make comfortable better shopping in malls.

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# Impact of Educational Qualification of Consumers on Information Search: A Study With Reference To Car

**S. Prem Kumar**
Associate Professor, Department of Sports Management, Tamil Nadu Physical Education and Sports University

***Abstract***

*Demographic variables are the most popular bases for segmenting the customer groups. One reason is that consumer needs, wants, preferences and usage rates often highly associated with demographic variables. Another is that demographic variables are easier to measure than the most of other type variables. Marketers are keenly interested in the size and growth rate of population in different cities, regions, nations; age distribution; educational levels; household patterns; and regional characteristics and movements. Because, on the basis of these measures only, marketers have to formulate their marketing strategies in order to fulfill the needs, wants and preferences of consumers. Moreover, demographic variables make known the ongoing trends, such as shifts in age, sex and income distribution that signal new business opportunities to the marketers. Demographic trends are highly reliable for the short and intermediate run. This paper, with a strong backing of literature, explains the impact of educational qualification of consumers on searching of information about cars.*

***Key words: Demographic Variables, Educational Qualification, Consumer Purchase Decision, Information Search***

## 1. Introduction

Despite market saturation as well as the economic crisis, a wide range of new car types, such as luxury vehicles, small city cars and cars with low fuel consumption enter markets with great success (Oderkerken-Schroeder et al., 2010; Oliver and Lee, 2010).Economists and marketing academics have traditionally been interested in identifying the factors explaining consumer choice and decision-making processes in retail contexts (e.g. Hansen et al., 2010), concentrating on new goods markets, including new car markets (e.g. Bucklin et al., 2008; Dasgupta et al., 2007; Oderkerken-Schroeder et al., 2010).Literature evidence shows that the consumer decision-making process is strongly correlated with demographic variables age, gender, marital status, family size, family life cycle, income, occupation, education, religion, race, generation, nationality and social class (Kotler, 2003, Kim and Kim, 2004, Creusen, 2010). Demography is the study of the vital and measurable statistics of a population (Schiffman and Leslie, 2004). Demographics are used to describe a population in terms of its size, distribution and structure. Size means the number of individuals in a population while structure describes the population in terms of age, income, education and occupation. Distribution of the population describes the location of individuals in terms of geographic regions and rural, urban or suburban locations. Each of these factors influences the behaviour of consumer and contributes to the overall demand for various products and services (Hawkins, 1995). Schiffman and Kanuk (2004) define Consumer behaviour as the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. Consumer buying behavior incorporates the acts of individuals directly involved in obtaining, using and disposing of economic goods and services including the decision process that precede and determine these acts (Huctings 1995). Lamb, Hair and McDaniel (1992) note that consumer behaviour is a study of the processes the consumer uses to make purchase decisions as well as the use and disposal of the purchased goods or services. It also includes the analysis of factors that influence purchase decisions and good/service usage. Further, it is important to note that consumer behavior is a process and purchase is only one stage in that process.

## 2. Conceptual Framework

Like psychological and social variables, demographic variables are also considered as the personal buying decision variables (Adcock, Bradfield, Halbord and Ross 1998). Barry (1986) defines demography as the study of population characteristics. These characteristics describe people – who are there, where they live, and where they are moving. Evans and Berman (1984) state demographics are easily identifiable and measurable statistics that are used to describe the population. Trends in population size indicate future potential and thus, influence market plans. The size of the population indicates the potential market demand for consumer products and services. Oldroyd (1989) notes demography is an important demand condition, helping the marketer to predict both size and change in target markets. Demographic factors have a bearing on the types of product which individuals want where they shop and how they evaluate possible purchases (Lancaster and Massingham 1998).

Marketers combine demographic, social and psychological data and study consumer decision making in order to better understand the consumers. These dimensions help to explain consumer life styles; the ways the people live. By understanding consumers, a firm is able to determine the most appropriate audience whom to appeal and the combination of a marketing factors that will satisfy this audience. So, it is imperative for marketers to use demographic data in conjunction with and part of social, psychological and consumer decision-making analyses. Evans and Berman (1984) claim that a person's demographic background has a strong influence in the life style or in the way of living adopted. The demographic information helps to locate a target market whose motives and behavior can then be explained and predicted using psychological or social cultural investigation. Demographic information identifies potential for sales and consumption of product although it does not identify why or by whom a particular brand is used. It is also relatively accessible and cost-effective to gather. Further, the demographic variables reveal trends relevant to marketers such as shifts in age and income distributions, etc. They can establish consumer profiles that may present attractive market opportunities. These are the causes why marketers, in growing numbers, are using demographic statistics for developing marketing strategies and programmes.

Consumer behavior is not just making a purchase decision or the act of purchasing; it includes the full range of experiences associated with using or consuming products and services. It also includes a sense of pleasure and satisfaction derived from possessing or collecting 'things'. The outputs of consumption are changes in feelings, moods, or attitudes; reinforcement in lifestyles; an enhanced sense of self; satisfaction of a consumer-related need; belonging to groups; and expressing and entertaining oneself. A consumer's decision to purchase or not to purchase a product or service is an important moment for most marketers. It can signify whether a marketing strategy has been wise, insightful, and effective, or whether it was poorly planned and missed the mark. Thus, marketers are particularly interested in the consumer's decision-making process. For a consumer to make a decision, more than one alternative must be available. In executing a purchase intention, the consumer may make up to five purchase sub decisions: a brand decision, vendor decision, quantity decision, timing decision and payment – method decision (Kotler, Philip2003).The terms consumer education and consumer information have been used interchangeably but the relationship between the two has not been adequately addressed. This indicates that the relationship between prior product knowledge to information search is mediated by motivation to search. Prior product knowledge influences motivation to search through its influence on the consumer's perceived ability to search and his/her perceived value of additional information.

**Information Search**

After recognizing a consumption related need, a consumer may or may not search for additional information. That decision depends on the strength of the drive, prior knowledge or experience with the product and the value of more information relative to the cost of obtaining it. The consumer usually searches his or her memory before seeking external sources of information regarding a given need. Past experience is considered as an internal source of information. The greater the relevant past experience, lesser the external information the consumer is likely to need to reach a decision. Many consumer decisions are based on a combination of past experience (internal sources) and marketing and non-commercial information (external sources). Baker (2000) states that, if there is a sufficiently high level of involvement or engagement with the problem, the consumers are likely to engage in complex and extensive information search and if the involvement level is low, they are likely to use very simple or limited information search. Kotler (2003) points out that through gathering information, the consumer learns about competing brands and their features. There may be plenty of brands (total set) available to the consumer in a product category. But, the consumer knows only some of these brands (awareness set). Among these brands, some brands will meet the consumer's initial buying criteria (consideration set). As the consumer gathers more information, only a few will remain as strong contenders (choice set). All the brands in the choice set might be acceptable. The consumer makes a final choice from this set. The marketers must identify the consumer's information sources, evaluate their relative importance and they have to evolve marketing strategies accordingly.

**Education**

Education enhances one's ability to identify, locate, and assimilate relevant information (Kulviwat, et al., 2004). Education is a powerful influence on consumer behavior; the level of literacy in specific areas and regions may provide marketers with opportunities to sell sophisticated products and services. Higher education gives entry to the professions; social aspiration and consumption levels are raised (Chisnall, 1994). As the population of a society gets more educated it become more sophisticated in its buying behavior. Recent research reveals that people with higher education attach less importance to symbolic aspects in purchasing these products and importance of quality increased with educational level (Creusen, 2010). Marketers must adjust to that increasing level of consumer sophistication (Barry 1986). With an increasing number of people attaining higher levels of education, marketers can expect to see i) changes in product preferences and ii) buyers with higher incomes and more discriminating tastes (Stanton, Etzel and Walker 1994).

## 3. Literature Review

Prieto and Caemmerer (2013) found that higher educational levels are positively correlated with the choice for new cars from the intermediate and luxury segment compared to small used cars and also related to a tendency to favour new cars from higher segments. As cited by Ha and Lee (2011) various demographic variables such as education, household income, and age influence consumer self-confidence in information search and decision making (De Jong et al., 2004; Grembowski et al., 1993). Bettman (1979) studied both the idiosyncratic structure of individual consumer's decision-making processes and also how their beliefs change as they learn more about the behavior concerned. Bettman's theory has clear implications for how the information strategies should be mathematically designed.Lilien, Kotler and Moorthy (1999) found that the decision to buy within a product category (need arousal) leads customers to a state of heightened awareness about products and their attributes in such a product category. If the need is particularly acute, they undertake a process of active search.Punj and Stealin (1983) conducted studies to find out the amount of search that consumer undertakes when he is in the purchase decision process. They used confirmatory factors analysis to show that high cost of searching and good brand knowledge were associated with less search activity for new automobiles. High search activity, in turn, led to large savings off the sticker price of the car.

Midgley (1983) identified five types of information seeking the symbolic product of fashion clothing: a) peer assisted, b) spouse assisted, c) extensive search, and d) minimal search (deliberate and decisive).Urbany, Dickson and Wilkie (1989) found that the amount of search is related to two dimensions of customer uncertainty: a) uncertainty about what alternatives exist and b) uncertainty about which alternative to choose.Lilien, Kotler and Moorthy (1999) make known that the consumers do not search and evaluate (consider) all the brands, which they are aware. The consideration set may be defined to be all those brands that the consumer will evaluate or search for a given purchase. Study of the composition of the consideration set is important for two reasons. First, lack of consideration may be important in its own right. Second, consideration may be important as a part of the overall study of the consumption process.

Hauser and Wernerfelt (1990) distinguished between the cost of search and the cost of evaluating between brands. They prove that low search cost brands are more likely to be considered.Lilien, Kotler and Moorthy (1999) note that research has been conducted both into whether more search should be conducted and where, as well as how the information during search should be integrated into consumers' perceptions because, information integration is very important for making a right decision.McAlister and Pessemiar (1982) distinguish between several types of behavior by individuals that relate to multiple needs, the acquisition of information and the alternating purchase of familiar products (variety seeking). They hypothesize that consumers have an ideal point of satiation level for the products attributes that leads to its decreasing utility after a period of sustained consumption. Thus, if a person drinks six colas there is a good chance that on his next consumption occasion he might wish a lemon soda just for a change, that is variety seeking.

Nedungadi (1990) notes that the information once remembered will not necessarily be recalled and he also stresses the salience of brands and stimuli.Malhotra (1982) states that the information overload also affects choice. It is necessary to know how consumers react when there is incomplete information or when there is too much information.Lamb, Hair and McDaniel (1992) indicate that the trouble and time consumers take to find the data about the product are less than the cost of buying a wrong product in a complex decision making process.Johnson and Leven (1985) note that the more consumers know the more efficiently they search: that is, they seek less information about inappropriate alternatives. They not only have plenty of stored information about the product and also feel self-assured about making the right decision. People lacking this confidence will continue information search even when they are extremely knowledgeable.

Klein (1998) through his study found out that there is a vast difference between men and women in terms of their response to shopping. Whereas most men do not like to shop, most women claim to like the experience of shopping; and although the majority of women found shopping to be relaxing and enjoyable, the majority of men did not have the same response. Generally, the act of shopping is an important form of external information. In addition to gender differences, the study reveals that price considerations can also play a role in determining the extent of the search process.Beatty and Smith (1987) conducted a study for examining the external search effort associated with the purchase of different product categories and found that as the amount of total search effort increased, consumer's attitude towards shopping become more positive and more time was made available for shopping. Not surprisingly, external search effort was greatest for consumers who had the least amount of product category knowledge.Spreng, Divine and Page (2001) indicate that consumers high in subjective knowledge (a self-assessment of how much they know about the product category) rely more on their own evaluations than on dealer recommendations.

**Research Methodology**

This study is descriptive in nature. The purpose of this study is to find out whether the educational qualification of consumers influences their information search in the process of purchase decision. For this purpose, primary data have been collected from 405 car owners who bought their car during the year 2010-11 in Chennai city. Simple random sampling method has been adopted for identifying samples from the population. A specific questionnaire was developed for the study and the same was used to collect data from the respondents. SPSS package has been used for analyzing the data using both one way ANOVA for establishing relationship between the educational qualification of consumers and their information search.

**Ranking of the sources of information**

Weighted average method is used for ranking the various sources of information from which respondents collect information about the car. By identifying the significant sources, the car marketers can give higher priority to those sources than the others in order to position their brands effectively in the minds of consumers. The weighted average score and the assigned ranks for the various sources of information are given table 4.1. The Table 4.1 indicates the weighted average score for the various sources of information from which the respondents gather information about the car. As far as the small car is concerned, the highest weighted average score is 75.13 for self interest which is ranked first followed by friends (62.73), advertisements (62), colleagues (61.13), spouse (59.73), etc. and the least weighted average score is 51.67 for 'sales persons / dealers'. With regard to mid segment, self interest has got the highest weighted average score 28.07, and is ranked first followed by test driving the car (24.60), friends (24.0), displays (23), company's manual (22.93), etc., and the least weighted average score is 18.40 for consumer rating organizations. In the premium segment, the highest weighted average mean score is 13.73 for 'self interest' which is ranked first followed by test driving the car (13.33), children (13.33), spouse (12.93), company's manual (12.87) etc. and the least weighted average score is 10.47 for car mechanics.

**Table 4.1 Weighted Average Score for Ranking the Sources of Information**

| Sources | Small Segment | | Mid Segment | | Premium Segment | |
|---|---|---|---|---|---|---|
| | Weighted Average | Assigned Rank | Weighted Average | Assigned Rank | Weighted Average | Assigned Rank |
| Advertisement | 62.00 | 3 | 21.47 | 10 | 11.47 | 11 |
| Salespersons/dealers | 51.67 | 17 | 19.73 | 15 | 11.60 | 9 |
| Displays | 57.07 | 9 | 23.00 | 4 | 12.73 | 6 |
| Exhibitions | 51.87 | 16 | 20.00 | 14 | 10.67 | 16 |
| Spouse | 59.73 | 5 | 22.47 | 7 | 12.93 | 4 |
| Children | 56.67 | 10 | 22.13 | 8 | 13.33 | 2 |
| Friends | 62.73 | 2 | 24.00 | 3 | 12.60 | 7 |
| Neighbours | 54.73 | 13 | 20.93 | 11 | 11.13 | 14 |
| Acquaintances | 54.00 | 15 | 20.73 | 12 | 11.47 | 11 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Mass Media | 54.13 | 14 | 19.67 | 16 | 11.47 | 11 |
| Consumer Rating Organizations | 54.80 | 12 | 18.40 | 17 | 10.87 | 15 |
| Test Driving the Car | 59.20 | 6 | 24.60 | 2 | 13.33 | 2 |
| Relatives | 59.20 | 6 | 22.07 | 9 | 12.47 | 8 |
| Self Interest | 75.13 | 1 | 28.07 | 1 | 13.73 | 1 |
| Company's Manual | 58.33 | 8 | 22.93 | 5 | 12.87 | 5 |
| Colleagues | 61.13 | 4 | 22.47 | 6 | 11.53 | 10 |
| Car Mechanics | 55.60 | 11 | 20.33 | 13 | 10.47 | 17 |

*Source: Primary Data*

### 4.2 The Role of Educational Qualification of the Respondents in Information Search

One way analysis of variance is used to test the following the hypothesis:

**Ho:** There is no significant difference among the various educational qualifications of respondents with regard to the level of information search.

**Table: 4.2 One Way Analysis of Variance among Various the Educational Qualifications of Respondents With Regard to Information Search**

| S. No. | Segments | Df | SS | MS | $\overline{X}$ | Statistical Inference |
|---|---|---|---|---|---|---|
| 1 | ***Small Segment*** Between Groups | 3 | 233.683 | 77.894 | G1=55.42 G2=57.86 G3=57.63 | F = 0.707 P > 0.05 Not Significant |
| | Within Groups | 262 | 28880.998 | 110.233 | G4=54.25 | |
| 2 | ***Mid Segment*** Between Groups | 2 | 1198.26 | 599.135 | G1=64.07 G2=64.56 | F = 3.468 P < 0.05 Significant |
| | Within Groups | 90 | 15549.537 | 172.773 | G3=57.21 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 | ***Premium Segment*** Between Groups | 2 | 1005.25 | 502.62 | G1=84.33<br>G2=64.95 | F = 3.994<br>P < 0.05<br>Significant |
| | Within Groups | 43 | 5411.61 | 125.85 | G3=66.00 | |

G1=School / Diploma G2= Graduate G3= Post Graduate G4=Others

**Source: Primary Data**

The Table 4.2 depicts that there is no significant difference among the various educational qualifications of small car owners with regard to their level of information search and Ho is accepted. Further, it is observed that the level of information search is common to all the small car owners irrespective of their educational qualification. There is a significant difference among the various educational qualifications of midsized car owners with regard to their level of information search and Ho is rejected. Further, the mean score indicates that the car owners, who are graduates, are found to go for a higher level of information search than other groups. There is a significant difference among the various educational qualifications of premium car owners with regard to their level of information search and Ho is rejected. Further the mean score reveals that the respondents who have completed their school education/diploma courses tend to go for a higher level of information search than the other groups.

## 5. Conclusion

Demographics are uncontrollable variables in the external environment. Hence, studying the population in terms of its demographic structure is very significant for marketing managers in the prevailing competitive scenario. Education is often included in determining the social class and also an independent socio-economic variable impacting any purchase decision. Hence the impact of education on consumer information search with regards to purchasing decision of cars studied in this paper. This study reveals that educational qualification of consumers on information search in terms of purchasing cars across the three segments has significant influences.

Other demographic variables may be studied in the future in-terms of consumer information search for making purchase decision regard to car. Also this study may be extended to other products and also by combining other variables such as in-house finance option, fuel price, technological dimensions, and country of origin.How and where consumers search information is an important step of consumer purchase decision process which has profound implications for marketers. The relationship established between educational qualification and information search of consumers would further help the marketers understand the target group and evolve marketing strategies to make them buy their brands.

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# Influence of Job Satisfaction on Employees' Performance – A general Perspective

**Kamala Saranya***
*Research Scholar, Vels University, Pallavaram, Chennai, Tamil Nadu, India.

***Abstract***

*This study takes a dynamic multilevel approach to examine how the relationship between an employee's job satisfaction trajectory and subsequent turnover may change depending on the employee's unit's job satisfaction trajectory and its dispersion. In particular, in the presence of a negative unit-level job satisfaction trajectory and low dispersion, a positive change in individual-level job satisfaction does not affect the odds of a person leaving an organization. Put differently, an employee's being out of step with prevailing unit-level attitudes appears to alter the relationship between his or her job satisfaction trajectory and turnover propensity. Further, unit-level job-satisfaction change and its dispersion jointly influence the overall turnover rate in a unit. The results indicate unit-level and individual-level job satisfaction trajectories have unique multilevel influences on turnover above and beyond static levels of job satisfaction. Accounting for these dynamics substantially increases the explained variance in turnover behaviour. Job satisfaction represents one of the most complex areas facing today's managers when it comes to managing their employees. Many studies have demonstrated an unusually large impact on the job satisfaction on the motivation of workers, while the level of motivation has an impact on productivity, and hence also on performance of business organizations. Unfortunately, in our region, job satisfaction has not still received the proper attention from neither scholars nor managers of various business organizations.*

***Keywords: Job Satisfaction, Motivation, Turnover Behaviour, Productivity.***

## 1. Introduction

The term "Job Satisfaction" refers to an employee's general attitude towards his job. **Locke** defines job satisfaction as a "Pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences." To the extent that a person's job fulfils his dominant need and is consistent with his expectations and values, the job will be satisfying. Job satisfaction is an important factor in industrial environment. The satisfied workers produce more; the industrial climate is relatively smooth and conductive. The satisfied workers are creative and innovative. The factors that contribute to the positive morale and attitude also result in higher degree of job satisfaction. The important factors contribute to the higher level of job satisfaction.

1. Challenging and responsible job.
2. Numerous promotional opportunities.
3. Impartial treatment by the management.
4. Creativity and innovative ideas of job security.
5. Attractive salary and perks.
6. Freedom in work situation.
7. Participative management.
8. Welfare facilities like medical, uniform, canteen etc;
9. Spontaneous "TOP TO BOTTOM" and "BOTTOM TO TOP" Communication pattern.

Every human being has his own needs and desires of them, some are conscious and some are unconscious. These needs become strong in the individual and create tension, which stimulate behaviour towards fulfilling those needs. But all needs never completely of permanently satisfied entertains extraordinary high hope and needs which are beyond his capacity to fulfill.

**Need for the study:**

- To provide a Specific work environment to achieve specific targets.
- To build Capacity of an individual towards the job.
- To measure one's performance through targets and other yardsticks.
- To provide better Compensation package by analyzing their performance.

**Objectives of the study:**

- To analyze whether the employees are satisfied with their job.
- To find out the employee's level of satisfaction association with nature of job and working atmosphere.

## 2. Review of Literature:

Different authors have defined job satisfaction differently. Job satisfaction is nothing but the individual's general attitude towards his or her job. The person with the high level of job satisfaction holds positive attitude towards the job, while a person who is dissatisfied with his or her job holds only negative attitude about the job.

According to **P.C.Tripathi** the term "job satisfaction refers to an employee's general attitude towards his job." The job will be satisfactory if the individual's job fulfils his dominant need and if it is consistency with his expectations.

According to **KEITH DAVIS**, "job satisfaction expresses the attitude towards one's job, the difference between the amount of rewards workers receive and the amount that they believed that should receive." Thus job satisfaction represents an attitude rather than behaviour. It is related to human needs and their fulfillment throughout the work. In fact, job satisfaction is generated by individual's perception of how well his job satisfies his basic needs on the whole. The m need for satisfaction is it brings high productivity.

According to **CORNELL** in his studies said, "A satisfied worker is a productive worker". Out of this study, he concludes that if the needs of the worker like pay, promotion etc, are satisfied in the above said job, he will be a productive worker. He will be motivated to work out of his needs are satisfies and production would be increased. Lawrence and Porter have developed a model suggesting that "Productivity leads to job satisfaction".

## 3.Research Methodology:

Research in common parlance refer to a search for knowledge**,** one can also define research as a scientific and systematic search for pertinent information on a scientific topic. According to Clifford woody research " comprises defining and redefining problems, formulating hypothesis or suggested solutions, collecting, organizing and evaluation data, marking deductions and reaching and conclusions, and at last carefully testing the conclusions of determine whether they fit the formulating hypothesis".

**Research Design:**

For this research study a descriptive research design was used the factors that are affecting the employees in work environment is studies and the findings were described in detail. The statistical tools like Chi-square test were applied for data analysis.

**Types of Sampling:**

**Non-Random Sampling:**

Non-probability sampling is that sampling procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample. Non-probability sampling is also known by different names such as deliberate sampling, purposive sampling and judgement sampling.

**Judgement Sampling:**

In judgement sampling the researcher's judgement is used for selecting items, which he considers as representative of the population. The researcher has used judgement-sampling method for selecting 80 respondents. Judgement sampling is used quite frequently in qualitative research where the desire happens to be, to develop hypothesis rather than to generalize to large population.

**Data Collection Method:**

The researcher used a questionnaire, which was self-developed so as to measure the job satisfaction of the employees in the organization. Questionnaire to be used must be prepared very carefully so that it may prove to be effective in collecting the relevant information.The questionnaire measures four dimensions of the job satisfaction with the help at itemized, graphic rating scale techniques. The graphic rating scale is quite simple and is commonly used in practice. Under it the various points are usually put along the line to form a continuum and rather indicate this rating by simply making a mark.

**Statistical tools used:**

The data collected were carefully analyzed & interpreted statistical technology chi- square test is applied to draw meaningful references. A chi-square distribution method is used for judging the significant different between observed and expected frequencies. As a non-parametric test, it can be used to determine if categorical data shows dependency or the two classifications are independent.

## 3. Data analysis and interpretation:

**Table 1 depicts Classification based on Relationship between Management and Union.**

| **S.No** | **Opinion** | **No. Of Respondents** | **Percentage (%)** |
|---|---|---|---|
| 1. | Highly cordial | 21 | 26.25 |
| 2. | Cordial | 28 | 35 |
| 3. | Low | 12 | 15 |
| 4. | Non – cordial | 7 | 8.75 |
| 5. | Better cordial | 12 | 15 |
| | **Total** | 80 | 100 |

Fom table 1 it can be interpreted that 26.25% of the respondents were in the relationship between management and union are highly cordial. 35% of the respondents were in the relationship between management and union of cordial. 15% of the respondents were in the relationship between management and unions are low. 8.75% of the respondents were in the relationship between management and unions are not cordial. Remaining 15% of the respondents were in the relationship between management and unions are better cordial.

**Table 2 depicts Classification based on Types of training undergone by the employee when joining the company.**

| **S.No** | **Opinion** | **No. Of Respondents** | **Percentage (%)** |
|---|---|---|---|
| 1. | Technical | 14 | 17.5 |
| 2. | Soft skill | 23 | 28.75 |
| 3. | On job | 21 | 26.75 |
| 4. | Management | 14 | 17.5 |
| 5. | Others | 8 | 10 |
| | **Total** | 80 | 100 |

From table 2 it can be interpreted that 17.5% of the respondents were in the types of training undergone by the employee in technical. 28.75% of the respondents were in the types of training in soft skill. 26.25% of the respondents were in the types of training of on-job. 17.5% of the respondents were in the types of training in management. Remaining 10% of the respondents were in the types of training of others.

**Table 3 depicts Classification based on Level of satisfaction**

| S.No | Opinion | No. Of Respondents | Percentage (%) |
|---|---|---|---|
| 1. | Highly satisfied | 23 | 28.75 |
| 2. | Satisfied | 36 | 45 |
| 3. | Average | 11 | 13.75 |
| 4. | Dissatisfied | 5 | 6.25 |
| 5. | Highly dissatisfied | 5 | 6.25 |
| | **Total** | 80 | 100 |

From Table 3 it can be interpreted that 17.5% of the respondents were in the level of satisfaction of highly satisfied.45% of the respondents were in the level of satisfaction of satisfied. 13.5% of the respondents were in the level of satisfaction of average. 6.25% of the respondents were in the level of satisfaction of dissatisfied. Remaining 6.25% of the respondents were in the level of satisfaction of highly dissatisfied.

**Table 4 depicts to test the classification based on educational qualification and the relationship between management and employee.**

| Qualification | Highly Satisfied | Satisfied | Average | Dissatisfied | Highly Dissatisfied | Total |
|---|---|---|---|---|---|---|
| Highly Satisfied | 4 | 7 | 3 | 2 | 1 | 17 |
| Satisfied | 8 | 15 | 5 | 2 | 1 | 31 |
| Average | 3 | 3 | 2 | 2 | 1 | 11 |
| Non cordial | 3 | 3 | 2 | 2 | 1 | 11 |
| Better Cordial | 3 | 3 | 2 | 1 | 1 | 10 |
| **Total** | 21 | 31 | 14 | 9 | 5 | 80 |

**(H0):**There is no association between the classification working condition and the classification based on relationship between management and employee.

**(H1):** There is association between the classification working condition and the classification based on relationship between management and employee.

**Table 5 depicts association between the classifications based on working condition and the classification based on the job security.**

**Expected frequency:**

| Observed Frequency | Expected Frequency | (O – E)2 | (O – E)2 / E2 |
|---|---|---|---|
| 4 | 4.47 | 0.2209 | 0.0494 |
| 7 | 6.59 | 0.1681 | 0.0255 |
| 3 | 2.98 | 0.0004 | 0.001 |
| 2 | 1.9 | 0.001 | 0.0053 |
| 1 | 1.06 | 0.0036 | 0.0034 |
| 8 | 8.14 | 0.0196 | 0.0024 |
| 15 | 12.01 | 8.9401 | 0.7443 |
| 5 | 5.42 | 0.1764 | 0.0325 |
| 2 | 3.49 | 2.2201 | 0.6361 |

| | | | |
|---|---|---|---|
| 1 | 1.94 | 0.8836 | 0.4554 |
| 3 | 2.89 | 0.0121 | 0.0041 |
| 3 | 4.26 | 1.5876 | 0.3726 |
| 2 | 1.9 | 0.01 | 1.0052 |
| 2 | 1.24 | 0.5776 | 0.4658 |
| 1 | 0.71 | 0.0841 | 0.1184 |
| 3 | 2.81 | 0.0361 | 0.0128 |
| 3 | 4.26 | 1.5876 | 0.3726 |
| 2 | 1.9 | 0.01 | 0.0052 |
| 2 | 1.24 | 0.5776 | 0.4658 |
| 1 | 0.71 | 0.0841 | 0.1184 |
| 3 | 2.61 | 0.1521 | 0.0582 |
| 3 | 3.88 | 0.7744 | 0.1995 |
| 2 | 1.8 | 0.04 | 0.0222 |
| 1 | 1.13 | 0.0169 | 0.0149 |
| 1 | 0.53 | 0.1764 | 0.3041 |
| **Total** | | | **4.4942** |

d.f. = (r-1) (c-1) = (5-1) (5-1) = 4*4 = d.f. = 16

Tabulated value of X2 0.05 d.f at 5% level of significance is 26.3

From table 5 the following can be interpreted. Since the calculated value (C.V.) is less than the tabulated value (T.V.), null hypothesis (H0) is accepted. So, we conclude that there is no association between the classifications based on working condition and the classification based on the job security.

**Results and Discussion**

The analysis done reveals that 35% of the respondents were relationship between management and union. 38.75% of the respondents are satisfied with their working condition. 26.25% of the respondents are satisfied with their job security. Promotion Rearrangement of individual to a job higher rank provides work force with flexibility and mobility. It suggested that the management need to look into the promotion system and necessary steps for the correction and rectification if any. Any organization needs to have Grievance handling system to reduce discontent or dissatisfaction. Since Grievance handling system play a major role in the performance of employees in the organization. Additional or special attention need to be taken care of by the management so as to have an efficient and effective Grievance handling system. Build employees competence and self-confidence through training, feedback and recognition as there is a very close relationship between high job satisfaction and feelings of effectiveness on the job.

## 4. Conclusion

Thus, from the above study it is concluded that the employees were satisfied in almost all except in promotion policy and grievance handling system. Any organization functions with the integration of 4M's i.e., men, machine money and material. Any change in any of the 'M' is reflected in the output. Therefore first 'M 'men need to be looked at constantly for the better performance of the enterprise. Encourage positive workplace relations, and then people will be highly satisfied in their jobs report good feelings about their bosses, peers and co-workers. Encouragement of genuine self-confidence is probably the number one way to achieve higher job satisfaction. An employee's job satisfaction depends as much on the positive mental, spiritual, physical, and emotional resources the employee brings to the workplace.

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# Impact of Learning Organization on Organizational Performance in Consulting Industry

**Rajnish Ratna*, Kriti Khanna**Nupur Jogishwar**Ridhima Khattar**Ritika Agarwal****
*Assistant Professor (HR & OB), Amity Business School,Amity University,Uttar Pradesh
**Student MBA-HR, Amity Business School, Amity University Uttar Pradesh

***Abstract***

*Today's organizations operate in an environment of rapid and accelerating change. Learning organizations create a dynamic culture in every organization. Learning organizations due to its relevance and effectiveness, teaches organizations to adapt to changes as quickly as their environment changes. . Organizational performance seeks to understand and improve performance, each adopting specific discipline measures such as customer satisfaction, productivity and employee satisfaction. The objective of this study is to analyze learning organization, organizational performance and study the relationship between the two. Companies that invest more efforts in achieving higher level organizational performance gain both in financial and non-financial terms. It is widely recognized that the development of a learning organization is a fundamental factor for the achievement of a durable competitive advantage. But the relevance of the learning organization for the improvement of the organizational performance, and thus competence, has been insufficiently developed. The research design is descriptive in nature. A convenient sampling has been used to collect the data. The participants in the survey are 50 employees of leading consulting firms working on different positions of management cadre. The tool used for learning organization is a "designed questionnaire for data collection". After the analysis, it was observed that there is a positive correlation between Learning organization and Organizational Performance with respect to their parameters. The objective of the study was achieved to a certain extent since organizational performance is affected by Learning Organization but to a very limited extent. It could be suggested that the organizations need to be proactive in nature and be more connected to the environment to be able to scan it and further adapt to changes. The study should be used and extended for more accurate results for the consultancy groups as there can be human errors and personal biasness.*

***Key words – Learning organization, organizational performance, holistic frame, strategic thrust, shared vision, synergy, internality, information flow.***

## 1. Introduction

Today's organizations operate in an environment of rapid and accelerating change. In the private sector, this environment includes new customer demands and intense competition. In the public sector, it includes growing public expectations, increasing demands for individualized service, expanding workloads and continued resource constraints. In both sectors, technological breakthroughs create additional pressures. In a relatively stable environment, once an organization has learned how to operate well, the need for further learning is diminished. However, the swift pace of today's world demands that an organization develops a dynamic learning culture. To stay relevant and effective, organizations must learn at least as fast as their environment changes. To be innovative, they must learn even faster than their competitors and must anticipate the future.

The term 'organizational performance' comprises the actual output or results of an organization as measured against its intended objectives. It helps in survival of the employees. Organizational performance seeks to understand and improve performance, each adopting specific discipline measures such as customer satisfaction, productivity and employee satisfaction. According to Richard, Devinney, Yip and Johnson (2009), organizational performance encompasses three specific areas of firm's outcomes: Financial performance (profits, return on investments etc.), Product market performance (sales, market share etc.) and Shareholder return.

### Learning Organizations

Senge (1994) defined a 'learning organization' as a dynamical system that is in a state of continuous adaptation and improvement. Learning organizations build feedback loops designed to maximize the effectiveness of their learning processes.

**Mechanism of Building Learning Organization:**

Any organization who wants to become a learning organization needs to take care of the following mechanism:

- Create and communicate a shared vision for the organization.
- Make information in the organization accessible to all.
- Help employees manage change by anticipating change and creating the types of change desired by the organization.
- Empower employees to act.
- Acknowledge and support the need to take risks.
- Learn to manage the organization's knowledge by:
- ✓ Keeping information current
- ✓ Maintaining historical knowledge
- ✓ Addressing increasing volumes of information
- Establish and use individual and organizational learning strategies

**Measurement of learning organization:**

Following are used to measure learning organization:

Holistic frame: - This includes systems thinking, mainly perceiving interconnections and patterns amongst key variables and systematic problem-solving.
Strategic thrust: - This includes organizing things to be done, understanding their consequences, prioritizing the work and sharing strategy at all levels.
Shared vision: - This includes developing a vision which links with personal goals, communicating the vision and developing and using transformational leadership.
Empowerment: - This includes decentralization, delegation, providing proper direction, trust, providing support when needed and rewarding initiative and decisions.
Information flow: - This includes free flow of information at all levels, minimum role of rumors and encouraging internal exchange of ideas.
Internality: - This includes essence of control over most part of our destiny, optimism, self-discipline, commitment and moderate risk taking.
Learning: - This includes several mechanism and sources which are valuing and encouraging self-development, creating conducive climate for learning and encouraging and using dialogue and discussions.
Synergy: - This includes collaboration and team work, empathy, thinking together, debates, coordinated actions and using cross-functional teams.

**Organizational Performance**

Mahapatro (2010) defined organizational performance as the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcome oriented and sustainable.

Organizational performance is used to measure the effectiveness and efficiency of the organization. It understands the time series properties relating to the organization. Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently.

**Characteristics:-**

- It focuses on team, processes and programs of the organization.
- Creates and sustain a healthy and effective results-oriented culture.
- Performs systemic and periodic rewards.
- To obtain feedback to learn and improve strategy.

**Measurement of organizational performance:**

The various parameters used in our study are :
a) Supply

b) Customer

c) Employee

d) Commitment

**Process of Improving Organizational Performance:**

- Identify the process flow
This is the first and perhaps most important step. If the employees cannot agree on their process (es), how can they effectively measure them or utilize the output of what they have measured?
- Identify the critical activity to be measured
The critical activity is that culminating activity where it makes the most sense to locate a sensor and define an individual performance measure within a process.
- Establish performance goal(s) or standards
All performance measures should be tied to a predefined goal or standard, even if the goal is at first somewhat subjective. Having goals and standards is the only way to meaningfully interpret the results of your measurements and gauge the success of your management systems.
- Establish performance measurement(s)
In this step, continue to build the performance measurement system by identifying individual measures.
- Identify responsible party(s)
A specific entity (as in a team or an individual) needs to be assigned the responsibilities for each of the steps in the performance measurement process.
- Collect data
In addition to writing down the numbers, the data need to be pre-analyzed in a timely fashion to observe any early trends and confirm the adequacy of your data collection system.
- Analyze/report actual performance
In this step, the raw data are formally converted into performance measures, displayed in an understandable form, and disseminated in the form of a report.
- Compare actual performance to goal(s)
In this step, compare performance, as presented in the report, to predetermined goals or standards and determine the variation (if any).
- Are corrective actions necessary?
Depending on the magnitude of the variation between measurements and goals, some form of corrective action may be required.
- Make changes to bring back in line with goal
This step only occurs if corrective action is expected to be necessary. The actual determination of the corrective action is part of the quality improvement process, not the performance measurement process. This step is primarily concerned with improvement of the management system.
- Are new goals needed?
Even in successful systems, changes may need to be revised in order to establish ones that challenge an organization’s resources, but do not overtax them. Goals and standards need periodic evaluation to keep up with the latest organizational processes.

## 2. Review of Literature

Kontoghioehes, Awbrey and Feurig (2005) examined the relationship between certain learning organization dimensions and change adaptation, innovation as well as bottom-line organizational performance. Open communication and information sharing, risk taking and new idea promotion, and information, facts, time, and resource availability to perform one's job in a professional manner are the learning organization dimensions that were found to be the strongest predictors of rapid change adaptation, quick product or service introduction, and bottom-line organizational performance. Seyyedi, Rahimi and Damirchi (2011) explored a relationship between the learning organization and transfer of training strategies for learning and managing knowledge to make performance improvements gain or maintain a competitive advantage. It was found that a positive relationship suggesting that learning organization is more likely to practice transfer of training. Any relationship between the learning organization and transfer of training could lead to performance improvements and maximize the benefits gained and enable organizations to remain competitive in the face of global competition, a constantly changing environment, and unstable economic conditions.Dirani (2006) proposed a model that links the learning organization theory as a process with job satisfaction as a performance theory outcome. The literature reviewed considered three process levels of learning within the learning organization and three outcome levels of job satisfaction: individual, group and organizational levels. It is suggested that this model is rather one of plausible answers to measure learning and performance quantitatively. Holton and Baldwin (2000) suggested that the learning organization and transfer of training are both critical tools for learning and managing knowledge in organizations. Furthermore, the learning organization and transfer of training are considered to be important competencies for organizations to develop in order to succeed in today's turbulent marketplace. The learning organization is a valuable tool for facilitating learning and knowledge management, and has been described as an important strategy for making improvements in organizational performance and maintaining a competitive advantage. Therin (2003) explored the influence of processes of learning in organization on innovation performance in high-tech small firms. After reviewing the literature on learning and innovation, the author defines the concepts of knowledge management, organizational learning and learning organization and how they are interlinked. The results show that the presence of learning organization orientation and learning organization processes is related to innovativeness.

Som, Nam, Wahab, Nordin and Mashkuri (2012) investigated how learning organization elements (LOE) were implemented amongst non-profit organizations (NPO's) in Singapore. Findings suggested that elements such as clarity of mission and vision, experimentation and intrinsic motivation, leadership commitment and empowerment, and organizational learning practices were deemed to be essential for NPOs to be transformed into a learning organization. Other elements such as individual learning and team-problem solving as well as organizational learning practices were also mentioned by respondents as important elements toward NPOs performance.

Sudhratna and Li (2004) verified the relationship between Learning Organizations (LO) characteristics and an organization's readiness-to-change. Learning organizations, based on the review of the literature, seemed to have the competitive advantage of high readiness-to–change in today's economic business environment. The results showed a substantial relationship between readiness-to-change and the LO characteristics of cultural values, leadership commitment and empowerment, communication, knowledge transfer, employee characteristics, and performance upgrading. The study confirmed that LO characteristics are correlated to an organization's readiness-to-change, suggesting that it is essential for organizations to develop into LOs in order to survive and/or prosper in a competitive and ever changing in business environment.

Idris, Alipour and Karimi (2011) described how knowledge is created and transferred in learning organizations. It also discussed conditions required in promoting knowledge creation, the techniques used to capture knowledge in organizations, the nature of learning organizations and how it can influence knowledge creation and transfer. The paper also presents an integrated view of how learning organizations affect knowledge creation and transfer.

Noubar, Rose, Kumar and Salleh (2011) explored the relationships between learning organization dimensions, and change in financial and knowledge performances among Malaysian companies. Findings of research provide empirical evidence, which supports the concept of learning organization and their positive influence on the knowledge and financial performance. The findings demonstrated that organizations with conducive learning culture have charismatic and dedicated leaders and are able to grow in their knowledge and financial performance.

Lien, Hung, Yang and Li (2006) investigated the psychometric characteristics of a Chinese version of the dimensions of learning organization questionnaire. Results revealed that the seven dimensions of a learning organization can classify different organization types successfully and demonstrate a statistically significant correlation between organization type and perceptual measure of organizational performance.

Al-Nsour and Al-Weshah (2011) investigated empirically the relation between the learning organization and intellectual capita in Jordanian banking industry. The intellectual capital was measured by three dimensions, namely, human capital, structure capital, and customer capital. The results supported the hypothesis that learning organization has a positive impact on banks intellectual capital. The results extended the understanding of the role of organizational learning in creating intellectual capital and building sustainable advantages for banks in emerging economies.

Yaghoubi, Raeisi, Afshar, Yarmohammadian, Hasanzadeh, Javadi and Ansary (2010) studied the relationship between learning organization and organizational commitment among nursing managers. The results showed that there was a significant relationship between Learning organization and organizational commitment, and also between learning organization and job experience. Only organizations with active adaptation can survive and remain capable of growth. This aim can be fulfilled just in learning organizations.

**Significance of the study**

The purpose of this study is to examine the relationship between the learning organization and organizational performance. Companies that invest more efforts in achieving higher level organizational performance gain both in financial and non-financial terms. It is widely recognized that the development of a learning organization is a fundamental factor for the achievement of a durable competitive advantage. But the relevance of the learning organization for the improvement of the organizational performance, and thus competence, has been insufficiently developed. The research design is descriptive in nature. A convenient sampling has been used to collect the data. The participants in the survey are 50 employees of leading consulting firms working on different positions of management cadre. The tool used for learning organization is a structured questionnaire by Udai Pareek and a self-formulated questionnaire has been used for organization performance. After the analysis, we conclude that Organizational Performance is affected by Learning Organization but to a very limited extent. The study should be used and extended for more accurate results for the consultancy groups as there can be human errors and personal biasness.

**Objectives of the study**

- To analyze the level of learning organization in consulting firms
- To analyze organizational performance
- To study the impact of learning organization on organizational performance

**Hypothesis of the study**

**H0**: There is no significant relationship between learning organization and organizational performance.

**H1**: There is significant relationship between learning organization and organizational performance.

## 3. Research Methodology

**Research Design:** The research is descriptive in nature.

**Participants:** The participants in the survey were 50 first line managers from leading consulting firms.

**Sampling Technique:** Convenience sampling is used.

**Data Collection**

Primary data collected from 50 employees of consulting firms using questionnaires.

Secondary data collected from journals, research papers, books and websites.

**Instrument Used**

To study about the learning organization, a structured questionnaire by UDAI PARIEK (2nd edition) was used. It has 8 parameters having 6 items each. Parameters for measuring learning organization: Holistic frame, Strategic thrust, Shared vision, Empowerment, Information flow, Internality, Learning, and Synergy. A self-formulated questionnaire on organizational performance was used. It has 5 parameters: Financial- 2 items, Supply- 3 items, Employee- 4 items, Commitment- 7 items, and Customer- 4 items. In organizational performance questionnaire the following scale is used: (1- Significantly below average, 2- Slightly below average, 3- Average, 4-Slightly above average, 5- Significantly above average).The learning organization questionnaire has the following scale: (1- If it is not true at all about your organization, 2- If it is somewhat true about your organization, 3- If it is difficult to describe whether it is true or not, 4- If it describes the organization fairly well and 5- If it is fully true about your organization)

## 4. Results and Discussions

The research deals with studying the impact of learning organization on organizational performance. It also deals with studying the impact of various parameters of learning organization with that of organizational performance. The reliability of learning organization and organizational performance was also calculated. Also, mean and standard deviation of all the parameters was calculated and correlation has been applied. Finally, the correlation and regression of learning organization and organizational performance is calculated through SPSS and the results of it are as below:

Reliability score of Learning Organization scale with 9 items was and the cron bach value was 0.820. The reliability of Organizational performance scale with 6 items was found as 0.890.

**Table 1. Correlation between Learning Organization and its influencing factors**

| | learning organization |
|---|---|
| Holistic Frame | r-0.500 |
| strategic thrust | r-0.530 |
| shared vision | r-0.665 |
| empowerment | r-0.657 |
| information flow | r-0.581 |
| Internality | r-0.633 |
| Learning | r-0.702 |
| Synergy | r-0.713 |

**Table 2. Correlation between Organizational performance and its influencing factors**

| | Organizational performance |
|---|---|
| Financial performance | r-0.842 |
| Supply | r-0.763 |
| Employee | r-0.780 |
| Commitment | r-0.853 |
| Customer | r-0.708 |

Table 3. Correlation between Learning organization and Organizational performance:

| | | LO | OP |
|---|---|---|---|
| LO | Pearson Correlation | 1 | .151 |
| | Sig. (2-tailed) | | .291 |
| | N | 51 | 51 |
| OP | Pearson Correlation | .151 | 1 |
| | Sig. (2-tailed) | .291 | |
| | N | 51 | 51 |

From table 3 Correlation between Learning organization and Organizational performance The Pearson correlation is 15.1%

.

**Regression analysis:**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .151[a] | .023 | .003 | .31617 |

a. Predictors: (Constant), OP

Table 4 Regression analysis

**ANOVA:**

**Anova**

| Model | | Sum of Squares | do | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .114 | 1 | .114 | 1.138 | .291[a] |
| | Residual | 4.898 | 49 | .100 | | |
| | Total | 5.012 | 50 | | | |

a. Predictors: (Constant), OP

b. Dependent Variable: LO

Table 5 ANOVA

The dependency of the dependent variable on the independent variable is very less almost negligible i.e. 11.4 %.

## 5. Conclusion:

From the conducted study it can be concluded that Correlation between learning organization and its various parameters is positive and at a higher side. Correlation between organizational performance and its parameters are on a much higher side as compared to that of learning organization and their parameters. Correlation between learning organization and organizational performance exists but in a very less percent showing very less impact i.e. only 15.1%. The regression between the dependent and the independent variable is 11.4% depicting that the dependency of organizational performance on learning organization is prevalent but it is affected by a very little percentage.

After the analysis, we conclude that organizational performance is affected by learning organization but to a very limited extent. Also, learning organization and its 8 parameters show a positive correlation, which means there is no negative impact on the organization. Organizational performance and its respective parameters also exhibit a strong positive correlation, much higher than that of learning organization. The research was confined to 50 participants of a region of four consultancy firms and does not necessarily show a pattern that is applicable to all other organizations. Personal biasness of respondents cannot be ignored. There may be slight variations in the accuracy of the results. Human errors are possible. This study can be used and further extended to more number of participants of different consultancy firms for further study.

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# Solutions for the Increase of Competitiveness of Creative Cities

***Skaistė Jurėnė*, Virginija Jurėnienė*****

*Vilnius University Kaunas Faculty of Humanities, skaiste@meganet.lt

**Vilnius University Kaunas Faculty of Humanities, Virginija.jureniene@khf.vu.lt

***Abstract***

*At the end of the last century, the new attitude towards economy also gave rise to the idea of creative cities which was based on the principles of creative economy. Creativity, knowledge and availability of information are viewed as a strong and powerful source promoting the economic growth. Creative cities themselves provide a possibility to create, enliven and revive urban areas in order to make them compete successfully in the global world further on. It means that Lithuanian cities, properly using the creative potential they already possess, could become competitive not only on the national, but on the international scale as well.*

***Keywords: creative cities, creative economy, creativity, economic growth***

## 1. Introduction

Creative cities can be oriented towards culture (then their values are art, culture and well-being of the society) or economy (the main aim is the economic welfare of the city), and creativity can be used as the main means of city development, attraction of the creative class or the development of creative industries. Creative cities themselves provide a possibility to create, enliven and revive the urban areas so that they could successfully compete in the global world. Creative cities are analyzed in scientific literature and defined from three perspectives – when creativity is the main means for the city development in creative cities, when creative industries are used in creative cities, and creative cities as locations meant to attract the human capital.

The concept, types of creative cities, the solutions of the increase of competitiveness were analyzed by Landry (1995, 2000, 2012), Hospers (2003), Levickaitė and Reimeris (2011), Černevičiūtė (2011), Makselis (2010), Landry and Wood (2007), Pratt (2008), Florida (2002), Costa et al. (2008), Smith and Warfield (2006) and others. The fact that creativity can be integrated in creative cities in different ways and can be used in order to achieve the competitiveness of the city shows the relevance of this theme. It should be noted that the solutions of the increase of the competitiveness of creative cities in Lithuania have not been analyzed on the theoretical or empirical level.

## 2. The Conceptual Essence of Creative Cities

Analyzing the definitions of creative cities as provided in scientific literature, there can be 3 main positions distinguished:

1. Creativity is the main means for the urban development in creative cities. Creative cities are understood as those that are able to find creative solutions for the emerging problems (transport, environment protection, etc.). The main solutions for the enlargement of competitiveness in creative cities include the maintenance of the creative environment and the creative administration of the city (Landry, 2000).

2. Creative cities make use of creative industries and creative activities. This concept is closely related to creative industries. Creativity here is used as the means for the development of cultural products and the services. Specific territorial changes, political actions, based on the growth of culture and other cultural activities that determine the quality of life, liveliness and competitiveness of the city are ascribed to the solutions of the enlargement of competitiveness of cities (Pratt, 2008, DCMS).

3. Creative cities as territories that are meant to attract the human capital. Such a concept of creative cities is based on the realization that creative cities attract creative classes (qualified and innovative individuals). Therefore, the creativeness of a creative city is related to the ability to teach, maintain and attract the creative class, the individuals of which, having knowledge and skills, create the

added value and competitiveness in economy (Florida, 2002).

An important factor determining the economic utility of creative cities is the possibilities of usage of creativeness. In different creative cities, creativity is used in different ways, for example: as the aim to encourage the cultural experience of citizens and city guests through the introduction of the cultural heritage or through cultural performances, visual arts, festivals. The increasing importance of culture in a creative city has influence upon the art and culture occupation, the quality of life of citizens as well as the identity of social relations and culture are fostered.

Costa et al. (2008) distinguished four groups of actions and specific components.

The first and the narrowest group **"Creative Activities in the Development of Specific Creative Cities"** asserts itself in the usage of creativity and culture in order to achieve the city development and vitality. It can include the usage of creativity for the city development, concentration upon the development of creative industries or attraction of creative classes or talents.

The second larger group (covering the first one, as well) **"Creative and Cultural Activities as the Main Factors for the Actions of City or Region Development"** include various elements of culture and creativity that are used in the city policy, seeking for the city and region development. The possible elements are: the usage of events, festivals, cultural areas (the capitals of culture, international exhibitions, etc.); the influence of local development organizations upon the culture development and city revival; city renovation operations, regeneration, city enlivening, as well as the contribution of institutions to the development of creativity.

The third group **"Creativity and Culture as Important Factors for the Territorial Development of the Activity"**, apart from the aforementioned elements, also includes the positioning of the vicinity as a cultural and creative vicinity or an artistic city (for example, Hollywood); the usage of internal areas of the territory for the cultural activity; cultural clusters; innovative systems and the environment for cultural resources; cultural regions; symbolic cultural resources, institutions, organizational models (for instance, Guggenheim Museum, Museum Complexes, etc.).

The fourth and the widest group that comprises all the aforementioned groups is the **"Territorial Positioning based on Identity and Culture".** It is the development of the image of the city or region that consists of: the usage of the cultural identity (or heritage) for competitiveness and the exclusiveness of the vicinity; the creation of the image of the territory and the city marketing; the city image formation (Costa et al., 2008, p. 402-405).

**Typology of Creative Cities**

As it was discussed before, creative cities are analyzed from several different aspects, and the cities themselves make use of their creativity in different ways. Following this classification, Hospers (2003) points out four main types of creative cities:

1. Technologically innovative cities that bear the names of Technopoles (for example, Detroit, San Francisco);
2. Cultural-intellectual cities that have the strongest culture and that attract talented people (Athens, Florescence in the Renaissance epoch, Heidelberg, etc.);
3. Cultural-technological cities that have strong creative industries (Hollywood with the cinema industry, Paris fashion industry, etc);
4. Technological-organizational cities that are known for creatively solving urban problems (in London and Paris, the underground metro was started in the 19th century, sky-scrapers were built in New-York City, etc.).

**Index of Creative Cities**

In order to measure the competitiveness of creative cities, much attention in scientific literature is paid to the indices of creative cities. Some indices mostly are based on culture and creativity, while other indices measure the globalism, technologies and networks of cities. Therefore, there could be two main groups of creative cities' indices distinguished (See Table 1) (Hartley, Potts et al., 2012). According to the scholars Hartley, Potts et al. (2012), the proper index of creative cities can help to improve the city administration, encourage creativity and innovations in the city, help to evaluate the effectiveness of creative sectors and offer solutions for the cities that strive to become creative cities.

**Table 1 Indices of Creative Cities**

| **Indices of creative cities based on creativeness and culture** | **Indices of global cities, networks and technologies** |
|---|---|
| Index of creative cities by Florida | Global Power index |
| Index of Euro-creativity | Global Cities index |
| Czech creative index | Global Cities Indicator Facility |
| Sharpie creative index | Fundamental and flow index |
| Index of creative communities | Globalization and world cities index |
| Creative vitality index | The Shift index |
| European creativity index | World knowledge competitiveness index |
| Hong Kong creativity index | Information society index |
| Cultural life index | |
| Complicate creation economy index | |
| Design, creativity and innovation index | |

**Source: Hartley, Potts et al. (2012).CCI-CCI Creative City Index, 26 p.**

The group of creative cities based on creativity and culture, the ground of which is the works of Florida and colleagues, rests on the idea of a creative class that states that the representatives of this class are attracted to cities by cultural attractions and the diversity, openness and tolerance of the society (Hartley, Potts et al., 2012, p. 30). Therefore, the main priority of cities must be the attraction of talented people, not only the development of buildings and industrial zones. Also, creative cities find it important how the resources of the creative class are used, through the generation of new ideas, the creation of new high technologies and the development of local businesses. According to Florida, the cities that have a high concentration of artists, musicians, professors, scientists, IT specialists, foreigners, homosexual and bohemia people are also distinguished to have the high economic development level (Florida, 2002, p. 12). The indices based on creativity and culture also seek to measure the functions of creative sectors through production, employment, participation in the activity and talents.

The indices of global cities, networks and technologies are less concentrated on creativity, but rather on knowledge economy, entrepreneurship and trade, the aspects of global cities technologies. The main difference of this group of indices from the indices of creative cities based on culture and creativity is that these indices focus on the city economy, business, technologies and business environment, with cultural aspects (through its existence, and not through production) (Hartley, Potts et al., 2012, p. 35-36). The group of indices of global cities, networks and technologies use the *Global Power Cities Index* as its basis. Six main categories are distinguished in this index:

- economy (the attractiveness of the market, economy liveliness, business environment, laws and risk),
- research and development (the basis of research, the level of the preparedness to receive and support the researchers, the achievements of the research),
- culture interaction (potential of innovations, residential housing environment, the resources of attractions for tourists, catering institutions and shops, interaction level),

- suitability for living (work environment, living costs, safety and protection, living maintenance function),
- ecology and natural environment (ecology, pollution level, natural environment),
- Accessibility (international transportation infrastructure, intercity transport infrastructure) (Hirota, Miwa, 2011).

Although the *Global Power Cities Index* includes many factors important for cities, but it does not value creativeness, which is significant in seeking to evaluate creative cities. Therefore, seeking to create the overall creative city evaluation index, in 2012, the team of scientists of Australia research centre (CCI) (Hartley, Potts et al.) offered their own creative city index (CCI-CCI). This index includes eight dimensions that are important for the assessment of the creativeness of cities:

1. creative industries scale, scope and employment,
2. micro-productivity,
3. attractions and economy of attention,
4. participation and expenditure,
5. public support,
6. human capital and research,
7. global integration,
8. Openness, tolerance and diversity.

The table provided below reflects the measurement elements that are calculated in each of the given dimensions.

**Table 2 CCI Creative City Index**

| **Dimension** | **Measurement elements** |
|---|---|
| Creative industries scale, scope and employment | The size of creative industries in GDP, number of companies, number of creative employees. |
| Micro-productivity | Video, music profiles, published pictures, blogs in the internet. Number of personal computers, number of internet consumers, social network consumers and the relation of citizens. |
| Attractions and economy of attention | Lonely Planet distinguished the places of attraction, hotels, cinemas, theatres, museums, libraries, the number of pages in the books of Lonely Planet, the number of words in Wikipedia, the number of entries in Google Trend, iTune catalogue. |
| Participation and expenditure | Number of galleries, libraries, archives, museum visitors, music concerts, theatre performances, dance performances, musical and opera visitors, expenditure of cultural events per capita. |
| Public support | State support is given to culture and art per capita. |
| Human capital and research | Number of persons working in the research and development fields, number of students, number of people with higher education and the number of education institutions. |
| Global integration | Number of international flights, number of international passengers, migration (the number of incoming and outgoing), the change of population. |
| Openness, tolerance and diversity | Number of marriages ending in divorce, press freedom/censure, number of asylum seekers per capita, number of homosexual couples registered in the city/country, number of people without religion on the national and city's scale, number of people born outside the country, the variety of religions and nationalities, the proportion of citizens of 15-24 years of age, number of |

| | |
|---|---|
| | voters and the corruption level. |

Source: compiled by the author, based on Hartley, Potts et al. 2012. CCI-CCI Creative City Index 2012.

**Creative Industries Scale, Scope and Employment.** This dimension includes the calculations of the scale of creative industries and services, the scopes and employment. The scale of creative industries represents the size of creative industries in the gross domestic product and the number of companies. In order to calculate the CCI index, 6 categories of creative industries have been established – music and visual art; cinema, television and radio; advertising and marketing; software and interactive content; publishing; architecture, design and visual arts. It is interesting to note that according to the CCI, those cities that engage more sectors of creative industries and do not have one dominating sector (as for example, cinema production in Hollywood) are more creative (Hartley, Potts et al. 2012, p. 70). The measure of the employees of creative industries is the number of employees working in the sector of creative industries, divided by the number of all citizens.

**Micro-productivity.** The micro-productivity of creative citizens, virtual relations among agents, local networks and interactions are measured. Calculating micro-productivity, three sub-categories are important: micro-production of all citizens, the possibility of virtual networks, local networks and interaction. In order to calculate the micro-production of residents, the data about the video published on the internet, the number of the created music profiles and published pictures, number of blogs are used, as the CCI states that the future micro-productivity is based namely on networks. Personal computers, internet users, social network users and the relation of citizens are calculated in order to measure the possibility of virtual networks. Virtual networks represent the digital reflection of the creative city, while local networks and interaction measure the number of local vicinities and events providing possibilities for the development of social networks, links and communication (meeting places, various events, etc.) that define creative cities. The organized festivals and charity organizations in the city are calculated for this (Hartley, Potts et al., 2012).

**Attraction and Economy of Attention.**

The evaluation of entertainment includes many indices, starting with the entertainment and places of attraction for tourists, and finishing with the number of concert halls and radio stations. The CCI also underlines the importance of cities being large and concentrated zones of entertainment (Hartley, Potts et al., 2012). Because of the city growth and development, they are chosen by the wise class of the global elite, therefore the aim of cities is to attract these persons. Economy of attention is one way to measure which cities have a more visible cultural action. This measure includes the number of places visited in the city and what attention they receive. Creative attractions are also counted in, i.e. the number of hotels, cinemas, museums.

**Participation and Expenditure.** This dimension calculates how many people visit cultural events, cultural places (museum, galleries, libraries, theatres, concerts, etc.) and how much money the citizens spend/allot in order to visit these events and places.

**Public Support.** The government support allotted for culture per capita is calculated. Also, the means of cities allocated to creativity and cultural financing can be calculated.

**Human Capital and Research.** This dimension consists of employment, education, research and development (R&D) calculations. Employment means the number of persons working in the field of research and development, and education represents the number of students, persons with higher education, and education institutions. In the concept of creative cities by the CCI, an important role is given to the young dynamic population. Students are the embodiment of risk and uncertainty, and they are the producers and consumers of creativity. Also, the number of research and development patents per capita as well as the allocated funds are included into this dimension.

**Global Integration.** This dimension measures the role of cities as international centres, uniting the local and international networks. Therefore, for that purpose the international air-port traffic, migration (inside the country and outside it), and the population change are measured.

**Openness, Tolerance and Diversity.**

This indicator assesses how much open can the society be, its tolerance towards others, disagreement with other opinions and practices. The more open is the society, the more likely it is open to creativity. The CCI index calculates such indicators as the proportion between divorces and marriages, the press freedom/censure, asylum seekers per capita and the number of issued visas for such persons, sexual tolerance (the number of registered homosexual couples in the city/country), religious openness – the number of people without religion on the national and city's scale, the national openness – the number of people born outside the country, the variety of religions and nationalities, demography – the proportion of the population of 15-24 years of age, the number of voters and corruption (Hartley, Potts et al., 2012)

**The objects under research and their selection.**

Kaunas city was chosen for the research of the increase of competitiveness solutions of creative cities. The city was chosen in accordance to the aspect of convenience. Also, in order to evaluate the creativity of Kaunas city, following the index of creative cities, the cities of Vilnius and Klaipėda also were selected for comparison.

The Lithuanian cities were chosen following these criteria:

- the cities of Kaunas, Vilnius and Klaipėda are the largest cities of Lithuania, therefore it can be assumed that there must be a strong social and cultural infrastructure in them and a relatively high concentration of creative employees. The aforementioned factors are important features of creative cities.
- the status of the capital gives Vilnius city a possibility to receive more public support for cultural activity and commits the city to be competitive not only to other cities of the country, but to the capitals of foreign countries, as well.
- Kaunas is characteristic of a high concentration of higher education institutions, and in the study that was carried out in 2011 (S. Čiplytė "Art park – creative cluster"), it was revealed that there is a creative cluster of galleries in Kaunas city.
- Klaipėda city calls itself as a creative city, and in 2008 it joined the new network of European creative cities-partners – *CITIES.*

**3.Method of Data Collection**

The following methods were chosen to collect the study data – the statistical data analysis and the qualitative content analysis.

**Creative Industries Scale, Scope and Employment**

Having evaluated the first dimension of the creative industry, it was found out that Vilnius has the largest sub-index of 100 per cent of the scale, scope and employment of creative industries. Whereas, that of Kaunas city (49.5) and Klaipėda city (44.3) is half as smaller (see Table 3). Vilnius city has a bigger concentration of creative industries (5.16 per one thousand residents) as well as a higher income per capita earned from these companies (4.96).

**Table 3 Creative Industries Scale, Scope and Employment**

| **1. Creative Industries Scale, Scope and Employment** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **1.1 Scale of creative industries** | | | |
| *Number of companies* | | | |
| Music and performing arts (R90) | 173 | 52 | 18 |
| Production of cinema movies, video clips and TV programmes, activity of sound recording and music records release (J59) | 121 | 11 | 5 |
| Advertising and marketing (M73) | 703 | 173 | 67 |
| Software development, consulting and interactive | 574 | 190 | 54 |

| | | | |
|---|---|---|---|
| content (J62) | | | |
| Publishing activity (J58) | 301 | 102 | 15 |
| Architecture and engineering activity (M71) | 827 | 347 | 172 |
| **Number of companies in total** | **2 699** | **875** | **331** |
| **Per 1000 residents** | *5.16* | *2.81* | *2.06* |
| *Income from sales (in thousand in LTL)* | | | |
| Music and performing arts (R90) | 99 012.9 | 16 777.7 | 3 893.2 |
| Production of cinema movies, video clips and TV programmes, activity of sound recording and music records release (J59) | 110 955.9 | 21 386.7 | 4 418.6 |
| Advertising and marketing M73) | 833 593 | 71 915.7 | 31 352 |
| Software development, consulting and interactive content (J62) | 828 132 | 154 747.8 | 12 758.5 |
| Publishing activity (J58) | 294 458.3 | 92 186.7 | 9 394.9 |
| Architecture and engineering activity (M71) | 429 078.8 | 246 595.6 | 68 172.2 |
| **Income in total from creative industries (thousand in LTL)** | **2 595 231** | **603 610.2** | **129 989.4** |
| **Per one capita** | **4.96** | **1.94** | **0.81** |
| **1.0** | **100** | **39.1** | **16.3** |
| **1.2 Scope creative industries** | | | |
| Scope of creative industries (calculating the income in thousand) | | | |
| *Shannon index (higher=more diverse)* | 1.53 | 1.47 | 1.31 |
| **0.5** | **100** | **96.1** | **85.6** |
| *Fragmentation index (1=diverse, 0=uniform)* | 0.75 | 0.73 | 0.56 |
| **0.5** | **100** | **97.3** | **74.6** |
| Scope of creative industries (calculating the number of companies) | | | |
| *Shannon index (higher=more diverse)* | 1.60 | 1.49 | 1.32 |
| **0.5** | **100** | **93.1** | **82.5** |
| *Fragmentation index (1=diverse, 0=uniform)* | 0.77 | 0.74 | 0.66 |
| **0.5** | **100** | **96.1** | **85.7** |
| **1.3 Employment of creative industries** | | | |
| *Number of employees* | | | |
| Music and performing arts (R90) | 2 954 | 1 244 | 505 |
| Production of cinema movies, video clips and TV programmes, activity of sound recording and music records release (J59) | 638 | 51 | 45 |
| Advertising and marketing (M73) | 5 031 | 868 | 291 |
| Software development, consulting and interactive content (J62) | 5 821 | 1 508 | 184 |
| Publishing activity (J58) | 2 861 | 925 | 90 |
| Architecture and engineering activity (M71) | 5 860 | 3 444 | 956 |
| **Number of employees in total** | **23 165** | **8 040** | **2 071** |
| **Per 1000 residents** | **44.29** | **25.84** | **12.91** |

| | | | |
|---|---|---|---|
| **1.0** | **100** | **58,3** | **29,1** |
| **Sub-index of the creative industries scale, scope and employment** | **100** | **49.5** | **44.3** |

Source: compiled by the author

The biggest number of companies and employees in all the three cities was observed in the activity M71 (Architecture and engineering activity). In Klaipėda, the field of music and performing arts are in the second position according to the number of employees (505 employees), although the number of companies (18) and the income from sales (3893.2 thousand LTL) are relatively small. In Kaunas city, the smallest number of companies was observed in the field of production of cinema movies and TV programmes, sound recording and music records release (11). However, the income generated in the activity of production of cinema movies, video clips and TV programmes, sound recording and releasing of music records per one company is the highest in the cities of Klaipėda and Kaunas (1944 LTL in Kaunas and 883 LTL in Klaipėda). Vilnius city has such a situation in the field of computer programming, consulting and other related activity (1442 LTL). Also, it should be underlined that the index of the number of creative industries of Vilnius city per one thousand residents (5.16) is close to those of Bristol (5.25) and Melbourne (6.37), and surpasses those of Berlin (5.08), Bremen (3.29) and Cardiff (5.04) cities. Vilnius city also has the biggest scope and employment of creative industries in line with the indices of *Shannon* and *Fragmentation.* As it was discussed in the theoretical part, the diversity of creative industries is an important factor evaluating creative cities, as the more diverse creative industries the city has, the more it is creative and attracts more of the creative class. The level of diversity of the Lithuanian cities under research is similar to that of the cities analyzed by Hartley, Potts et al. (2012) (see Annex 5), therefore it can be stated that the cities of Vilnius, Kaunas and Klaipėda have a creative potential.

**Micro-productivity**

The highest sub-index of micro-productivity belongs to Vilnius city (79.7), while Kaunas and Klaipėda have 10 per cent smaller sub-indices (69.7 and 65.8, respectively) (see Table 4). But the difference between the cities is not as big as it was when measuring the scale, scope and employment of creative industries.

**Table 4 Micro-productivity**

| **2.Micro-productivity** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **2.1 Micro-productivity of citizens** | | | |
| Number of video clips in Youtube | | | |
| Per month | 1 420 | 949 | 425 |
| Per 1000 residents | 2.7 | 3.05 | 2.65 |
| **1.0** | **88.5** | **100** | **86.9** |
| Number of video clips in total | 62 200 | 30 900 | 20 400 |
| Per 1000 residents | 118.9 | 99.31 | 127.21 |
| **1.0** | **93.5** | **78.1** | **100** |
| Number of music profiles in the internet | | | |
| Number of performers, song albums and video clips attributed to a city in Myspace Music web. | 570 | 139 | 70 |
| Number of the registered persons in the Last.fm site, using the city marker | 29 | 8 | 5 |
| Number of results in Bandcamp site with the city marker | 57 | 19 | 12 |
| In total: | 656 | 166 | 87 |
| Per 1000 residents: | 1.25 | 0.53 | 0.54 |
| **1.0** | **100** | **42.4** | **43.2** |

| | | | |
|---|---|---|---|
| Number of photos placed in the internet | | | |
| Google views | 14 400 000 | 9 860 000 | 6 050 000 |
| Flickr | 172 553 | 36 366 | 4 169 |
| Picasa | 179 933 | 126 965 | 108 444 |
| Photobucket | 4 510 | 1 059 | 1 510 |
| In total | 14 756 996 | 10 024 390 | 6 164 123 |
| Per capita | 28.21 | 32.22 | 38.44 |
| **1.0** | **73.4** | **83.8** | **100** |
| Number of blogs, via googleBlog search programme | 1 390 000 | 502 000 | 241 000 |
| Per capita | 2.66 | 1.61 | 1.5 |
| **1.0** | **100** | **60.5** | **56.4** |
| **2.2.Virtual networks** | | | |
| Households with a personal computer (percentage of all residents) | 70.9% | 64.9% | 65.3% |
| **1.0** | **100** | **91,5** | **92,1** |
| Number of households with internet access (percentage of all city households) | 69.8% | 63.8% | 64.2% |
| **1.0** | **100** | **91.4** | **91.9** |
| Number of users of social networks | | | |
| Number of profiles | 557 720 | 279 157 | 171 579 |
| **0.5** | **100** | **50.1** | **30.8** |
| Number of profiles, percentage from all residents | 106.7 | 89.72 | 106.99 |
| **0.5** | **99.7** | **83.9** | **100** |
| Number of profiles in LinkedIn, entering the keyword of the city's name | 8 836 | 3 781 | 1 188 |
| **0.5** | **100** | **42.8** | **13.4** |
| Number of profiles, percentage from all residents | 1.68 | 1.22 | 0.74 |
| **0.5** | **100** | **72.6** | **44** |
| Number of profiles filtering creative industries | 430 | 96 | 29 |
| **0.5** | **100** | **22.3** | **6.7** |
| Proportion of profiles filtering creative industries | 4,86 | 2.54 | 2.44 |
| **0.5** | **100** | **52.3** | **50.2** |
| **2.3 Local networks and interaction** | | | |
| Number of charity organizations per 1000 residents | 0.18 | 0.14 | 0.09 |
| **1.0** | **100** | **77.8** | **50** |
| Number of festivals | 45 | 22 | 21 |
| **1.0** | **100** | **48.9** | **46.7** |
| **Sub-index of micro-productivity** | **79.7** | **69.7** | **65.8** |

Source: compiled by the author

Evaluating the micro-productivity of citizens, it can be notice that the number of uploaded videos per 1000 citizens and the number of pictures per capita is the biggest in Klaipėda city (127 videos and 38 pictures), while the number of music profiles per 1000 citizens and the number of blogs per capital in the internet is the highest in Vilnius (1.25 music profiles and 2.66 blogs). The data of Kaunas city are similar to those of Vilnius and Klaipėda (99 videos, 32 pictures, 0.53 music profiles and 1.61 blogs). Assessing virtual networks, it was found out that the percentage of households having a personal computer and households with the internet access was linked to the city's size (the highest percentage was in Vilnius, and the smallest – in Klaipėda), but the difference is not very remarkable (it differs in a few percentage points). The percentage of the number of profiles in the social network *Facebook* of all the citizens was the highest in Klaipėda city (106.99), in Vilnius (106.7), and the smallest in Kaunas (89.72). While the largest number of profiles in *Linkedin* (the social network of companies), both in the sector of creative industries, and in general, was related to Vilnius city (8836 profiles), while Kaunas was in the second position with 3781 profiles, and Klaipėda had the smallest number of them – 1188 profiles. The interrelation of local networks is also the strongest in Vilnius (both by the number of festivals and charity organizations). Comparing the data with the data obtained by Hartley, Potts et al. (2012) – the micro-productivity of citizens of the Lithuanian cities is similar to those of Bristol and Melbourne, and the number of photos placed per one resident in Kaunas and Klaipėda surpasses the numbers of all the six cities. Their activity in the social network *Facebook* is also bigger than all the other 6 cities under research by more than 20 per cent (see Annex 5). The number of charity organizations in the Lithuanian cities varies from 0.18 up to 0.09 per one thousand residents, while in the cities analyzed by Hartley, Potts et al. (2012) – from 0.01 up to 0.10. The number of festivals in the Lithuanian cities, however, is much smaller (in London – 200, in Bristol – 75, in Melbourne – 100, in Berlin – 122 festivals), and it is bigger only than that of Cardiff city where only 6 festivals take place. Generalizing, we can make a conclusion that micro-productivity of the Lithuanian cities is competitive with regards to other cities.

**Attraction and Economy of Attention**

The sub-index of attraction and economy of attention is the highest in Vilnius city (97.2), it is almost twice as smaller in Kaunas (50) and three times as smaller in Klaipėda (29.4) (see Table 5). As far as creative attractions of the city are concerned, Vilnius city surpasses all the other cities by all the data, except for the number of libraries. However, it should be noted that the population of Vilnius is 40 per cent as bigger than in Kaunas and 70 per cent as bigger than in Klaipėda, therefore it is natural that the number of cinemas, concert halls, museums is also larger. *Lonely planet* also paid more attention to entertainment and places of interest in Vilnius city, as it has the status of the capital (the same tendency was noticed in the course of the research by Hartley, Potts et al. (2012)). The same situation is with economy of attention, as well. Only the growth of the *Google Trend* index is bigger in Klaipėda and Kaunas cities (2.57 and 2.29, respectively). It is noticed that there were more films made in Vilnius than in other cities (in Vilnius – 18, in Kaunas – 4, in Klaipėda – 2). In this case, we cannot even compare the results with the cities analyzed by Hartley, Potts et al. (2012), as these cities have a highly developed cinema industry, and the number of movies made there is by dozens times bigger (see Annex 5). Bremen had the smallest number of movies made there – 153, while in London there were more than 12 thousand movies produced.

***Table 5*** *Attraction and economy of attention*

| **3. Attraction and economy of attention** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **3.1 Creative attractions** | | | |
| *The number of objects in Lonely planet (entertainment, shops, tours, free time, restaurants, famous places)* | 299 | 144 | 111 |
| **1.0** | **100** | **48.2** | **37.1** |
| *Rent price per sq. m. per year* | 276 | 180 | 168 |
| **1.0** | **100** | **65.2** | **60.9** |
| *Number of hotels* | 79 | 24 | 28 |
| **1.0** | **100** | **30.4** | **35.4** |
| *Number of cinemas* | 7 | 3 | 3 |
| **0.5** | **100** | **42.9** | **42.9** |
| *Number of places in cinema halls* | 5 841 | 2 464 | 1 224 |
| **0.5** | **100** | **42.2** | **20.9** |

| | | | |
|---|---|---|---|
| *Number of theatres, concert halls* | 48 | 20 | 8 |
| **1.0** | **100** | **41.7** | **16.7** |
| *Number of museums* | 22 | 14 | 2 |
| **1.0** | **100** | **63.6** | **9.1** |
| *Number of libraries* | 27 | 32 | 15 |
| **1.0** | **84.4** | **100** | **46.9** |
| **3.2 Economy of attention** | | | |
| *Number of pages in the guide of Lonely planet* | 48 | 17 | 11 |
| **1.0** | **100** | **35.4** | **22.9** |
| *Number of words in the entry of Wikipedia* | 7 266 | 6 480 | 5 070 |
| **1.0** | **100** | **89.2** | **69.8** |
| *Google Trend index (as of year 2013)* | 0.96 | 0.55 | 0.39 |
| **0.5** | **100** | **57,3** | **40,6** |
| *Google Trend index (growth until year 2013)* | 1.53 | 2.29 | 2.57 |
| **0.5** | **59.5** | **89.1** | **100** |
| *Number of sold records in iTune* | 528 | 49 | 2 |
| **1.0** | **100** | **9.3** | **0.4** |
| *Number of cinemas made in the city as provided in IMDB website* | 18 | 4 | 2 |
| **1.0** | **100** | **22,2** | **11,1** |
| *Number of sold books in Amazon website* | 1 333 | 392 | 85 |
| **1.0** | **100** | **29,4** | **6,4** |
| **Sub-index of attraction and economy of attention** | **97.2** | **50** | **29.4** |

Source: compiled by the author

**Participation and expenses incurred**

Evaluating the number of visitors at cultural institutions, it is noticed that Vilnius city museums and libraries receive visitors most of all (772 000 and 95 000, respectively), and archives receive visitors less of all (14 663). The same tendency is noticed in the cities of Kaunas and Klaipėda. It should be evaluated that museum visiting is often one of tourists' leisure activities; therefore the number of visitors here is much bigger (in Vilnius, even by 8 times). Still, in the cities analyzed by Hartley, Potts et al. (2012), libraries receive most of visitors, and museums are in the second position in this respect. Also it is observed that city residents prefer cinema, here the number of visitors exceeds that of theatre-goers more than 3 times in Vilnius, 5.6 times in Kaunas and 8 times in Klaipėda. In Kaunas city, one member spends the largest sum on average for culture per month – 142 LTL (it comprises 15.9 per cent of all household expenses), 111.7 LTL is spent by citizens of Klaipėda, and the smallest sum – 91.1 LTL by the citizens of the capital. In the cities analyzed by Hartley, Potts et al. (2012), a household does not spend more than 9.54 per cent of the expenses of the household for culture (the least is spent by the people of the Australian city – 3.98 per cent, and the largest sum is allotted by the citizens in Germany – 7.40 per cent and 9.45 per cent) (see Annex 5). Such allocation of expenses is regarded as normal by the authors, as events in Germany are much cheaper than in Australia and Great Britain, and also the living costs are lower, therefore people may spend more on culture. In Vilnius city, the living costs are also high, thus it is reasonable that the means allotted for culture are the smallest.

***Table 6*** *Participation and Expenditure*

| **4.Participation and expenditure** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **4.1 Participation** | | | |
| *Number of visitors* | | | |

| | | | |
|---|---|---|---|
| In libraries | 95 000 | 62 000 | 46 000 |
| In archives | 14 663 | 2 444 | 2 444 |
| In museums | 772 000 | 391 000 | 143 000 |
| **In total:** | **881 663** | **455 444** | **191 444** |
| **1.0** | **100** | **51.7** | **21.7** |
| In state theatres | 341 900 | 142 200 | 44 690 |
| In state concert institutions | 99 900 | 40 000 | 2 590 |
| **In total:** | **441 800** | **182 200** | **47 280** |
| **1.0** | **100** | **41.2** | **10.7** |
| Cinema | 1 274 000 | 802 600 | 375 600 |
| **1.0** | **100** | **64.4** | **29.5** |
| **4.2 Expenditure** | | | |
| Average expenditure of one household member on arts and culture (in LTL) | 91. 1 | 142 | 111.7 |
| **1.0** | **64.2** | **100** | **78.7** |
| Expenditure of a household on arts and culture, per cent of all the expenditure | 10.2 | 15.9 | 12.5 |
| **1.0** | **64.2** | **100** | **78.6** |
| **Sub-index of participation and expenditure** | **85.7** | **71.5** | **43.8** |

Source: compiled by the author

**Public Support**

Vilnius city municipal government planned to allocate the largest sum of funds for culture in the budget of 2013. Its budget for one citizen is 347.86 LTL. Whereas, Kaunas city municipal government allots the smallest sum of means – 100.79 LTL is allotted for one citizen. The sub-index of the general public support in Vilnius city is 100, in Kaunas – 51.5, and in Klaipėda – 71. It is interesting to note that the citizens of Kaunas tend to spend more money on culture, while the municipal government has a very restricted budget for cultural needs, and allocates only 4.3 per cent of the total budget for culture. In the cities analyzed by Hartley, Potts et al. (2012), the budget per capita varies from 163 dollars to 236 dollars (the largest sums are allotted by the capitals – Melbourne and London) (see Annex 5). The total sum per one citizen in the Lithuanian cities varies from 509 LTL in Vilnius city to 262 LTL in Kaunas city.

**Table 7 Public Support**

| **5. Public support** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **5.1 Expenses** | | | |
| *State budget for culture per one citizen (LTL)* | 161.6 | 161.6 | 161.6 |
| *Municipal budget for culture per one citizen* | 347.86 | 100.79 | 200.2 |
| **In total:** | 509.46 | 262.39 | 361.8 |
| **1.0** | **100** | **51.5** | **71** |
| *Per cent of the means for culture allotted by municipal government of all the budget* | 16.9 | 4.3 | 8.4 |
| **Sub-index of public support** | **100** | **51.5** | **71** |

Source: compiled by the author

**Human Capital and Research**

The percentage of the employees in the research and development sector is the biggest in Klaipėda city (3.05 per cent), but the research and development expenses per capita are even by 87 per cent smaller than those in Kaunas city (in Klaipėda – 211.1 LTL, in Kaunas – 885.7 LTL). In the cities analyzed by Hartley, Potts et al. (2012), the expenditure for research and development per capita is much higher than in

Lithuania (see Annex 5). The largest sums for research are given by the Australian cities Bristol and Melbourne (1691 and 1382 dollars). Vilnius surpasses all the cities both by the number of higher education schools (20) and the graduates from higher education schools (42 per cent). Therefore, there should be a strong creative class in this city – educated, young, and innovative.

**Table 8 Human Capital and Research**

| **6. Human capital and research** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **6.1 Employment** | | | |
| Per cent of the employees in the research and development sector of all the employees | 2.14 | 1.8 | 3.05 |
| **1.0** | **70.2** | **59** | **100** |
| **6.2 Education** | | | |
| Percent of graduates from higher education schools of all citizens | 42 | 36 | 30 |
| **1.0** | **100** | **85.7** | **71.4** |
| Number of students of higher education schools | 86 077 | 45 056 | 15 447 |
| **0.5** | **100** | **52.3** | **17.9** |
| Percent of students of higher education schools of all citizens | 16.5 | 14.5 | 9.6 |
| **0.5** | **100** | **87.9** | **58.2** |
| Number of higher education schools | 20 | 8 | 7 |
| **1.0** | **100** | **40** | **35** |
| Number of higher education schools of art | 4 | 1 | 1 |
| **1.0** | **100** | **25** | **25** |
| **6.3. Research and development** | | | |
| Number of patents of legal entities in 2011 per capita | 0.000048 | 0.000035 | 0.000019 |
| **1.0** | **100** | **72.9** | **39.6** |
| Research and development funds | 359 951 200 | 275 583 600 | 33 850 400 |
| **0.5** | **100** | **76.6** | **9.4** |
| Expenses of research and development per capita | 688.18 | 885.7 | 211.1 |
| **0.5** | **77.7** | **100** | **23.8** |
| **Sub-index of human capital and research** | **94.2** | **63** | **46.5** |

Source: compiled by the author

**Global Integration**

The air-port has a huge influence upon the calculation of the global integration index, because it is important both for the migration of people and the accessibility of the city – and in this way for competitiveness. Weiping (2005) also underlines the advantages of the quality of infrastructure (including, the possession of the air-port) to the cities. Although Klaipėda city does not have an air-port, but nearby Klaipėda centre there is the air-port of Palanga (33 km away), therefore in the calculation of the index, the data of this air-port were used (see Table 9).

**Table 9 Global Integration**

| **7. Global integration** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **7.1 Data of international air-ports** | | | |
| *Number of flights* | 29 995 | 8 559 | 3047 |
| **1.0** | **100** | **28.5** | **10.2** |
| *Number of passengers* | 2 208 096 | 830 268 | 128169 |
| **1.0** | **100** | **37.6** | **5.8** |
| *Number of cargos (in tons)* | 5 926.96 | 3 363.87 | 104 |
| **1.0** | **100** | **56.8** | **1.8** |

| | | | |
|---|---|---|---|
| *Number of destinations* | 45 | 17 | 4 |
| **1.0** | **100** | **37.8** | **8.9** |
| *Distance from the centre to the air-port (km)* | 7 | 14.7 | 36.5 |
| **1.0** | **100** | **47.6** | **19.2** |
| *Duration of trip from the centre to the air-port (in minutes)* | 14 | 20 | 33 |
| **1.0** | **100** | **70** | **42.4** |
| **7.2 Flow of citizens** | | | |
| *Migration in total* | | | |
| Incoming | 2948 | 1663 | 962 |
| Outgoing | 8855 | 6658 | 3658 |
| **In total:** | -5907 | -4995 | -2696 |
| **1.0** | **45.6** | **53.9** | **100** |
| *Change of population* | 0.022 | 0.026 | 0.028 |
| **1.0** | **78.6** | **92.9** | **100** |
| **Sub-index of global integration** | **90.5** | **53.1** | **36** |

Source: compiled by the author

The most of the flights (29 995), and the largest number of transferred passengers (2 208 096) and cargos (5 926), as well as destinations (45) are performed by Vilnius air-port. Also, this air-port is closer to the city centre (at the distance of 7 km) than the air-ports of Kaunas or Palanga, therefore it is easier to reach. The collected data show that the activity of Vilnius air-port contributes to the competitiveness of the city to a large extent, and the quality of its infrastructure is better. Meanwhile, Palanga air-port is the least active in all aspects. However, when evaluating the global integration of Klaipėda city, it should be taken into account that Klaipėda city is the only one having a sea port. Each year, the sea-port of Klaipėda receives more than 30 thousand of passengers of cruise ships and more than 7 000 ships. Another factor under evaluation is the flow of citizens. The provided data of the city migration show the negative change of the population. The smallest flow of citizens was noticed in Klaipėda city. Comparing the obtained data with the cities analyzed by Hartley, Potts et al. (2012), it can be seen that London air-port is the most active, while those of Berlin and Melbourne are several times less active (see Annex 5). The number of flights and passengers of Vilnius air-port is closest to that of Bristol air-port (27 thousand flights and more than 4 million passengers). Evaluating the general data of global integration of the Lithuanian cities, the index is the highest in Vilnius city (90.5), Kaunas is in the second position (53.1), and Klaipėda is the third (36).

**Openness, Tolerance and Diversity**

Evaluating the openness and tolerance (see Table 10), we notice that the biggest openness in religion and nationality is characteristic to Vilnius city – it is the city with the largest number of citizens who do not attach themselves to any religion (47 655) and people of other nationalities (197112). In Klaipėda city, there is the largest ratio of persons of the total population who do not belong to any religion (9.13, in Vilnius – 8.89, in Kaunas – 7.36). It was found out that Kaunas city can be characterized as the city with the smallest number of people of other nationalities living in it – 25907 (even by 50 per cent fewer than in Klaipėda city, and by 80 per cent fewer than in Vilnius city) as well as the smallest ratio of citizens who do not attach themselves to any religion (7.36). However, Kaunas has the largest number of asylum seekers (88).

***Table 10 Openness, Tolerance and Diversity***

| **8. Openness, tolerance and diversity** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| **8.1 Openness and tolerance** | | | |
| *Ratio of marriages and divorces* | 43.1 | 53.9 | 58.8 |

| | | | |
|---|---|---|---|
| **1.0** | **73.3** | **91.7** | **100** |
| *Number of asylum seekers (the data as of 2007)* | 18 | 88 | 42 |
| **1.0** | **20.5** | **100** | **47.7** |
| *Religious openness* | | | |
| Number of people who do not attach themselves to any religion | 47 655 | 23 242 | 14 820 |
| **0.5** | **100** | **48.8** | **31.1** |
| Ratio of the population without religion | 8.89 | 7.36 | 9.13 |
| **0.5** | **97.4** | **80.6** | **100** |
| *Citizenship openness (according to the birth place)* | | | |
| Number of people of other nationalities in the city | 197 112 | 25 907 | 42 376 |
| **0.5** | **100** | **13.1** | **21.5** |
| Ratio of people of other nationalities and Lithuanian citizens (per cent) | 36.8 | 6.4 | 26.1 |
| **0.5** | **100** | **17.4** | **70.9** |
| **8.2 Diversity and demography** | | | |
| *Religious diversity* | | | |
| Shannon index (higher = more diverse) | 0.57 | 0.29 | 0.77 |
| **0.5** | **74** | **37.7** | **100** |
| Fragmentation index (1=diverse, 0=uniform) | 0.56 | 0.42 | 0.64 |
| **0.5** | **87.5** | **65.6** | **100** |
| *Variety of nationalities (according to the birth place)* | | | |
| | | | |
| Shannon index using 5 biggest ethnic groups (higher = more diverse) | 1.0 | 0.23 | 0.69 |
| **0.5** | **100** | **23** | **69** |
| Fragmentation index using 5 biggest ethnic groups (1=diverse, 0=uniform) | 0.52 | 0.09 | 0.38 |
| **0.5** | **100** | **17.3** | **73.1** |
| *Youth population* | | | |
| Number of residents of 15-24 years of age | 71 365 | 42 644 | 20 504 |
| **0.5** | **100** | **59.8** | **28.7** |
| Percentage of citizens of 15-24 years of age | 13.6 | 13.7 | 12.8 |
| **0.5** | **99.3** | **100** | **93.4** |
| Number of foreign students | 3 250 | 689 | 389 |
| **1.0** | **100** | **21.2** | **11.9** |
| **8.3 Activeness of citizens** | | | |
| *Per cent of voters in the last elections* | 44.02 | 40.01 | 33.55 |
| **1.0** | **100** | **90.9** | **76.2** |
| *Participation of voters in the last election in relevance to the size of the country* | 0.99 | 0.91 | 0.76 |
| **1.0** | **100** | **91.9** | **76.8** |
| **Sub-index of openness, tolerance and diversity** | **87.3** | **62.7** | **65.6** |

Source; compiled by the author

The biggest religious variety, in line with the indices of *Shannon* and *Fragmentation,* is characteristic of Klaipėda city, and biggest the variety of nationalities pertains to Vilnius city. Kaunas city can claim the largest percentage of young citizens of 15-24 years of age (13.7), but Vilnius city and its higher education schools are more attractive to foreign students (3250 foreign students study here). Of course, it should be taken into account that almost one third of the students in Vilnius (about 700) consist of the number of students of the university oriented to the students of Belarus (European Humanities University (EHU)).

The highest activity of citizens in elections is found in Vilnius city (44 per cent), and the smallest – in Klaipėda (33.55 per cent). According to Hartley, Potts et al. (2012), it demonstrates the interest of citizens, and the more interested the societies, the more it is open and tolerant, and also it is more inclined to join social networks and interpersonal interactions. In this way, Vilnius city, having the largest number of people of other nationalities and higher religious diversity, also has the most open and the most involved society that accepts the social communication and interaction more tolerantly and easier.

**Index of Creative Cities**

Comparing and evaluating the three Lithuanian cities – Vilnius, Kaunas and Klaipėda – it became evident that Vilnius city has the biggest creative index (92), Kaunas has one and a half times smaller index (58.6) and Klaipėda's creative index is twice as smaller (50.3) (see Table 14). In Vilnius city, the absolutely strongest dimensions are creative industry scale, diversity and employment, as well as public support. It shows that it is characteristic of Vilnius city to have not only a large amount of creative industries, but the municipal government itself is inclined to allot more funds for culture. Generalizing the obtained results, we can state that in Vilnius:

- there is the biggest number of creative industries (2699) that bring the biggest profit (2595231) and attract creative workers (23165);
- companies of creative industries are distinguished by diversity, according to the indices of *Shannon* and *Fragmentation;*
- the municipal government allots more means for culture (347.86 LTL per one citizen);
- the city has an abundant number of entertainment and places of interest as well as economy of attention;
- the city is globally integral – it has a strong air-port, but also it has the biggest negative population growth (level of emigration);
- Vilnius city has the biggest possibilities for the micro-productivity of citizens (it has the largest number of charity organizations (0.18 per one thousand citizens) and festivals (45), and also it features the biggest percentage of the number of persons having the internet access and computers);
- cultural institutions of Vilnius city receive the biggest number of visitors, but Vilnius citizens tend to spend on culture least of all (91 LTL);
- Vilnius city has the biggest number of citizens with higher education (42 per cent and students (86077), and also the biggest number of legal patents is registered here. Whereas, the means for research and development per capita is less than in Kaunas city (688 LTL);
- Vilnius city has the biggest number of people of other nationalities as well as foreign students, and the activeness of voters is higher here, as well.

In Kaunas city, the strongest dimensions are participation and expenditure, as well as micro-productivity. Having evaluated the gained results, we can state that Kaunas city:

- is not characterized by a big number of creative industries (875) and the income they earn (603610 Lt), but their index of diversity is rather high;
- the possibilities for micro-productivity of citizens is similar to those of Klaipėda city, and their activeness in virtual networks is high;
- it possesses a big number of libraries (32);
- the number of visitors in cultural institutions in Kaunas city (455444) is twice as smaller as in Vilnius city, however, here citizens spend on culture most of all (142 LTL);
- Kaunas city municipal government allocates the smallest sum of budget funds for culture (100 LTL per capita);
- The percentage of Kaunas city residents with higher education (36 per cent), as well as the percentage of students (14.5 per cent) is rather high. Also, here is the largest number of funds for research and development per capita (885 LTL);

- the activity of the air-port of Kaunas city is much lower than that of Vilnius city, but the possession of the air-port improves the infrastructure of the city and contributes to its competitiveness;
- there is the biggest number of asylum seekers in Kaunas city (88), and there is also a high percentage of divorce here (53.9);
- there is the smallest percentage of people of other nationalities in Kaunas city (6.4), and also there is no big religious diversity;
- Kaunas city has the biggest percentage of people of 15-24 years of age living in it (13.7).

In Klaipėda city, the strongest dimensions are public support, micro-productivity and openness, tolerance and diversity. The gained results show that Klaipėda city:

- Is characterized by the largest proportion of marriages and divorces (58.8), which, according to Hartley, Potts et al. (2012), helps to evaluate the freedom of the woman. Also, Klaipėda has the highest percentage of persons who do not attach themselves to any religion (9.13 per cent);
- there is the highest religious diversity in Klaipėda city, but it has the smallest population of young people (12.8 per cent) and the lowest activeness of voters (33.55);
- Klaipėda city is characteristic of the lowest negative emigration – i.e. the smallest flow out of this city is seen. On the global scale, the decrease of integration and competitiveness because of the lack of the air-port is determined by the possession of the sea-port as well as the air-port of Palanga that is nearby;
- here is the lowest percentage of people with higher education (30 per cent) and the lowest percentage of students (9.6 per cent);
- although there is the smallest sum of funds allotted for research and development (211.1 LTL), however, the percentage of employees working in this sector in Klaipėda city is the biggest (3.05 per cent);
- The number of visitors of archives, libraries, museums, state theatres, concert institutions and cinemas of Klaipėda city is much smaller than that of Vilnius and Kaunas. However, the means for culture spent by one citizen are higher than those of Vilnius city (111.7 LTL);
- The biggest weakness of Klaipėda city is (apart from the global integration) attraction and economy of attention. Klaipėda city has the fewest amount of various cultural institutions, and also it is the lowest in "visibility" as noticed in the virtual space, i.e. there is the lowest economy of attention (the number of movies by the IMDB, the number of words in the entry by Wikipedia, the number of sold book and music records, etc.);
- The micro-productivity of Klaipėda citizens is a little smaller than those of other cities (65.8). The citizens of Klaipėda express themselves best of all "distributing" the production of visual arts – video films, pictures. But they write blogs least of all and scarcely take part in professional social networks. Also, here is the smallest number of charity organizations (0.09 per 1000 residents) and festivals (21);
- Klaipėda city is characterized by the lowest concentration of creative companies in the city and the revenues they bring.

***Table 11*** **The Results of the Creative City Index: in the case of Kaunas, Vilnius, Klaipėda**

| **Dimension** | **Vilnius** | **Kaunas** | **Klaipėda** |
|---|---|---|---|
| Creative Industries Scale, Scope and Employment | 100 | 49.5 | 44.3 |
| Micro-productivity | 79.7 | 69.7 | 65.8 |
| Attraction and Economy of Attention | 98.7 | 48.1 | 29.1 |
| Participation and Expenditure | 85.7 | 71.5 | 43.8 |
| Public Support | 100 | 51.5 | 71 |
| Human Capital and Research | 94.2 | 63 | 46.5 |
| Global Integration | 90.5 | 53.1 | 36 |
| Openness, Tolerance and Diversity | 87.3 | 62.7 | 65.6 |
| **Creative City Index** | **92** | **58.6** | **50.3** |

Source: compiled by the author

Evaluating the creative potential of the three cities, we can notice that Vilnius city has the biggest possibilities, which is much influenced by the status of the capital. However, the cities of Kaunas and Klaipėda, having evaluated and having started solving the problems they encounter, can also successfully use their creative potential and turn it into the factor increasing the city's competitiveness.

## 4. Conclusion

- Creativity is integrated in various ways in creative cities. Creative cities may be oriented towards culture (then their values are art, culture and community's wellbeing), or economy (then the main aim is the welfare of the city economy), and creativity may be used as the main means of city development and the attraction of the creative class or the development of creative industries. Creative cities themselves provide a possibility to create, enliven and revive urban spaces in order to enable them to successfully compete in the global world.
- Technologically innovative creative cities are oriented towards economy and they use creativity in developing new technologies or technological revolutions. Cultural-intellectual cities are strong in their creative industries and they attract creative classes with the help of their creativity. In creative-technological cities, the highest economic added value is created by strong creative industries that can become part of the city's or country's image. In technological-organizational cities, the biggest contribution is made by the creative decisions made by municipal government. On the other hand, creativity and innovativeness of the municipal government are very important factors speaking about the successful activity and development of other types of creative cities.
- The indices of creative cities do not have a uniform definition: some indices are more based on culture and creativity, while others measure the global nature of cities, technologies and networks. However, in order to evaluate creative cities, the creativity of the city as well as economic aspects should also be estimated. This work is based on the CCI creative city index as suggested in 2012 by CCI that measures 8 dimensions that are the most important for creative cities – openness, tolerance and diversity, global integration, human capital and research, public support, participation and expenditure, attraction and economy of attention, micro-productivity, and the scale, scope and employment of creative industries. This index measures economic, social and cultural actions of the cities.
- In the course of the empirical research it was established that Kaunas city has the potential of technologically innovative creative city. Such a potential was revealed by all the results of the research. During the qualitative research, it became clear that the most problematic spheres in Kaunas city are attraction and economy of attention, and global integration.

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**Discriminant analysis – Patient satisfaction measure of Government and Private Hospitals**

Godina Krishna Mohan*

* Professor & Principal, KSRM college of management studies, email:gkmohan4@yahoo.co.in

***Abstract***

*Rising demand for health care paved way for coexistence of both Government and private health care facilities in India. Both private and Government should contribute for healthcare in India to improve health parameters on par with the other developing countries. Health care services rendered by government are at free of cost and are utilized by the poor and downtrodden people, The Government hospitals are able to provide primary and secondary health care but not tertiary care. People having paying capacity visit private hospital for primary and secondary as well as tertiary health care. Most of patients are of the opinion that better cure for ailment is provided in the private hospitals than in government hospitals. Patient satisfaction measures discriminate hospitals into Government and private hospitals. The present study proposes to identify specific variables of patient satisfaction that discriminate hospitals into government and private and suggest for better functioning of both private and Government hospitals. Discriminant analysis identifies the important variables of patient satisfaction that discriminate hospitals into two groups.*

***Key words: Government hospitals, Private hospitals, health parameters, patient satisfaction, discriminant analysis***

## 1. Introduction:

Health service in India is also based on the principle of mixed economy where private and public hospitals coexist. There is no clear cut demarcation of role of private and public hospitals in health care responsibility .The system suffers from many evils due to over - whelming profit motive of the private sector, both medical and pharmaceutical (ICSSR-ICMR1981:83-84). Private hospitals should feel socially responsible, but within the unregulated free enterprise system they evade the public purpose and are adhering to unethical practices to make money. The health needs of India are enormous where Government alone cannot enhance health care system due to limited financial and managerial capacity. Government identified the need to encourage private to participate in the development of health care system and provided with various tariff concessions for import of medical equipment. Though both private and Government hospitals develop service mix to fulfill the needs of patients there are differences in perceptions and expectations of service quality. Government hospitals suffer from poor service, lack of accountability, lack of responsibility, shortage of funds, inadequate human resources both medical and paramedical, outdated diagnostic equipment etc, Private hospitals utilize this opportunity to increase patient traffic and improve financial leverage. Many of the studies revealed that even private hospitals invest huge amount on medical diagnostic equipment and massive structures and forget about patient satisfaction.

Service quality and value for money are important factors in determination of Patient satisfaction and success of hospitals. Many variables such as doctor approach toward patient, doctor patient relationship, and accuracy of diagnosis, quality of nursing care, availability of diagnostics, knowledgeable technicians, behavior of ward boys, good reception, easy accessibility and many more influence the level of patient satisfaction. The level of satisfaction among patients is influenced by the level of integration of various personnel, equipment and other facilities and their coordinated effort in the treatment of ailment. Various personnel in the hospital functioning both medical and paramedical staff attitude and commitment to service will have considerable influence on patient satisfaction. Equipment and other facilities such as sophisticated diagnostic equipment, comfortable waiting rooms, signage boards, comfortable inpatient rooms etc., contribute for positive perception and satisfaction of patients.

## 2. Literature Review:

Patient satisfaction measures helps the hospitals understand the patient expectations and needs and design the services appropriately. Patients recommend the hospital to others when they get satisfied with the hospital services and this enhances the long term survival (Yogesh Pai *et al*., 2011).Quality of health care offered at the hospital premises is reflected in patient satisfaction and revisits the hospital and develops relationship(Yousef Hamoud Aldebasi & Mohamed Issa Ahmed, 2011). Nursing care is an important attribute of patient satisfaction because nurses involve in every activity of ailment treatment (Mufti Samina *et al*., 2008). Patients develop positive attitude towards service performance of health care providers based on past experiences (Sharma and Hardeep Chahal, 1999). Patients select the hospital with some expectations and out of experience with the hospital may develop satisfaction or dissatisfaction (Andrabi Syed Arshad *et al*., 2012).

Quality of health care improves with patient centered care and results in patient satisfaction towards services of hospitals. Hospitals must closely monitor the delivery of health care and patient needs simultaneously to retain favorable position in today's competitive health care market to develop a more satisfied customer base. Hospitals need to deliver tailor made services to meet patient expectations and should involve in understanding the changing needs and expectation that arise from time to time (Ambuj Bhardwaj, D.K. Sharma, R.K. Sarma, & P.C. Chaubey,2001). Patient satisfaction measures can be used to discriminate Government and private hospitals to identify the variables which are important in building patient satisfaction and can pay attention to improve performance of both types of hospitals. The present study aim at understanding the perceived service quality and expectations of patients and suggest measures for improvement of service delivery.

**Objectives of the Study:**

- To identify the patient satisfaction measures that discriminate Government and Private Hospitals.
- To discard the patient satisfaction measures that are not related to discrimination of Government and private hospitals.

## 3. Methodology:

The study is based on both primary and secondary data. Primary data is collected from the identified sample of respondents. Respondents for the study are patients who visited Government and private hospitals in Kadapa district of Andhra Pradesh. Two different samples are drawn in equal size taking 100 patients each from Government l and Private hospitals. Patients who obtained treatment from both type of hospitals are selected using convenience sampling approach and organized exit interviews using a structured questionnaire. Questionnaire is made up of various patient satisfaction measures that are obtained from various research studies. Many research studies on patient satisfaction are reviewed to get into the insights of patient satisfaction measures.

Secondary and Tertiary Health care is offered by both private sector and Government. Today health care became market driven and patient is treated as customer. The patient selects those hospitals and continues to visit those hospitals based on the perceived as well as felt satisfaction. The study would like to discriminate Government and Private Hospitals based on patient satisfaction measures using discriminant analysis. The discriminant function is

$D=b_1X_1+ b_2X_2+ b_3X_3+\ldots\ldots + b_nX_n +c$

Where D= discriminant variable

$X_i$ = Discriminating variable

$b_i$ = Discriminating coefficients

c =constant

The category of hospital which is dependent variable is treated as Discriminant variable and patient satisfaction measures are treated as discriminating variables which are independent.

## 4. Results and Discussion

The data collected from the exit survey of patients visiting both private and Government hospitals by administering structured questionnaire on patient satisfaction measures. The data is coded, tabulated and analyzed using

SPSS 16.0. The measures of patient satisfaction which significantly contribute to the differentiation of Government and private hospitals are determined using step wise discriminant analysis. This method starts with a model that doesn't include any of the predictors. At each step it adds a predictor variable that minimizes Wilks' Lambda. Variables are added and removed based on Wilks' Lambda. The numbers of steps computed are 48 and finally identified seven variables as shown .in Table No.1.

The seven predictor variables identified are found to be significant for discriminating between Government and private hospitals and have Wilks' Lambda equal to .268 as shown in Table No.2 The variables Faith& confidence on doctors, Receive best care, Doctors have medical expertise, clean and tidy premises, doctors listen carefully to the problem, out of hours service and Nurses provide appropriate and reliable information are derived as discriminating variables.

**Table No.1 Variables entered and removed**

| Step1 | Variables entered | Number of variables | Wilks lambda | F Value |
|---|---|---|---|---|
| **1** | Faith and confidence on doctors | **1** | .448 | 243.664 |
| **2** | Receive best care | **2** | .335 | 195.325 |
| **3** | Doctors have medical expertise | **3** | .308 | 146.572 |
| **4** | A clean and tidy premises | **4** | .292 | 118.169 |
| **5** | Doctors listen carefully | **5** | .284 | 97.680 |
| **6** | Out of hours service | **6** | .273 | 85.476 |
| **7** | Nurses provide appropriate and reliable information | **7** | .268 | 74.952 |

At each step, the variable that minimizes the overall Wilks' Lambda is entered.
a. Maximum number of steps is 48.
b. Minimum partial F to enter is 3.84.
c. Maximum partial F to remove is 2.71.
d. F level, tolerance, or VIN insufficient for further computation.

**Table No.2 Wilks' Lambda**

| Test of Function(s) | Wilks' Lambda | Chi-square | df | Sig. |
|---|---|---|---|---|
| **1** | **.268** | **256.178** | **7** | **.000** |

**Estimation of discriminant function:**

Canonical correlation is equivalent to Pearson correlation between the discriminant scores and the groups. The canonical correlation between discriminating variables and grouping variable shows that 73.27% i.e $(.856)^2$ of variance between Government and private hospitals are explained through the discriminant function as shown in Table No.3

**Table No.3 Eigen values**

| Function | Eigenvalue | % of Variance | Cumulative % | Canonical Correlation |
|---|---|---|---|---|
| 1 | 2.733[a] | 100.0 | 100.0 | .856 |

The canonical discriminant function coefficients indicate the relative importance of independent variables in predicting the dependent variables. Canonical discriminant function coefficients of different predictor variables which are significant in discriminating Government and Private hospital were presented in Table No.4. Coefficients with larger absolute value have higher discriminating ability of grouping variable. The discriminant function is given below:

D=.709(best care) +.849(faith and confidence on doctors)-.189(out of hours service)+.380(Doctors listen carefully to the problem)-.482(doctors have medical expertise)-.195(Nurses provide appropriate and reliable information)-.282(clean and tidy premises)-1.658

**Table No.4 Canonical Discriminant Function Coefficients**

| | Function |
|---|---|
| | 1 |
| Receive best care | .709 |
| Faith and confidence on doctors | .849 |
| Out of hours service | -.189 |
| Doctors listen carefully | .380 |
| Doctors have medical expertise | -.482 |
| Nurses provide appropriate and reliable information | -.195 |
| A clean and tidy premises | -.282 |
| (Constant) | -1.658 |

Unstandardized coefficients

**Structure matrix:**

The Structure matrix shows the correlation between predictor variables and the discriminant function as presented in Table No.5. Correlation of predictor variables faith and confidence on doctors and receive best care are found to be high with correlation coefficient >.5. These two measures are strongly correlated with the discriminant function and are probably categorizing the hospitals into Government and private.

**Table No.5 Structure Matrix**

| Preference based on patient satisfaction measure | Function |
|---|---|
| | 1 |
| Faith and confidence on doctors | .671 |
| Receive best care | .610 |
| Doctors listen carefully | .413 |
| Doctors express genuine interest[a] | .224 |
| Good reception[a] | -.177 |
| Doctors do not recommend unnecessary investigations[a] | -.160 |
| Nurses are pleasing and professional[a] | -.137 |
| Nurses supporting[a] | -.132 |
| A clean and tidy premises | -.106 |

| | |
|---|---|
| Knowledgeable technicians available[a] | -.085 |
| Nurses express courtesy[a] | -.075 |
| Diagnostics provide reliable investigations[a] | -.074 |
| Facilities are adequate[a] | -.068 |
| Doctors have medical expertise | -.061 |
| Doctors are very understanding[a] | -.058 |
| Doctors accurately diagnosis[a] | -.048 |
| Nurses provide appropriate and reliable information | -.030 |
| A good signage[a] | .027 |
| Easy to approach[a] | .021 |
| Pleasing ward boys[a] | .016 |
| Out of hours service | .015 |
| Accessibility is comfortable[a] | -.013 |
| A comfortable waiting rooms[a] | .012 |
| Advanced and sophisticated diagnostic equipment[a] | .010 |

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions. Variables ordered by absolute size of correlation within function.

a. This variable not used in the analysis.

**Efficiency of discriminant function:**

Discriminant function shows that 96% of the originally grouped cases are correctly classified and also 96% of cross validated groups are correctly classified. The accuracy of classification of Government hospitals is 97% and private hospitals is 95%

**Table No.6 Classification Results[b,c]**

| Type of Hospital | | | Predicted Group Membership | | Total |
|---|---|---|---|---|---|
| | | | Government hospital | Private hospital | |
| Original | count | Government Hospital | 97 | 3 | 100 |
| | | Private Hospital | 5 | 95 | 100 |
| | % | Government Hospital | 97.0 | 3.0 | 100.0 |
| | | Private Hospital | 5.0 | 95.0 | 100.0 |
| Cross-validated[a] | count | Government Hospital | 97 | 3 | 100 |
| | | Private Hospital | 5 | 95 | 100 |
| | % | Government Hospital | 97.0 | 3.0 | 100.0 |
| | | Hospital | 5.0 | 95.0 | 100.0 |

**Table No.6 Classification Results[b,c]**

| | | | |
|---|---|---|---|
| Private<br>Hospital | | | |

a. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

b. 96.0% of original grouped cases correctly classified.

c. 96.0% of cross-validated grouped cases correctly classified.

**Conclusions:**

The study concludes that the patient satisfaction measures that discriminate between Government and Private Hospitals are faith and confidence towards doctors and best care received. Hospitals must undertake measures to enhance patients faith and confidence on doctors such that patient satisfies with the doctor and communicate well about the doctor with others. Patient faith and confidence on the doctor will enhance not only the reputation of doctor but also reputation of hospital. Hospitals should strengthen the positive attitude among the hospital personnel so that patients develop faith and confidence. They need to concentrate on removal of negative opinion by providing better care to the patients without any prejudice. Patients generally select those hospitals which provide best care and continue to visit in future as they develop a sense of sentiment which is beyond reason and also heartfelt satisfaction. The satisfaction felt due to best care is spread across the patient population through word of mouth communication and provide positive image both to the doctor and hospital.

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# Confirmatory factor analysis: An empirical study of the four- wheeler car buyer's purchasing behavior

**Shailesh K. Kaushal***

* Assistant professor, Department of Business Administration, University of Lucknow, Lucknow-U.P. kaushal_sk1971@yahoo.com

***Abstract***

This *paper is an attempt to examine the buyer behavior in reference to car purchase intentions and automobile marketing strategies in Uttar Pradesh. 400 car buyers completed self administered surveys regarding their attitudes toward car purchasing in Uttar Pradesh. The paper first uses both exploratory and confirmatory factor analysis to examine the factor structure and psychometric properties of these items. The car purchasing behavior of the buyers were identified by 39 items and captured in five dimensions by conducting exploratory factor analyses. Structural Equation Modeling (SEM) using AMOS version 16 was utilized for model testing and to verify the five dimensions of car buyers purchase intentions. Confirmatory factor analyses successfully validated the items used to measure five dimensions of car buying intentions. This research study identified five dimensions of car buyers' purchase intentions are labeled as safety & security, quality, performance, value and technology. The car buyers purchase intention influenced by several factors. This study will help the automobile manufacturer and car dealers to understand the buyers buying behavior and help them to make their marketing strategies accordingly. The study validates the usefulness of five factors such as safety & security, quality, performance, value and technology and these dimensions are better predictor of buyers' purchase intention towards cars.*

**Keywords: Car buying behavior, Influencing factors, Confirmatory factor analysis**

## 1. Introduction

India is an emerging market for worldwide auto-giants. Due to low cost of labor many multinational companies are investing in India. Its automotive industry has grown very rapidly from the middle of 1990's. Indian automobile sector has huge demands from its own country. This demand also attracts the giant automobile suppliers throughout the world to come and invest in the Indian automotive industry. Car purchasing decisions are high involvement: the product is complex, there are considerable costs associated with poor decisions, and the transaction involves a high financial cost. The focus of this paper is to provide a framework to study markets for cars. One look at the automobile industry can help us identify two important characteristics about cars. First, cars are durable goods: you usually buy a car with the intention of keeping for a long period of buying the car and trying it out. The market is customer driven with safety & security, esteem, operational, value and technology being the key drivers. Automobile buying falls on to the time; further, you can buy a used or a new car, since it is an industry with a well-developed secondary market. But cars are also experience goods: you cannot ascertain every characteristic of the car before buying the car as far as your utility function is concerned. You can learn a lot about cars before buying them, but you still learn a lot after driving them; in particular, you learn whether they are a good match or a bad match for you. The paper represents a contribution to both the literature on experience goods and the one on cars. In models of experience goods, consumers do not have complete information about some characteristics of the car, either because those characteristics are unobservable and cannot be determined before purchase, or because the consumer is unsure about the effect of such characteristics on their own utility, even though they may be observed.

The only way to learn is by category of complex buying behavior because customers are highly involved in a purchase and perceives significant differences among brands. Thus customers will pass through a learning process. Moreover, attitudes of others can come in between purchase intention and purchase decision (Kotler & Armstrong, 2006). As per the research conducted by Kotwal (2009), face off buyers now prefer to have cars with the space, comfort and luxury of a mid size saloon or sedan (Kotwal, 2009). With the growing affluence and technological advancement, there develops a certain maturity in taste, as evidenced by the growing popularity of the Indian Hatchback market. Many customers buy cars with the space and comfort, less the boot, as it is easy to negotiate in our ever-increasing congested cities. That is where the premium hatchback commands a respect in its segment. Though they are costing more money, customers buy them for their practicality and comfort they offer, without sacrificing the feel-good factor.

The study aimed to study the car buyer in order to analyze influencing factors. Purchase intentions were presumed to be the outcome of numerous antecedents – safety & security, quality, performance, value and technology. A set of 14 items were identified out of 39 items after rounds of discussion with the industry representatives and car users. The study would have significant implications for the manufacturer in terms of revisiting the proposed positioning. The first factor in our study is ***Safety and security:*** As far as the safety and security are concerned consumers pay more for additional product attributes, such as engine capacity, brakes, and air bags. Consumers will reflect on the added value of such attributes and will be willing to pay more for them, if the benefits of the attributes are perceived as outweighing the additional cost. However, consumer choice is largely dependent on the way in which different options are framed. Standard economics attempts to understand car purchasing behavior by assuming that individuals weigh-up the relative advantages from purchasing a car with a given set of attributes, against the lifetime costs, compared to alternative purchases. Within this it is assumed that consumers mentally 'score' different purchase options based on their preferences and purchase the vehicle that scores highest. Once a particular vehicle has been chosen consumers are offered optional 'extras' such anti-lock braking systems. These additional purchasing decisions are made based on the perceived additional utility they each provide. the major technological issues which are important currently are increasing energy efficiency, competency of internal combustion engine , reducing the weight of vehicles, incorporating high-tech safety features, etc. (Montero (2001). Second factor relating to ***Quality:*** Consumer needs are sometimes guided and accentuated by the personal vanity and self emancipation considerations. People want to have some high esteem in the society, and they seem to think that they can obtain a high societal value, if they own a high value passenger car and attribute the possession of such a vehicle, as a means of achievement in their life. This was conceptualized by Netemeyer, Burton, Scott, and Lichtenstein (1995). They devised an individual difference variable, which is consisting of personal vanity and achievement vanity (Netemeyer, Burton, Scott, & Lichtenstein, 1995). Third factor considered as ***Performance:*** Standard economic theory allows for a wealth of factors to be valued by consumers or to be the subject of consumer preferences (including functional qualities like cost, fuel efficiency and performance, as well as more subjective qualities like design preference), what it does not tend to allow for are the other cognitive and situational factors that may also influence consumer deliberations during the purchasing of a new car. Evidence from behavioral economics and marketing highlights many ways in which consumer preferences can be both constrained and overridden by these additional cognitive and situational factors. Fourth factor of this study defined as ***Value:*** The impact that price has on consumer behavior can be influenced by in-store marketing, such as special offers, by the prices of similar products and by consumer perceptions of changes in price. Policy should work with retailers to encourage price promotions on environmentally-preferable products. Although price incentives may initially cause consumers to react to price changes, consumer valuations of prices tend to change over time. This means that as consumers adapt to higher prices, initial changes to consumer behavior may not be maintained. Financial levers that increase over time can overcome this problem. Pricing of automobiles is a complex issue as it is dependent on fixed cost, economies of scale, technology and other aspects. Competition and consumer demand also play important role in this. Currently, most of the automobiles companies consider price reduction as major strategic move for survival. For price reduction, companies need to take series of decisions at every stage of production and selling; starting from managing factors of production and supply chain to negotiation with dealers. Price is one of the factors that influence sales variability of products and services significantly. Consumers have a tendency to overvalue the short-term and undervalue the future so tend not to consider the long-term running costs associated with products. Researcher selected ***Technology** as the fifth factor**:*** Technology enhancements have allowed automobile manufacturers to reduce automotive emissions and improve fuel economy per vehicle in the last few decades. However, until manufacturers offer emission-free vehicles, such as ones powered by fuel cells, vehicles will continue to contribute to air pollution. Indeed, with growth in population and wealth and fairly low fuel costs, demand for individual transportation and vehicle miles traveled will likely increase. The freeing of the industry from restrictive environment has on the one hand helped it to restructure, absorb newer technologies, align itself to the global developments, and realize its potential; on the other hand, this has significantly increased industry's contribution to overall industrial growth in the economy. The firms have resorted to common platforms, modular assemblies, and systems integration of component suppliers.

## 2. Literature review

**T**here is no dearth of literature on consumer buying behavior relating to car. Researchers from all parts of the world have tried to analyze the buying behavior of car users, their significance, limitations, challenges etc. from different angles. The following are some of the studies and their relevance to the researcher's area of research. Research by Sagar, Ambuj and Chandra (2004) showed in their approach paper (Sagar, Ambuj, & Chandra, 2004) as to how the Indian car industry has leaped forward technologically, driven by a confluence of factors such as intense competition, demanding consumer preferences, government policies (especially tightening emission standards), and the global strategies of the various players. They elaborate that cars manufactured in India are based on designs, incorporating advanced technologies, that are often comparable with those available globally and Indian car exports are also growing. A study by Lang motors (2007) found a list of 20 factors to be the most important factors that influence purchase of car. They are as follows 1 - Reliability / Dependability, 2 – Exterior Styling, 3 - Price / Cost to Buy, 4 - Interior Comfort, 5 - Value for the Money, 6 - Fun to Drive, 7 - Reputation of the Manufacturer, 8 - Quality of Workmanship, 9 – Engine Performance, 10 - Road-holding / Handling, 11 – Fuel Economy, 12 - Storage and Cargo Capacity, 13 – Ride Quality on Highway, 14 - Durability / Long Lasting, 15 - Safety Features, 16 - Future Trade-In / Resale, 17 - Length of Warranty, 18 - Rebate / Incentive, 19 - Discount / Value Package, 20 - Environmentally Friendly Vehicle. Similarly a study by Power and associates (2005) listed the following nine to be the most important reasons for car purchase - 1 Styling, 2 Reliability, 3 Costs too much, 4 Poor quality, 5 Resale value, 6 Too small, 7 Lacked performance, 8 Didn't offer incentives, 9 Poor gas mileage. A study published in Anonymous (2008a) UK found for as many as 71% of customer price was the most important factor, followed by fuel economy, running costs, fuel type and vehicle excise duty costs. Similarly an article published in Anonymous (2008b) quoted After Price; Reliability is the number one factor for buyers. Car buyers' rate reliability over fuel efficiency as their primary decision makes. Fuel efficiency and safety rank second and third in importance Performance not a top priority for most car buyers. Most of the recent research into customer perception and behavior in the automobile has been driven by researchers (Haubl, 1996; Iacobucci, *et al.* 1996; McCarthy *et al*., 1992; Purohit, 1992; Sullivan, 1998; Rosecky and King, 1996). The major research focus has been on low priced segment rather than the luxury segment, where brand concept image plays a key role in purchase decision making. Therefore, they have neglected customers' individual differences (especially 'attitudes' and 'specificity') that provide different perceptions towards the automobiles (Jahoda, 1966; Festinger, 1964; Rosecky and King, 1996; Markin, 1969). These research focus on the beliefs that automobiles' customers about 'product-related attributes' (Keller, 1993), functional, tangible, visible characteristics (Kapferer, 1997), or utilitarian needs (Havlena and Holbrook, 1986; McClelland, 1951).

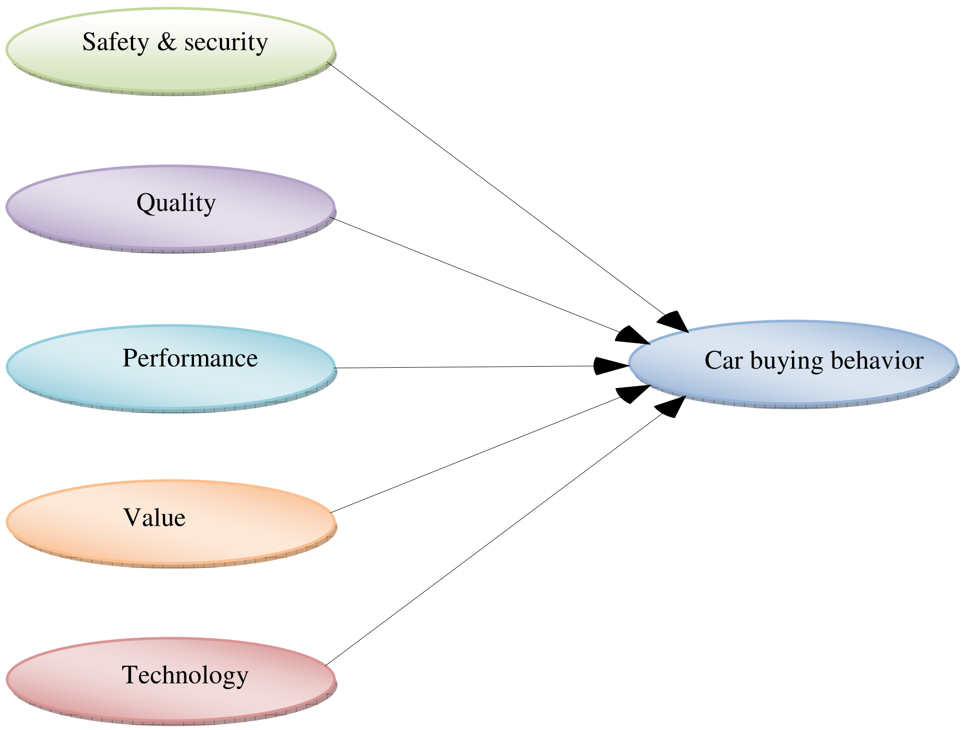
**Respondents' Profile: Table-1: Respondents' profile**

| Demographic Variables | | Percent |
|---|---|---|
| Education | Intermediate | 3.5% |
| | Graduates | 16.2% |
| | Post graduates | 28.7% |
| | Professionals | 51.6% |
| Occupation | Govt. job | 34.2% |
| | Private job | 25.1% |
| | Self-employed | 4.5% |
| | Unemployed | 5.7% |
| | Students | 30%. |
| Age(in Years) | 16-25 | 31.3% |
| | 26-35 | 27.6% |
| | 36-45 | 20 %, |
| | 46-55 | 14.7% |
| | Above 55 | 6.3% |
| Gender | Male | 47.00% |
| | Female | 53.00% |
| Income (Rs.) | Below 20,000 | 25.64% |
| | 20,001- 40,000 | 24.38% |
| | 40,001- 60,000 | 17.83% |
| | Above 60,001 | 32.15% |

The profiles of respondents are as in table 1. **Education:** Intermediate-3.5%, Graduates-16.2%, Post graduates-28.7%, Professionals-51.6%. **Occupation:** Govt. job-34.2%, Private job-25.1%, Self-employed-4.5%, Unemployed-5.7%, Students-30%. **Age:** 16-25 year- 31.3%, 26-35 year- 27.6%, 36-45 year- 20 %, 46-55 year-14.7% and above 55 year- 6.3%, **Gender:** Male -47 % and Female- 53%, **Income:** Less than Rs.20,000 p.m.- 25.64 %, Rs.20,001-40,000 p.m.- 24.38%, Rs.41,000-60,000 p.m.- 17.83%, & Above Rs.60,001 - 32.15%.

**Conceptual framework:** The present research focuses on five influencing factors of buying the car that help to classify the car users, are examined in detail.

**Figure-1: Conceptual model for influencing factors of car**




**1. Safety & security –** Safety continues to be a top consideration for consumers. Automakers in general have been making improvements to vehicle structures and safety systems over time, but not all cars provide comparable protection. It is important for shoppers to look beyond a list of features to see how they perform.

**2. Quality –** Quality means different things to different car buyers everything from reliability to fuel efficiency to utility. In this research paper quality concerned with the exterior, interior and features of the car such as air conditioner, durability etc.

**3. Performance –** Performance means speed, acceleration, comfort, and brakes of the car. The cars typically deliver 0-60 mph acceleration times of a quick seven seconds or less, produce among the best results in our accident-avoidance maneuver tests, and are generally fun to drive. The automaker has consistently increased the power output of its engines while emphasizing fuel economy.

**4. Value** – The term "value" can be open to personal interpretation; it is clear that car buyers are looking to get the most for their money, including a good car at a good price. Value-conscious car shoppers can find significant savings on vehicles.

**5. Technology-** Car manufacturer presents advanced technology in its vehicles, with sophisticated entertainment and safety systems, several hybrid power trains, fuel-efficient & low-emissions. They are also offering entertainment system, which provides an increasing array of music playback, voice recognition, and connectivity features.

**Objective of the study:** Study the influencing factors of buying behavior of car users.

## 3. Research Methodology

In order to measure the influencing factors of buyers for car, the method of purposive sampling was employed whereby the respondents had to fulfill the criteria of having the car before even if they had not made any purchases. A total of 400 respondents were selected from the four metro cities (Lucknow, Varanasi, Allahabad, and Kanpur) of Uttar Pradesh. The questionnaires were personally hand-delivered to car users. The questionnaire was developed with the help of literature, consultation with academicians and car users. Respondents were asked to rate the 39 statements relating to cars. Responses to all the statements in the questionnaire were measured on five-point Likert scale, ranging from 1= strongly disagree to 5= strongly agree. Demographic information such as gender, age, and income was also collected. The validation of survey instrument was checked through pilot testing of 100 respondents and variables were finalized after ensuring the balanced approach and objectivity of the survey. A proposed hypothetical Model was developed for the purpose of applying SEM (Structural Equation Modeling). Collected data were processed in the statistical software package of SPSS-17 and AMOS-16 (Analysis of Moment Structure) used to prove the hypothetical model and checked by goodness -of -fit model index shows the model fit.

## 4. Analysis and Discussion

**Exploratory factor analysis:** The exploratory factor analysis was used in order to identify the various influencing factors of purchasing the car. Principal Component analysis was employed for extracting factors and orthogonal rotation with Varimax was applied. As latent root criterion was used for extraction of factors, only the factors having latent roots or eigen values greater than one were considered significant; all other factors with latent roots less than one were considered insignificant and disregarded. The extracted factors along with their eigen values are shown in table-2. The factors have been given appropriate names on the basis of variables represented in each case. The names of the factors, the statements, the labels and factor loading have been summarized in table -2. There are five factors each having eigen value exceeding one for car's influencing factors. Eigen values for five factors are 3.865, 2.823, 1.843, 1.533, and 1.137 respectively. The 14 items were subjected to EFA and a final five-factor model was estimated, while none of the items exhibited low factor loadings (<0.40) or high cross-loadings (>0.40). The five -factor solution accounted for 77.280% of the total variance, and exhibited a KMO measure of sampling adequacy of 0.875. It is a pretty good extraction because we are able to economize on the number of choice factors (from 14 to 5 underlying factors), we lost 22.72 % of information content for choice of variables. The percentages of variance explained by factors one to five are 24.759, 19.463, 17.743, 10.372, and 4.943 respectively. Large communalities indicate that a large number of variance has been accounted for by the factor solutions.

**Table-2: Exploratory factor analysis results**

| Statements | Factor - 1 | Factor -2 | Factor -3 | Factor -4 | Factor-5 | Communalities | Composite reliability (α) |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Safety & Security-1 | 0.783 | | | | | 0.570 | 0.846 |
| Safety & Security-2 | 0.756 | | | | | 0.611 | |
| Safety & Security-3 | 0.631 | | | | | 0.595 | |
| Quality-1 | | 0.718 | | | | 0.574 | 0.773 |
| Quality-2 | | 0.628 | | | | 0.520 | |
| Quality-3 | | 0.861 | | | | 0.570 | |
| Performance-1 | | | 0.736 | | | 0.582 | 0.821 |
| Performance-2 | | | 0.845 | | | 0.662 | |
| Performance-3 | | | 0.761 | | | 0.346 | |
| Value-1 | | | | 0.883 | | 0.663 | 0.885 |
| Value-2 | | | | 0.667 | | 0.462 | |
| Value-3 | | | | 0.689 | | 0.488 | |
| Technology-1 | | | | | 0.676 | 0.536 | 0.764 |
| Technology-2 | | | | | 0.694 | 0.468 | |
| % of Variation | 24.759 | 19.463 | 17.743 | 10.372 | 4.943 | | |
| Cumulative % of Variation | 24.759 | 44.222 | 61.965 | 72.337 | 77.280 | | |

The first factor, safety & security conscious buyers, accounted for the largest proportion, that is, 24.759% of the total explained variance. This factor was defined by three scale items and was primarily related to the air bags, engine capacity, and brakes of the car. The second factor, quality conscious buyers, explained 19.463% of the variance and was constructed by three scale items, which were primarily associated with the concept of quality i.e. exterior, interior and air conditioner of the car, namely, quality conscious buyers. The third factor, performance conscious buyers, explained 17.743% of the variance and was constructed by three scale items, which were primarily associated with fuel efficiency, comfortably and availability of the car. The fourth factor, value conscious buyers, explained 10.372% of the variance, and encompassed three items related to value i.e. resale value, less price and diesel engine of the car. Finally, fifth factor, technology conscious buyers, explained 4.943% of the variance, and associated with foreign collaboration cars and latest technology of the cars. Varimax rotated factor analysis results for car's influencing factors are shown in table -2 which indicates that after five factors are extracted and retained the communality is 0.570 for variable1, 0.611 for variable 2 and so on. It means that approximately 77.280% of the variance of variable1 is being captured by five extracted factors together. The proportion of the variance in any one of the original variable which is being captured by the extracted factors is known as communality (Nargundkar, 2002). The resultant empirical factor structure indicated that the safety & security conscious buyers items form a first factor while some other factors quality conscious buyers, performance conscious buyers , value conscious buyers and technology conscious buyers formed the second, third , fourth and fifth factor respectively.

1. **Safety & Security conscious buyers -** This factor is most important factor which explained 24.759% of the variation. The statements as "Air bags should be standard feature of passenger cars" (0.783), "Engine capacity is important part of the car" (0.756), "Brakes of a car are its most critical parts" (0.631), are highly correlated with each other. These statements reflect Safety & Security conscious of buyers using cars; hence, the researcher names this segment as Safety & Security conscious buyers.

2. **Quality conscious buyers –** Second kind of factor explained 19.463% of the variances. In this segment, researcher took the three important variables such as "Exteriors of the car should be attractive" (0.718), "Interiors of the car should be luxurious and attractive" (0.628), and "Air conditioner should be standard feature of the car" (0.861). These statements reflected Quality of the car i.e. researcher named these variables are Quality conscious buyers.

3. **Performance conscious buyers -** This factor explained 17.743% of the variations. "Fuel efficiency of a car is more important rather than its appearance" (0.736), "Car should be comfortable to drive even for long journey" (0.845), and "I prefer to buy a car whose spares parts are easily available" (0.761). These statements show performance of the car hence researchers named this segment as Performance conscious buyers.

4. **Value conscious buyers** – Fourth type of factor explained 10.596% of the variances. In this segment, three important variables explained such as "Car should have good resale value" (0.883), "I want to buy cheap car" (0.667) and "Diesel driven cars are more economical rather than petrol driven ones" (0.689). These statements reflected quality conscious buyers i.e. researcher named these variables quality conscious buyers.

5. **Technology conscious buyers -** Fifth kind of factor explained 10.372% of the variances. In this segment, two important variables described such as "I think foreign collaboration cars are always quality products" (0.676) and "The car should incorporate latest technology" (0.694). Both the statements reflected technology of the cars i.e. researcher named this variable Technology conscious buyers.

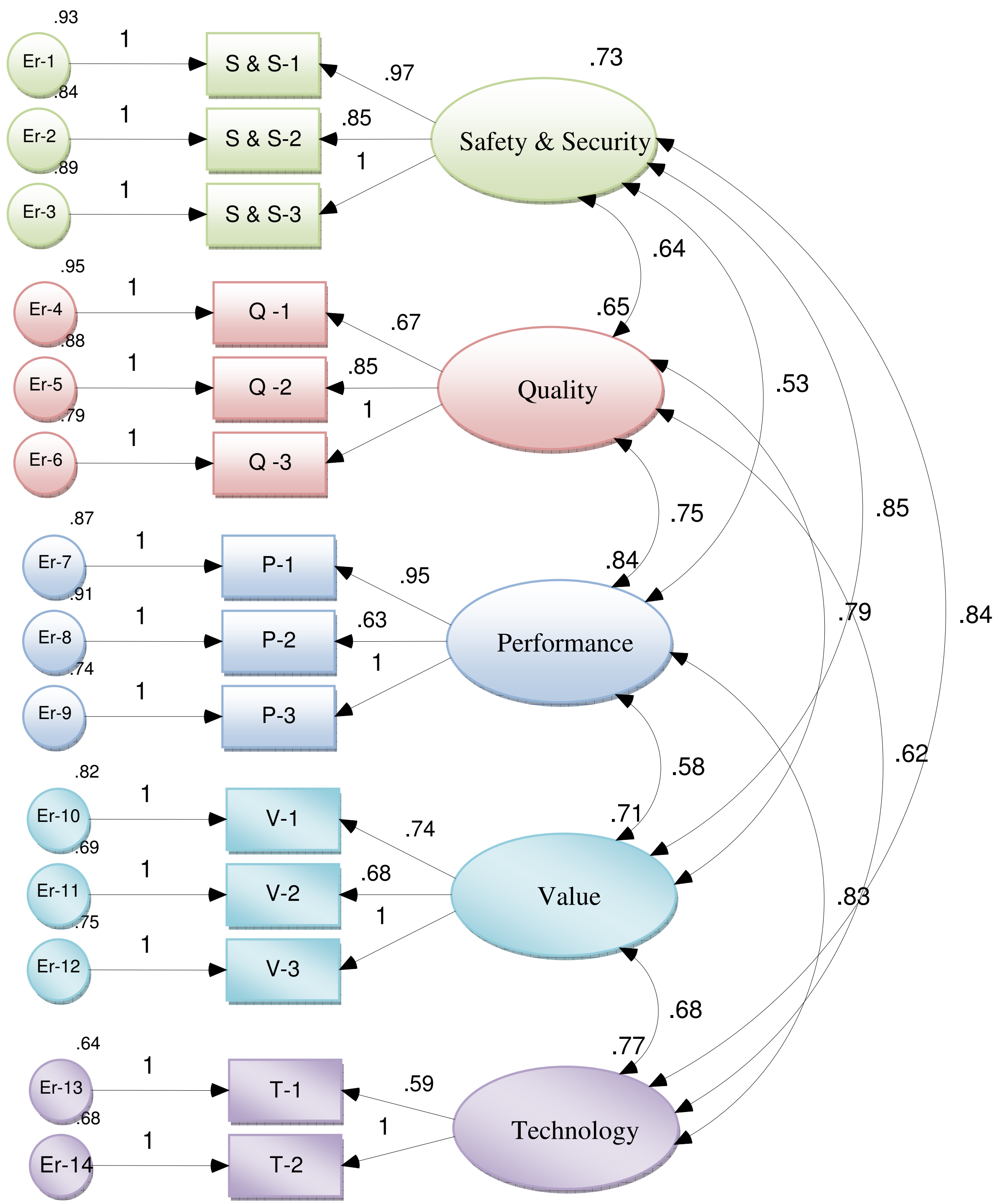



**Figure-2: Confirmatory Factor Analysis of Five Basic Dimensions**

**Confirmatory Factor Analysis:** In order to further test the validity of the measures used in the study, CFA using Amos 16 was conducted (Byrne, 2006).Confirmatory factor analysis with partial disaggregation was performed on the five dimensions of car' influencing factors. The partial disaggregation technique was applied instead of the traditional structural equation approach (or total disaggregation) although the traditional disaggregation technique provides the model detailed analysis for construct testing (each item is used as a separate indicator of the relevant constructed), it has a tendency to be cumbersome due to potentially high levels of random error in typical items and the many parameters that must be estimated. In contrast, partial disaggregation allows one to proceed with meaningful research by combining items into composites to reduce higher levels of random error and yet it retains all the advantages of structural equations, including accounting for measurement error, allowing for multiple, multidimensional variables and testing for hierarchal factor structures. To operationalized partial disaggregation in this study, items that relate to a given construct (dimension) were combined to create two composite indicators for each construct instead of several single-item indicators. The factor loadings and covariances obtained from the confirmatory factor analysis are as shown in figure-2. The chi-square is a badness-of-fit measure in the sense that a small chi-square corresponds to good fit and a large chi-square to bad fit. A number of fit measures that take particular account of the error of approximation in the population and the precision of the fit measure itself have been proposed (Browne & Cudeck, 1993). The Root Mean square Error of Approximation (RMSEA) is suggested to be used as a measure of discrepancy per degree of freedom (Browne & Cudeck, 1993; Steiger, 1990). The lower the RMSEA values; the better it is, with maximum acceptable values between 0.08 and 0.09. Further, to eliminate or reduce the dependence of chi-square on sample size, the values of the Goodness-of-Fit (GFI) and Adjusted Goodness-of-Fit (AGFI), Tucker Lewis index (TLI), Comparative fit index (CFI) and Normalized fit index (NFI) were used. The sore obtained from the analysis suggested an excellent fit between the data and the model ($X^2$ =289.593, degree of freedom = 167, GFI = 0.953, AGFI = 0.938, TLI = 0.952, CFI = 0.963, NFI = 0.932, RMSEA = 0.044) all the fit indices comply with the values recommended by (Heir *et al.,* 1998) and Arbuckle and Worthke(1995) except for chi-square/ degree of freedom.

**Table- 3: Fit Statistics in the structural Equation Model**

| S.No. | Goodness- of -fit model index | Recommended value* | Car' influencing purchasing model |
|---|---|---|---|
| 1. | Chi-square/degree of freedom** | ≤ 2.00 | 1.734 |
| 2. | Goodness-of-index (GFI) | ≥ 0.90 | 0.953 |
| 3. | Adjusted goodness-of-index (AGFI) | ≥ 0.90 | 0.938 |
| 4. | Tucker –Lewis index (TLI) | ≥ 0.90 | 0.952 |
| 5. | Comparative fit index (CFI) | ≥ 0.90 | 0.963 |
| 6. | Normalized fit index (NFI) | ≥ 0.90 | 0.932 |
| 7. | Root mean square of approximation (RMSEA) | ≤ 0.08 | 0.044 |

*These criteria are according to Arbuckle and Worthke (1995) and Hair et al (1998)

**Reliability and Validity Results:** Construct reliabilities were computed for the overall scale as well as at the dimension level. The results of the test indicated that the car' influencing variables are a very much reliable instrument, registering an overall Cronbach alpha value of 0.835. All of the dimensions recorded coefficient alphas above 0.70, adhering to the minimum value of 0.70 suggested by Nunnally (1978). Hence, the internal consistency reliabilities of the measures used in this study were all acceptable. Next, the validity of the instrument is assessed using two methods; content validity and discriminant validity. Content validity refers to the degree which an instrument covers the meaning of the concepts included in a particular research (Babbie, 1992). For this study, the content validity of the proposed instrument is adequate enough because the instrument has been carefully constructed, supported by an extensive literature review. Now, we also endeavored to test the discriminant validity of this instrument. Discriminant validity gauges the extent to which measures of 2 different constructs are comparatively distinctive from each other, and that their correlation values are neither an absolute value of 0 nor 1 (Campbell and Fiske, 1959). Composite reliability should be greater than 0.7 to indicate reliable factors (Hair et al 1995).This research paper, all the composite reliability coefficient are greater than 0.7 indicating reliability of all 39 variables. Now, composite reliability, variance extracted and cronbach alpha coefficient values for all buying motivations of car' variables greatly exceeded the minimum acceptable values. This research indicated that measures were free from error and therefore yielding very consistent results (Zikmund, 2003). These tests showed that our data are reliable and valid for this research. A correlation analysis was run on all the dimensions of car' influencing factors and the results are as presented in Table-4. It is found that all the dimensions are not perfectly correlated as their correlation coefficients fall between 0 and 1, hence establishing the discriminant validity of the car' influencing purchasing model.

**Table 4: Correlation results**

| Dimensions | Safety & Security Conscious Buyers | Quality Conscious Buyers | Performance Conscious Buyers | Value Conscious Buyers | Technology Conscious Buyers |
|---|---|---|---|---|---|
| Safety & Security Conscious Buyers | 1.000 | | | | |
| Quality Conscious Buyers | 0.442** | 1.000 | | | |
| Performance Conscious Buyers | 0.375** | 0.334** | 1.000 | | |
| Value Conscious Buyers | 0.204** | 0.435** | 0.336** | 1.000 | |
| Technology Conscious Buyers | 0.193* | 0.223** | 485** | 0.332** | 1.000 |

**Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

**Relative importance of the five dimensions:** In order to determine the relative importance of the five dimensions in influencing buyer' overall preference for purchasing the car we regress the overall buying motivations for the individual dimensions. The results of such a regression analysis are shown in table-5. The adjusted $R^2$ value is statistically significant. The first dimension, Safety & Security conscious buyers are most critical dimension for purchasing the car. Quality conscious buyers are the second most important dimension. A striking result in terms of the dimensions in predicting overall buyer preferences is that Performance conscious buyers, Value conscious buyers and Technology conscious buyers are the least important dimensions for car' influencing factors.

**Table-5: Relative importance of the five dimensions in predicting overall buying motivations of car**

| Dimensions | Standard Coefficient | Significance Level | Adjusted $R^2$ |
|---|---|---|---|
| Safety & Security Conscious Buyers | 0.562 | 0.000 | 0.921 ($p<0.000$) |
| Quality Conscious Buyers | 0.373 | 0.000 | |
| Performance Conscious Buyers | 0.246 | 0.005 | |
| Value Conscious Buyers | 0.205 | 0.004 | |
| Technology Conscious Buyers | 0.188 | 0.000 | |

**Findings and Discussion**

The result of the initial estimation of the CFA was shown a well-fitting model. From the output of KMO and Bartlett's Test (Table -6) it was absolutely clear to the researcher that samples taken were absolutely accurate and sampling accuracy was 0.875, which was far greater than 0.6 (Coakes & Steed, 2001). From the Exploratory factor analysis results (Table -2) it is found that Factor-1 was loaded with the significant variables Air bags with loading 0.783 , Engine capacity with loading 0.756, Brakes with loading 0.631. For Factor -2 the significant variables were: Exteriors (0.718), Interiors (0.804) and Air conditioner (0.861). The factor-3 the significant variables were found: Fuel efficiency (0.736), Comfortable (0.845), and availability of Spares parts (0.761). For Factor-4, Resale value (0.883), Cheap car (0.667) and Diesel engine (0.689). Finally for Factor -5, the significant variables are Foreign collaboration with loading value 0.676 and Latest technology with loading value 0.694. From the factor analysis it is clear that Air bags, Engine capacity, Brakes, Exteriors, Interiors, Air conditioner, Fuel efficiency, Comfortable, Spares parts, Resale value, Cheap car (economical), Diesel engine, Foreign collaboration, and Latest technology are the important variables for buying the car.

**Table-6: KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | 0.875 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1368.040 |
| | Degree of freedom | 780 |
| | Sig. | .000 |

**Implications of the research findings:** This study was focused on the identification of influential variables that lead buyers to choose a car. The research findings may help automobile manufacturer, car dealers, and policy-makers of car to understand what key factors helped implement successful marketing strategies in the automobile market. These results are likely to help academicians and marketers to collect information and plan appropriate marketing strategies based on the three above components, which they prefer to develop. The selection of appropriate target markets, the development of strong car image, promotion, and operation for domestic market may be recommended as specific marketing plans. More specific implication supported by buyers in this study is that car manufacturing organizations might need to play an important role as facilitators between company and car dealers for market development. The establishment of effective linkages between car manufacturing companies and car dealers is recommended in order to improve market competitiveness in the long run. Lastly, establishing effective price strategies in providing different levels of quality and various types of attribute experiences can be recommended for developing market as a competitive business for the Uttar Pradesh. By this study the academicians, therefore, can get an idea about the theory application in marketing research.

**Limitations and further research:** Different limitations are found in this study and they should be addressed to encourage more sound research in the future. This study investigated the influential variables that lead buyers to purchase the car. A study of a representative sample of general buyers can vary the findings of this study that are applicable to the general people. Only 400 car buyers were taken as respondents for the study from the four metro cities (Lucknow, Varanasi, Allahabad, and Kanpur) of Uttar Pradesh. Further research may be conducted to assess professionals' perceptions of different brands of car. The surveyed data were only collected from four metro cities of Uttar Pradesh. This study somewhat limited in its selection of observed variables. Even if those observed variables were selected based on the survey, other variables may exist to achieve further insights of car selection. This study did not include any preferences and satisfaction variables to see what and how much choice works in the market. There is a need to conduct research regarding different angles of car and find their impact on the buying behavior of car buyers, for which differences can be compared if research is conducted separately in the groups of different demographical basis and some other variables also should be considered. This proposed research can bring to surface the true association of buying motives of the buyers buying behavior towards car and will also facilitate in identifying the main factors accelerating the buying behavior in car buyers and it will definitely help practitioners in improving their marketing strategies regarding products sales.

**5. Conclusion:** Basically this study considered the effect of car attributes on buyers as well as its relationship to buyer's preferences. As in other industries, the scenario in domestic Indian Automobile Industry in India is quite different. Very little empirical research has been conducted on the Indian automobile industry. Moreover, no organized study has been conducted in the area of passenger car industry, with specific reference to the State of Uttar Pradesh. With the boom of many latest car manufacturers launching their product in the Uttar Pradesh, the study will definitely benefit the stakeholders of car manufacturers, dealers, financing agencies. This research paper divided car buyers into five factors. The first factor considered as Safety and Security. The safety and security buyers are pay more attention towards product attributes, such as engine capacity, brakes, anti-lock braking systems, increasing energy efficiency, competency of internal combustion engine, reducing the weight of vehicles, air bags and incorporating high-tech safety features. Car buyers will reflect on the added value of such attributes and will be willing to pay more for them, if the benefits of the attributes are perceived as outweighing the additional cost. Quality was second factor of this study; car buyer's needs are sometimes guided by exterior, interior, and air conditioner of the car. Buyers from this segment feel proud when they get these features. Buyers want to have some high esteem in the society, and they seem to think that they can obtain a high societal value, if they own a high value passenger car. Third factor relating to Performance of the car, buyers prefer to buy to buy a car which gives functional qualities like cost, fuel efficiency, comfort, availability of spare parts and smooth functioning, as well as more subjective qualities like design preference. These attributes influence the buyers to purchasing a new car. Value i.e. fourth factor plays very important role to buy the car. The impact that value has on buyer behavior can be influenced by resale value, cheap car, economy, availability of finance. Last but not least, technology motivates the buyer to buy the latest technology. These buyers also influence by the foreign collaborative technology. The study result could also be utilized by these car manufacture and dealers, to formalize and strategies their policies towards an effective marketing strategy. The parameters developed in this paper and the model which has been conceptualized would be further utilized in an extensive research study and quantitative analysis, which will be undertaken subsequently.

**Annexure-1: Measures of car's influencing items used in the study**

| Code | Statements |
|---|---|
| 1 | Car finance companies have made the purchase of a bike easy for middle class families. |
| 2 | I generally wait to learn, how good a new product is, before trying it. |
| 3 P-1 | Fuel efficiency of a car is more important rather than its appearance. |
| 4 V-1 | Car should have good resale value. |
| 5 P-2 | Car should be comfortable to drive even for long journey. |
| 6 | Car should look attractive whatever the cost it may occur. |
| 7 Q-1 | Exteriors of the car should be attractive. |
| 8 | I feel proud when I drive the Car. |
| 9 | A car should offer wide variety in color range. |
| 10 T-1 | The car should incorporate latest technology. |
| 11 | I think car is status symbol for me. |
| 12 | Car gives me sense of independence. |
| 13 | I enjoy when I drive the Car. |
| 14 | Car is a necessary product nowadays. |
| 15 V-2 | I want to buy cheap Car. |
| 16 T-2 | I think foreign collaboration cars are always quality products. |
| 17 | I want to buy a good quality product even at higher price. |
| 18 | I always first look at the brand name before buying. |
| 19 | I want to own a car when new model is introduced in the market. |
| 20 P-3 | I prefer to buy a car whose spares parts are easily available. |
| 21 | Pickup of a car is its most critical part. |
| 22 | It is good to buy car on installment basis. |
| 23 | Anti-lock braking system helps to maintain better steering control. |
| 24 Q-2 | Interiors of the car should be luxurious and attractive. |
| 25 S & S-1 | Air bags should be standard feature of passenger cars. |
| 26 Q-3 | Air conditioner should be standard feature of the car. |
| 27 | Warning lights should be flash if door is not properly shut. |
| 28 | Automatic fuel flap and trunk opener is must for a car. |
| 29 | Strong dealer and service network is very important. |
| 30 | The greater the safety, the greater your driving pleasure. |
| 31 | High impact safety bars on all doors should be standard feature of the car. |
| 32 | Car should have seating capacity for joint family. |
| 33 V-3 | Diesel driven cars are more economical rather than petrol driven ones. |
| 34 | Car should be durable for long term. |
| 35 | Dealer should provide better after sales service. |
| 36 | Car should have maximum luggage space. |
| 37 S & S-2 | Engine capacity is important part of the car. |
| 38 S & S-3 | Brakes of a car are its most critical parts. |
| 39 | Sitting space of the car should be comfortable. |

**Abbreviations:** S & S – Safety & security, Q- Quality, P-Performance, V-Value, T-Technology

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# The Effects of Exchange rate on the Trade Balance in the Sri Lankan Context after Post Liberalization.

**Sinnathurai Vijayakumar***
Senior lecturer, Department of Economics, University of Jaffna.Vijai114@gmail.com

***Abstract***

*Generally the developing countries have relied on devaluation of exchange rate as a tool in enhancing the trade balance and balance of payment. This is not different in the case of Sri Lanka. The study is based on two country model involving trade between Sri Lanka and the U.S.A. This study is based on secondary time series data from 1977 to 2010. The model I have recourse to is a model adopted by many researchers where the trade balance and real exchange rate are directly linked. The analysis is done by the use of statistical package Eviews includes the econometric procedures of Unit root test, Engle - Granger and Johansen technique for co- integration and also IRF analysis to test J curve effect along with multiple regression analysis. The aim of the study is to scrutinize the relationship among trade balance, real exchange rate and real income and to find out whether there is existence of J curve in the bilateral trade between Sri Lanka and United State. Several literatures in regard to the relationship between trade balance and exchange rate effect in globe shows fact that some empirical studies supported J curve and some other studies is did not. Similarly, Some Economists clearly mentioned that the devaluation may work better for industrialized countries than for developing countries. Many developing countries are exporting the commodities that are in elastic. Their price elasticity is less than one or in elastic. But they are importing the commodities that have inelastic demand. Therefore, devaluation of exchange rate does not produce a favorable effect on trade balance of developing countries. In case of Sri Lanka, The unit root test confirms that all variables make the series stationary. Therefore it can be stated that all variables are integrated of order 1. The Engle- Granger methodology has revealed that the variable in the model 1 are co integrated implying that a long run relationship exists between the variables. It is clear the fact that IRF analysis does not show any sign of the J curve. In brief, the result suggests that variables In TB, In RER, In RSL and In RUS are co- integrated. The result brings to light the fact that the real exchange rate has significantly positive influence on the trade balance of Sri Lanka both in the short- run and the long-run. However, evidence of J curve effect is non existence for trade between Sri Lanka and USA. The devaluation improving the trade balance in the short- run has repetitive tendency in the long-run.*

**Key words: Trade balance, Balance of payment, J curve, Devaluation, real exchange rate**

## 1. Introduction

Sri Lanka experienced several exchange rate regimes. At the very inception, Sri Lanka was operating under fixed exchange rate system. The first exchange rate regime change in Sri Lanka occurred in 1968 when a unified fixed but adjustable exchange rate was introduced as part of the Britton wood system .The exchange rate system which was in till 1977 did not provide favorable effect on the balance of payment of Sri Lanka. Therefore, a new exchange rate system, Managed floating exchange rate, was introduced in 1977 by the UNP (United Nation party). In 2001 free floating system was introduced and is still in operation. Sri Lankan government endeavored to find out a favorable or significant solution to the problem of balance of payment but the Sri Lankan government did not achieve the expected effect on balance of payment. The trade balance of a country is determined by number of factors such as exchange rate changes, monetary and fiscal policy, domestic and foreign income growth, supply shock and competiveness. Among these factors, change in exchange rate has been a significant factor in this analysis .According to the Marshall-Lerner condition and the Bickerdike-Robinson-Metzier conditions, currency devaluation would lead to the improvement of the trade balance and eventually have positive impact on the balance of payment. In policy making, the effect of exchange rate on the trade balance has been very important in the international trade literature. Because it is used in the policy making of every country. Thus, the paper will definitely help the Sri Lankan policy makers as well as other developing countries for policy making in regard to international trade and devaluation

## 2. Objective of Study and methodology

Generally the developing countries have relied on devaluation of exchange rate as a tool in enhancing the trade balance and balance of payment. This is not different in the case of Sri Lanka. This study tries to focus on the fact that change in exchange rate is a key determinant in the trade balance of Sri Lanka. In other words, the objective of the study is to examine trade balance and exchange rate relationship for Sri Lanka in her trade with United State of America if ML condition holds in the long run supporting J curve.

This study is fully based on secondary data and involves two country models in consideration of bilateral trade between Sri Lanka and the USA. The multiple regression model was employed to analyze the data. In this study, there are several variables such as trade balance, real exchange rate, real GDP of Sri Lanka and real GDP of the USA that are included in the model. The period of study ranges from 1977 to 2010.The entire analysis has been carried out with the use of econometric concepts of co integration and Granger causality test.

## 3. Literature Review

Weliwita and Hiroshi Tsujii (2000) undertook several studies in regard to the trade balance and effects of exchange rate. They examined the responsiveness of Sri Lanka's trade deficit to devaluation during the period of post-1977and 2010 using co integration and found out the results that notwithstanding persistent devaluation the trade deficit continued to move in the wrong direction suggesting that exchange rate policy was unable to create a favorable balance of trade position. Individual trade volumes also were not responsive to the changes in real exchange rates. While the increase in Sri Lanka's imports has a positive correlation with the rise in domestic income the growth in its exports is positively correlated with the rise in incomes in importing countries. This analysis did not identify long run equilibrium relationship between the trade balance RER, and real GNP. Rose (1990) examines the impact of real depreciation on the trade balance for 30 developing countries and finds lack of evidence that real depreciation would lead to an improved trade balance for Argentina, Brazil, Chile, Colombia, Peru, and Uruguay. Onafowora (2003) in his study of trade balance and exchange rate effects based on some countries like Thailand, Indonesia and Malaysia pointed out that generalized impulse response functions suggest that the ML condition holds in the long run with varying degree of J curve effects in the short run. These findings have some implications for these East Asian countries' bilateral trade with Japan and with the US. Based on the Marshall-Lerner condition, a continued depreciation of these East Asian countries currencies against the US dollar and Japanese yen is likely to lead to an improvement in their trade balance with the US and Japan.

However, this improvement occurred only 3 or 4 periods after a real devaluation. Bahmani-Oskooee and Malixi (1992) concluded the fact that there is evidence of a J-curve for Brazil and lack of support for a J-curve for Peru. They also find that several other shapes, such as the I-, M-, and N-curves, characterize the response of the trade balance to real depreciation in the short run and that real depreciation would lead to improved trade balance in 8 countries, including Brazil and Peru, in the long run. Bahmani Oskooee (2002) in his study based on Thailand, Germany, Japan, Singapore, UK, and USA mentioned the fact that there was evidence of J curve only in the bilateral balance between Thailand and Japan and between Thailand and United states. Bahmani-Oskooee and Alse (1994) critically examined the J-curve effect for twenty two developing countries and elucidated the fact that there is lack of evidence of a J-curve for Argentina, Brazil, Colombia, and Ecuador. Bahmani-Oskooee and Brooks (1999) tested the phenomenon by employing cointegration and error-correction modeling between the U.S. and her trading partners. They showed that while in the short-run the trade balance does not necessarily follow the J-Curve phenomenon, in the long-run it improves. Himarios (1989) also investigated the J curve phenomenon. Yusoff (2007) has investigated the long run relationship between Malaysia's trade balance and real exchange rate using co integration technique. In this study, He found out the results that real exchange rate depreciation improves the Malaysian balance of trade in the long run supporting the presence of J curve. Therefore, from the study of relationship between trade balance and exchange rate effect, we can understand that some studies supported J curve and some other studies is did not. Some Economists clearly mentioned that the devaluation may work better for industrialized countries than for developing countries. Many developing countries are exporting the commodities that are in elastic. Their price elasticity is less than one or in elastic. But they are exporting the commodities that have inelastic demand. Therefore, devaluation of exchange rate does not produce a favorable effect on trade balance of developing countries as expected. With regard to studies based on Sri Lanka, this fact is seemingly true. Yet it is necessary to observe if this was the case under different exchange rate régimes in Sri Lanka.

**Trend and Experiences of Sri Lanka in the trade balance and the exchange rate**

Sri Lanka enjoyed several exchange rate system such as fixed exchange rate, Dual exchange rate (1966- 1977),managed floating exchange rate (1977 -2001) and free floating exchange rate(2001).Sri Lanka had used fixed exchange rate system since independence. In 1949 through the Currency Amendment Act no 4, the practice of sterling Indian rupee links was abandoned and the Sri Lankan rupee was directly linked with the sterling. This gave the country the opportunity to set its own desired exchange rate. The only significant action taken during this era is the devaluation of the rupee against the U.S Dollar in 1949. This was done to boost rubber exports to the U.S region .The Central Bank of Sri Lanka ( 1998, 191) reports that the devaluation coupled with the Korean War boom brought about a surplus in the BOP of the country. Sri Lanka enjoyed current account surplus during this period. After some period, particularly latter part of 1960s, export price started to go down and imports increased in a higher proportion than exports. This situation has worsened the Sri Lanka's trade balance and BOP. Therefore, the government of Sri Lanka had to devaluate the rupee in order to increase the exports and decrease its imports in the domestic market. But the country did not achieve the expected result and went to the worst situation in trade balance. In this circumstance, the government of Sri Lanka introduced the dual exchange rate system (FEES) in 1968.Under the dual exchange rate system, essential imports and nontraditional exports received an official exchange rate and all other imports and exports were operated under higher exchange rate system. But Sri Lanka did not enjoy much benefit from the dual exchange rate. During 1973 another exchange rate system was initiated. It is the Convertible Rupee Account CRA. A proportion of foreign earnings from selected economic activities were allowed to be kept in Convertible Rupee Accounts under this scheme. The objective here obviously was the promotion of such activities .Even though this dual exchange rate was introduced there was deficit trade balance in Sri Lanka. As soon as new party assumed office in 1977, the new government in Sri Lanka introduced extensive reforms in economic and financial policies, thus, ending years of protectionist, inward-oriented development strategies espoused by the previous regime. New outward oriented development policies included liberalizing imports by removing price and quantity restrictions, announcing an incentive scheme to attract foreign direct investment, creating an export processing zone to enhance manufactured exports, removing restrictions on capital transactions to integrate domestic and foreign capital markets, and imposing ceilings on interest rates to bring them down to realistic levels (Jayasuriy,1994). Also, steps were taken by the new government to reduce welfare expenditures and rationalize various subsidies to ease budget related pressures on interest rates, prices, and the balance of payments. An integral part of the reform process was the reform of the trade regime as part of a program for stabilization and structural adjustment. Central to the reform of the trade regime was the switch in the exchange rate policy from a fixed exchange rate system to a managed floating system. In the twenty first century, the free floating exchange rate regime introduced in 2001 and still continues to be in operation The following figures show that behavior of trade balance and current and capital account balance during the post liberalization period during which period both managed floating and free floating exchange rate system was in operation and still free floating exchange rate is in operation in Sri Lanka

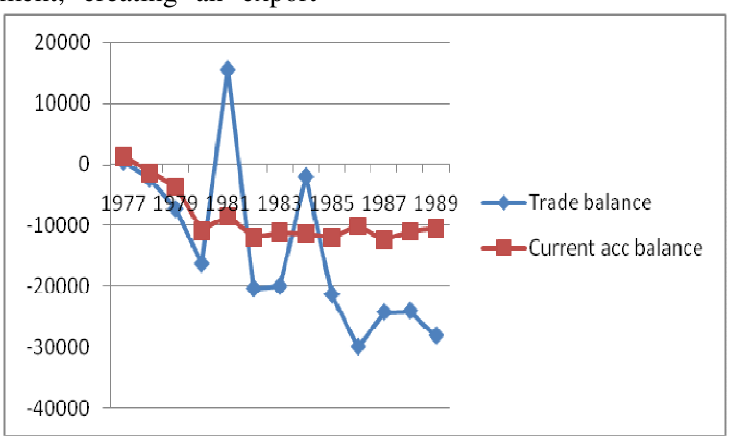


Figure 1: Trade and current account balance behavior of Sri Lanka
Source: Central bank of Sri Lanka- various reports

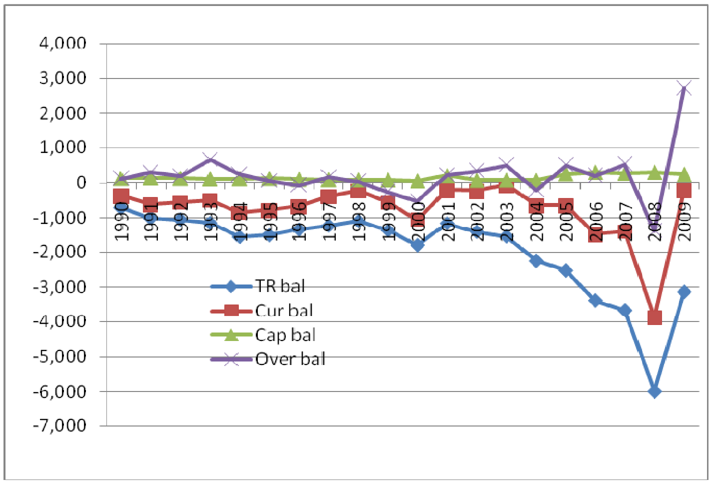


Figure 2: Balance of payment behavior of Sri Lanka
Source: Central bank of Sri Lanka- various reports

Based on the data found in terms of million rupees , trade and current account balance behavior between 1977 -1989 is shown in figure 1.But, figure 2 is drawn based on the data in terms of million Dollars in regard to balance of payment behavior. The important matter that is observed here is that the trend of current account balance depends upon the trend of trade balance of Sri Lanka .In other words, the surplus or the deficit of current account balance has been determined by the surplus or the deficit of trade balance. Sri Lanka that had the surplus of trade balance in 1977 has mostly subsequent deficit of trade and current account balance. Nevertheless, there have been occasional improvement in the trade and current account balance in Sri Lanka. Figure 1 and 2 clearly show the trend of trade, current and capital accounts balance of Sri Lanka. What is observable here is that the deficit and surplus of current account balance is less than that of trade balance in Sri Lanka. The reason is that the open economic system that came in operation after 1977 have had favorable private and government transfer. In other words, the transfer payment in Sri Lanka is always favorable but after trade liberalization and open economy, it has more injection of private transfer into Sri Lanka economy. The figure 2 further shows that there is always positive status of capital account.

## 4. Model, Data Analysis and Discussion

As already mentioned above, this study focuses on only bilateral trade between Sri Lanka and the USA. The researcher indicates the fact that trade balance is determined by three variables, namely real exchange rate, real GDP of Sri Lanka and real GDP of the USA. Therefore, researcher uses the following model which has been used by many researchers analyzing the same issue in other some countries. The determining the trade balance between SL and the USA is shown via function below.

TB= f (RER,RSL.RUS)

On the basis of this function, multiple regression models can be written as follows

$$TB=\beta_o+\ \beta_1\ RER\ +\ \beta_2\ RSL+\beta_3\ RUS\ +u_t \quad (1)$$

In equation, TB is trade balance, RER and RUS refers to the real GDP of Sri Lanka and United state of America respectively, ut is error term. Bahmani –Oskooee (2003) Onofowora (2003) used the same model to examine the relationship between trade balance and exchange rate among some selected countries

The equation one can be rearranged in log form for our purpose of study as follows

$$\text{In } TBt=\beta_o+ \beta_1 \text{ InRER}_t + \beta_2 \text{ InRSL}_t+\beta_3 \text{In RUS}_t +\varepsilon_t \quad (2)$$

There may be stationary or non stationary in variables in the model. Thus, it can be identified whether they are stationary or not before evaluating the nexus in the variables in equation 1.That is to say, through carrying out Unit Root Test, whether the variables are stationary or not can be ascertained. Through this process, spurious regression phenomenon is removed. As explained by Gujarati in his book Econometrics(2003) makes the following observation "Sometimes we expect no relationship between two variables yet a regression of one the other variable often shows a significant relationship…. it is therefore very important to find out if the relationship between economic variables is spurious or nonsensical". In this study, researcher assumes that the null hypothesis is Non Stationary ($H_0 =$ Non Stationary). In consonance with it, if the absolute value of ADF statistic is greater than critical value (t table value), null hypothesis ( $H_0$ ) is rejected and thereby series is stationary where the ADF test is used. Conversely, if the absolute value of ADF statistic is less than critical value (t table), $H_0$ is accepted and thus, the accepted the series is non – stationary.

The ADF test was computed on the levels of each variable with a time trend of following equation.

$$\Delta Y_t = \beta_1 t + \beta_2 t + \delta Yt - 1 + et \quad (3)$$

According to rule, at the 1% significance level, the null hypothesis is accepted for all the variables because the absolute value of ADF statistic is less than t table value in table 1. Therefore, all variables are non-stationary. This differs from the findings of Weliwita & Tsuji (2000) where all variables except In TB were non stationary. Therefore, non-stationary variables are converted into stationary using first difference.

Table 1: Level significance of variable.

| Variable | ADF statistic | t table value at 1% |
|---|---|---|
| In TB | -2.556990 | -3.349871 |
| In RER | -2.343828 | -2.724071 |
| In RSL | -1.944468 | -3.339320 |
| In RUS | -1.015422 | -4.1356022 |

Next the variables are tested to find the order of integration.

Table 2: First difference of variable**.**

| Variable | ADF statistic | t table value at 1% |
|---|---|---|
| In TB | -3.782043 | -3.241458 |
| In RER | -4.654725 | -3.397457 |
| In RSL | -4.621970 | -4.240065 |
| In RUS | -5.652154 | -4.243309 |

In accordance with table 2, all variables are stationary as the absolute value of ADF statistic is greater than critical value after first difference. The 1st differences of all variables make the series stationary. Therefore it can be stated that all variables are integrated of order 1. This provides sufficient ground to conduct the co integration analysis.

The purpose of using the Engle Granger methodology is to observe whether there is no integration relationship between variables or not. Thus an OLS regression is used on equation (2) and a unit root test is conducted on the residuals obtained. The results of the OLS are summarized as follows.

$$\widehat{TB} = -185.4392 + 0.225980\, In\, RER_t - 1.310815\, In\, RSL_t + 8.374432\, In RUS_t$$

(-3.371767) (0.213134) (-0.852236) (2.856147)

$R^2 = 0.892405$

In accordance with above regression result, RER and RUS have positive relationships with TB. When RSL and RER remain constant, a 1% rise in RUS increases TB by 8.3% and when RSL and RUS remain constant, a 1% appreciation in RER boosts TB by 0.22% and vice versa. Further, the regression results suggest that RSL has a negative relationship with trade balance indicating when RER and RUS remain constant a 1% increase in RSL would make TB decrease by 1.3%. This confirms the positive relationship between imports and RSL. The high $R^2$ clearly shows that 89 % of the variations in TB are explained by the variables included in the model. Next a unit root test is performed on the residuals. The result is summarized in the following table 3

Table 3: Unit root test on residual series

| | | t-Statistic | Prob.* |
|---|---|---|---|
| Augmented Dickey – Fuller test statistic | | -3.239154 | 0.0021 |
| | 1% Level<br>5% Level<br>10% Level | -2.236923<br>-1.734414<br>-1.329329 | |

* Mackinnon (1996) one – sided P-values.

$$\widehat{\Delta U}_t = -0.337016 u_{t-1}$$

(-3.216756)

Null-hypothesis (non-stationary) is rejected as absolute value of the ADF statistic is more than absolute critical value (t table value). Therefore the alternative hypothesis is accepted indicating that the residual series is stationary. In this backdrop, it is possible to say that the variables in (2) are co integrated. Now, it is necessary to examine if the Johansen method would confirm these findings.

The Engle Granger method indicates the fact that there is co- integrating relationship among the stated co integrating vector i.e. one co integrating relationship. However there is a possibility of having several co integrating vector in the specified model i.e. there can be at least n-1 relationships. In such a situation the Johansen Method is better suited to examine if co integration exist and if so how many co integrating vectors could be found in the model. The equation that is to be estimated could be stated as follows

$$\Delta X_t = \delta + \sum_{i-1}^{k-1} \mathrm{II}_i \Delta X_{t-i} + \mathrm{II}_i \Delta X_{t-k} + \varepsilon_t \quad (4)$$

Where Δ is a difference operator, k is the lag length, δ is a constant, $X_t$ is a column vector of the involved variables. The Johansen method is a two test procedure which gives results of the Trace test and maximum Eigen value test. The results are given below.

Table 4: Trace test

Unrestricted Co integration Rank test (Trace)

| Hypothesized No. Of CE(s) | Eigenvalue | Trace Statistic | 0.05 Critical Value | Prob**. |
|---|---|---|---|---|
| None * | 0.578450 | 64.77052 | 37.60613 | 0.0011 |
| At most 1* | 0.532743 | 34.71483 | 29.11707 | 0.0188 |
| At most 2 | 0.345427 | 14.09668 | 16.43471 | 0.1605 |
| At most 3* | 0.258536 | 5.436280 | 3.331466 | 0.0277 |

Trace test indicates 2 co integrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
** Mackinon – Haug – Michelis (1999) p-values

Above trace test shows that the existence of at least 2 co integration relationships at 5% level. The Eigen value test clearly confirms this result. The both trace and Eigenvalue test confirm the result that there is existence of two co integration relationship .The existence of two co integration vectors indicates that the relationship between the variables is not unique or not stable.

Table :5 Eigenvalue test

Unrestricted Co integration Rank test (Maximum Eigenvalue)

| Hypothesized No.of CE(s) | Eigenvalue | Max-Eigen Statistic | 0.05 Critical Value | Prob**. |
|---|---|---|---|---|
| None * | 0.578439 | 28.15533 | 25.58434 | 0.0212 |
| At most 1* | 0.692749 | 21.45821 | 22.11184 | 0.0313 |
| At most 2 | 0.255438 | 6.040457 | 15.45450 | 0.4743 |
| At most 3* | 0.148520 | 5.316279 | 3.721460 | 0.0347 |

Max – eigenvalue test indicates 2 co integrating equ(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
** Mackinon – Haug – Michelis (1999) p-value

To find out J curve effect between Sri Lanka and USA it is important to use Impulse Response Function analysis (IRF). The generalized impulse responses are an average of the current and the past shocks, and the impulse responses are expressed as conditional expectations based on historic information (Elif Akbostanci, 2004).Gupta-Kapoor and Ramakrishnan analysis (1999) explicitly indicates the existence of the J-curve on the Japanese trade balance based on error correction model and impulse response function. The IRF analysis was also used by Onafowora (2003) to examine the ML condition and to race out J curve effect in the long run on the data basis of some selected Asian countries. Likewise, researcher has used TRF analysis to find out J curve effect on bilateral trade between Sri Lanka and the USA. It is illustrated with the help of Response of in RER to In TB figure 3.

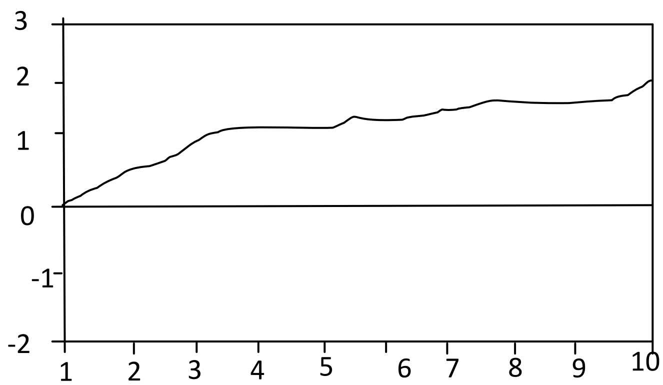


Figure 3: Response of In RER to In TB

In consonance with it, this response function -figure does not show the fact that there is J curve effect between Sri Lanka and the USA bilateral trade. In other words, response function –figure does not show that in the wake of currency devaluation initially trade balance does not worsen and that there is no subsequently improvement. On the contrary, what the result reveals is that the devaluation improves the trade balance at a faster rate and subsequently the trade balance further improves at constant rate in the long run. From this what we can say is that there is no J curve between Sri Lanka and the USA bilateral trade.

Before the liberalization of the Sri Lankan trade, Sri Lanka was exporting the primary goods and substantially depended on the imports of consumer goods. Thus, Sri Lanka had trade relationship with socialists' countries and exported more to these countries. But in 1977, Sri Lankan economy was liberalized and also trade pattern and its features were entirely changed .After liberalization, Sri Lanka has had major trade and commerce with USA and western countries. Particularly after 1980, USA became a leading trade partner of Sri Lanka and is still in operation. The garment industry has had rapid development and above 65% of that was exported to the USA following the operation of liberalization

( note: stoppage of GSP+ does not consider in this study ).Protectionism in form of MFA quotas helped Sri Lanka and other developing countries to develop their export oriented garment industries by insulating them from direct competition from established producers

.Therefore, exports of such particular goods of Sri Lanka were fervently exported to USA whether the price fluctuated or not. This could be the reason as to why trade does not deteriorate during devaluation. Much of trade between Sri Lanka and USA are done via trade agreement such as North American Free Trade Agreement and Sri Lanka Free Trade Agreement .As a result, anticipated quota would be traded between two countries despite whatever happens to exchange rate. This is also a reason for the absence of J curve effect. Granger causality test try to find out granger causation that examines the direction of causation or the direction of influence between the variables. . It is worth mentioning that both ways causation .In the Granger causality it is tested the null hypothesis that X does not granger cause Y. If we can reject the null hypothesis, it implies that X does Granger cause Y. A bivariate regression form for the Granger causation is given below:”

$$Y_t = \alpha_0 + \sum_{i=1}^{l} \alpha_i Y_{t-i} + \sum_{i=1}^{l} \beta_i X_{t-i} + v_t \qquad (5)$$

$$X_t = \alpha_0 + \sum_{i=1}^{l} \alpha_i X_{t-i} + \sum_{i=1}^{l} \beta_i X_{t-i} + v_t \qquad (6)$$

The results of the Granger causality test are listed in the table below.

Table 6: Granger causality test

| Null Hypothesis : | Obs | F-Statistic | Prob. |
|---|---|---|---|
| LNRER does not Granger Cause LNTB | 31 | 1.34245 | 0.2705 |
| LNTB does not Granger Cause LNRER | | 0.23612 | 0.7992 |
| LNRSL does not Granger Cause LNTB | 31 | 1.221921 | 0.4640 |
| LNTB does not Granger Cause LNRSL | | 1.55384 | 0.3346 |
| LNRUS does not Granger Cause LNTB | 31 | 2.22423 | 0.2919 |
| LNTB does not Granger Cause LNRUS | | 9.19367 | 0.0014 |
| LNRSL does not Granger Cause LNRER | 31 | 0.23892 | 0.4390 |
| LNRER does not Granger Cause LNRSL | | 1.14323 | 0.4378 |
| LNRUS does not Granger Cause LNRER | 31 | 1.23216 | 0.3531 |
| LNRER does not Granger Cause LNRUS | | 0.35225 | 0.4285 |
| LNRUS does not Granger Cause LNRSL | 31 | 1.92792 | 0.1843 |
| LNRSL does not Granger Cause LNRUS | | 4.349521 | 0.0286 |

Based on the results there is a high probability In TB does not Granger- cause In RER. Therefore in RER does not Granger- cause In TB cannot be rejected. For that reason, it appears that Granger causality runs one way, from In RER to In TB.

Similarly it can be stated that Granger -causality runs from In TB to In RSL as there is a high probability that In RSL does not Granger- cause In TB. Also the probability that In TB does not Granger- causes In RUS is low making it possible to say that causation runs from In TB to In RUS. Another important point to note is that with regard to In RSL and In RUS the causation runs from In RSL to In RUS. The effects show a feedback effect thus confirming the results given in the Johansen method of co integration that there exist more than one co integration relationships in this model.

## 5. Conclusion

The paper has analyzed the exchange rate and trade balance relationship with two country model and also tried to find out the existence of J curve effect with the use of various econometric methods such as unite root test, Engle- Granger method, Johansen method of co integration, IRF analysis and Granger -Causality test on the basis of the data of bilateral trade between Sri Lanka and United State of America after post liberalization. The unit root test confirms that all variables make the series stationary. Therefore it can be stated that all variables are integrated of order 1. This provides sufficient ground to conduct the co integration analysis. The Engle- Granger methodology has revealed that the variable in the model 1 are co integrated implying that a long run relationship exists between the variables. It is clear the fact that IRF analysis does not show any sign of the J curve. In brief, the result suggests that variables In TB, In RER, In RSL and In RUS are co-integrated. The result brings to light the fact that the real exchange rate has significantly positive influence on the trade balance of Sri Lanka both in the short- run and the long-run. The Granger causality test confirms the fact that real exchange rate (RER) Granger causes trade balance of Sri Lanka. However evidence of J curve effect is non existence for trade between Sri Lanka and USA. The devaluation improving the trade balance in the short- run has repetitive tendency in the long-run.

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# Book Review

**Priya Gupta***
*Assistant Professor (Finance), Apeejay School of Management,New Delhi.

## Money Matters: Macroeconomics and Financial Markets

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An essential prerequisite to design a rational monetary and fiscal policy in an integrated global economy is an awareness of which measures may call attention to financial shocks originating from elsewhere. Thus, a fundamental understanding of macroeconomics and financial markets is critical to understand and interpret policies and developments in a volatile global economy. This book makes an attempt to elaborate the basic concepts of economics and finance related to the global financial crisis and its impact on the Emerging economies like India.

The book is divided into eleven chapters and two annexure elaborating the anatomy of graphs and basics of manipulating simple equations. The book opens up with its first introductory chapter related to the business fluctuations that happen in any business activity. The stages like trough, boom, recession, downturn, and recovery have been very well explained but there is a scope of improvising the chapter by giving more live examples that we see on a day to day basis in today's volatile business environment.

The next four chapters then talk about how these business activities are influenced by varied market forces like demand and supply conditions in an economy (product market), the income and expenditure levels which in turn affect the GDP of the economy (both in the open and closed market conditions), the wealth and taxes that lead to the accumulation of disposable income for increasing consumption levels, and last but not the least the money market impacting the money demand and money supply in any given economy. Fourth chapter also discusses in greater detail the functions of RBI as the issuer of currency, banker's bank, regulator and supervisor of the financial system and also the manager of foreign exchange. This chapter also focuses its attention on the monetary policy changes that are brought about by RBI every now and then to control the money supply in our economy like the changes in Cash Reserve Ratio (CRR), Statutory Liquidity ratio (SLR), Open Market Operations, Repo and Reverse Repo Rates, etc.

The next two chapters of the book i.e. Chapter six and seven ponders upon the two most important challenges of any developing economy i.e. inflation and unemployment. The chapter on inflation confers about the price indices, the causes of inflation and the theories behind the inflationary pressures in any economy. Chapter seven tries to find out the reasons behind a long and stable relationship between inflation and unemployment. It also discusses the kinds of unemployment and association of unemployment with the money wage changes.

The book is then carried forward with the international aspects affecting a business concern like international trade, balance of payments, foreign exchange rate regimes in the economy. Chapter eight talks about the protectionism policies of countries and how they restrain trade between countries through tariffs, quotas, VERs and Non-tariff barriers to trade. How do changes in the Exchange rate affect the trade balance is the next question for which this chapter tries to find an answer. Once this chapter establishes the fundamentals of the exchange rate regimes and the theories determining them, the next chapter explains the interdependencies between exchange rates, interest rates, capital flows, net exports, GDP and inflation. Chapter nine on Foreign Exchange, Interest rates, and GDP ends with the most important issue that is faced by the central bank of our country i.e. how to increasingly open up the economy without a flexible currency regime.

Chapter ten on Aggregate Demand and Supply is placed as the last but one chapter of the book as every business flourishes with the help of development of the demand and supply functions. For this, the chapter maintains that all the issues discussed earlier in the book have an immense impact on the AD and AS of any economy. This chapter gives a concise representation of what happens in the product, money, labour, and foreign exchange markets and how the equilibrium output is determined in all of them. It also depicts the impact of variety of factors like monetary policy, world interest rates, government policy changes etc. on the real economy and thus justifying the title of the book that the real economy and financial markets are interdependent and very well intertwined with each other.

The author, in the last chapter, has also tried to touch upon the biggest evil that hit almost all the big as well as small economies of the world at same pace i.e. Economic slowdown that was majorly present in the period 2007-09. The sub-prime mortgage markets in the U.S were the major cause of this crisis. Thus, an attempt to explore the other factors that played an important role in initiating this crisis is also made in this chapter. The chapter ends with its viewpoint on how this sub-prime mortgage crisis has impacted India in particular and what measures did our government and central bank took to overcome it.

The book consisting of eleven chapters on Macroeconomics and Financial Markets closes with two Appendices on Understanding Graphs and Equations and Data followed by Notes to the chapters and an exhaustive summary of Glossary of terms used throughout the book. The bankers, administrators, policy makers, and other professionals who may not have a background in either economics or finance can use this book as a handbook. The students may refer to this book as a reference material for interpreting the business news on TV and newspapers, and also for getting the drift of the statements made by RBI officials, Ministry of Finance and other policy makers who often make references to these linkages.