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DRIFTING, NOT DRIVING – IDENTITY STRUCTURE ANALYSIS TO EXPLORE ENTREPRENEURIAL IDENTITY

SODRÓDNAK, NEM VEZETNEK – KISVÁLLALKOZÓK IDENTITÁSÁNAK VIZSGÁLATA AZ IDENTITÁSSTRUKTÚRA-ANALÍZIS MÓDSZERÉVEL

This study is an exploration of entrepreneurial identity, employing a culturally sensitive mixed methods approach, Identity Structure Analysis (ISA). The sample includes 30 small/micro entrepreneurs in Southern-Transdanubia, Hungary. Hungary had introduced some “staccato” economic reforms in the previous social system, changing communist hostility towards entrepreneurs as “capitalists” into lasting ambivalence. The results reflect indistinct commitments to entrepreneurial values; constant adaptation to environmental factors instead of building own strategies; and limited future expectations. In the two sub-samples of male and female entrepreneurs there were no statistically significant differences. The dominant, masculine discourse of entrepreneurship, the underdevelopment of social enterprises in Hungary, the impact of the previous communist discourse understanding equality as sameness, and the pandemic-induced crisis may explain for these findings.

Keywords: entrepreneurial identity, identity structure analysis, post-communist environment, communicative memory, ecosystem, gender differences, Covid-19 pandemic

A tanulmány a vállalkozói identitás vizsgálatát tűzi ki célul. A szerzők által alkalmazott módszer, az identitásstruktúra analízise (ISA) kulturális tényezőkre érzékeny, kevert módszertan. A dolgozat mintája a dél-dunántúli régióban élő 30 kisvállalkozó. Magyarország a rendszerváltás előtt már többször próbálkozott gazdasági reformok bevezetésével, amelyeknek nyomán a vállalkozókkal, mint „kapitalistákkal” szembeni ellenségesség tartós ambivalenciává alakult. Az eredmények a vállalkozók értékek mentén történő bizonytalan elköteleződését, saját stratégia építése helyett a környezeti tényezőkhez történő folyamatos alkalmazkodásukat és korlátozott jövőképüket mutatják. A férfi és női vállalkozók között nem mutatkozott statisztikai szempontból szignifikáns eltérés. Ezeknek az eredményeknek a háttérben a vállalkozói lét domináns, férfias diskurzusa, a társadalmi vállalkozások hazai alulfejlettsége, a korábbi kommunista diktatúra egyenlőséget egyformaságként értelmező gyakorlata, és a pandémiás válsághelyzet együttesen állhat.

Kulcsszavak: vállalkozói identitás, identitásstruktúra elemzése, posztkommunista környezet, kommunikatív emlékezet, vállalkozói ökoszisztéma, nemek közötti különbségek, Covid-19 pandémia

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This paper reports a context-sensitive, dynamic analysis of entrepreneurial identity in a sociocultural environment of a former dictatorship, where economic stability has been missing, and the public perception on entrepreneurial activities has been ambivalent.

Entrepreneurial identity, as a main determinant of success in business life, has only recently become a central area in entrepreneurship studies. Identity is critical to motivation, decision making, and several other aspects of behaviour (Jones et al., 2019; Weinreich, 2004). In their review article, Ollila, Middleton and Donnellon (2012) claim that entrepreneurial identity, important as it is, is still an under-researched area. Previous studies often focused on typologies and entrepreneurial traits, introducing a useful but static approach, which tells relatively little about the dynamic, cyclic processes of becoming an entrepreneur (Markowska et al., 2015; Leitch & Harrison, 2016), and is often insensitive to the paramount role of contextual influences from the sociocultural context (Morris et al., 2018; Bell et al., 2018). Jones and associates (2019) have suggested that contextual impacts should be made subject of in-depth investigations, as these factors greatly affect and inform entrepreneurs' decision making.

Identity is a broad concept in the social sciences. One's identity is "the totality of values, attitudes, memories, convictions, aspirations, and reflections that are unique to an individual" (Hogard, 2014, p. 1). It is understood as one's self-construal, with a distinct sense of continuity in time. Identity is not only a set of reflective self-meanings but is also a means of giving meaning to one's experiences (Hoang & Gimeno, 2010). This is not to say that one's memories are the sole determinants in the development of identity. Future aspirations as a main, general concern for humans also have a fundamental role (Kelly, 1995; Weinreich, 2004; Lundquist et al., 2015). Identity development is influenced by one's personal experiences, role expectations and external feedbacks to these from one's relational network (Weinreich, 2004; Demetry, 2017; Hoang & Gimeno, 2010; Lundquist et al., 2015). Social constructionist and discursive views highlight the role of contextual, social, and symbolic-linguistic resources in identity formation (Harré, 1998).

Personal identity is individualized, but one's multiple *micro-identities* that make up *the identity*, that is, one's totality of self-construals, are related to group membership and external validations (Jones et al., 2019; Demetry, 2017). In this way, identity is a bridge between the individual's unique, deeply personal existence and their social context.

It demands definite skills, competencies, and attitudes (Ollila et al., 2012). An influential work on entrepreneurial qualities and social mission by Schumpeter (1934/1983, p. 93) has created the hero's story of a highly competitive, dominant, creative, and success-oriented self-made man: "the dream and the will to find a private kingdom, usually, but not necessarily, also a dynasty." This early definition was meant to embrace all the common aspects in entrepreneurial identity and provided an initial "vocabulary of motives" (Demetry, 2017; Bell et al., 2018; Dodd, 2002).

This is reflected in today's conceptions on the leaders of start-up ventures (Király, 2020; Kézai & Konczosné Szombathelyi, 2020). Empirical research has identified 12 core competencies as identity elements: creative, accessible, inspiring, motivating, able to make decisions, flexible, agile, fair, motivated, ethical, and outcome-oriented (Kassai, (2020, p. 65). Entrepreneurial identity, however, is not uniform. Personal attitudes and preferences as well as group-based elements and larger cultural constructs as resources are integrated into one's entrepreneurial identity, and all these are manifested in distinct perspectives (Krátki & Kiss, 2021). Gruber and McMillan (2017) differentiated between the following orientations:

- *Darwinian* entrepreneurs' priority is own economic gain. They are highly competitive and follow a well-known and traditional business logic.
- *Communitarian* entrepreneurs' strong embeddedness into a value-based community differentiates them from the more self-oriented and individualistic members of the previous group.
- *Missionary* entrepreneurs have clearly defined prosocial goals and a strong sense of responsibility for the welfare of the society (Gruber & McMillan, 2017; Jones et al., 2019). *Social* entrepreneurs, the "missionary" group, work for the benefit of others, utilizing entrepreneurs' general skills (Ruskin et al., 2016; Krátki & Kiss, 2021).

The wider public, the institutions and the entrepreneurs themselves often define a conclusive event or experience supporting their decisions to become entrepreneur. This narrative reconstruction on the development of entrepreneurial identity is underpinned by administrative measures, research, and various education programmes in business schools (Király, 2020). However, the choice today seems less conscious and predetermined. The development of entrepreneurial identity is usually an emergent process marked by uncertainties, hesitations, halts, and resummptions (Demetry, 2017; Lundquist et al., 2015; McNabb, 2004). George, Jain and Maltarich (n.d.) in their analysis on entrepreneurial identity development among academics also debate the idea that the transition can be conceived as a discrete departure. *Nascent* entrepreneurs may begin their career as "hobbyists", due to recent changes in the world of work ensuring more flexibility and bringing about blurred boundaries between one's private and work-based roles. This autotelic, "labour of love" orientation does not focus on mass production, but on product quality: "too much venture growth could compromise their authenticity" (Demetry, 2017, p. 200).

To sum it up, entrepreneurial identity is not only constructed, but is subject to continual reconstructions over time, just like any other forms of identity. A general preference for stability narratives ("has always been like this...") (Gergen & Gergen, 1997) may disguise this important and universal characteristic. This is problematic, as entrepreneurs would probably need different educational resources as they proceed through these developmental cycles (Király, 2020).

Female entrepreneurs

Research orientation on female entrepreneurs is mostly embedded in the feminist discourses. Ahl (2006) in his comprehensive analysis has compared Sandra Bem's masculinity and femininity indexes to the attributes associated with entrepreneurship. She has found that entrepreneurs' descriptions are gendered. Entrepreneurs are labelled as self-reliant, independent, strong willed, assertive, strong, resolute, willing to take risks, having leadership abilities, seeking power, competitive and courageous. Femininity words were either the opposites of entrepreneur qualities (e.g., "shy" or "childlike") or missing from the descriptions (e.g., no mentions as "sensitive to others' needs", "sympathetic" or "understanding") (Ahl, 2006, pp. 5–6). Emerging new forms, as "mompreneurs", self-employing rural women, and social entrepreneurs (Csurgó, 2019; Huszák, 2018) will probably challenge this discursive hegemony in the future. A European study (Ifempower, 2020), with very little specific data on Hungary, has claimed that:

„Women's motivations to join the business life ranged from opportunity to necessity, the first including the wish to develop a hobby into business, exploit a market opportunity, while the last referred to the lack of flexibility of the labour market or the inability to perform both roles – as mother and as workers – adequately. Among the challenges encountered throughout their career, women entrepreneurs highlighted problems related to work-life balance, access to finance and the lack of role models“ (Ifempower, 2020, p. 49).

An early study on women entrepreneurs in Hungary by Gere (1996) came to similar conclusions. At the same time, Kézai and Konczosné Szombathelyi (2020) point out that women entrepreneurs have an increasing role in the national economy. McNabb (2004) used Weinreich's Identity Structure Analysis to study possible differences between female and male entrepreneurs. Her results have revealed a rejection of conventional gender roles among women, and a higher level of identity diffusion, attributed to increased tensions between family and business life. She has concluded that *“Entrepreneurial women appear to have difficulty combining their desire for professional success with particular constructions of femininity...”* (McNabb, 2004, p. 293).

Strategies

When becoming an entrepreneur, the individual must work to integrate the emerging new identity into the existing identity and adopt strategies on how to handle other micro-identities, such as family, gender, or ethnic identity (Markowska et al., 2015; McNabb, 2004). A possible strategy is *compartmentalization*, keeping the different, often conflicting aspects of the superordinate identity separate. *Integration*, on the contrary, is about merging these elements into an organized complexity and building possible synergies between them (Shepherd & Patzelt, 2018). When

the novel entrepreneurial identity and the previous identity elements are highly conflicted then the chances to abandon the venture are high (Demetry, 2017). The extensive use of ICT-tools, globalization, and the limitlessness of the virtual space (“always online”) *have rendered compartmentalization as an identity strategy more difficult*. These features are conducive to integration, if not enmeshment of boundaries between private and work-based identities, a possible source of conflict for (not only) women entrepreneurs (Ifempower, 2020; McNabb, 2004).

The immediate and broad social context, cultural traditions and individual preferences all have their impact on one's choice of a strategy (Shepherd & Patzelt, 2018). Available narrative resources for identity development provide the person with a “vocabulary of motives” as well as a “vocabulary of justification” to explain and give meaning to past or planned behaviour (Demetry, 2017).

The Hungarian context: Traditions and current challenges

The narrative resources for identity reconstructions come from one's cultural and communicative memory. Cultural memory is historical and mythical, to be learnt from formalized texts, rituals, and iconic resources. Communicative memory is a powerful transgenerational legacy, an influential stock of stories from one's immediate socialization network with one's significant others as the carriers of these personalized stories (Assmann, 2011; Kovács, 2012). Hungary has a specific position among the Central and Eastern European countries with its earlier, consumerist “goulash communism” traditions. In the Kádár-era the private sector had a complementing role to alleviate the rigidity of the centralized economic system, but genuine competition was not allowed. While in January 1957, 5791 licensures were issued for entrepreneurs, the 1958 data equals only to 1129 licensures. The sector was to provide employment for additional workforce and services in rural areas – with no prospects to flourish and grow (Laki, 1998).

The ruling regime was ambivalent about the reforms. The entrepreneur and their family, together with the intelligentsia were categorized as “other” (an identity label evoking shame and inferiority), in contrast with working class people identified as the leading class in the contemporary system. Between 1968 (the year of the introduction of the New Economic Mechanism) and 1989, the year of the system change, reforms were introduced in fits and starts. The 1968 reforms to improve the private sector were withdrawn in the early 1970s. The centralized planned economy, however, was characterized by increasing debts, weak quality products and, lacking any incentives, by an overall low performance. Economic unsustainability of Hungary's economy led to the re-introduction of reforms concerning the private sector in the 1980s. Mixed organizational forms were established, and ineffective state corporate forms were complemented by corporate cooperatives. Small entrepreneurs were encouraged to participate in and improve the declining performance of the state-based economy (Laki, 1998).

After the transition of the social system in 1989, the Hungarian society has experienced many significant, challenging transformations and crisis states, such as the 2004 accession to the European Union, the 2008 global financial crisis and the current global crisis induced by the Covid-19 pandemic with its pervasive impact on business ventures (GEM, 2021). The state socialist legacy is an integral part of people's communicative memory, directly influencing their values and attitudes in all areas of life. Ruling through ambivalence and unpredictability, and its consequent self-censorship are the key elements of this legacy, reducing the effectiveness of economic and legal reforms. Robinson (2007) argues that clientelism, patronage and corruption have become integral part of the post-communist economic and political systems. Currently, Hungary ranks the 69th of 180 countries in corruption, with a drop of 11 since 2012 (Transparency International, n.d.). The persistence of these negative features is due to distortions and inconsistencies in the value system (e.g., what is required is sanctioned) and the accompanying attitudes on the one hand, and to the rapid transformations and recurrent crises states in the Hungarian society in the past few decades on the other hand.

The sense of ownership, understood as obtaining some private property, has not been fully eradicated by the communist system. While in 1989, in the year of the system change, there were 320,000 enterprises, by 1995, the number rose above 800,000, with an increase of ten per cent among women. However, this was mainly due to loss of job security and to lack of flexible employment forms. Defining an "entrepreneur" was not easy in those days: for some, it simply meant self-employment, or free-lance work, while others ran a foundation or an association, but that was not the exact equivalent of a western-type social enterprise. Sometimes employees were forced into founding a venture as this way their employer could escape the obligation to pay the allowances. Ambivalent public perceptions have prevailed: entrepreneurs were considered courageous individuals, having strong potentials for initiating economic growth, and, at the same time, immoral tricksters exploiting others (Gere, 1996).

According to a recent survey (2020) there were 1810356 enterprises in Hungary, of which 556191 were private entrepreneurs (Hungarian Central Statistical Office, 2020). Social enterprises – a form that is somewhat hard to interpret in the current Hungarian economic and legal system – are on the increase (Huszák, 2018; Krátki & Kiss, 2021).

Women's position

Women were said to have more rights in the communist era. Socialist feminists considered women's oppression a result of capitalist exploitation. Equality of rights in Hungary were included in the 1949 Constitution. Special policies (e.g., full employment policy and a limited quota system in political life) and social services (kindergartens) supported women's entering the labour market. Gender equality was conflated with women's presence in the labour market and in education (Fodor, 2002). Women's

active role in the labour market became widely accepted (Kézai & Konczosné Szombathelyi, 2020). However, traditional forms of the division of labour, differences in salaries, and the related gender stereotypes did not change. Women were not considered to be able to reach an appropriate level of political consciousness and devotion, at least not without being patronized and educated by men as their rational superiors (Fodor, 2002). Social and public services were not widespread and could not reduce the double workload of full employment and traditional household chores. Feminism mostly meant an invitation towards traditional masculine positions and orientations (such as the appearance of "proud" women tractor drivers) and served the purposes of economic growth through maximizing available workforce (Schadt, 2003). Today, tensions between employment and care influence women's chances in the labour market and are a main motivation for them to start a business where they can combine their working and caring roles in a more flexible manner (Kézai & Konczosné Szombathelyi, 2020).

Currently, power scores of the Gender Equality Index in Hungary are the lowest in political power in the European Union, the country ranking 22nd in women's economic power. Further, Hungary has the second poorest social scores in the same scale (Gender Equality Index, n.d.). Unfortunately, neither the Global Entrepreneurship Monitor (2021), nor the GEM 2018/2019 Women Entrepreneurship Report (2019) published any data on Hungary. The rate of women start-up entrepreneurs is only 14% in Hungary, a rate similar to the European average (Kézai & Konczosné Szombathelyi, 2020).

Measuring identity – Identity structure analysis (ISA)

Identity research is often single theory-driven, further, the measures applied are targeted at some aspect of one's identity: gender, ethnicity, or profession (Passmore, Ellis & Hogard, 2014). Weinreich (2004) in his Identity Structure Analysis synthesizes several classical theories – among others, by Erikson (1968), Mead (1934, cit. Weinreich, 2004), Kelly (1955), Festinger (1957), Berne (1968) and Harré (1998) – on self and identity. Weinreich conceives identity development as a process of identifications and a result of appraisals in one's social world, an arena of potential conflicts and tensions: "A person's appraisal of the social world and its significance is an expression of his or her identity" (Weinreich, 2004, p. 5). Identity is the totality of one's self-construals, with a continuity between one's past experiences and future aspirations (Weinreich, 2004, p. 20). The overarching, still remarkably coherent ISA theory is complemented by a framework software, a combination of emic (qualitative) and etic (quantitative) components, reflecting on the structural, common elements of one's identity, but also admitting its uniqueness. ISA has a linked framework software, Ipseus, which is not a traditional psychometric test. It yields an insight into the dynamics of identity construction (Hogard, 2014) – thereby filling the gap that Jones and associates (2019) could

detect when reviewing existing studies on entrepreneurial identity. ISA/Ipseus enables the researcher to develop an instrument that is highly sensitive to social and cultural differences. It has been used extensively in international research projects, including organizational studies, and for purposes of workplace selection, staff development and education. ISA/Ipseus is both internally and externally standardized, that is, the results can be compared to the results of a general (European) sample, to the group's own results (nomothetic use) and to the individual's own results in ideographic studies (McNeill, Erskine, Ellis & Traynor, 2019, p. 61; Erskine & Ellis, 2017).

An ISA/Ipseus instrument is customized for the main goals of the research, and to the culture of respondents. Building the instrument requires a substantial literature review and targeted qualitative explorations, such as observations, interviews, expert opinions, discourse analysis or focus groups. This is how the researcher defines the domains and themes of the investigation. Domains refer to spatial and temporal contexts of the social interactions, such as past experiences, future aspirations, role models, private or work-based situations. These are transformed into entities. An entity can be anything that has an evaluative connotation – some distinctive quality – and is relevant for the study. Themes should be important issues for the respondents and are related to the main questions of the research, as, for example, innovation, business ethics, or autonomy at work. These translate into bipolar constructs. The entities and the constructs together make up the discourses to be appraised by the respondents (Weinreich, 2004; 2010a; 2010b). ISA/Ipseus has a specific research logic that is manifested in iterative statements. This is how the following areas can be explored:

- respondents' preferences (values) related to main themes,
- emotional significance of the themes,
- respondents' self-evaluation in a variety of contexts,
- the nature of their relationship to other relevant entities,
- conflicted areas.

ISA/Ipseus also enables comparisons between persons or groups and between an individual's or a group's developmental phases (Weinreich, 2004; Hogard, 2014; Passmore, Ellis & Hogard, 2014).

Results of the content analysis (interviews and texts)

We have analysed several interviews conducted with Hungarian entrepreneurs to identify the main themes and domains (links to these interviews are provided together with ISA/Ipseus data). Themes included:

- service- success- and quality orientation vs. marketing strategies to sell weak quality products,
- willingness to extend one' comfort zone through innovations and risk-taking,
- reliance on family traditions,
- unique creativity,
- the lonely hero; a hero against the whole world,

- pressures to make a living,
- lack of stability,
- entrepreneurial identity learning and the ability to learn from one's faults,
- others' envy,
- difficulties in the integration of the different roles (women balancing between entrepreneurial and private life while men striving for individual success).

The Hungarian Small Entrepreneur Instrument

Although an ISA/Ipseus instrument is relatively easy to fill in, and further, it is adapted to the word use of the respondents, it is advisable to keep it as short as possible, especially with a sample largely characterized by "time is money" orientation. Domains and hence entities included three temporal perspectives of the self (past, present, and future), role models, as well as models for contra-identification ("who I am" and "who am I not"). As regards the central role of external evaluations and validations in identity development (Demetry, 2017, p. 195), external entities were introduced that either have something in common with entrepreneurs, or on the contrary, have very different qualities or have a major impact on their lives. For example, a typical politician is characterized by leadership potentials and autonomy, also influencing the life of an entrepreneur; whereas a typical state employee is often seen as a counter point of an entrepreneur, immersed in the nine-to-five routine, receiving regular pay checks (Bell et al., 2018).

Table 1

Entities		
#	Label	Classification
01	When I decided to become an entrepreneur	Past Self
02	Currently, I	Current Self
03	In five years, I	Future Self
04	Ideally, I	Currents Self
05	Contra-ideally, I	Contra Ideal Self
06	When I am to solve a difficult problem	Exploratory Self
07	The successful entrepreneur	Admired Person
08	The bad entrepreneur	Disliked Person
09	A typical state employee	–
10	The person who envies me	–
11	The forced entrepreneur	–
12	A typical politician	–

Source: Own instrument applying Weinreich (2010) ISA/Ipseus framework. Copyright: Identity Exploration Ltd. (Small Entrepreneur Instrument)

Themes and hence constructs included:

- relational vs. individual orientation (teamwork, success),
- compartmentalization vs. merging of identity (business and family, role of business in one's life),

- risk-taking vs safety (occupational safety, innovative attitude vs. well-known solutions, risk-taking),
- resilience (failures as lessons; building trust),
- ethics, rules (quality-oriented, ethical, adherence to rules),
- decision-making (reliance on others, intuitive/rational).

Domains were translated into entities (see Table 1) and themes were translated into constructs (see Table 2):

Table 2

Constructs		
#	Label Left	Label Right
01	counts on oneself	follows others' advice
02	autonomy as priority	occupational safety
03	prefers to work alone	work in team
04	well-known solutions	innovations
05	takes risks	wants safety
06	marketing sells well	quality sells well
07	intuitive decisions	rational decisions
08	failures as lessons	failures are unbearable
09	business/work is a means of making a living	business/work is one's own life
10	human relations	self-actualization and success
11	flexible about ethical principles in business	truly ethical conduct in business
12	trust is important in business	should be precautionary in business life
13	business and family life should be kept separate	business and family cannot be separated
14	adheres to rules and regulations	flexible about rules and regulations

Source: Own instrument applying Weinreich (2010a) ISA/Ipseus framework. Small Entrepreneur Instrument

Research questions & hypotheses

It was expected that the specific sociocultural environment, shaped by soft dictatorship traditions with its peculiar ruling technique, the lessons of the 2008 global crisis, the domestic and regional ecosystem and the unpredictable situation brought about by the Covid-19 global-level crisis would have a marked influence on small entrepreneurs' identity development and current statuses. ISA/Ipseus yields an insight into respondents' view on their own development by iteratively using past, present, and future perspectives in the appraisals. It was hypothesised that these differences are not salient, that is, respondents' future visions are only slightly better than their perceptions on past and current self-states. Entrepreneurs do need future visions to lead a venture, but the current context is not about encouraging great expectations. Further, it was assumed that in this situation, entrepreneurs would be characterised by lower levels of identity diffusion. Diffusion can be positive under certain circumstances, e.g., it may refer to respondents' openness; but high levels are also associated with insecurity and, if accompanied by low self-evalu-

tion, with crisis states (Weinreich, 2004). As for external entities, it was expected that successful entrepreneurs would be positively evaluated while the evaluation of other entities would be low or negative, mostly with moderate ego-involvement. High emotional investments into such relations would reduce their capacity to maintain and develop their businesses.

It was expected that *the traditional soft dictatorship* ambivalence concerning entrepreneurship as well as the unpredictability of the socioeconomic environment would be represented in respondents' appraisals of the specific constructs. ISA/Ipseus differentiates between pressured, core, secondary, conflicted, and contradictory constructs. These are defined by the level of structural pressure (SP) "...the overall strength of compatibilities over incompatibilities between the evaluative connotations of attributions..." (Weinreich, 2004, p. 50) – briefly, SP is a measure of coherence. A high number of secondary and conflicted constructs were expected to be identified, because a well-defined strategy, indicated by more core constructs and higher levels of ego involvement in ISA/Ipseus, can be built only in a predictable environment.

ISA/Ipseus was also used to investigate if there are any differences between female and male entrepreneurs. One such difference could be men's more individualistic and women's more networking orientation (McNabb, 2004). Consequently, it could be predicted that there would be a more Darwinian (competitive) and less missionary (solidarity-driven) attitude among men than among women. However, entrepreneurship is perceived as a traditional "masculine" area (Ahl, 2006), and – a further complicating factor – state socialist traditions laid a great emphasis on gender similarities over differences in the world of work. In addition, crisis states often minimise the differences and generate a common pathway for adaptation. Accordingly, a substantial level of similarity between male and female entrepreneurs is also a possibility. It has been difficult to form a clear-cut hypotheses in this unexplored area, however, broad hypotheses suggest higher conflicts between entrepreneurial roles and family roles among women than men.

Sample

The sample for the study was a convenience sample of small/micro entrepreneurs with self-employment as a core characteristic. Sampling was significantly influenced by two factors: due to Covid-19 restrictions, inviting the respondents into the research was much more difficult – we had to rely on our existing social network. Further, many entrepreneurs were rather frustrated and experienced a financial instability because of the economic problems brought about by the pandemic. After experiencing unusual difficulties in data gathering, a regional organisation was contacted, and this is how it was possible to include altogether *three* more cases. The final sample included 30 entrepreneurs, 13 female and 17 male, age range 25 and 58 ($M=40.17$; $SD=10.15$). The mean duration of entrepreneurship in the sample is

$M=100.60$ months (with the range 6–240). Respondents had different educational backgrounds, ranging from secondary-level vocational training to university degrees. The rate of the respondents with secondary and tertiary education was 2:3, and both genders were evenly represented in these sub-groups. Respondents mainly represented the areas where social contacts are a priority (services, non-food retail, and education) and only a few (5) of them could transfer their business activities (IT services and education) into online platforms.

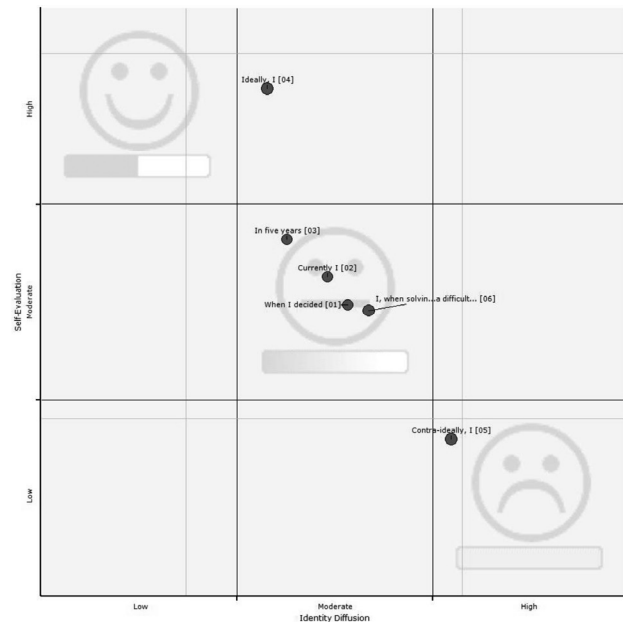
Results

Interpreting the totality of ISA/Ipseus results would exceed the frameworks of a single article. The focus is on self-evaluations, self-development, entity evaluations, construct evaluations, and patterns of identification to address the broad research questions. ISA/Ipseus output files provide the researcher with some easy-to-use information on key identity parameters. Naturally, the results can be made object of a traditional statistical analysis. This study utilizes both features in presenting and analysing the data.

1. Self and Entity Evaluation

Figure 1

Self Summary
(Self-evaluation and diffusion, 30 individuals)

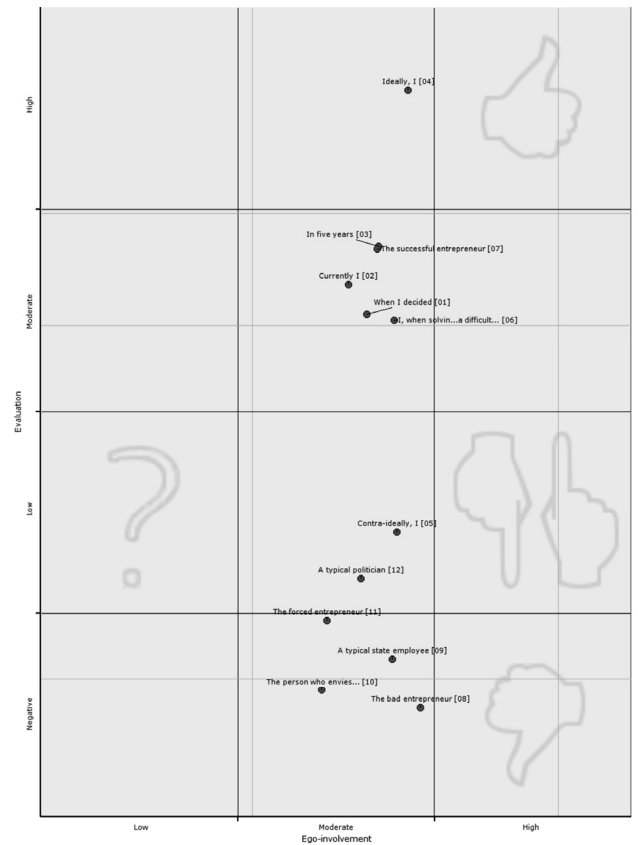


Source: Own results from the ISA/Ipseus Small Entrepreneur Instrument

The thick lines represent the in-built European standards while the thin lines are the group standards. This figure shows that entrepreneurs do not envisage a bright future, as the position of the future self is in the moderate zone. However, there is some progression, both in terms of evaluation and in the expected reduction in identity diffusion (Figure 1).

Figure 2

Entity summary (30 individuals)



Source: Own results from the ISA/Ipseus Small Entrepreneur Instrument

The evaluation of entities (Figure 2) has brought an unexpected result: Hungarian entrepreneurs' worst is probably not bad enough, that is, the position of their contra-ideal selves is not negative and is higher than those of five external entities. Rejection of negative attributes related to own self possibly serves as a specific form of defense, a result of hostile-ambivalent sociocultural traditions – and of the current, vulnerable pandemic situation. This interpretation is strengthened by the overall picture where most of the self-positions are in the moderate zone, quite close to “Successful Entrepreneur”, that is, the positive role model is not evaluated as high as the Ideal Self. Ego-involvement is only moderate with all the entities, showing relatively low-level commitments – a precarious attitude.

Statistical analysis

The question may arise whether the differences of the self-positions are statistically significant. IBM SPSS Statistics 26.0 was used, and Paired Samples t-Test was applied to identify any significant changes in Past–Current–Future self. For the significant results, Effect size was also computed ($d = t / \sqrt{N}$). To interpret the Effect size Cohen's (1988) guideline was used: 0.2 (small effect), 0.5 (moderate effect) and 0.8 (large effect).

A significant difference was found between Ego-Involvement currently and Ego-Involvement in the future ($t(29) = -2.984; p = .01; p < .05$), with a moderate effect size ($d = .54$) and with higher values in future self ($M_{current} = 3.13$

Table 3

Changes in Past/Current/Future Self – a sample of 30 individuals

	t	df	Asymp. Sig. (2-tailed)	Effect size (Cohen's d)
Ego-Involvement in the past vs. Ego-Involvement currently	1.370	29	.18 (n.s.)	–
Ego-Involvement currently vs. Ego-Involvement in the future	-2.984	29	.01*	.54
Ego-Involvement in the past vs. Ego-Involvement in the future	-.919	29	.36 (n.s.)	–
Self-evaluation in the past vs. Self-evaluation currently	-1.529	29	.14 (n.s.)	–
Self-evaluation currently vs. Self-evaluation in the future	-2.350	29	.03*	.43
Self-evaluation in the past vs. Self-evaluation in the future	-4.023	29	.00**	.73
Identity-diffusion in the past vs. Identity-diffusion currently	.918	29	.37 (n.s.)	–
Identity-diffusion currently vs. Identity-diffusion in the future	2.561	29	.02*	.47
Identity-diffusion in the past vs. Identity-diffusion in the future	4.751	29	.00**	.87

Sig. *p<.05, **p<.01

Source: Own compilation

Table 4

Differences between males and females – Entity and Self tabulation

	t	df	Asymp. Sig. (2-tailed)
Ego-Involvement – Past Self	-.506	24	.62 (n.s.)
Ego-Involvement – Currents Self	-.985	24	.33 (n.s.)
Ego-Involvement – Future Self	-1.057	24	.30 (n.s.)
Ego-Involvement – Ideal Self	-1.579	24	.13 (n.s.)
Ego-Involvement – Contra Ideal Self	-.305	24	.76 (n.s.)
Ego-Involvement – Exploratory Self	-1.542	24	.14 (n.s.)
Ego-Involvement – Admired Person	-.488	24	.63 (n.s.)
Ego-Involvement – Disliked Person	-.004	24	.99 (n.s.)
Ego-Involvement – Typical state employee	.605	24	.55 (n.s.)
Ego-Involvement – Person who envies	1.458	24	.16 (n.s.)
Ego-Involvement – Forced entrepreneur	-.143	24	.88 (n.s.)
Ego-Involvement – Typical politician	.137	24	.89 (n.s.)
Self-evaluation – Past Self	.069	24	.95 (n.s.)
Self-evaluation – Currents Self	-.337	24	.74 (n.s.)
Self-evaluation – Future Self	-1.229	24	.23 (n.s.)
Self-evaluation – Ideal Self	-.958	24	.35 (n.s.)
Self-evaluation – Contra Ideal Self	-.653	24	.52 (n.s.)
Self-evaluation – Exploratory Self	.111	24	.91 (n.s.)
Self-evaluation – Admired Person	-.685	24	.50 (n.s.)
Self-evaluation – Disliked Person	-.287	24	.77 (n.s.)
Self-evaluation – Typical state employee	-.867	24	.39 (n.s.)
Self-evaluation – Person who envies	-.458	24	.65 (n.s.)
Self-evaluation – Forced entrepreneur	.125	24	.90 (n.s.)
Self-evaluation – Typical politician	-.825	24	.42 (n.s.)
Identity-diffusion – Past Self	.550	24	.59 (n.s.)
Identity -diffusion – Currents Self	.458	24	.65 (n.s.)
Identity -diffusion – Future Self	.887	24	.38 (n.s.)
Identity -diffusion – Ideal Self	.090	24	.93 (n.s.)
Identity -diffusion – Contra Ideal Self	.133	24	.89 (n.s.)
Identity -diffusion – Exploratory Self	-.658	24	.52 (n.s.)

Sig. *p<.05, **p<.01

Source: Own compilation

and $M_{future}=3.43$). No differences were found between the other Ego-Involvement results in the different self-development states (see Table 3).

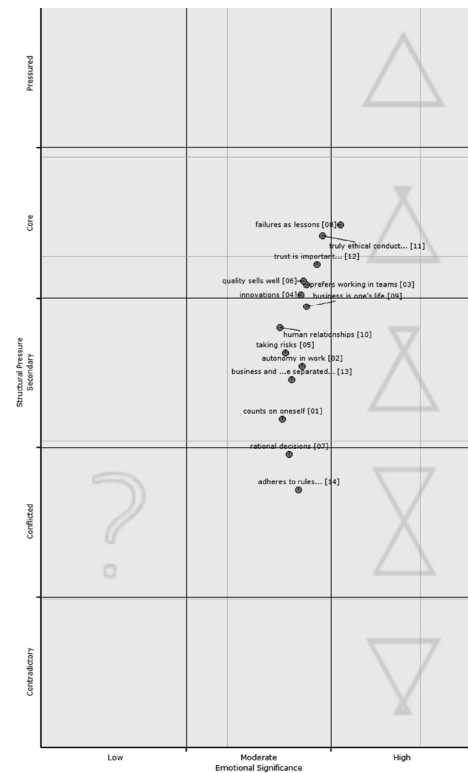
The most convincing results were found in the dimension of Self-evaluation and Identity-diffusion. Self-evaluation currently is lower than Self-evaluation in the future ($t(29)=-2.350; p=.03; p<.05$), with a nearly moderate effect size ($d=.43; M_{current}=.58$ and $M_{future}=.69$), and Self-evaluation in the future is higher than Self-evaluation in the past as well ($t(29)=-4.023; p=.000; p<.05$), with a nearly large effect size ($d=.73; M_{past}=.49$ and $M_{future}=.69$) (see Table 3).

A difference can be discerned between Identity-diffusion currently vs. Identity-diffusion in the future ($t(29)=2.561; p=.02; p<.05$), with a nearly moderate effect size ($d=.47$) and with higher values currently ($M_{current}=.32$ and $M_{future}=.29$). The difference between Identity-diffusion in the past and Identity-diffusion in the future is also significant ($t(29)=4.751; p=.000; p<.05$), with a large effect size ($d=.87$) and with higher values in the past ($M_{past}=.34$ and $M_{future}=.29$). No difference was found between Identity-diffusion in the past vs. Identity-diffusion currently (see Table 3).

Statistical analysis on gender differences: Self and Entity data

The next step was to compare males and females along the Entity and Self tabulation with Independent Samples t-Test. First gender ratios were balanced using randomly

Figure 3
Emotional significance and Structural pressure of the constructs (30 individuals)



Source: Own results from the ISA/Ipseus Small Entrepreneur Instrument

Table 5
Preferred constructs, their emotional significance and structural pressure – Whole sample

	N	#	Polarity	Emotional Significance	Structural Pressure	+ve Component	-ve Component	N	
counts on oneself	25	01	-1	6.65	23.81	45.17	21.36	5	follows others' advice
autonomy as priority	21	02	-1	7.20	30.77	51.38	20.61	9	occupational safety
prefers to work alone	5	03	1	7.31	44.92	59.02	14.11	25	prefers to work in team
well-known solutions	5	04	1	7.17	41.25	56.47	15.21	25	innovations
takes risks	24	05	-1	6.74	32.62	50.00	17.37	5	wants safety
marketing sells well	4	06	1	7.24	46.34	59.36	13.02	25	quality sells well
intuitive decisions	11	07	1	6.84	18.20	43.32	25.12	19	rational decisions
failures as lessons	29	08	-1	8.13	66.76	74.03	7.27	1	failures are unbearable
business/work is a means of making a living	4	09	1	7.32	38.86	56.01	17.16	25	business/work is one's own life
human relations	22	10	-1	6.59	36.02	50.95	14.92	7	self-actualization and success
flexible about ethical principles in business	0	11	1	7.76	62.81	70.19	7.38	30	truly ethical conduct in business
trust is important in business	25	12	-1	7.61	52.40	64.23	11.83	5	should be precautious in business life
business and family life should be kept separate	7	13	1	6.91	29.04	49.09	20.05	23	business and family cannot be separated
adheres to rules and regulations	18	14	-1	7.10	8.50	39.76	31.25	12	flexible about rules and regulations

Source: Own results from the ISA/Ipseus

selected cases, N=13 men ($M_{age}=40.38$; $SD=10.04$) and N=13 women ($M_{age}=41.85$; $SD=11.27$) for accurate results.

There was no statistically significant gender difference between the two groups (see Table 4).

Constructs

The 30 respondents' preferred poles are summarized in Table 5 and Figure 3.

Statistical analysis on gender differences

Chi Square Statistics was used to identify possible

differences in the preferred constructs. No gender differences were found in this analysis (see Table 6). Men and women shared the same values and orientations in business life.

We examined the emotional significance and structural pressure associated with the constructs, also looking for gender differences. Along the emotional significance of the constructs, we did not find any gender differences (see Table 7).

Along the structural pressure of the constructs, we did not find gender differences either (see Table 8).

Table 6

Gender differences in the preferred poles

	Male	Female	χ^2	df	Asymp. Sig. (2-tailed)
counts on oneself vs. follows others' advice	11/2	12/1	.377	1	.54 (n.s.)
autonomy as priority vs. occupational safety	10/3	7/6	1.529	1	.22 (n.s.)
prefers to work alone vs. work in team	1/12	1/12	.000	1	1.00 (n.s.)
well-known solutions vs. innovations	3/10	2/11	.248	1	.62 (n.s.)
takes risks vs. wants safety	10/1/2	10/0/3	1.200	2	.55 (n.s.)
marketing sells well vs. quality sells well	3/1/9	1/0/12	2.429	2	.30 (n.s.)
intuitive decisions vs. rational decisions	4/9	4/9	.000	1	1.00 (n.s.)
failures as lessons vs. failures are unbearable	13/0	12/1	1.040	1	.30 (n.s.)
business/work is a means of making a living vs. business/work is one's own life	3/10	1/12	1.182	1	.28 (n.s.)
human relations vs. self-actualization and success	10/1/2	9/0/4	1.719	2	.42 (n.s.)
flexible about ethical principles in business vs. truly ethical conduct in business	0/13	0/13	–	–	–
trust is important in business vs. should be precautious in business life	10/3	12/1	1.182	1	.28 (n.s.)
business and family life should be kept separate vs. business and family cannot be separated	4/9	2/11	.867	1	.35 (n.s.)
adheres to rules and regulations vs. flexible about rules and regulations	9/4	6/7	1.418	1	.23 (n.s.)

Sig. * $p < .05$, ** $p < .01$

Source: Own compilation

Table 7

Gender differences in Emotional significance of the Constructs

	Mmale	Mfemale	t	df	Asymp. Sig. (2-tailed)	Effect size(Cohen's d)
ES – construct 1	7.42	5.85	2.106	24	.05 (n.s.)	–
ES – construct 2	14.39	6.13	1.288	24	.21 (n.s.)	–
ES – construct 3	7.56	6.83	.795	24	.43 (n.s.)	–
ES – construct 4	7.57	6.83	1.125	24	.27 (n.s.)	–
ES – construct 5	6.96	6.23	.839	24	.41 (n.s.)	–
ES – construct 6	7.25	7.32	-.068	24	.95 (n.s.)	–
ES – construct 7	7.39	5.85	1.779	24	.09 (n.s.)	–
ES – construct 8	8.33	7.60	1.284	24	.21 (n.s.)	–
ES – construct 9	8.13	6.48	1.572	24	.13 (n.s.)	–
ES – construct 10	7.25	5.81	1.406	24	.17 (n.s.)	–
ES – construct 11	8.40	6.95	1.917	24	.07 (n.s.)	–
ES – construct 12	7.43	7.24	.265	24	.79 (n.s.)	–
ES – construct 13	7.05	6.47	.827	24	.42 (n.s.)	–
ES – construct 14	7.16	6.78	.500	24	.62 (n.s.)	–

Sig. * $p < .05$, ** $p < .01$

Note: ES=emotional significance; For constructs, please see Table 2; Source: Own compilation

Gender differences in Structural pressure of the Constructs

	Mmale	Mfemale	t	df	Asymp. Sig. (2-tailed)	Effect size (Cohen's d)
SP – construct 1	46.97	27.17	1.622	24	.12 (n.s.)	–
SP – construct 2	43.80	22.69	1.466	24	.16 (n.s.)	–
SP – construct 3	50.14	48.26	.134	24	.89 (n.s.)	–
SP – construct 4	47.00	44.80	.172	24	.86 (n.s.)	–
SP – construct 5	47.09	37.89	.745	24	.46 (n.s.)	–
SP – construct 6	46.66	52.14	-.365	24	.72 (n.s.)	–
SP – construct 7	38.51	31.75	.621	24	.54 (n.s.)	–
SP – construct 8	73.21	64.94	.999	24	.33 (n.s.)	–
SP – construct 9	48.99	45.51	.219	24	.83 (n.s.)	–
SP – construct 10	56.66	39.30	1.434	24	.16 (n.s.)	–
SP – construct 11	63.48	57.08	.552	24	.59 (n.s.)	–
SP – construct 12	56.43	38.05	1.183	24	.25 (n.s.)	–
SP – construct 13	49.42	45.47	.371	24	.71 (n.s.)	–
SP – construct 14	30.34	44.57	-1.346	24	.19 (n.s.)	–

Sig. * $p < .05$, ** $p < .01$

Note: SP=structural pressure

For the constructs, please see Table 2

Source: Own compilation

Identifications

ISA/Ipseus automatically computes the degree of idealistic (“want to be like...”) contra- (“does not want to be like...”), empathetic (perceived degree of similarity, either good or bad), and conflicted (a parameter based on contra- and empathetic identifications) identifications and the respective parameter ranges (see Table 9).

Parameter ranges differ only slightly for the two groups. Both males and females strongly identified themselves with the *Successful entrepreneur* (0.73 and 0.71 for idealistic, and 0.74 and 0.70 for *Current Self's* empathetic identification, respectively). Their identification was low only with the *Person who envies me* (0.10 for both genders). Respondents were not characterized by any other particularly high or low identifications.

Conclusions

In most societies, entrepreneurs are appreciated for their contributions to national and global-level economies as leaders, innovators, and job providers (McNabb, 2004; Király, 2020; Kassai, 2020). The hostility that developed into an ambivalent stance in the soft dictatorship economy of Hungary has left its marks on entrepreneurs' contemporary social positions, public perception, and identity development. The social context has not encouraged safe experimentation with alternative roles and identities, or the “identity play” of envisioning future possible selves, which seems a crucial factor in becoming an entrepreneur (Demetry, 2017). Presumably, communist conceptions on gender equality understood as sameness could be detected in women entrepreneurs' strategy to build

Table 9

Parameter ranges

Participant	M	SD	Min	<Lo	<Hi	Max
Male	N=17					
Identification						
Idealistic	0.32	0.25	0.00	0.07	0.57	1.00
Contra	0.47	0.31	0.00	0.16	0.78	1.00
Empathetic	0.36	0.26	0.00	0.10	0.62	1.00
Conflicted	0.32	0.21	0.00	0.11	0.53	1.00
Female	N=13					
Identification						
Idealistic	0.30	0.25	0.00	0.05	0.54	1.00
Contra	0.44	0.30	0.00	0.14	0.74	1.00
Empathetic	0.34	0.25	0.00	0.10	0.59	1.00
Conflicted	0.31	0.21	0.00	0.09	0.52	1.00

Source: Own results from the ISA/Ipseus Small Entrepreneur Instrument

a uniform identity, minimizing the impact of gender on their business orientations. The notions and practices of business feminism, emphasizing self-management skills and competition, are inevitably embedded in this historical context (Fodor et al, 2018). The organizational culture established by transnational enterprises and the domestic views on women's traditional responsibilities are distant realities, conducive to compartmentalization strategies in identity development. Our results are in accordance with the conclusions of previous research by Pisoni and Bielli (2015, in: Kézai & Konczosné Szombat-helyi, 2020) who claimed that women leaders of technological start-ups shared the same characteristics as men leaders. At the same time, they could not rely on external capital resources. The latter finding can be explained by Ahl's (2006) results about the salient differences between the descriptions of an ideal entrepreneur and a typical woman. Due to common stereotypes on women (Olasz, 2021), female leaders might be perceived as a source of risk of low returns by the investors.

Entrepreneurs' preferred construct poles indicate a value system that resembles Schumpeter's ideal, the autonomous, innovative, and risk-taking individual who can learn from their mistakes. Preference for human relations over personal success is a difference that may come from the characteristics of the sample. For small/micro entrepreneurs, building and maintaining human relationships is usually part of their business. Their identity strategy concerning business life and family life is more about integration than compartmentalization, irrespective of their gender, what corresponds to their self-employment status.

The ambivalence of the social context towards entrepreneurs, accompanied by the restrictive governmental strategies concerning private property and free market (Kornai, 2015) is clearly represented in the results. The impact of the Covid-19 crisis during data collection is a further complicating factor that could have influenced the outcomes of the study. Another factor is the regional-level ecosystem of the enterprises: the Southern-Transdanubian Region has some important resources such as universities and umbrella organizations (e.g., chambers of commerce and industry). However, the economic disadvantages are clearly reflected in the marked population loss in the region (HCCI, 2013). In this milieu, respondents did not seem to have a definite scheme that could manifest itself in well-defined preferences – instead, they have developed a survival strategy and choose whatever seems to work in the given context. They are drifting and not driving as they do not seem to possess a distinct personal strategy. They try to adapt themselves to the quickly changing environment; but this is not because they would not even want to build a strategy. Such a wish to optimise the level of identity diffusion is indicated in ISA/Ipseus results by entrepreneurs' envisioning less self-diffusion in the future than currently or in the past. Higher levels of diffusion indicate higher levels of conflicts and are related to transition states. An envisioned, less diffused self-state is more about knowing what they

themselves want. Further, it indicates less openness to change, as well as the wish for lower levels of conflicted identifications (Weinreich, 2004).

The two conflicted issues, decision-making and adherence to rules and regulations, together with the perceived importance of learning from one's faults and being truly ethical in business are also telling about their situation. Theoretically, rules and regulations should be closely connected to business ethics; while ethics is an abstraction, rules, ideally, should be about putting ethics into practice in everyday settings. The ability to learn from one's mistakes is related to making bad decisions; if the way decisions are made is a conflicted issue in a somewhat unpredictable environment, then this ability is crucial for small entrepreneurs' survival.

Naturally, the current study has its limitations. The quarantine situation and entrepreneurs' related economic and financial problems rendered data collection difficult, and could have influenced respondents' appraisals. The negative impact of the Covid-19 pandemic, especially among those whose business depends largely on personal contacts, is a significant factor. Possibly, in a more developed region, patterns of strategic thinking, a key competence identified by Király (2020) would be present. The political debates and conflicts preceding the oncoming 2022 national elections started much earlier than predicted, consequently, one of the entities (a typical politician) that had seemed both appropriate and informative in the designing phase could become a source for distortions, as an entity either attracting highly polarized statements or zero evaluations. Further, the sample is a convenience sample: *“one's sample will in part be defined by who is prepared to be included in it”* (Smith & Osborn, 2008, p. 56). However, the results could serve as a starting point for more extensive explorations. In addition to increasing – preferably doubling – our sample size, the contents or the wording of the entities and constructs that did not seem to work as expected should be modified. When conducting an ISA/Ipseus investigation, cross-cultural comparisons would add a lot to the explorations

Even under these circumstances, the study demonstrates the utility and potential of ISA/Ipseus in identity explorations. It is a comprehensive, flexible, and robust measure to investigate a variety of questions concerning group or individual identities. ISA/Ipseus investigations on entrepreneurial identity can shed light on values, visions, and conflicted areas in entrepreneurs' lives, thereby supporting the development, fine-tuning and evaluation of targeted education and coaching programmes to develop entrepreneurs' competencies (Kassai, 2020; Király, 2020). Such investigations could contribute to reducing the existing stereotypes of women entrepreneurs. Further, the studies could inform and help shape special policies in the service of economic development.

Data availability statement

The data that support the findings of this study are openly available in the library repository of the University of Pécs at <https://pea.lib.pte.hu/handle/pea/24160>.

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THE FOUR LEADERSHIP STYLES OF ENTREPRENEURS – A COMPETENCY-BASED MODEL FOR ENTREPRENEURIAL LEADERSHIP

A NÉGY VÁLLALKOZÓI VEZETŐI STÍLUS – KOMPETENCIAALAPÚ VÁLLALKOZÓI VEZETŐI MODELL

This research addresses a gap in the literature of a comprehensive model for entrepreneurial leadership style and constructs a model of the entrepreneur-specific leadership style approaching the topic from the angle of competencies. This study methodologically applies literature research and the case survey method with multiple types of quantitative analysis. The paper introduces five leadership dimensions to structure relevant entrepreneurial leadership competencies and identifies the most vital critical entrepreneurial leadership competencies as partnering, communication and discovering customer needs. Four leadership styles – Lone Wolf, Team Builder, Explorer and Architect – are suggested as characteristic for successful entrepreneurs. This paper is the third in a sequence of research papers and presents significant new findings from the research programme.

Keywords: entrepreneurship, leadership, competencies, leadership style, case survey method

Ez a kutatás a vállalkozói vezetési stílus átfogó modelljének szakirodalmi hiányosságait hivatott csökkenteni. A tanulmány egy vállalkozóspecifikus vezetői stílus modelljét állítja fel, amely a kompetenciák szögéből közelíti meg a témát. A tanulmány módszertana az irodalomkutatást és az esetfelmérési (case survey) módszert többfajta kvantitatív elemzéssel kombinálja. A tanulmány öt vezetői kompetenciadimenziót azonosít a releváns vállalkozói vezetői kompetenciák struktúrájához. A kutatás megállapítja, hogy a legfontosabb vállalkozói vezetői kompetenciák, a partnerség, a kommunikáció és a vevői igények felismerése. Négy vezetői stílus – Magányos farkas, Csapatépítő, Felfedező és Építész – jellemző a sikeres vállalkozókra.

Kulcsszavak: vállalkozások, leadership, kompetenciák, vezetői stílus, esetfelmérési módszer

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There has recently been an emerging academic debate on entrepreneurial leadership style and related contingency models (Gupta, MacMillan, & Surie, 2004; Renko, El Tarabishy, Carsrud, & Brännback, 2015; Subramaniam & Shankar, 2020; Vidal, Campdesuñer, Rodríguez, & Vivar, 2017), but no clear model for entrepreneurial leadership style and its measurement has arisen so far. This research contributes to the debate by summarising what has been achieved thus far, but, more importantly, it also introduces a new approach applying leadership competencies to construct a model of entrepreneurial leadership

styles. The ultimate objective of this research is to understand what leadership styles entrepreneurs employ to overcome challenges they face during the entrepreneurial process. This work contributes to both theory and practice by proposing a comprehensive model for entrepreneurial leadership styles applying entrepreneurial competencies.

Such a model would have several practical applications, including for venture capital professionals concerning investment selection and in portfolio-management decision processes. The results presented here may also improve the incubation programmes of entrepreneur accelerators.

Consultants and mentors working in the sector might use it as a tool to assist their clients. Entrepreneurs themselves can be more aware of their strengths and weaknesses and better understand their personal development needs. Business schools could rely on the results of such a model in developing their curricula for entrepreneurial development programmes. Leaders, with developing self-awareness and focused education, could adapt their leadership style to situations; thus, leadership style need not be in-born but can be developed (Sethuraman & Suresh, 2014). This paper is the third in a series of research papers (Kas-sai, 2020a, 2020b) and presents novel results from the research programme.

Theoretical Background

Entrepreneurial leadership style

While there has been a proliferation of studies on the essential entrepreneurial competencies (see following sections), limited research has focused on the leadership styles of entrepreneurs. Indeed, some even argue there is no such thing as an entrepreneurial leadership style (Gross, 2019). One of the more complete studies in the field, that by Gupta et al. (2004), applied a cultural approach and concluded that, although firms in different countries are becoming more alike, individuals' behaviour maintains cultural specificity. Gupta et al. offer a concise methodology for measuring entrepreneurial leadership style using the global leadership and organisational behaviour effectiveness (GLOBE) study on leadership, and their findings provide evidence for “the ‘etic’ or cross-cultural universal nature of entrepreneurial leadership, and insights on factors contributing to societal differences in the perceived effectiveness of entrepreneurial leadership”. A recent study suggests that three distinctive mindsets – people-oriented, purpose-oriented and learning-oriented – play an essential role in successfully implementing entrepreneurship (Subramaniam & Shankar, 2020) and can be interpreted as entrepreneurial leadership styles. In terms of methodology, an exciting attempt applied Hersey and Blanchard-type contingency model to a recent entrepreneurial sample in Ecuador (Vidal et al., 2017); this was less concerned about developing a leadership style model, and focused more on the application of an existing framework to a particular set of entrepreneurs. One of the most comprehensive efforts tested the influence of environmental, organisational and follower-specific contingencies on the success of entrepreneurial leadership. The application of a self-developed measurement tool, ENTRELEAD, identified three leadership styles: entrepreneurial orientation, transformational leadership and creativity-supportive leadership (Renko et al., 2015). The research community is far from reaching a consensus on a theoretical model for leadership styles of entrepreneurs, and this offers a critical area for research.

Leadership styles

The significance of leadership styles was recognised early in the leadership literature. From the 1960s, research on leadership styles and contingency theories dominated the

field (Warrick, 1981). Leadership style models assume that people exercise leadership differently, and research has focused on identifying classifications levels for different styles. Two levels emerged such that two schools of leadership style-based research were identified: decision centred and behavioural models (Bakacsi, 2006) and the behavioural approach following the Ohio State University model or that of Blake Mouton's managerial grid at the University of Michigan (Bakacsi, 2006; Safonov, Maslennikov, & Lenska, 2018; Warrick, 1981). Path-goal theory has surfaced as a concept focusing on how leaders motivate employees to achieve goals and “emphasises the relationship between the leader's style and the characteristics of the subordinates and the work setting” (Subrahmanyam, 2018). According to path-goal theory, there are four leadership styles: directive, supportive, participative and achievement-oriented.

Conventional leadership style and contingency models have been helpful in identifying key leadership variables, but they remain a high-level approach. These models often try to describe reality from a helicopter view of two-by-two or three-by-three matrixes. Leadership styles go beyond current theories, so applying recent research results may introduce fresh ideas with direct applicability to practice. This paper is such an attempt in applying leadership competencies for the entrepreneurial sector.

Contemporary leadership studies focus on transformational leadership, leader-member exchange theory (LMX theory), implicit leadership theories, authentic leadership, charismatic leadership, ethical leadership and leadership affect and emotions (Lee, Chen, & Su, 2020). According to Bakacsi (2019),

Charismatic leadership focuses on the relationship between follower and leader. We can distinguish between charismatic and today's neo-charismatic leadership based on the object of devotion: in the case of a charismatic leader, devotion is to the leader, and in the case of a neo-charismatic leader to the values and goals he represents and is part of the organisation's vision.

An authentic leader is a mature leader with a strong, values-based, self-regulating personality with profound social and moral responsibility and generally has the personality trait of being sensitive to work-life-family balance (Cserháti, Fehérvölgyi, Csizmadia, & Obermayer, 2021).

The development of general leadership models has continued in the 21st century. A recent leadership style model builds on leadership markers and argues that the natural style falls into one of five categories along a spectrum: powerful, lean powerful, blended, lean attractive and attractive: “Style is best described by what you do, how often, and when” (Peterson, Abramson, & Stutman, 2020). Here, we define leadership style as the competencies leaders apply to achieve their professional goals, along with when and how those competencies are applied. This paper joins an existing research trend with this approach but pioneers in applying leadership competencies to entrepreneurs, suggesting that an entrepreneurial leadership style model answers what leadership competencies leaders apply when they actively engage with entrepreneurial tasks and roles.

Who is an entrepreneur?

There is agreement in the research community that a few roles – including personal risk taking, risk management, opportunity recognition, idea generation, product development and innovation, building relationships and communication – are a crucial part of being an entrepreneur (Filion, 2021; Khosla & Gupta, 2017; Robles & Zárraga-Rodríguez, 2015; Smith, Bell, & Watts, 2014; Tittel & Terzidis, 2020). These roles are not related to the age, life cycle or size of an organisation. Others argue that organisation development and leading organisations are also crucial in entrepreneurship (Bjerke & Hultman, 2003; Carton, Hofer, & Meeks, 2004; Gartner, 1988; Mitchelmore & Rowley, 2010; Puga, García, & Cano, 2010; Tittel & Terzidis, 2020). This paper defines entrepreneurs as leaders who actively engage with entrepreneurial tasks and roles regardless of the nature of their organisation. This definition captures the essence of entrepreneurship and makes it possible to study entrepreneurial leadership where it is prevalent, without limiting it to early-stage businesses, following the supposition that “Entrepreneurial leadership is a distinctive style of leadership that can be present in any organisation of any size, type, or age” (Renko et al., 2015).

Entrepreneurial leadership

Research has established what we understand today about entrepreneurial leadership. One relevant definition focuses on influencing others to manage resources such that opportunity-seeking and advantage-seeking behaviours are strategically emphasised (Ireland, 2003). A broader understanding suggests entrepreneurial leadership as “influencing and directing the performance of group members toward the achievement of organisational goals that involve recognising and exploiting entrepreneurial opportunities” (Renko et al., 2015). Entrepreneurial leaders formulate their vision and lead their team in an uncertain environment, and they encourage a supporting cast of followers in the creation of strategic value (Dabić et al., 2021). Those two characteristics – future orientation and community building – both in an uncertain environment, distinguish entrepreneurial leadership from other leadership styles.

Entrepreneurial leadership has also been investigated based on values, authentic leadership, charismatic and transformational leadership. These studies have not produced convincing conceptual frameworks and still need to be tested empirically (Bagheri & Harrison, 2020). Entrepreneurial leadership has roots in traditional forms of leadership often discussed in the leadership literature (Gross, 2019); thus, entrepreneurial leadership has also been defined concerning general corporate leadership. Entrepreneurial leaders influence and motivate others to pursue entrepreneurial goals (Gupta et al., 2004), unlike other leaders who pursue different objectives. Entrepreneurial leadership assumes three practices: “practices that set the work climate, practices that orchestrate the process of seeking and realizing opportunities to grow the business, and hands-on practices that involve problem-solving with

the people at work on a particular venture” (MacMillan & McGrath, 2000). Entrepreneurial leadership has also been compared to transformational leadership. The centre of entrepreneurial leadership emphasises opportunity-oriented behaviours by leaders and those who follow them. Although transformational leadership has some characteristics of these behaviours, they are not endemic (Latif et al., 2020). According to the research component of the Global Entrepreneurship Monitor, “charismatic leadership has an effect on entrepreneurial activity, greater than other leadership types and autonomous leadership has a negative impact on entrepreneurial activity” (Felix, Aparicio, & Urbano, 2019).

Leadership and competencies

“Competencies are fundamental defining characteristics of a person that are causally related to effective and/or excellent performance” (Boyatzis, 1983). Spencer and Spencer supplement this definition by stating that competencies can be generalised through cases and situations and remain constant over a reasonable period of time (Spencer & Spencer, 1993). After defining competence, researchers turned to the creation of competency inventories. These catalogues were initially generic lists of critical competencies for outstanding performance in various fields of application (Ganie & Saleem, 2018; Le Deist & Winterton, 2005). The parallel development of leadership and competency models naturally led to the link between the two directions of organisational research, and managerial and leadership competency models have been a popular topic of research (Megahed, 2018).

The leadership competency models that emerged in the 1990s were initially designed to be highly specific to a particular company and a specific job. The generalisation of competency models began by considering the overlaps between the individual competency models (Bakacsi, 2006). The creation of general leadership competency lists has become an important research direction, and such lists have become standard products of organisational development firms, which have created general lists and applied them to the particular organisational needs of their clients. Such competency lists are widely available, and this study employs one of the most comprehensive ones, the 120-item Leadership Competency Inventory (*Leadership Competencies Library*, 2021).

Previous research has employed several tools to develop a leadership style model for entrepreneurs, including cultural measures (Gupta et al., 2004), mindsets (Subramaniam & Shankar, 2020) and a task-relationship matrix (Vidal et al., 2017). Others have considered skills, competencies and challenges (Bagheri & Harrison, 2020) to study entrepreneurial leadership but failed to suggest a comprehensive model for entrepreneurial leadership styles. An essential path of current research has concentrated on building field-specific competency models to provide a deeper understanding of the unique, relevant competencies and tailored combination of competencies for the users of the models in a specific area of life (Megahed, 2018).

Entrepreneurial competencies

Entrepreneurial competencies are highly relevant for entrepreneurial success. By now, research has established that competent people are more likely to become successful at entrepreneurship (Omri, Frikha, & Bouraoui, 2015; Rose, Kumar, & Yen, 2006; Srun, Sok, & Soun, 2016; Unger, Rauch, Frese, & Rosenbusch, 2011). It is also generally accepted that entrepreneurs need to rely on a diverse set of competencies (Csákné Filep, Radácsi, & Timár, 2020; Krieger, Block, & Stuetzer, 2018; Lukovszki, 2011; Man, Lau, & Chan, 2002; Spanjer & van Witteloostuijn, 2017). There is much less consensus in the scientific community on what competencies entrepreneurs need. The last four decades have produced a vast literature on the topic (Table 1).

Tittel and Terzidis (2020) summarise the definitions of entrepreneurial competency and offer a few alternatives for characterisation. The term entrepreneurial competency, in their paper, is implied as a specific group of competencies relevant to the exercise of successful entrepreneurship (Mitchelmore & Rowley, 2010). This definition connects competencies, entrepreneurship and success and is thus the most relevant for this research. Entrepreneurial competencies are also understood as the combination of the skills, assets and systems used to compete when changing the business model for an existing business or in creating a business model for an entirely new venture (Kor, McGrath, & MacMillan, 2001).

Table 1

Summary of the Development of Entrepreneur-Specific Competency Models

Source	Competencies defined	Key take-away
McClelland (1987)	<ol style="list-style-type: none"> 1. Proactivity 2. Result oriented 3. Commitment to others 	In an early study, three categories identified
Chandler & Jansen (1992)	<ol style="list-style-type: none"> 1. Human, conceptual competence 2. Ability to recognise opportunity 3. Drive venture through fruition 4. Technical, functional competence 5. Political competence 	The most successful founders – those whose firms show higher growth and earnings – perceive themselves as competent in the entrepreneurial, managerial, and technical-functional roles
Mullins (1996)	<ol style="list-style-type: none"> 1. Responsiveness of the firm to changing market conditions. 2. Technical competencies 3. Ability to build relationships with current and prospective customers 4. Anticipate and better understand customer needs 	Four competencies with a focus on market and customer relationship
Baron & Markman (2000)	<ol style="list-style-type: none"> 1. Social competencies 	Emphasises the role of social competencies as a skill to be able to interact with others
Baum et al. (2001)	<ol style="list-style-type: none"> 1. General competencies 2. Specific competencies 	Introduced the concepts ‘general’ and ‘specific’ competencies in entrepreneurship; general competencies include organisational skills and opportunity recognition
Man et al. (2002)	<ol style="list-style-type: none"> 1. Opportunity 2. Relationship 3. Conceptual 4. Organising 5. Strategic 6. Commitment competencies 	Entrepreneurs need a balance between various competencies to attain long-term success
Erikson (2002)	<ol style="list-style-type: none"> 1. Perceived feasibility 2. Entrepreneurial creativity 3. Entrepreneurial competence 4. Ability to enterprise 5. Perceived behavioural control 6. Self-efficacy 7. Conviction 8. Resource acquisition self-efficacy 	Entrepreneurial commitment is a necessary plus to competencies, and entrepreneurial competence is understood as an ability to recognise and envision taking advantage of opportunity
Rose et al. (2006)	<ol style="list-style-type: none"> 1. Personal initiative 2. Strategic planning 3. Fundraising 4. Marketing 5. H.R. and organisational competencies 	This study found that the entrepreneurs’ education level, working experience and whether their parents own business have a positive relationship with their success
Mitchelmore & Rowley (2010)	<ol style="list-style-type: none"> 1. Business and management competencies 2. Human relations competencies 3. Entrepreneurial competencies 4. Conceptual and relationship competencies 	Beyond its four competency categories, this study gives a holistic definition of entrepreneurial competence

Source	Competencies defined	Key take-away
Unger et al. (2011)	<ol style="list-style-type: none"> 1. Human capital 2. Planning 3. Task-related human capital 	Argues the importance of task-related human capital
Lukovszki (2011)	<ol style="list-style-type: none"> 1. Risk taking 2. Decision-making 3. Opportunity recognition 4. Innovation 5. Team building 6. Communication 	Creates six clusters of entrepreneurs
Smith et al. (2014)	<ol style="list-style-type: none"> 1. Drive and determination 2. Calculated risk taking 3. Autonomy, independence 4. Need for achievement 5. Creativity, innovativeness 	Compares traditional and social entrepreneurs and finds five categories of relevant competencies
Robles & Zár-raga-Rodríguez (2015)	<ol style="list-style-type: none"> 1. Risk assumption 2. Initiative 3. Responsibility 4. Dynamism 5. Troubleshooting 6. Search and analysis of information 7. Results orientation 8. Change management 9. Quality of work 	20 competencies from the literature were narrowed to 9 using the Delphi method
Kyndt & Baert (2015)	<ol style="list-style-type: none"> 1. Perseverance 2. Self-knowledge 3. Orientation towards learning 4. Awareness potential returns 5. Decisiveness 6. Planning for the future 7. Independence 8. Ability to persuade 9. Building networks 10. Seeing opportunities 11. Insight into the market 12. Social and environmentally conscious conduct 	The authors created a 12-item list of the essential competencies and noted that insight into the market and perseverance can be considered crucial for entrepreneurs
Bacigalupo et al. (2016)	<ol style="list-style-type: none"> 1. Ideas and opportunities 2. Resources 3. Into action 	European commission entrepreneurial competency model containing 15 competencies organised into three categories
Khosla & Gupta (2017)	<ol style="list-style-type: none"> 1. Comfort with uncertainty 2. Laser-like focus and execution 3. Flexibility in response to market needs 4. Big picture perspective coupled with detail orientation 5. People management with the right balance of delegation 	Found five entrepreneurial traits that are predictive of entrepreneurial and organisational success
Gerig (2018)	<ol style="list-style-type: none"> 1. Communication skill 2. Networking, relationship building 3. Planning and goal setting 4. Ongoing-self development 	Studied entrepreneurs active for at least five years and underscores the importance of continued education and development
Tittel & Terzidis (2020)	<ol style="list-style-type: none"> 1. Domain competence 2. Personal competence 3. Social competence 	Meta-study offering definition alternatives for entrepreneurial competency

Source: Own literature review

The diversity of approaches to entrepreneurial competencies discussed above reconfirms that it would be impossible to create a unified profile of entrepreneurs (Hines, 2004) and their vital competencies. However, there are clear culmination points around what competencies are essential for entrepreneurs, but there is clearly no consensus around a comprehensive list. In the classifications of Zaleznik and Kotter (Kotter, 2001; Zaleznik, 1981), both

leadership and managerial competencies are essential for entrepreneurs. This study also contributes to the academic debate as to what competencies in what structure are most important for successful entrepreneurs due to this lack of consensus. The present paper offers a structure that helps answer what competencies entrepreneurs use to overcome the challenges they face when actively engaged with entrepreneurial tasks and roles.

Entrepreneurial leadership competencies

Reviewing the relevant literature allowed us to qualitatively identify five distinct groups of competencies that show significant importance for entrepreneurs. Our objective was to create a classification of competencies while grouping competencies into a single dimension that is similar or connects to the challenges entrepreneurs face. The ultimate objective was to understand what leadership styles entrepreneurs employ to overcome challenges they face during the entrepreneurial process. This classification allows us to better comprehend what is essential for entrepreneurs and what patterns one can recognise among those dimensions. The creation of the clusters or dimensions was based on a qualitative analysis of earlier research and classification of entrepreneurial competencies. There are tendencies and patterns for how scholars see some competencies as grouping more naturally together than others. Those dimensions were found to be: imagination, execution, social, organisational and personal. These four leadership dimensions were identified in earlier papers of this research programme using case study analysis (Kassai, 2020a) and hierarchical cluster analysis based on an expert survey database (Kassai, 2020b) (Table 2).

Table 2

The Five Entrepreneurial Leadership Dimensions

Competency dimension	Source
Imagination (Opportunity Recognition & Planning)	Chandler & Jansen (1992); Baum et al. (2001); Man, Lau & Chan (2002); Erikson (2002); Rose et al. (2006); Mitchelmore & Rowley (2010); Unger et al. (2011); Smith et al. (2014); Robles & Zárraga-Rodríguez (2015); Kyndt & Baert (2015); Bacigalupo et al. (2016); Gerig (2018); Tittel & Terzidis (2020); Filion (2021)
Execution	McClelland (1987); Chandler & Jansen (1992); Erikson (2002); Robles & Zárraga-Rodríguez (2015); Bacigalupo et al. (2016); Khosla & Gupta (2017)
Social	McClelland (1987); Chandler & Jansen (1992); Baron & Markman (2000); Man, Lau & Chan (2002); Mitchelmore & Rowley (2010); Kyndt & Baert (2015); Bacigalupo et al. (2016); Gerig (2018); Tittel & Terzidis (2020)
Organisational	Baum et al. (2001); Man, Lau & Chan (2002); Erikson (2002); Rose et al. (2006); Mitchelmore & Rowley (2010); Khosla & Gupta (2017), Tittel & Terzidis (2020)
Personal	McClelland (1987); Erikson (2002); Rose et al. (2006); Smith et al. (2014); Kyndt & Baert (2015); Tittel & Terzidis (2020)

Source: Own literature review

Imagination is how entrepreneurs see the world and opportunities differently from others. This dimension refers to the ability to recognise opportunities and formulate plans to exploit those prospects. Opportunity recognition involves building a vision for the future, thinking strategically and creating action plans for execution and often derives from entrepreneurial creativity. Planning includes canvassing a vision and developing strategic, long-term plans and tactical, mid- and short-term plans. Effective planning is a big part of coping with uncertainties as they arise. To recognise market opportunities, entrepreneurs need to understand their environment so they can discover hidden and unmet customer needs. Innovation is at the borderline between imagination and execution because innovation is the realisation of an idea or discovery.

Execution refers to the capability of entrepreneurs to implement their plans. This dimension covers entrepreneurs' result-oriented disposition, as they can act effectively to get things done by executing their long- and short-term plans. Execution often assumes excellent problem-solving ability, being decisive and executing sound judgement in critical situations. Managing risk and finances and effectively negotiating are core parts of execution competency. Being sufficiently personally organised and detail-oriented also leads to superior execution. Entrepreneurs drive change both inside and outside their organisations. Entrepreneurs' creativity and idea recognition deliver tangible new products and services by innovating and managing technology and processes. The ability to adapt to changes is a core competency for entrepreneurs to deliver on their dreams and goals.

Social competency describes entrepreneurs' ability to attract people to a business, set up teams and work with others effectively. This dimension includes competencies like communication, motivation and other soft skills that entrepreneurs need to employ to work with others to realise their vision and goals. Beyond their working organisations, successful entrepreneurs demonstrate outstanding social competencies by networking, building relationships and partnering with others if necessary. Among other competencies, being emotionally intelligent and effectively communicating allows entrepreneurs to inspire and motivate others, build trust and engage people to realise their plans. Personal integrity and a high level of ethical standards enable entrepreneurs to develop and nurture long-term business relationships. These solid foundations and long-term social bonds are fundamental when understanding the roller-coaster nature of the career and life of an entrepreneur.

Organisational competencies enable entrepreneurs to build and manage organisations to develop an engine to scale up products and services. A crucial part of designing and leading organisations is creating and maintaining organisational culture, delegating tasks, controlling processes, empowering others and managing human resources. Organisational competencies deal with structures rather than people, and leaders with solid organisational competencies create a positive working environment with a learning culture as well as an organisational culture of

accountability. It is necessary for entrepreneurs to demonstrate organisational agility, to work across organisational boundaries and to develop or integrate talents, including senior leaders, as well as leverage diversity with their business. Organisationally minded entrepreneurs even deal with the problem of succession and develop clear succession plans.

Personal competency differs from the other competency dimensions. This competency dimension describes entrepreneurs' personal characteristics. They are often far more agile and ambitious than most people in their environment and take initiative instead of waiting for others. Entrepreneurs have a firm conviction in what they believe in and are ready to act when they see opportunity. Entrepreneurs have the personal drive to improve continuously and show vital learning agility; they often become subject matter experts in one or more topics. Being value driven, honest and ethical and having personal integrity also belong to this competency dimension.

Research Questions

To build a comprehensive entrepreneurial leadership model, the problem is reduced into two research questions. The first research question asks what competencies entrepreneurs employ to overcome the challenges they face during the entrepreneurial process. The study also aims to understand if these competencies can be structured from the entrepreneurial leadership point of view. The second research question asks whether successful entrepreneurs follow diverse, distinguishable leadership styles and whether the entrepreneurial leadership styles can be described by applying leadership competencies.

Research Design and Methodology

This research employs the case survey method following the "classical" four steps (Larsson, 1993). This research method provides a procedure for deriving hypothetical statements from multiple published case studies and overcomes the limitation of individual cases and lack of generalisability, allowing us to test research hypotheses (Stall-Meadows & Hyle, 2010) qualitatively and quantitatively. In this study, 54 published case studies with 72 entrepreneurs as protagonists were selected. Selection criterion for the case studies included offering ample information on entrepreneurs, their characteristics and leadership styles, preferably over a more extended period in various stages of the business life cycle. A set of cases with protagonists of diverse background, gender, age, businesses in varied development phases, industries and geographical locations were collected to support the generalisability of results. Cases from 16 industries, four continents and all five development phases were selected. Twenty-five per cent of protagonists of the case studies were female. (Detailed background data on the cases involved in the research can be found in online annexe 1, and a full list of the case studies coded for the database can be found in online annexe 2.) The 54 case studies with

72 protagonists generate a sufficient set of data to reach the level of theoretical saturation, when adding additional cases and data to the analysis is unlikely to reveal new insights, neither can be expected to enhance the quality of the results (Horváth & Mitev, 2015).

The coding scheme for this study was based on a general leadership competency list. As discussed above, the subject of general leadership competencies is well researched. This study used a 120-item Leadership Competency Inventory (*Leadership Competencies Library*, 2021) as the basis for coding. The texts of the case studies were thoroughly examined, and a team of coders developed a database that included item coding based on the Leadership Competency Library. A coder added a record to the database when evidence was found that the given leadership competency was characteristic for the entrepreneur concerned in the case. The coding included the competency, phase of the business life cycle, when the competency was observed and the importance of the competency on a scale of 1–3. Each case study was characterised by industry and geographic location, and protagonists' gender were recorded. The final database contained 1910 competency records as data points. The data set made it possible to employ multiple analytical tools, including hierarchical cluster analysis by the Ward and within-groups linkage methods, Spearman's rank-correlation, chi-squared test and Pearson's correlation analysis.

The case survey analysis was based on coding the texts of the case studies. Every caution was made to standardise and neutralise the coding process; however, we must accept that case study coding involves some amount of subjectivity. To reduce personal influence on coding, teamwork was introduced with a parallel coding regime. Two coders independently analysed each case study, and an entry was made in the final database if both coders recognised the competency in the given part of the text. The Leadership Competency Library provides a detailed description of each item, based on which the coders could develop a shared understanding of the competencies. Despite these precautions, subjectivity might have influenced the outcome of the coding practice. An additional subjective element was involved in the entire research project. The author of this study is an entrepreneur and has significant experience as an investor and manager of entrepreneurial ventures, and this personal experience also influenced the present research.

Results

The most important competencies

Table 3 presents the structured results of the competency coding. During coding, the coders recorded the appearance of a competency and indicated the importance of the particular competency towards the entrepreneurial success of the protagonist. Frequency means the number of appearances of competency in the database, while the score is the sum-product of frequency and the relative importance graded on a scale of 1–3, where 3 indicates vitally important, and 1 stands for less critical. The most critical

competency for entrepreneurs is, notably, the ability to find and execute the right partnership. The competencies of innovation and discovering customer needs follow closely. The personal competency of being self-driven and an organisational competency of hiring and staff complete the top 5.

tified a competency as being counterproductive, also on a (1)–(3) scale, in which (3) means the competency hinders the entrepreneurial objective significantly. For productive competencies, we used positive figures – the frequency table sums up those values. A negative total score indicates a competency to be counterproductive (Table 5).

Table 3

Top 10 Most Essential Competencies

Rank	Competency	Dimension	Frequency	Score
1	Partner with others	Social	75	195
2	Innovate	Execution	74	182
3	Discover customer needs	Imagination	71	178
4	Driven	Personal	59	149
5	Hiring and staff	Organisational	64	137
6	Set vision	Imagination	51	137
7	Know the external environment	Imagination	58	136
8	Set strategy	Imagination	45	103
9	Subject matter expert	Personal	45	102
10	Network	Social	44	99

Source: Own analysis

Some competencies appear to be far more critical than others. The top 5 and top 10 competencies stand out from the 120-item competency lists. The top 5 competencies represent one item from each of the five competency dimensions, and

Identifying leadership styles

Using the five dimensions of leadership competencies identified in Table 2, a statistically valid hierarchical cluster analysis was applied to the data from the 72 protago-

Table 4

The Five Most Essential Competencies by Dimension

Social	Imagination	Execution	Personal	Organisational
Partner with others (195)	Discover customer needs (178)	Innovate (182)	Driven (149)	Hire and staff (137)
Network (99)	Set vision (137)	Manage finances (78)	Subject matter expert (102)	Design organisations (58)
Communicate effectively (80)	Know the external environment (136)	Results-oriented(67)	Ambitious (97)	Delegate effectively (47)
Inspire others (64)	Set strategy (103)	Negotiate (62)	Show learning agility (94)	Create a positive work environment (34)
Build teams (59)	Think strategically (72)	Solve problems (49)	Show conviction(82)	Show organisational agility (30)

Source: Own compilation

the further competencies also include all the five dimensions. Table 4 shows the top 5 competencies by dimension.

Can a competency be counterproductive?

The case survey method assisted in identifying a few competencies that may be counterproductive for entrepreneurs. During the text coding process, the coders included in the database the competencies that facilitated entrepreneurial success and those that hindered it. Our team labelled a competency as being counterproductive either if its presence hampered an entrepreneur from achieving success or if the visible absence of a competence contributed to success. In the database, a negative number iden-

Table 5
List of Counterproductive Competencies

Competency	Dimension	Score
Maintain work-life balance	Personal	(22)
Ethical	Social competencies	(13)
Seek and act on feedback	Social competencies	(11)
Patient	Social competencies	(10)
Compassionate	Social competencies	(8)
Caring	Social competencies	(6)
Tolerant	Social competencies	(6)

Source: Own analysis

nists in the case survey database. The analysis suggests that there are four statistically distinctive groups that can be interpreted as the leadership styles of entrepreneurs; we named these four leadership styles Lone Wolf, Team Builder, Explorer and Architect (Table 6).

tively. Besides being relationship and people oriented, they have balanced competencies in planning, imagination and execution. Entrepreneurs applying the Team Builder style create smaller organisations, the ones that require fewer organisational competencies.

Table 6

Hierarchical Cluster Analysis of 72 Protagonists by Competency Dimension

Ward Method	Count	Social	Imagination	Execution	Personal	Organisational	Style
1	16	5%	35%	11%	18%	31%	Lone Wolf
2	20	22%	47%	16%	15%	1%	Explorer
3	22	13%	19%	38%	17%	13%	Team Builder
4	17	32%	14%	14%	26%	14%	Architect
Total	Mean	0.17	0.26	0.21	0.22	0.14	

ANOVA Table						
		Sum of Squares	df	Mean Square	F	Sig.
Social	Between Groups	0.688	3	0.229	19.62	0
	Within Groups	0.795	68	0.012		
	Total	1.483	71			
Imagination	Between Groups	1.181	3	0.394	26.08	0
	Within Groups	1.026	68	0.015		
	Total	2.207	71			
Execution	Between Groups	0.917	3	0.306	30.61	0
	Within Groups	0.679	68	0.01		
	Total	1.595	71			
Personal	Between Groups	0.151	3	0.05	2.88	0.04
	Within Groups	1.189	68	0.017		
	Total	1.34	71			
Organisational	Between Groups	0.563	3	0.188	13.53	0
	Within Groups	0.943	68	0.014		
	Total	1.506	71			

Source: Own analysis

The Lone Wolf style represents an entrepreneur whose most prominent advantage is getting things done. They are the real doers, who are often decisive, detail-oriented and have a good understanding of the industry in which they are involved. They primarily work on their own, they do not waste time or resources for coordination and they can be very effective at reacting quickly to changing circumstances. On the flip side, entrepreneurs with this style have limited social and organisational competencies, so they invest less time and effort into people and structures. They often have an analytical mind and a good grasp of the market and can see ahead, having imagination their second most crucial competency group. They are task rather than people-oriented entrepreneurs (Politis & Politis, 2009).

Team Builders predominantly rely on their social competencies to achieve their goals. They are highly people oriented and often build fruitful and long-lasting relationship inside and outside of their venture. Team Builders are good motivators of people and communicate very effec-

Explorers are visionary entrepreneurs who think creatively and strategically. They see the future differently than most of us, and they imagine a new world influenced by their ideas and plans. The Explorer style allows them to dream and design major inventions, and their execution and social competencies make it possible to implement those inventions commercially. Explorers understand the wider environment and discover new customer needs. Leaders with the Explorer style are often savvy technologically and expand the frontiers of the prevailing reality.

Architects' central competency is designing and developing performing organisations. They often differ from Team Builders in terms of the scale of the organisations where they have the best fit. The Architect leadership style fits best in larger organisations that require complex structures to scale the business. Architects are strong at planning, but instead of championing technological advances or new product ideas, they use planning competencies to lead the business in turbulent and complicated market sit-

uations. Architects in smaller businesses are seen to be lost, and the high-cost level imposed by organisational structure often depletes a young venture's resources.

Discussion

A game for partners and teams

Some competencies are far more critical than others for leading successfully as an entrepreneur. This research reconfirms the concept of a diverse set of competencies required to be a prosperous entrepreneur. The top five competencies represent one competency from each of the five distinct entrepreneurial leadership dimensions, and additional critical competencies also show a heterogeneous pattern in terms of leadership dimension. Research suggests that entrepreneurs are better off when relying on a diverse set of competencies (Krieger et al., 2018; Man et al., 2002; Spanjer & van Witteloostuijn, 2017) and should deliberately identify their competency "blind-spots" to develop into a leader who can apply various competencies along the road. Entrepreneurial education plays a critical role in assisting developing entrepreneurs achieve a balanced competency set (Sethuraman & Suresh, 2014). There is some debate as to whether competency diversity is critical at the start-up stage or whether it is essential later in the expansion and growth stages (Csákné Filep et al., 2020).

The top competency, "Partnering with others", reinforces the concept of competency diversity. Because a broad competency base is required to succeed, a single entrepreneur can seldom bring all those leadership competencies to the business. Partnerships and leadership teams containing entrepreneurs with complementary competencies are more likely to excel than single entrepreneurs. A good example of this is the partnership of Steve Wozniak and Steve Jobs during the first years of Apple Inc. (Rothaermel, 2015; Wasserman, 2011).

Perilous role of influencers

Entrepreneurs see the world differently than others do, enabling them to innovate, discover new customer needs and attract talents and resources to their business. Nevertheless, when this unique entrepreneurial vision and working method is not respected, trouble may arise. From the list of counterproductive competencies (Table 5), we can conclude that seeking and acting on feedback is detrimental to entrepreneurial success. Investors can influence the entrepreneurial process. This research tentatively suggests that investors may be better off following entrepreneurs if they have already invested instead of influencing their thinking and working directly with them. A classic example of the unproductive dynamic between investors and entrepreneur was Frank Addante's struggle with Sequoia Capital over the strategy and operations of StrongMail, a promising start-up providing e-mail delivery infrastructure software for enterprises (Wasserman & Uy, 2011).

The other group of people vulnerable to negatively affecting the entrepreneurial process are the hired managers. Dean Kamen's experience at Segway with hiring professional management presents good learning points

for the topic. Dean Kamen was an already proven entrepreneur when he invented Segway. He decided to hire a proven management team to develop the business. The management and the entrepreneur were out of sync, and Kamen could not add the entrepreneurial input that made him successful with his earlier ventures. This mismatch contributed to the fact that Segway did not realise its full business potential (Hamermesh & Kiron, 2004).

Earlier studies have pointed out the importance of mentoring in the start-up phase (Csákné Filep et al., 2020) and the positive impact accelerator houses have on entrepreneurs. Further research is required on how investors, managers, mentors and other influencers affect the entrepreneurial process, as well as the best way for them to work together to create value. This analysis suggests, however, an amplified risk if entrepreneurs, in their core activities, are influenced by outside stakeholders.

Five dimensions, four styles

Qualitative and quantitative research steps crystallised five leadership capability dimensions: imagination, execution, social, organisational and personal. The first four leadership competency dimensions help to explain how successful entrepreneurs apply diverse leadership styles to achieve their goals. The fifth competency dimension, personal, speaks to who becomes an entrepreneur and contributes to the understanding of the motivational aspects of becoming a successful entrepreneur (Lukovszki, 2011).

The five competency dimensions are strongly related to the findings of Tittel and Terzidis (2020), who created an entrepreneurial competence framework with three main categories: domain, personal and relationship. The domain competence includes opportunity, organisation and management. The five dimensions of this study mainly differ in that, compared to the three-component model of Tittel and Terzidis, the social (relationship) or personal competency groups are as important as imagination (opportunity recognition), execution (management) and organisation from the point of the entrepreneurial challenge of view. Tittel and Terzidis (2020) provided an in-depth view of entrepreneurial competency research from an entrepreneurial process point of view. The novelty of my research lies in that my primary focus is analysing entrepreneurial competencies from a leadership perspective.

This leadership perspective allowed me to establish four entrepreneurial leadership styles: Lone Wolf, Team Builder, Explorer and Architect. Besides identifying the four leadership styles, there are other take-aways from the results of the hierarchical cluster analysis. The analysis reconfirms the notion of the balanced and multi-dimensional competency requirements of successful leaders. The analysis did not reveal one- or two-dimensional leadership styles. Successful leadership styles assume all leadership competencies, but the difference between styles lies in each competency dimension's weights and when and how often the leader uses them (Peterson et al., 2020).

Two styles – Lone Wolves and Team Builders – reflect the classical relationship-task approach from the Blake Mouton managerial grid or the Hersey-Blanchard contin-

gency model (Bakacsi, 2006; Johansen, 1990). This notion is also reflected in recent research establishing three mindsets (Subramaniam & Shankar, 2020), of which two are purpose and people oriented. The third mindset, “Experimenting and risk-taking,” connects to the Explorer leadership style. The Architect leadership style expands the current view on entrepreneurial competencies and leadership styles, so that, as ventures grow, entrepreneurs must adjust their competencies, and building learning organisations become increasingly important. Entrepreneurship is a role that individuals undertake to create organisations, and entrepreneurial activity has been related to organisational leadership (Bjerke & Hultman, 2003; Carton et al., 2004; Gartner, 1988; Puga et al., 2010). Architects perform best in exactly that role. Some argue it is the essential role of an entrepreneur to create an organisation to build a sustainable business (MacMillan & McGrath, 2000). Entrepreneurs face organisational challenges even at early stages as “entrepreneurial leaders focus on enacting an entirely emergent organisational task and a transaction set to accomplish the task” (Gupta et al., 2004).

I applied the four leadership styles to the protagonists of the case studies used to build the case survey database. It is interesting to see the style-typing exercise in action. I was able to detect the main leadership styles of the marquee entrepreneurs (Table 7), so this paper offers a tool and methodology to identify the entrepreneurial leadership style of individuals.

Snapshot of contemporary leadership models and entrepreneurial leadership

Looking at the results of this study on entrepreneurial leadership considering contemporary leadership models, we can arrive to some noteworthy findings. Charismatic leadership has an effect on entrepreneurial activity, which turns out to be greater than that of other leadership types (Felix et al., 2019). Reflecting on the list of the most critical competencies, we can infer that they relate to the leadership competencies of (neo)-charismatic leaders, which creates devotion between followers and the organisational vision (Bakacsi, 2019). This is precisely what entrepreneurial leaders do with competencies like setting goals, setting vision, inspiring and motivating others, engaging people, thinking strategically and being decisive and result-oriented. Some properties are not shared by neo-charismatic and entrepreneurial leadership, including the excellence orientation of neo-charismatic leaders or the outstanding ambition of entrepreneurs (Gupta et al., 2004)

A few of the vital entrepreneurial competencies align with the characterisation of authentic leaders such as being value driven (Lee et al., 2020). However, when we consider the list of counterproductive entrepreneurial leadership competencies (maintain work-life balance, ethical, patient, compassionate, caring, tolerant), they are in direct contrast with authentic leadership. On the same note, being trustworthy and honest are important attributes of val-

Table 7

List of Leadership Styles of Marquee Entrepreneurs

Entrepreneur	Business	Country	Style
Bert Twaalfhoven	Indivers	Holland	Team Builder
Jeff Bezos	Amazon	USA	Architect
Coco Chanel	Chanel	France	Lone Wolf
Dean Kamen	Auto Syringe, Segway	USA	Architect
Bill Gates	Microsoft	USA	Architect
Phil Graham	The Washington Post Co.	USA	Team Builder
Howard Schultz	Starbucks	USA	Explorer
Iwasaki Yataro	Mitsubishi	Japan	Team Builder
Hudácskó János	Hangavári Winery	Hungary	Explorer
Hudácskó Katalin	Hangavári Winery	Hungary	Team Builder
Jack Ma	Ali Baba	China	Explorer
Steve Jobs	Apple	USA	Team Builder
Bill Bowerman	Nike	USA	Lone Wolf
Phil Knight	Nike	USA	Architect
Elon Musk	Tesla, SpaceX	USA	Explorer
Vinod Kapur	Keggfarms	India	Architect
Wilhelm Siemens	Siemens	Germany	Lone Wolf
Walter Siemens	Siemens	Germany	Architect
Sam Walton	Wal-Mart	USA	Architect
Steve Wozniak	Apple	USA	Explorer
Mark Zuckerberg	Facebook	USA	Architect

Source: Own analysis

ue-based leadership, but are not necessarily aligned with entrepreneurial leadership (Gupta et al., 2004). Authors on authentic leadership have suggested a long development process (Cserháti et al., 2021) during which leaders mature (Bakacsi, 2019) and become authentic leaders. This research does not aim to explain this phenomenon in detail. It offers an interesting direction for future research on the leadership maturation process, employing research that considers different life stages of entrepreneurs and their ventures.

Conclusion

This paper addresses the research gap on entrepreneurial leadership style. It presents a model of entrepreneurial leadership applying leadership competencies that identifies four styles based on five leadership dimensions. All four leadership styles assume a diversified competency set and reconfirm the notion that entrepreneurs need to apply a diverse set of competencies to achieve their goals and build prosperous long-lasting businesses. Finding the right partner(s) with complementary sets of leadership competencies and building an entrepreneurial leadership team is crucial for successful entrepreneurship. The African proverb “If you want to go fast, go alone! But if you want to go far, go together” (Odoi-Atsem, 2018) has a valid message for the present and future generations of entrepreneurs.

This is the third paper presenting the results of a multi-step research programme and applied a new research methodology using the case survey method. The literature review confirmed the already identified five entrepreneurial leadership dimensions, but updated their definition. It also updated the list of most important competencies and introduced the notion of counterproductive competencies. As the most significant result, the new methodology was not only able to verify the leadership styles of Lone Wolf, Team Builder and Explorer, but completed the picture by introducing the fourth style, the Architect. This paper also offered a new tool for identifying the leadership style of entrepreneurs. After establishing a theoretical model for entrepreneurial leadership styles, future research could concentrate on the potential situational nature of entrepreneurial leadership. A critical research question would be whether entrepreneurial leadership is situational and what the contingency variables are. It would be interesting to study if and how successful entrepreneurs change their leadership style and the patterns that may appear in this adaptation process.

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Online annexe to the manuscript: “The Four Leadership Styles of Entrepreneurs: A Competency-based Model for Entrepreneurial Leadership”

Gender	Count
Male	55
Female	17
Grand Total	72

Geography	Count
Asia	2
Europe	4
India, China	3
UAE	1
USA	44
Grand Total	54

Phase	Count
1st	43
2nd	36
3rd	37
4th	33
5th	10
Grand Total	159

Industry	Count
Information Technology	17
Manufacturing	5
Fashion, Apparel	4
Media & Entertainment	4
Biotech, Medical Technology	3
E-commerce, Online retail	4
Other services	3
Automobile, Aviation	2
Consulting, Finance	2
Restaurant	2
Telecom	2
Agriculture	2
Education	1
Food and Beverage	1
Pharma	1
Traditional Retail	1
Grand Total	54

Source: Own analysis

Online Annexe-2: Case studies coded in the case survey method

Applegate, L., & Norris, M. (2019). *Cravia: Launching high-growth ventures in the Middle East* (Case

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EXCELLENCE AND RENEWAL – DIGITAL TRANSFORMATION PATTERNS IN THE HUNGARIAN BUSINESS SERVICES SECTOR

KIVÁLÓSÁG ÉS MEGÚJULÁS – A DIGITÁLIS ÁTALAKULÁS MINTÁI A MAGYAR ÜZLETI SZOLGÁLTATÓSZEKTORBAN

In the past few years, there has been an explosion of scholarly interest in the field of digital transformation of companies. The extant literature mostly focuses on the manufacturing industry and fails to explain the causes and consequences of digital transformation in the business services sector. This paper examines what digitalization's primary purposes are and how management and organizational practices stimulate the digital transformation of business service centers. Four research case studies were developed and presented based on eighteen interviews with company experts and managers. The authors concluded that excellence in existing capabilities and organizational renewal are both key drivers of digital transformation projects in business service centers. They argue that rigorous top-down strategy formulation and implementation is not the only way and the building of organizational capabilities such as effective idea generation, small-scale developments, upscaling, and bricolage can also lead to successful digital innovations in the business services sector.

Keywords: business services, digital transformation, digitalization, process automation, robotization, digital strategy, exploration and exploitation, bricolage

Az elmúlt években jelentős tudományos érdeklődés irányult a vállalatok digitális átalakulására. A témában elérhető szakirodalom ugyanakkor elsősorban az iparvállalatok gyakorlatával foglalkozik, és kevésbé tér ki az üzleti szolgáltató szektor digitális átalakulásának okaira és következményeire. Jelen tanulmány célja annak vizsgálata, hogy melyek az üzleti szolgáltatóközpontok digitalizációjának elsődleges okai, illetve melyek azok a szervezeti és menedzsment gyakorlatok, amelyek e folyamatot támogatják. A szerzők négy üzleti esettanulmányt mutatnak be, 18 vállalati vezetővel és szakértővel készült interjú alapján. Arra a megállapításra jutnak, hogy az üzleti szolgáltatóközpontok digitális átalakulási projektjeinek két legfontosabb célja a meglévő szervezeti képességek fejlesztése és a szervezeti megújulás. Úgy találják, hogy az üzleti szolgáltatóközpontok digitális átalakulása nem feltétlenül szigorú, top-down stratégiai tervezés alapján valósul meg. Kulcsfontosságúak a hatékony ötletgenerálást, a kisléptékű kísérletezést, a jógyakorlatok gyors elterjesztését, illetve a stratégiai barkácsolást támogató szervezeti képességek.

KULCSSZAVAK: üzleti szolgáltatások, digitális átalakulás, digitalizáció, folyamatautomatizálás, robotizáció, digitális stratégia, felfedezés és kiaknázás, bricolage

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The technological trends of our digital age have been disrupting different sectors of the economy for many

years. Since national manufacturing strategies such as the Industry 4.0 of Germany and the Advanced Manufac-

turing Partnership (AMP) of the USA were published in 2011, in response to the economic crisis, companies in all industries started to upgrade their structure, operations, and business models to gain a competitive edge (Horlach, Drews, & Schirmer, 2016; Kagermann, 2015; Ku, Chien, & Ma, 2020). These trends reach far beyond the manufacturing industry, reshaping entire supply chains (Manavalan & Jayakrishna, 2019) and the economy as a whole (Porter & Heppelmann, 2015). As technological advancement creates the premises of smart and connected ecosystems, value is created through the sharing of data and knowledge (Szász et al., 2020; Szász et al., 2019), as well as real-time interactions between actors of the supply network (Lee, Lapira, Bagheri, & Kao, 2013).

Digital transformation in the business services sector (BSS) is not intensively researched (Bryson & Gardner, 2020; Rehse, Hoffmann, & Kosanke, 2016). Nevertheless, new technologies strongly affect business services like finance and accounting, procurement, or HR operations (Edlich, Watson, & Whiteman, 2017). These services primarily employ white-collar workers formerly thought to be less exposed to robotization. Today's business service organizations, like business process outsourcing providers (BPO) or shared service centers (SSC), have started to exploit the benefits of technologies like chatbots, robotic process automation (RPA), intelligent automation, data and process mining, and blockchain (Chakraborty, Gupta, Himmelreich, & Tevelson, 2018; Melton, Carrigan, & Glusac, 2019). However, there is limited evidence in scientific discourse about how business service centers (BSCs) explore the technology enhancements, as well as for what purposes and how these technologies are integrated into their operations.

In this paper, the authors start by reviewing the literature on digital transformation with a particular emphasis on the purposes and levels of digital transformation. The authors focus their investigation on the business services sector in Hungary, the second most important driver of the Hungarian economy. They present the results of eighteen interviews at four companies, serving as the basis of four research case studies. In its effects, this paper investigates the purposes for which the BSCs use powerful new technologies and the management and organizational practices that stimulate the digital transformation of companies. In conclusion, the paper assesses the novelty and the implications of the new knowledge gained on digital transformation in the business services sector.

Theoretical framework

Defining digital transformation

Transformation means a top-down restructuring, accompanied by across-the-board cost-cutting, a technological reboot, and some reengineering to increase profit, seize opportunities, lead and dominate the industry, attract talent and enhance the social responsibility of the organization (Kent, Lancefield, & Reilly, 2018). As an early definition of INSEAD, transformation means *“a fundamental change in organizational logic, which resulted in or was caused by a fundamental shift in behaviors”* (Muzyka et

al., 1995, p. 348). Kent et al. (2018) claim that any successful transformation follows these principles: (1) creates a strategic identity to focus all efforts on achieving its goal; (2) designs for trust to attract commitment; (3) tests new practices and implements them throughout the organization, and (4) treats legacy as an asset.

IT scholars have extended the concept of business transformation with the IT-enabled transformation that is a change caused by transformational information technology. The transformational power of IT can be understood through the following dimensions: processes, new organizations, relationships, user experience, markets, customers, and disruption (Lucas, Agarwal, Clemons, Sawy, & Weber, 2013). Digital transformation (DT) is an IT-enabled transformation with far-reaching effects, as this is one of the most significant managerial challenges in all industries recently.

Our literature review investigated digital transformation in multiple areas and from different perspectives such as societies, industries, economies, networks, companies, and individuals (Ismail, Khater, & Zaki, 2017). Scholars provide us with various definitions (Demeter & Losonci, 2020). Based on the analysis of fifty-three definitions, Morakanyane et al. (2017) identified common elements and differences. They found that most of the digital transformation definitions agree in that the changes are technology-driven and significantly affect organizational practice that disrupts and redefines preceding structures. However, some definitions focus on specific types and areas of transformation, while others emphasize a comprehensive renewal of organizational capabilities and value creation. According to Sebastian et al. (2017), digital strategy, the blueprint for digital transformation, is understood as *“a business strategy, inspired by the capabilities of powerful, readily accessible technologies, intent on delivering unique, integrated business capabilities in ways that are responsive to constantly changing market conditions”* (Sebastian, Ross, & Beath, 2017 p. 198).

Hess et al. (2016) define digital transformation as the sum of organizational changes that reform organizations' business models, products, processes, and structures using digital technologies. Ismail et al. (2017) explain it as *“the process through which companies converge multiple new digital technologies, enhanced with ubiquitous connectivity, with the intention of reaching superior performance and sustained competitive advantage, by transforming multiple business dimensions, including the business model, the customer experience (comprising digitally enabled products and services) and operations (comprising processes and decision-making), and simultaneously impacting people (including skills talent and culture) and networks (including the entire value system)”* (Ismail et al., 2017, p. 7). According to Westerman et al. (2014), digital transformation aims to improve the performance or reach of enterprises radically, and it is a necessary driver to adapt to changes in the external environment.

While some authors agree that digital transformation inherently refers to a fundamental and disruptive change, others contest this argument (Muzyka et al., 1995).

There is another dispute about what technologies are to be considered digital transformation technologies. Andriole (2017) argues that as business models are outdated in many industries, the transformational impact may be reached using already proven technologies. These easily accessible technologies have significant unexploited transformational potential that is comparable with the benefits of the riskier implementation of the latest disruptive technologies (Andriole, 2017).

Regarding the business services sector a four-level pyramid concept for digital transformation has been introduced by Marciniak et al. (2019). The higher levels of the pyramid represent higher added value in the digital transformation journey of the business service organization. The lowest level, labeled as *digitization*, refers to the process of converting analog streams of information to digital bits, while the second level, *digitalization*, refers to the use of digital technology and digitized information that alters existing business processes (Reis, Amorim, Melão, Cohen, & Rodrigues, 2020; Verhoef et al., 2019). At the third level, *automation* permits the decrease of human interactions required for process completion, even in the form of robotization that resembles and replicates human operations (Edlich et al., 2017; Schumacher, Sihm, & Erol, 2016; Syed et al., 2020). Marciniak et al. (2019) argue that the fourth level of the pyramid could be deployed with each level independently, as shown in Figure 1. *Cognitive technologies* can learn from previous decisions, which leads to a potential for self-improvement. By integrating cognitive tools, all three lower levels get smart feature enhancements.

The digital transformation technologies in the business services sector cover the standard digital technologies of other industries with a pattern specific to the sec-

tor. A survey in Hungary (Marciniak & Ránki-Kovács, 2021) found that process technologies serving digitized and digital operations (e.g., enterprise resource planning, workflow, business intelligence) are pervasive. White-collar robotics solutions, especially robotic process automation (RPA) and chatbots, already have a strong presence, evolving rapidly towards cognitive solutions. Big data and advanced analytics solutions like data mining or process mining technologies are also well established in the sector. Business service centers are data centers, which manage and optimize large amounts of data, mainly through simulations and cloud solutions. Therefore, there is a natural need for further enhancement of advanced data security and cybersecurity technologies.

Digital transformation does not mean solving old problems with new technology. Instead, it may be understood as re-thinking old problems while considering novel possibilities (Hess, Matt, Benlian, & Wiesböck, 2016). Even though the technology is essential, a sustainable competitive advantage originates from organizational capabilities and how the company uses and combines them. Therefore, genuine digital transformation also means organizational renewal (Porter & Heppelmann, 2015).

Purposes of digital transformation

In their digital transformation framework, Matt et al. (2015) argue that digital transformation affects four dimensions of organizations. The (1) use of technology refers to the capability to explore and exploit novel technological solutions. These technologies generate (2) changes in value creation and (3) changes in structure and processes. The transformation also has (4) financial aspects: goals of efficiency and effectivity are reasons as well as expected outcomes of digital transformation projects.

Figure 1

Digital transformation technologies in the business services sector

Level 1 DIGITIZATION	Level 2 DIGITALIZATION	Level 3 AUTOMATION AND ROBOTIZATION
<ul style="list-style-type: none"> • Cloud computing, server virtualization • Core business applications (e.g., ERP, CRM, document management) • Optical character recognition • Smart/mobile devices • Internet of Things 	<ul style="list-style-type: none"> • Ticketing and workflow systems • Self-service workflows • Blockchain • Process analytics and dashboards 	<ul style="list-style-type: none"> • Macros, scripting, routing • Robotic process automation • Chatbot • Robotized software testing • Augmented reality
Level 4 USE OF COGNITIVE (ARTIFICIAL INTELLIGENCE) TECHNOLOGIES		
<ul style="list-style-type: none"> • Intelligent character recognition • Computer vision (face recognition, image classification, object detection, and tracking) 	<ul style="list-style-type: none"> • Predictive analytics • Process and system simulation (digital twin) • Process mining • Cybersecurity 	<ul style="list-style-type: none"> • Intelligent application scripting and debugging • Cognitive chatbot and intelligent process automation • Natural language processing (speech recognition, machine translation, text classification, document summarization) • Machine learning, artificial intelligence

Source: Based on Marciniak et al. (2019, p.116)

In an early survey regarding digital transformation, Kane et al. (2015) identified five key objectives. The majority of the companies addressed increasing efficiency and improving customer experience and engagement as primary aims of digital transformation. However, companies prominent in digital transformation intend to enhance decision-making and innovation (Csedő, Zavarkó, & Sára, 2019a) and transform their business model (Kane, Palmer, Phillips, Kiron, & Buckley, 2015). By analyzing 53 articles on digital transformation in the scholarly literature, Morakanyane et al. (2017) listed four core outcomes expected from digital transformation: operational efficiency, changes in value creation, improving relationships (e.g., with customers), and creating competitive advantage.

Sebastian et al. (2017) distinguished between two digital strategies. The customer engagement strategy “*seeks to build customer loyalty and trust by providing superior, innovative, personalized, and integrated customer experiences*” (Sebastian et al., 2017). The digitized solutions strategy “*aims to reformulate a company’s value proposition by integrating a combination of products, services, and data*” (Sebastian et al., 2017). The authors conclude that digital technologies contribute to operational excellence on the one hand and enable rapid innovation.

Organizational practices that stimulate digital transformation

Based on a worldwide survey of 4,800 company executives, Kane et al. (2015) declared that instead of technology, strategy is the primary driver of digital transformation. While 81 percent of digitally mature companies followed a coherent digital strategy, only 15 percent of companies with a lower digital maturity reported so. According to companies in the “early” and “developing” stages on the digital maturity scale, one of the three main barriers to digital transformation is the lack of strategy. However, this study drew attention to the importance of other organizational practices as well, including digitally committed and skilled leaders, a risk-taking organizational culture that fosters digital initiatives, and ongoing efforts to fill the digital skill-gap of employees.

Fischer et al. (2020) argue that while digital transformation dominates the managerial and scientific discourse, many companies have no plan on how to approach it. Their paper presents three strategic archetypes: communication/learning, unification/optimization, and certification/automation. These type imply different patterns in governance and compliance, management support, employee interaction, scope and targets of education, supporting tools, as well as conventions and guidelines (Fischer et al., 2020). Chanas et al. (2019) argue that a realized digital transformation strategy evolves through the “episodes” of digital strategy making, while episodes interact with organizational context and digitalization practices. They found that digital transformation may have both top-down and bottom-up building blocks. The former refers to the conscious planning and execution of a digital roadmap, while the latter refers to an idea to the collection, selection, and realization of digitalization ideas (Chanas et al., 2019).

Tekic and Koroteev (2019) investigated the companies that do not have a coherent digital strategy and identified two approaches. One is to copy the digital initiatives of a successful reference company. Another approach is to experiment with novel solutions in the hope of finding a shortcut or other unforeseen advantage. Experimentation also requires a particular organizational culture and mindset, even at companies that have a formal digital strategy. This mindset is often called *digital orientation* in the literature and refers to traits like digital curiosity, alertness, openness, and innovative passion (Dantsoho et al., 2020).

Research also shows that a certain level of deviation from the official transformational roadmap and tools may be beneficial. When investigating the case of omnichannel transformation in retail, Do Vale et al. (2021) chose the term *bricolage* to describe a phenomenon when employees, whatever they had at hand, tried to make the most out of the tools and resources available. Through experimentation and bricolage, they often found new combinations of elements and features. Improvisation in organizational learning (Weick, 1998), bricolage based on experimentation (Barrett, 1998), and the embrace of ideas have a long tradition in strategic management theories (Baker, Miner, & Eesley, 2003). Contrary to the contingency approach, in the case of bricolage and experimentation, the alignment of the external environment, strategy, and organization is not deterministic (Ciborra, 1992). Do Vale et al. (2021) argue that, in digital transformation, bricolage at the operational level seizes the opportunity for finding new ways of digitalization. Middle-level managers are advised to pay attention to bricolage and emerging ideas to identify those that can be added to the official digitalization agenda.

In summary, digital strategy is as much a blueprint for intended transformations as it is an emergent process based on intuition and experimenting (Zimmer, 2019). The latter assumes a certain level of cultural intelligence (CQ) and digital leadership (Rüth & Netzer, 2019, Ehmig-Klassen & Schallmo, 2021). Based on the research at a German multinational company from the automotive industry, Zimmer (2019) demonstrated how the digital transformation strategy emerges from the sequence of acts of organizational improvisation (OI). However, he also emphasized the importance of the underlying improvisational system (innovation culture), e.g., innovation events, or idea selection using a crowd-voting system.

Multinational companies with global processes and numerous subsidiaries face particular challenges in stimulating digital transformation (Szalavetz, 2019a, 2019b). As Ekman et al. (2020) highlighted, subsidiaries are externally embedded in their local environment (customers, suppliers etc.), while internally embedded based on their relations to the mother company and its other subsidiaries. These aspects are additions to the strategic, financial, and technological considerations of implementing digital transformation at subsidiaries. However, regarding the business services sector, there is a lack of empirical evidence on how subsidiaries develop their digital transformation agenda and what type of orientation and initiatives supports the digital transformation efforts.

Research design and methods

The authors of this paper identified research gaps in two areas. There is a need for empirical evidence on why companies of the business services sector initiate digitalization projects, and how management and organization promote the projects' success. The authors formulated two research questions as follows.

- What is the rationale behind digital transformation projects in the business services sector? For what purposes do they use powerful new technologies?
- What management and organizational practices stimulate successful digital transformation projects in the business services sector? What strategies and organizational capabilities seem to be the most advantageous?

The business services sector of Hungary was chosen as the field of research. In the mid-2000s, the business services sector set foot in Central and Eastern Europe (CEE) (Marciniak, 2014). Building on the benefit of being geographically and culturally close to the Western European companies' clients while offering a noticeable labor arbitrage compared to the more developed countries, the CEE region became a significant hub for global business services (Sass, Gál, & Juhász, 2018). Hungary is one of the key markets for shared services and business process outsourcing. Nearly 205 business service centers (BSCs) employ around 74,000 people, making this sector serving as the second-largest driver of Hungarian economic growth (Marciniak & Ránki-Kovács, 2021). Therefore, it serves as a promising empirical sample for answering our research questions.

The case study methodology was selected as a means of data analysis and empirical investigation. Case studies are generally used to capture complex phenomena and their organizational drivers in a meaningful yet conveyable way. In a multiple-case design, numerous instrumental, bounded cases are examined using multiple data collection methods. This research methodology is more powerful than single-case designs as it provides more extensive descriptions and explanations of the phenomenon or issue (Mills et al., 2010). As our research questions aim at a deeper investigation of contemporary phenomena that cannot be separated from its context, a multi-case approach was selected (Yin, 2014). Our sample included four case studies of companies active in the business services sector and thus sharing a common context. The number of cases in our sample is considered sufficient for empirical grounding and analytical generalization, as the common context enables some degree of comparison and contrast (Eisenhardt, 1989).

Case study candidates were chosen purposefully according to the following criteria: variance in location, the industry of parent company, the number of employees, and the technology adaptation strategy. To provide confidentiality to the companies involved, the four case studies are referred by letters A to D. Company A operates in the information technology and services industry. Its global parent company employs over 100,000 people. The Buda-

pest-based subsidiary has 2,300 employees. Company B is another subsidiary of the same global parent company with a strong presence in Székesfehérvár, the ninth-largest city in Hungary. Approximately 2,400 employees of company B provide the internal and external clients of the parent company with IT operations and maintenance services. Company C operates in the manufacturing industry. Located in Székesfehérvár, it has about 500 employees. Its global parent company has a strong presence in Europe. Company D is also invested in information technology and services. It employs over 4,500 people at its Budapest headquarters and three other regional sites. Company D is a subsidiary of a German multinational company with a strong presence in Hungary.

The case study research was designed based on a data collection guide compiled with the help of fellow researchers who investigated similar phenomena in different industries. This guideline was followed to ensure validity and comparability between individual cases. The data collection guideline was developed based on Buchanan & Bryman (2011) and Byrne & Ragin (2013). Collection methods included semi-structured interviews and short supplementary survey questionnaires. The semi-structured interviews covered the subjects of industrial trends, general information about the company and its parent group. Interview questions related to digital transformation were peer-validated in the research group with the following topics.

- Position in supply chains/networks.
- General strategy and links to Service 4.0.
- External relations and Service 4.0.
- Access to capital in terms of Service 4.0.
- Participation of employees and employee representatives in Service 4.0 projects.
- Description of Service 4.0 projects within the company (drivers, implementation process, responsibilities, results, and assessment).
- Employment structure and trends.
- Governance of innovation processes within the company.

Researchers investigated public sources (company websites, press releases, interviews) beforehand and internal documents provided by the interviewees after the interviews. The authors contacted the senior managers of the four companies to schedule interviews with them and their peers in various positions like digitalization experts and project leaders. Seventeen people from the four companies in different positions were interviewed (Table 1), four of them multiple times. The interviews were carried out from Fall 2018 to Spring 2019.

The interviews usually took 1-1.5 hours and were face-to-face, in-depth, and semi-structured. The semi-structured format was selected to let the interviewees reveal factors, interpretations, and interdependencies that they consider to be the most relevant. In two cases, group interviews were conducted. Except two occasions, the interviews have been recorded and digitalized with a full transcript. Based on the transcripts, the researchers pre-

Table 1

Corporate position and affiliation of interviewees

Nr	Corporate position	Company code	Nr	Corporate position	Company code
1	Managing Director	A	10	Head of Automation	B
2	HR Services (external)	A	11	Service Quality Specialist	B
3	Procurement	A	12	Automation Team Lead	C
4	Q2C (Sales Support)	A	13	Global Compliance Lead	C
5	Chief Information Officer	A	14	Security Lead	D
6	Indirect Tax	A	15	Expert Architect	D
7	Accounts Payable	A	16	IoT Portfolio Unit Lead	D
8	HR Transformation (internal)	A	17	Managing Director	D
9	Site executive	B			

Source: own compilation

pared and discussed the interview summaries, with tagged references to the original transcript (or notes).

Triangulation of the interview transcripts and the company or public documents was achieved by a short post-interview questionnaire. Fourteen out of the 17 interviewees assessed statements regarding the purposes and the implementation of digital transformation. This was to ensure that the researchers developed a proper understanding of the digital transformation situation of the company. The combination of different data sources, together with the strict data collection guide that framed the case study preparation process, contributed to the reliability and the validity of the research.

The empirical evidence synthesized by the four detailed case studies has been sent back to companies for verification and approval. After the case studies were completed, the research continued with research workshops. Interviewers and other members of the research team discussed, compared, and contrasted the case studies to identify common or differing characteristics. The original interview transcripts and summaries were used occasionally for further confirmation.

Results

Purposes of digital transformation

The management interviews conducted by the authors confirmed that operational efficiency is the principal target of the BSCs. This target is set by either the parent company, in the case of internal shared service centers (captive centers), or by business partners, in the case of companies that serve external clients. In both cases there are hard incentives to secure the achievements of the efficiency goals. The annual cost-saving target, for example, in the case of shared service centers, is usually determined by the parent company, as part of their annual budget. The service center is responsible for either decreasing the cost of operations or increasing the service output while maintaining the budget. A typical case was spoken about by a manager of Company C: *“The global headquarters assigns more and more tasks annually without allowing us an increase in headcount.”*

The research interviews highlighted the strategic relevance of digitally enhanced operational efficiency. The customers of the BSCs are global companies that typically follow a multi-sourcing model that is continuously reassessed. The performance of captive centers is compared to each other's within the parent group and to external service providers operating on the market. This competition is a fundamental threat to captive centers that provide service exclusively to their parent company. The business processes performed by a captive center may be relocated to another country or outsourced (hiring an independent BSC from the market) when this proves to be better in terms of cost and quality. *“We are already launching automation projects as a preparation for next year's cost-saving challenges”*, admitted a department head at Company A. Naturally, this can be a threat to a BSC with external clients as well, especially since global companies also consider insourcing (assigning the business project to an internal unit or a subsidiary within the global company) as an option.

The research case studies highlighted that changing customer needs also urge BSCs to advance in digital transformation. The research interviewees agreed that as these customers become accustomed to digital channels, the business services sector should follow this trend. BSCs operate on the business-to-business market, having either external (e.g., manufacturing companies) or internal (e.g., subsidiaries of its parent company) clients. In both cases, BSCs face increased customer expectations like shorter lead times, real-time fulfillment, zero errors, or simple, flexible, and personalized interactions. The case studies of the four companies confirmed that digitalization enables better customization of services. Proactive BSCs already initiate process transformation projects to be prepared for future customer needs and experiment with significantly enhanced services. *“Develop it today and excel with it tomorrow”*, said an executive of Company D, a notion echoed by interviewees of Company A and B.

While both efficiency-driven automation and customer-driven digitalization results in less labor-intensive business processes in the BSCs, the research case studies revealed that employment arguments also prompt the au-

tomation of labor-intensive processes. As a manager from Company C highlighted, “all BSCs are competing on the labor market, and the supply is lower than the demand. Automation may be a resolution for recruitment difficulties”. Almost all interviewees agreed that it could be challenging to retain the workforce performing monotonous, repetitive tasks in the long run. The research case studies showed that focusing on more value-added work makes it easier to attract talent to the company and also enables the BSCs to offer a more knowledge-intensive service portfolio and move up in the value chain. “We want to deal with more complex work. To bring in such services from Germany, we must first automate the monotonous work,” explained an interviewee from Company A.

Organizational practices that drive digital transformation

The analysis of the four case studies showed that there are common patterns in successful digitalization practices. These commonalities included (1) an organizational culture open to innovation, (2) an internal fund (at the BSC or corporate group level) to financially support promising digitalization projects, (3) available key resources (people and technologies) for development, and (4) managerial attention to digitalization projects and potential returns. The interviews also highlighted that these BSCs did not necessarily have a clear and coherent digitalization strategy, despite having implemented multiple successful digital transformation projects. Instead, they created an organizational setting that fosters innovative ideas and subsidizes projects. They experiment with different technologies and embrace those that seem promising. Based on the interviews, a set of strategic resources and capabilities appear to be the most essential when implementing digital transformation in the business services sector (see Figure 2).

Organizational culture seems to play an essential role in the generation of innovative ideas. Industry reports (Marciniak & Ránki-Kovács, 2021) show that numerous companies have introduced organizational cultures that support lean principles in the business services sector over the last decade. Our interviewees added that in the past few years, companies intended to become more agile – a process in which they also relied on an open and adaptive organizational culture. Due to the constant changes in the external environment and in the organization itself, employees must be open to novelties and transformation. At Company A, the management does not only accept, but expects employees to come up with ideas for simplification, standardization, and automation. As our interviewees put it, an innovative mindset is needed for every employee to “constantly think of how to be more effective”. They have dedicated innovation events, brainstorming sessions, and hackathons. “It is all about transformation, how we will be better”, one interviewee underlined. According to interviewees at Company B, besides the parent company’s expectations for digital projects, the proactive attitude of BSC employees is also critical. According to Company D managers, innovation is rather a matter of mindset than something calculated in return. An organizational culture

committed to efficiency and renewal, on the one hand, ensures and rewards employees for their openness to innovation. On the other hand, this culture involves idea-collection systems, rooted in lean philosophy, that ensure that ideas of employees and clients are channeled.

Figure 2
Corporate best practices at different implementation phases of digitalization projects

1. Idea generation	2. Small-scale implementation	3. Embracing and upscaling
<ul style="list-style-type: none"> • Openness and encouraging organizational culture • Systematic idea collection (top-down and bottom-up) 	<ul style="list-style-type: none"> • Internal funds that subsidize early project costs • Available resources (employees and technology) 	<ul style="list-style-type: none"> • Managerial attention to digitalization projects • Cost-benefit calculations, estimations on return

Source: own compilation

The case studies revealed the benefits of the early implementation of viable ideas. Financial support turned out to be important and is realized by creating internal funds to which project initiators can apply. BSCs also support initiatives by providing the staff and technologies needed for implementation. These two factors help innovative employees initiate projects at relatively low costs to reach early results.

At Company A, the parent company determines the top global digitalization projects annually. The central budget for these projects is used to finance license costs and special experts. Costs are ultimately passed on to the business areas. However, there is no central funding for in-house automation projects at the subsidiaries. Project initiators need to find resources for their plans: they can either use the savings of their own unit or the savings of the BSC. “Developer capacity, those who can be made to focus on development, is scarce. You have to fight for resources.”, said one of our interviewees. It means that it is not enough to demonstrate the expected returns of a project; project initiators should also look for possible funding.

Company D operates an innovation fund that supports internally generated project ideas. They finance small-scale in-house developments and processes that do not require vast resources. Otherwise, it is mostly product ideas that can win funding from this source since, beyond saving costs, these can be sold to customers as value-added products later. In the case of efficiency improvements such as robotic process automation, savings may cover some central overhead costs. In some cases, however, the management decides to use these savings to support further digitalization projects.

At Company C, projects are primarily based on bottom-up initiatives with little or no budget. These are minor improvements at a certain part of the process and rarely end-to-end solutions. Company A is in a unique position as its parent company actively develops and markets digitalization technologies. Early phase digitalization projects

are entitled to access technologies, like artificial intelligence, free of charge. Projects of a larger scale are required to pay service fees, on a pay-per-use base, just like external clients. Beyond the free experimentation period, early-phase projects also benefit from easy access to in-house knowledge on new technologies.

All four companies have centralized units that support digitalization projects. These units accumulate developer capacities accessible for ongoing projects. At Company A and D, similarly to the common example of Google, employees are entitled to devote weekly work hours, determined by their supervisor, to experimental development projects of their choice. In this way, the highly motivated and knowledgeable workforce can be channeled into some of the flagship projects. This also provides participants with opportunities for professional development.

At Company D, each area is responsible for the developments they carry out. There is a dedicated process development team that supports, designs, and develops. Apart from this they strive to keep the innovative approach in the minds of all employees. All the employees of the company are encouraged to take part in the innovation project, and project initiators can later become managers in the implementation phase of the project. Interviewees claimed that many ideas are collected. It is relatively easy to encourage colleagues to come up with ideas, but it is challenging to persuade them to act upon and implement these ideas into workable solutions (Table 2).

According to the case studies examined, the third step of successful digital transformation is to embrace and upscale successfully applied technological solutions. Digitalization projects are at the center of managerial attention in all companies as they see the potential for efficiency gains, better services, and competitive advantage. Successful projects will be rolled out to other units or even upscaled globally within the parent company. Such a decision is likely to be based on the prediction and the measurement of savings related to the innovation.

Successful and upscaled projects that were initially focused on internal development are, in some cases, sold to external customers as well. This was the case, for instance, with Company A's software robots in the procurement field. We also see examples where, on the contrary, development projects based on the specific needs of clients become part of internal organizational practices or the company's standard service portfolio. For instance, the cybersecurity enhancements developed for a specific client of Company D resulted in such great success that the BSC has started to create a standalone solution based on this project.

Discussion

Purposes of digital transformation

Regarding the purposes of digital transformation, the research in the Hungarian business services sector confirms most of the previous knowledge from the scholarly literature. Operational excellence is a significant driver for digital transformation initiatives. Our research found that companies aim for efficiency (e.g., lower costs), speed, the elimination of errors, an improved scalability, and also for building the organizational capabilities that support the operational excellence. In addition to these purposes, digital transformation is a means to address challenges of the industry trends, the labor market, and client needs.

The case studies revealed that some digital transformation initiatives exceeded operational excellence and aimed to respond to the same challenges more proactively. In addition to the "excellence" pattern, this paper emphasizes the role of a "renewal" pattern of digital transformation. Instead of solely improving the existing processes and services that would result in incremental shifts in the business model, BSCs also aim to create new types of services and provide them through profoundly changed workflows (e.g., robotization) which results in business model innovation.

Table 2

Results across the four case companies

Digital transformation pattern	Company A	Company B	Company C	Company D
Purpose	Meeting cost-cutting requirements, strategic renewal (higher added value)	Meeting cost-cutting requirements, anticipating future customer needs	Increasing efficiency, handling labor shortage	Higher service levels, new products, attracting talent by intellectually challenging work
Dedicated organizational unit	Yes (central and functional)	Yes (central and functional)	Yes (central)	Yes (central)
Organizational culture	Customer-focused, lean, agile, innovation culture	Customer-focused, lean, agile, innovation culture	Lean culture	Customer-focused innovation culture
Source of funding	Subsidiary	Subsidiary	Subsidiary	Subsidiary and parent
Resources	In-house and purchased IT solutions, Centers of Excellence, human talents, international corporate network	In-house and purchased IT solutions, human talents, international corporate network	Human talents, international corporate network	In-house and purchased IT solutions, Centers of Excellence, human talents, international corporate network

Source: own compilation

Excellence and renewal as digital transformation patterns in the business services sector

“EXCELLENCE” PATTERN	TRIGGERS	“RENEWAL” PATTERN
Defending the strategic position by maintaining the competitive edge (e.g., competitive labor costs despite increasing salary levels)	Responding to the industry changes	Moving up to a new strategic position with higher added value (e.g., more complex, non-routine, knowledge-intensive services)
Improving the service level and the customer experience (e.g., meeting the increasing customer expectations)	Responding to the needs of external or internal customers	Offering new types of services (e.g., focusing on problem-solving and value creation in an advisory role)
Lowering the labor intensity in order to reduce exposure to labor supply difficulties (e.g., filling labor shortage with automation)	Responding to the labor market	Increasing the attractiveness of the company on the labor market (e.g., repetitive tasks replaced by intellectually challenging work)

Source: own compilation

We argue that the ultimate purpose of digital transformation can be classified by two patterns: excellence and renewal (Table 3). This observation has firm roots in management literature and reflects well on March's (1991) exploitation versus exploration concept (Csedő, Zavarkó, & Sára, 2019b; Taródy, Ferincz, & Kárpáti, 2021). The excellence pattern at digital transformation recalls exploitation (focus on execution and doing routine tasks better), while the renewal pattern is similar to exploration (experimentation with new things). This duality can be found in several studies in the literature: single-loop and double-loop learning in organizational learning (Argyris & Schön, 1978), evolution and revolution in change management (Tushman & O'Reilly, 1996), continuous improvement and reengineering in process management (Davenport, 1993), or conventional view and strategic perspective in information management (Wiseman, 1988). The excellence and renewal patterns offer further detail to the operational excellence and rapid innovation strategies mentioned by (Sebastian et al., 2017).

New digital technologies transform the fundamental structure of the business services sector. During the 1990s, technology-enabled global companies centralized and relocated or outsourced business processes to countries with lower labor costs. Technology remained the primary source of efficiency improvements in this sector for the next two decades. However, our inquiry found that BSCs are uncertain about how the latest digital technologies will affect their strategic position and the business services sector in the CEE region. On the one hand, BSCs reported that automation and robotization enable them to maintain their competitive position, despite the increasing labor costs that served as a source of their competitive advantage previously.

On the other hand, automation and robotization may result in losing the competitive advantage as the importance of both geographic location and labor costs will be significantly lower when processes are largely robotized. Instead of labor arbitrage, migration decisions will be determined by factors like the economical operation of servers or the access of talented IT workforce like automation experts. This paper revealed that proactive BSCs

have already created digital competencies for delivering more complex, higher value-added services.

Excellence and renewal patterns were observed in the field of customer service, as well. Digitalization and automation technologies are deployed for meeting increasing expectations of customer. Without improving the service level, there is a threat of losing business, both in the case of external clients (outsourcing services) and internal clients (shared service). In the meantime, innovative BSCs experiment with new types of services and business models based on a unique value proposition. The authors found examples when an internal digitalization project evolved into a value-added service that became part of the service portfolio offered to external clients. The renewal pattern often focuses on problem-solving features and value creation in an advisory role, instead of purely executing a business process effectively.

Higher value-added jobs require a more specialized workforce, compared to previous practice, where many foreign-language graduates work without experience or in-depth knowledge. The dual challenge of excellence and renewal is also present in employment. The authors' case studies denoted that automation is a tool for handling the labor shortage in the CEE market. Lower labor intensity reduces the BSC's exposure to labor supply difficulties. It is an open question whether this type of automation would continue in case of a sudden change in the labor market (e.g., a jump in the unemployment rate). On the other hand, renewal aims to transform the BSC from a transaction-oriented to a knowledge-intensive service provider. BSCs hope that they will be able to attract more talent to their company when repetitive tasks are replaced by intellectually challenging work.

This paper found evidence that the renewal pattern is present in the Hungarian business services sector. However, it is still a question whether a quality change in the service portfolio can be achieved and how this affects the strategic position of these companies. We found that, at various BSCs, complex activities are being moved to Hungary from more expensive locations, while more straightforward, transactional activities are robotized or moved to even cheaper locations. As a result of this service migra-

tion, the number of employees in this sector is reducing in the more expensive locations, but for the time being, in the CEE region, only the nature of the work is changing. According to a previous report on the sector (Marciniak & Ránki-Kovács, 2021) even though transactional, lower value-added activities dominate 49 percent of the companies active in the Hungarian business services sector, 80 percent of the BSCs already focused on providing higher value-added services in their strategy.

Organizational practices that stimulate digital transformation

In our research, it appears that none of the four companies followed a clear, formal, and explicit digital strategy. Nevertheless, all four considered their steps in the digital transformation process successful. This is also supported by the fact that three of four companies have global ownership in a specific digitalization area within their corporate group. It is in part due to the success of their digitalization projects that they receive an increasing amount of higher value-added tasks from their parent companies and that they are represented in the global management of each corporate group. So, what is the reason for their success if it cannot be explained by the existence of a formal digital strategy?

All four companies have created conditions in their organization that encourage experimentation based on employee innovation. In other words, although less successful in conscious design, they are very successful in improvisational experimentation (bricolage). This approach can be useful in situations where the road is unknown, and it is not easy to plan, but learning through multiple iterations and experimentation is possible (Ciborra, 1992). Our results show that the most stimulating factor for successful digitalization projects is not necessarily the existence of an explicit, clear, and coherent digital strategy but rather the development of such organizational capabilities that increase the likelihood of innovative idea creation and the facilitation of their respective implementation.

In his article, Ciborra (1992) recommends corporate executives to (1) value bricolage strategically, (2) design tinkering, (3) establish systematic serendipity, and (4) thrive on gradual breakthroughs. The results of our research justified the same principles. Companies use organizational culture to drive specific practices for idea generation and collection. Then, they embrace promising ideas by allocating resources (money, people, and technology) to these on a case-by-case basis. Projects that look promising are extended to other parts of the organization, even to other subsidiaries of the mother company, or marketed towards clients. This confirms the findings of Do Vale et al. (2021), but in a broader range of digital initiatives and in a different sector.

Conclusions

In the past few years, the revolutionary advancement of technology brought the attention of academics and management practitioners to the digital transformation of

companies and their strategic antecedents. This paper aimed to examine the different purposes and practices of digital transformation in the business services sector. To explore them, the authors conducted a multi-case analysis. It confirmed that operational efficiency is the principal target of the BSCs and the digital transformation projects also contribute to this main goal. The identified organizational practices included (1) an organizational culture open to innovation, (2) an internal fund to financially support promising digitalization projects, (3) available key resources (people and technologies) for development, and (4) managerial attention to digitalization projects and potential returns.

Although there has been a general agreement in the scientific discourse that strategy is an essential driver of digitalization and that a digitalization strategy should be clear and coherent, it has also been apparent that many companies do not have an explicit digitalization strategy. In this paper, the authors presented multiple cases where companies achieved remarkable success in digital transformation without having a coherent digital transformation strategy. Instead, these companies created organizational settings that foster idea generation and help managers recognize promising projects that can be embraced and upscaled. Implications of this finding are twofold. Theoretically, it draws upon the discourse on the role of improvisation and experimentation (also known as bricolage) in organizational learning and strategy and connects previous findings in this stream of digital transformation strategies. The authors' research results confirmed Ciborra's (1992) findings that both the generation of innovative ideas and the encouragement of conscious application can contribute to successful digital transformation projects. Practically, it suggests to management practitioners that bricolage in digital transformation can be done more consciously, and organizational capabilities that support experimentation can be established purposefully. Also, digital transformation in the business services sector, where the strategy is typically set by the parent company, can be successful in other ways.

The research results have limitations as data was collected only in the business services sector and analyzed four service delivery companies with expert sampling. However, the research findings point out that, in addition to several papers emphasizing the success of the rational design, successful transformation can be achieved through experimentation, provided that the right organizational capabilities exist. Further research is needed to establish precisely how these capabilities individually contribute to successful digital transformation, how they depend on the digital maturity of the company and how far these results can be extended to other sectors. Corporate executives in the business services sector are uncertain about how technological advancement will affect global sourcing decisions. The BSCs are continuously exposed to a complex challenge, as a notable increase in client expectations is coupled with significant cost pressure, while there is a shortage of knowledge workers in the labor market. Our research revealed that several BSCs started to use digital technologies to respond to the vari-

ous pressures they face. Some of the digital initiatives are somewhat coerced, while others are proactive steps aimed to prepare for the future or even to redefine it. The paper concludes that excellence in existing capabilities and organizational renewal are both important motivators of digital transformation projects in the business services sector. As opposed to some classic dichotomies of strategy or leadership, these two extremes contradict each other. Instead, successful companies, albeit in the business services sector with centers that have a regional or global scale, create stimulating internal circumstances for both types of initiatives. Indeed, because of rapidly changing and often expensive technologies, the implication for smaller companies has to be different.

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CONTINGENCY FACTORS OF PURCHASING – A CONCEPTUAL MODEL TO SUPPORT PROCUREMENT DECISIONS

A BESZERZÉS KONTINGENCIATÉNYEZŐI – KONCEPCIONÁLIS MODELL A BESZERZÉSI DÖNTÉSEK TÁMOGATÁSÁRA

Because of serious changes in environment, it is vital to ensure continuous supply. It is thus necessary to analyse business processes such as procurement in-depth to determine whether any tool exists to help in decision-making. The key objective of this study is to support more conscious management of the purchasing area based on the literature and professional knowledge gathered (by qualitative research methods) at five multinational and large companies over the course of two decades. This paper therefore defines a conceptual model that depicts the complex environment of procurement, synthesising its features and identifying factors as forces and drivers. The developed model identifies four forces – requestors, suppliers, internal and external rules – and four drivers – strategies, IT solutions, cross-functional integration and supplier management. The resulting model could guide scholars and practitioners in how to identify deficiencies, and it can support its audience in analysing, managing and increasing the strengths of procurement.

Keywords: procurement, purchasing, supplier management, cross-functional integration, strategy, IT platforms

A mai gyorsan változó környezetben létfontosságú a folyamatos ellátás biztosítása; ezért szükséges az üzleti folyamatok, például a beszerzés alapos elemzése annak megállapítása érdekében, létezik-e olyan eszköz, amely segíti a döntéshozatalt. A tanulmány kiemelt célja, hogy támogassa a beszerzési terület tudatosabb irányítását a két évtized alatt öt nagy- és multinacionális vállalatnál összegyűjtött szakmai ismeretek (kvalitatív kutatási módszerekkel), illetve a szakirodalom alapján. Előbbiek alapján a cikk egy olyan koncepció modelljét határozza meg, amely bemutatja a beszerzés összetett környezetét, szintetizálja annak jellemzőit, és azonosítja a tényezőket, mint erőket és meghajtókat. A kidolgozott modell négy erőt – igénylők, szállítók, belső szabályzatok és külső szabályok –, illetve négy meghajtót – stratégiák, informatikai megoldások, keresztfunkcionális integrációt és szállítói menedzsment – azonosít. A létrehozott modell útmutatást nyújthat a tudósoknak és a gyakorlati szakembereknek a hiányosságok azonosításában, és segítheti az olvasót a beszerzések elemzésében, kezelésében és erősségeinek növelésében.

Kulcsszavak: beszerzés, szállító menedzsment, kereszt-funkcionális integráció, stratégia, IT-platformok ratégia, IT-platformok

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In today's rapidly changing environment there is a continuous need to sustain competitiveness, to minimize risks, to ensure the supply. Due to these market condi-

tions "in organizations of the future, world-class operations will require world-class supply management and suppliers" (Carter et al., 2000, p. 22). Within the compa-

ny the purchasing area has the role to spend money on required means driven by the principle of saving but in line with the company's strategy. Procurement (used as a synonym for purchasing, also as substitution of the purchasing division – in this case, written by capital letter) has a unique operating environment as the intersection and connection point among actors and solving all communications with suppliers (Carter et al., 2000) in order to grant the continuous supply. The procurement executives try to figure out how to make the proper decisions regarding the purchasing procedures: how to ensure and by which company the day-by-day supply, how to minimize risks, or which factors do influence the procurement processes and decisions.

Procurement operates under the pressure of different forces, in other words, there are factors that can enforce the behaviour of Procurement; more precisely, since the Procurement must conclude that contracts along which the company runs its core activity, there are actors who can enforce which contractual terms and conditions are to be involved in the contracts. Furthermore, the purchasing work is always driven by workflows and lies on platforms; thus, there are influencing factors that create a framework to the purchasing work, link actors to each other, drive their interactions, so trigger how to conduct and operate the purchasing processes.

Since procurement faces a complex environment and its activity cannot be separated from several parts/actors it could be worth understanding how these processes work. A comprehensive conceptual model of procurement work could help most to understand better the purchasing operations within the company; it could explain why the importance of the purchasing job is increasing. So far, it is clear, there are complex requirements towards Procurement and its contribution to company success is crucial; irrespective of its complexity and importance, however, an overall model does not exist, which could give a helicopter view on procurement operations' context.

Therefore, the key objective of the article is to help a better understanding and more conscious examination and management (in terms of decisions) of the purchasing area. This paper defines a conceptual model which depicts the context of procurement, synthesizing its features and identifying factors as forces and drivers. The model could be a compass for scholars and practitioners to identify potential strengths and weaknesses, in other words to analyse or to manage and increase the effectiveness of procurement. The reasons why such a model is needed and how it should work, are discussed in this article.

The structure of the article is as follows: in the first part, we review the literature to identify existing procurement models. Then we will depict the methodology and data collection behind the paper. In the next chapters, we will analyse the cases as well as the four forces and four drivers, and also, we will depict the results of the examinations. After that, we discuss the complex model and show the practical implication (based on the cases) and also the theoretical contribution. Finally, we summarize the conclusions and draw attention to the limitation.

Literature review

There is a large body of papers related to procurement; but generally, the articles and researchers are dealing with only some parts of the existing specifics of purchasing work, or contrarily, the papers have a too broad approach. There are several models and papers which discuss phenomena and notions like portfolio management of purchasing (e.g. Gelderman, Semeijn, & Vluggen, 2017; Gelderman & Semeijn, 2006; Gelderman & Van Weele, 2005; Kraljic, 1983), cross-functional integration (e.g. Foerstl, Hartmann, Wynstra, & Moser, 2013), supplier evaluation and selection (e.g. Wittinger, 2019; Osiro, Lima-Junior, & Carpinetti, 2014; Bruno, Esposito, Genovese, & Passaro, 2012), or even some which deal with contractual issues (e.g. Paranikas, Whiteford, Tevelson, & Belz, 2015) and IT and digitalization (i.e. e-procurement) aspects (e.g. Seyedghorban, Samson, & Tahernejad, 2020; Den Butter & Linse, 2008; Johnson & Klassen, 2005); but all of them discuss just some specifics of procurement.

Conceptual models

There are also several articles that defined/introduced models related to various aspects of companies' work and their business processes; we would like to draw attention to the followings:

In one of the most influential article, Kraljic (1983) focused on the supply side but did not deal (in a few words only) with other aspects. Furthermore, there are several studies and articles dealing with more dimensions of a company, for instance developing strategy maps such as the BSC – Balanced Scorecard (Kaplan & Norton, 1992, 1993, 1996), which is a well usable model, indeed, but does not involve and discuss the supply side and suppliers at all.

Porter (2008; 1985) identified factors and synthesized them into one model as five competitive forces which help companies to determine the weaknesses and strengths; the model can be used to identify the business structure and to determine corporate strategy. Porter's model mentions – among others – “Power of suppliers”, nevertheless the model approaches the business processes rather from sales than from the purchasing point of view; it can be applied to understand the level of competition of the company within the industry to enhance its long-term profitability.

Den Butter and Linse placed the procurement in a broader strategic context by examination of various types of costs that managers of global companies need to consider in making procurement decisions (Den Butter & Linse, 2008); they distinguished objective “hard” and subjective “soft” factors, where further internal and external factors set up; for instance, “Government rules and regulations” appeared as an external hard factor, so we can consider it to be a factor which enforces some particular behaviour.

De Boer et al. (2002) developed a conceptual model to analyse in detail the impact of electronic procurement on the purchasing process and purchasing costs, on the organisation and IT systems. They made distinctions among several electronic procurement forms (such as

web-based ERP, e-sourcing, e-tendering) and investigated their impact – one by one – unfortunately on the Purchasing department and “*Rest of the organization*” level only; nonetheless, they distinguished – based on IT systems – “*internal and external communication*” (De Boer et al., 2002, p. 29).

Only few papers appear (e.g. Seuring & Müller, 2008; Kleindorfer, Singhal, & Wassenhove, 2005) to analyse the entire (and/or sustainable) operating environment of the supply chain – consequently of procurement as well; these try to depict the actors/authorities of the purchasing procedures, synthesize and/or catalogue its foci and drivers, but considering only at a low level the real company’s circumstances.

Kleindorfer et al. (2005) have constructed a model to explain the (extended) Supply Chain from the sustainability point of view nevertheless, between “Suppliers” and “Production” there is no Procurement shown at all; but we can recognize the existence of the key drivers (for instance from “Regulations” root) such as Corporate Image, Regulatory Compliance, Liability, etc.

Seuring & Müller (2008) defines a conceptual model of sustainable supply chain management, where triggers are also identified. But this framework on the one hand oversteps the boundaries of procurement (even in line with the supply chain approach) and, on the other hand, depicts superficially only the parts which are involved in relations. The model analyses the relations at the company level, instead of analysing them – as more complex connections – at the organizational levels. They depicted the relations by a direct connection between Focal company and Suppliers and between Focal company and Customers; however between Focal company and Customers the Sales is the organization in charge, while between the Focal company and Suppliers the Procurement; furthermore, “Supplier evaluation” belongs to the Procurement only (as a tool of Supplier Management), In addition, they specify besides Customers – i.e. connected to the Focal company – Government and Stakeholder only, while it is not clear which stakeholders are they referring to; from the other point of view Government and Customers should be already included in the “Stakeholder” group since both of them are stakeholders.

Thus, a clear distinction among business and functional units (BU/FU) of a company must be done, even if there are overlaps and dependencies on each other, as both Mentzer et al. (2008) and Foerstl et al. (2013) mentioned this in their work: “*the purchasing, logistics, production management as well as marketing functions are dependent on each other for effective supply chain management. While each of these functions has its own functional space, they also have some overlap with other functions*” (Foerstl et al., 2013, p. 692).

The role and tasks of an organizational unit should be clearly declared at its own level: to be able to define its own responsibilities to state its specific KPIs (Key Performance Indicator) and to identify (if any) the deficiencies; as Cousins also suggests “*the unit of analysis should be at the product, service or commodity level and*

not at the firm level” (Cousins, 2002, p. 71). Therefore, we should concentrate on the functional and business units as independent entities and among them on Procurement as well, as the purchasing service provider entity in the company.

Gelderman et al. (2017) developed a model to depict relations between actors, factors and implementation at the organizational – more or less – level; according to them, “Actors” are the top managers, procurement professionals and budget owners, while “Factors” are the management support, information/communication, organization and external pressure. However, the mentioned actors belong to the internal part of the company only (for instance Suppliers are not represented at all), while the presented “external pressure” among the factors should be part of the external features.

Finally, Nicoletti (2017) depicted in his book the increasing complexity of the business environment, especially of the procurement, which requires a significant intervention in the process- and information-management within companies and through inter-company relations. He developed several models in his work, that describe the business, financial and communication channels and agile solutions, nevertheless there cannot be found a model which consists of internal and external parts, furthermore all the affected stakeholders at the same time.

Even though nowadays it is clear that Procurement has a strategic role and crucial contribution to the company success, and several studies accentuate its importance as well, however, an overall model does not exist, which could give a comprehensive view on procurement operations’ context. We did not find in the literature an indeed synthesized model which helps managerial decisions by identifying all the related/affected factors of the purchasing work, therefore we strive to develop a model which describes the acting forces and drivers of such a complex and risky procedure as procurement.

Data and methodology

The data have been gathered by qualitative research methods at multinational and large companies during two decades (between 2000-2020) by the author itself who have possessed several positions as head of procurement at the discussed companies. Hence, the conceptual model was developed step by step with special attention to: i) the personal involvement in several projects and connected workshops (such as BPR – Business Process Reengineering, OD – Organizational Development, establishment of new IT- and planning systems, or in the regulatory processes); ii) concluding lots of contracts and meetings; and iii) dealing with a great deal of data (notes, presentations, company data and so on). The number of meetings measures – in terms of internal and external sense – hundreds of events per year per company, furthermore, the number of contracts also counts tens of thousands in total during the 20 years.

Considering that we strived for the understanding of

business phenomena and processes, our endeavour was to explore, understand and conceptualize, therefore the qualitative research method, more exactly a mixture of case study, participant observation and action research was applied. We consider the application of the given mixture as a justified method because of the reasons as follows:

Case study is a typically step-by-step theoretical research form to study contemporary events which provides an opportunity for a profound exploration and understanding of the context under discussion and inductive theory based on processed cases. The purpose of case study research is to understand real-life phenomena by observation, explore potential problems and draw adequate conclusions from studies (Yin, 1994). During the time spent at the given companies, a need to depict and explain to the stakeholders the nature and contextual environment of the procurement was detected, therefore we also discovered the lack of a comprehensive model.

Action research is the research that is happening with, rather than on practitioners, therefore, in practice, action research outsteps the traditional interpretation and constructed separation between research and application (Bradbury & Reason, 2003); thus, action research was applied, considering that several times the decisions were made by the researcher itself.

Participant observation is the process that enables researchers to learn about the activities of the people under study in their natural setting via observing them and being involved directly in those activities (Kawulich, 2005), since the participant observation was implemented based on personal involvement.

Based on the above things, let us mention that the conceptual model (even in some previous/introductory form) was developed by personal involvement and direct action of the researchers, furthermore, it was presented to the companies' stakeholders to allow direct observation of their reactions to the given situation.

Besides the qualitative research methods and profound basement on professional knowledge and practice (as in case of the most influential models in the literature regarding the business decisions and strategies such as BMC – Business Model Canvas – Osterwalder & Pigneur, 2010, Porter's 5 forces model – Porter, 2008, BSC – Balanced Scorecard – Kaplan & Norton, 1996 or the Kraljic's matrix – Kraljic, 1983), nevertheless, the model got its final content and shape based on the literature review.

Data analysis and results

Prior to revealing our conceptual model, it is worth analysing the actual status of companies as well as all the proposed contingency factors of our construction, so we will let you know the results of these examinations. Therefore, we are going to portray the discussed companies' procurement practices and to name and depict the nature of the contingency factors also to review the literature connected to them; furthermore, we would like to give a short description of how we understand procurement work in this context.

Status of companies' procurement

The studied companies belong to the manufacturer and service provider industry in several areas such as telecommunications and postal services, R&D (medical devices producer), oil and petrochemical industry (Figure 1). All the given companies – apart from one – are large and multinational companies; most of them strongly exceed the shown 2500 FTE (Full-time equivalent) barrier. All the companies are at a high maturity level in terms of business processes, they all apply several internal regulations (among others procurement regulations), taking special attention to the companies' and purchasing strategy, where the need to follow the external rules is a maxim.

Nevertheless, we can find differences regarding their purchasing processes, let us describe them.

Figure 1

Key figures of the target companies

KEY FIGURES OF COMPANIES		A	B	C	D	E
Net sales revenue (million EUR)	More than 12500 M EUR					
	Between 250 and 12500 M EUR					
	Less than 250 M EUR					
No. of employees (FTE)	More than 2500 FTE					
	Between 250 and 2500 FTE					
	Less than 250 FTE					
Average no. of contracts/year (pcs)	More than 1000 pcs/y					
	Between 500 and 1000 pcs/y					
	Less than 500 pcs/y					
Average no. of meetings/company/year with suppliers (pcs)	More than 500 pcs/y					
	Between 100 and 500 pcs/y					
	Less than 100 pcs/y					
Average no. of projects/workshops/OD/year with BU/FU (pcs)	More than 50 pcs/y					
	Between 10 and 50 pcs/y					
	Less than 10 pcs/y					
Average no. of meetings/year with BU/FU (pcs)	More than 100 pcs/y					
	Between 50 and 100 pcs/y					
	Less than 50 pcs/y					
Years spent on data collection at the given company (years)	More than 5 years					
	Between 2 and 5 years					
	Less than 2 years					

Source: Authors' construction

(Note: to ensure mandatory anonymity the companies are coded by letters, and we applied range – instead of concrete numbers – to show data; furthermore, the key figures reflect the year 2019 to eliminate the data-distortion influence of COVID-19 in the years 2020 and 2021.)

- Company A: makes a moderate division regarding the internal units (i.e. companies' departments and colleagues) and external partners; also, the way how to manage the external partners (in terms of selection and evaluation) is at a basic level of evolution. The behaviour of how to cooperate day-by-day with other units and colleagues is quite friendly, while the level of existing IT applications and platforms (which serve for instance the workflows) are not developed enough.

- Company B: makes a broad segmentation regarding the internal and external partners; the way how to manage the external partners (i.e. on relevant systems and by reliable skills) is applied at a high level. Unfortunately, the daily work is often aggravated by conflicts between people, while the platforms for workflows are continuously improved and maintained.
- Company C: makes a moderate division regarding partners, so there is not enough distinction among stakeholders to allow effective category management; also, the management of the external partners is at a rudimentary level of development. The conduct during the daily work inside of the company is hostile; furthermore, the IT applications and platforms are at a low level of development (even the ERP system). Company D: makes a broad segmentation regarding the partners; nevertheless, the management and classification of the external relationships have some deficiencies in terms of comprehensive analysis. There is quite peaceful conduct regarding the daily work, while they continuously apply practices to improve and maintain IT platforms.
- Company E: also makes a broad segmentation regarding the partners; furthermore, the management of the external partners is applied at a high level. The conduct during the daily cooperation is quite friendly, while they continuously improve and maintain the application, platforms and systems.

Mechanisms of the purchasing work

Soon processes will be fully controlled and driven by IT applications, will be linked into one information network, the processes/applications themselves are going to be aggregated into a single intelligent and integrated system. Therefore, new perspectives, optimized systems and processes are born while new types of resources and new schemes of managerial thinking and behaviour are needed. The procurement managers cannot disregard the continuously and rapidly changing environment and the phenomenon that the supply patterns can fall overnight (Kraljic, 1983), therefore, companies must develop practices and processes to secure the sustainability of their purchases and to mitigate the risks arising from supply chains (Hallikas, Lintukangas, & Kähkönen, 2020; Miemczyk & Luzzini, 2019; Gualandris, Golini, & Kalchschmidt, 2014). Due to the new challenges and changed requirements in this sense, the procurement processes are looking for their reshaped place in the company.

As we see, the purchasing organization and its working system can be determined by numerous dimensions (contingency factors); nevertheless, we argue that procurement strategy, the degree of centralization, the maturity level, the department size, work structure and the knowledge level of the organization have the highest impact on procurement; obviously, there can be other important factors, but we assume them to be the sub-conglomerates of the listed ones. Nevertheless, from our point of view the above-listed factors we consider to be “default” dimensions; therefore, to be able to discuss in the upcoming parts a new procurement conceptual model, at this point

we presume to have an ideal purchasing organization with a centralized type of procurement activity, being at the highest maturity level, having a developed procurement strategy and an optimal operation level through knowledgeable associates and with ideal organizational size and the best-organized work structure.

Four forces of procurement

According to our conceptual model Procurement operates under the pressure of some forces, in other words, there are factors that can enforce the behaviour of Procurement (Figure 2); more precisely, since the Procurement must conclude that contracts along which the company runs its tasks there are actors who can enforce which contractual terms and conditions are to be involved in the contracts. Based on this viewpoint, we can distinguish four forces:

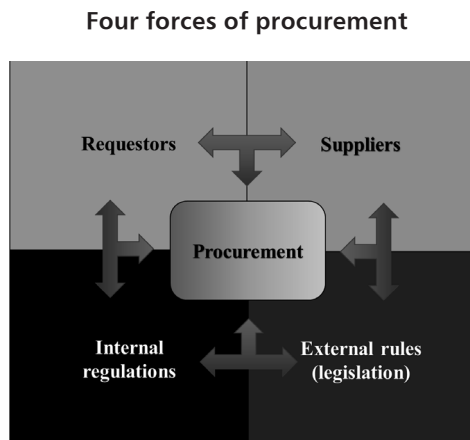
- *Requestors*: the internal partners, who belong to different BU/FUs (i.e. Business and Functional Units of the company).
- *Suppliers*: the external partners, who grant the supply and embody the market.
- *Internal regulations*: the personification of the Management Board (i.e. of the managing concept) as a regulatory principle of work since these internal rules determine and coordinate the operations and workflows; these regulations embody the will/objective of the management – in other words of the owners – in terms of accounting, finance, treasury/investment, human resources and legal aspects, code of ethics and HSE (health, safety and environment), strategy, etc. These regulations must be in compliance with the external rules on the enforcing legislation basis.
- *External rules*: the personification of the Government in force and its authorities also as a mandatory and regulatory principle of work; these rules embody the legislation tied to the core activity and business relations (e.g. competition rules) or even to special regulations which belong to the local authorities and rules in terms of environment protection, building and operating permits and so on. These rules should be in line with existing international legislation and agreements.

Gelderman et al. (2017) emphasized that stakeholder pressures are often seen as the driving force toward the implementation of standards and codes of conduct. According to their opinion, Procurement can be depicted as an interaction point of a broad set of stakeholders, such as suppliers, contractors or internal employees of the other areas of the company.

Seuring & Müller (2008) have also considered Suppliers and Government as forces (pressure set by groups). Government – in our viewpoint – is substituted/embodyed by External rules as we described it above, as a much larger conglomeration, taking into account all the local and global authorities. The importance and determinative power of the Suppliers are unquestionable; a great deal of literature is accentuating their crucial role (Ogunranti,

Ceryan, & Banerjee, 2021; Padgett, Hopkins, & Williams, 2020; Wittinger, 2019).

Figure 2



Source: Authors' construction Literature already identified factors (i.e. actors and/or groups) who can force (have the power to influence or change) the behaviour of procurement. For instance, according to Seuring & Müller (2008) "...the starting points are external pressure and incentives set by different groups" (Seuring & Müller, 2008, p. 1703); also, Osipova & Eriksson (2011) mentioned that "...the clients [i.e. Procurement] and contractors [i.e. Supplier] are forced to have a dialogue" (Osipova & Eriksson, 2011, p. 1154).

On the other hand, the presence and force of the Requestors cannot be denied, since they transmit the customer requirements; nevertheless, the internal demands could lead to an increasing number of the games inside of the company, because the outcome of the games depends on the power distribution between those involved in that correlation (Pemer & Skjølsvik, 2016; Bjerregaard & Jonasson, 2014).

According to Servajean-Hilst & Calvi (2018) procurement contributes to the future success of new products when internal organizational areas such as Manufacturing, Marketing, Quality or Research and Development departments work together. When such an internal business or functional unit forms a request towards the purchasing area, we can speak about "Requestor".

There are legal risks in the purchasing procedure which can influence the business conduct (Gelderman et al., 2017). The legal risks can be better mitigated by clearly stated legal requirements which are involved in the processes as Internal regulations and "External rules" (even as legislation). Besides the legal regulations, other departments such as finance and accounting (also part of "Internal regulations"), have the right to influence or make decisions regarding the purchasing contracts; these areas are interrelated and must work together with the Procurement to achieve business success and gain competitive advantage (Servajean-Hilst & Calvi, 2018).

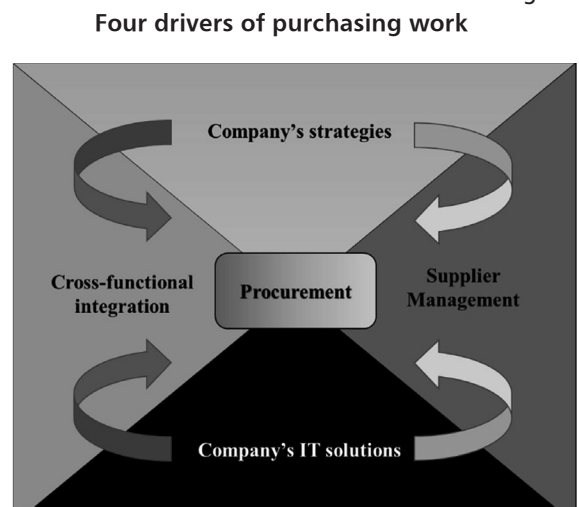
Four drivers of purchasing work

The purchasing work always is driven by workflows and lies on platforms (Figure 3); thus, there are influencing factors that create a framework to the purchasing work, link

actors to each other, drive their interactions, so trigger how to conduct and operate the purchasing processes; according to our understanding the drivers can be depicted as follows:

- *Company's strategies*: are the guiding principles, so these are the flagships that ensure the compass to all operations.
- *Company's IT solutions*: are to be the (IT) platforms on and systems where the processes take place and are operated.
- *Cross-functional integration*: as terminus technicus of the internal cooperation it ensures the connections among organizations/units of the company during the common works.
- *Supplier Management (SM)*: is the knowledge of how to manage the supplier relationships in terms of evaluation, selection and cooperation during the purchasing work and as a checkpoint of the fulfilment of tasks.

Figure 3



Source: Authors' construction

Strategies, the strategic role and legitimacy of procurement

"A strategy describes how an organization intends to create value for its stakeholders" (Kaplan & Norton, 2004, p. 1); also, organizational/functional strategies (as individual policies) will have a cumulative impact on corporate goals. Therefore "in a well-worked-out strategy, each policy fits into an integrated pattern. It should be judged not only in terms of itself, but also in terms of how it relates to other policies which the company has established and to the goals it is pursuing" (Tilles, 1963, p. 119).

Thus, the purchasing strategy must be in line with and part of the company's strategies, since the collaborative procurement strategies can enhance the efficiency in projects (Eriksson et al., 2019). This does not automatically mean, however, that the purchasing strategy will be accepted and acknowledged by the top management and by the other organisations. We argue that procurement should play – without any doubt – a strategic role in the com-

pany and must work with unquestionable legitimacy; by legitimacy we mean “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995, p. 574).

In other words, legitimation means how accepted and acknowledged a given organization is inside of its interpretation range, in our case in the related company (Acquah, Essel, Baah, Agyabeng-Mensah, & Afum, 2021). The internal legitimacy level of Procurement corresponds to how significant the purchasing organization’s contribution is perceived by the other organization managers and by top management. The key factor for the improvement of a purchasing organization’s legitimacy is the alignment of its objectives with the objectives set by top management and with the company’s strategy (Tchokogué, Paché, Nollet, & Stoleru, 2017).

Cross-functional integration, the internal cooperation of the company

Cross-functional integration means the cooperation among various divisions and functions of a company (Pobersch-nigg, Pimenta, & Hilletoft, 2020; Foerstl et al., 2013). Nowadays, when we build and value the knowledge-based economies, the cross-functional integration and the involvement of the cross-functional teams in common projects of the company is mandatory (Ferreira, Pimenta, & Wlazlak, 2019). The well-recognized function of cross-functional teams (for instance formed by R&D, technology, production, marketing and procurement knowledge) is to increase the purchasing performance; because due to it – as the cross-functional team members integrate diverse perspectives and competencies during processes (Meschnig & Kaufmann, 2015) – the purchasing processes become much more achievable and the process will be better adjustable to the requirements.

Nevertheless, the joint thinking, knowledge sharing and/or transfer too often result in failed cooperation. One of the major barriers to internal knowledge transfer could be the antagonistic relationship between the source and the recipient (Szulanski, 1996); where – for instance – Procurement could be the source and Requestor the recipient, or vice versa. According to the practice and in line with the opinion of several scholars (e.g. Porter, 1985; Goold, Campbell, & Alexander, 1998), the hostile behaviour of organisations seems to survive the organizations’ own evolution in other terms (Ferreira et al., 2019).

Porter have blamed both the source and the recipient; he said that the source “*will have little incentive to transfer [know-how], particularly if it involves the time of some of their best people or involves proprietary technology that might leak out*”, also the recipient can “*rarely be expected to seek out know-how elsewhere in the firm*” (Porter, 1985, p. 368). His general point of view is that “*the mere hope that one business unit might learn something useful from another is frequently a hope not realized*” (Porter, 1985, p. 352).

Similarly to Porter’s view, “*unless the motivation system reflects these differences [in perspective], it will be extremely difficult to get business units to agree to pursue an interrelationship and to work together to implement it successfully*” (Goold et al., 1998, p. 176). The cross-functional teams try to synthesize this knowledge, nevertheless, factious organisations could be experienced still too often. The single solution to solve them should be the understanding of the essence of a problem since only mutual aims should exist.

Supplier Management, the management of the external relations

The most complex and maybe the most critical part of the purchasing work is the management of supplier relationships (Hallikas et al., 2020; Wittinger, 2019; Handfield, Petersen, Cousins, & Lawson, 2009), the so-called Supplier Management. “*Without a foundation of effective supply chain organisational relationships, any effort to manage the flow of information or materials across the supply chain is likely to be unsuccessful*” (Croom, Romano, & Giannakis, 2000, p. 73). As a consequence, the role of the purchasing function in the business has significantly increased in importance due to the emphasis on building and maintaining long-term relationships with external partners (Cousins, 2002; Bendixen & Abratt, 2007; Handfield et al., 2009).

The purchased materials generally form a considerable part of the manufactured products (Tate, Ellram, & Dooley, 2012); thus, good cooperation among Procurement and Supplier can contribute significantly to the product value. Procurement should purchase goods and services using the most efficient supply chains of suppliers who can provide them not only at the lowest costs, best quality and highest flexibility, but also in a socially and environmentally responsible manner (Seuring & Müller, 2008; Zimmer, Fröhling, & Schultmann, 2016).

Also, today a great accent is put on the risks; in risk management the proactive planning has replaced conventional reactive planning (Kraljic, 1983; Carter et al., 2000), so Procurement should act in the same way considering the risks in Supplier Management (Ogunranti et al., 2021; Hallikas et al., 2020). In the past, procurement managers focused (mainly) on cost reduction; recently, they should give importance to continuity and flexibility of supply even in case of pandemic circumstances (McEvoy & Ferri, 2020).

However, in the endeavour to become more agile and lean, companies are becoming more dependent on their suppliers and this phenomenon increases the overall risk and company’s vulnerability (Faisal, Banwet, & Shankar, 2006); in other cases, Procurement tries to exploit suppliers (Lanier, Wempe, & Swink, 2019). Instead of a distorted dependence we propose to have a well-balanced working scheme in supply chain procedures. In case of barrier-free cooperation, the participants of a collaborative network should act in a fair and committed manner (Jokela & Söderman, 2017), in accordance with the common goals;

also, in case of a strategic cooperation companies can utilize the knowledge existing at the network level, since they can incorporate in their own strategies the aptitudes, capabilities and performance of their partners (Håkansson & Snehota, 2006; Dyer & Singh, 1998; Dyer & Nobeoka, 2009). In this way, the company becomes an integrated part of the network and benefits from the knowledge, which originates from diverse sources.

Although Cousins is on the opinion that “*partnership relationships do not exist*” (Cousins, 2002, p. 71), we should consider the force of close cooperation among companies – such as strategic cooperation or a common/joint product development – because cooperation delivers superior value (Contractor & Lorange, 2002). Cousins also acknowledged that we could experience collaborative relationships (instead of partnership relationships), but these are still competitive, because the parties do not trust each other.

Company’s IT solutions: digitized workflows and procedures

Given the globalization of markets and vulnerability of sourcing processes in today’s rapidly changing environment (for instance aggravated by a pandemic situation as in the case of COVID-19), the need to focus on core business and to increase the effectiveness is accomplished – among others – by the opportunity and speed of information exchange inside and outside of the companies; such circumstances made IT solutions and e-procurement vital for companies and the entire global economy (Nivetha, 2021; Afolabi, Ibem, Aduwo, Tunji-Olayeni, & Oluwunmi, 2019; Chae, Yen, & Sheu, 2005; Ronchi, Brun, Golini, & Fan, 2010). Thus, information technology becomes one of the key drivers in the formation of cooperation and alliances in supply chains (Contractor & Lorange, 2002). No one, nor the professionals and managers can disregard that the EDP (Electronic Data Processing) is a must for decades in business processes (Kraljic, 1983), especially in such an area as procurement, where everything is data, information consists of figures and databases.

IT platforms as various digitized systems, applications and tools are to provide relevant information to leaders to help and accelerate decisions, including performance evaluation of a given activity (Szukits, 2017), to boost flexibility in working and finally to reduce costs (Garrett, 2017). The opportunity offered by digital technologies to make deep rationalization in the purchase of goods and materials is becoming indispensable in competition, considering the flexibility and the positive effects in reducing costs and process lead-time of the companies which adopted e-procurement solutions (Centobelli, Cerchione, Converso, & Murino, 2014). The companies who still use paper-based and labor-intensive processes for procurement freeze a large scale of inefficiencies in their processes (Puschmann & Alt, 2005).

But if the companies jump into e-procurement processes and solutions without fully understanding the cross-functional collaboration and network effects (inter-

nal and external) underlying these technology models, the investment required to move the right information from applications and to integrate these technologies with existing systems (e.g. ERP) can jeopardize the processes (Quezada, González, Mueller, & Mueller, 2010).

Adoption of technological solutions initiates changes both in organizational architecture and processes (Centobelli et al., 2014), by a necessity to partly/totally reorganize them. Then IT investments launch an undeniable positive effect on the purchasing function and processes (Rodríguez-Escobar & González-Benito, 2015), therefore e-procurement allows increased efficiency in the organizational structure (Ronchi et al., 2010) as well.

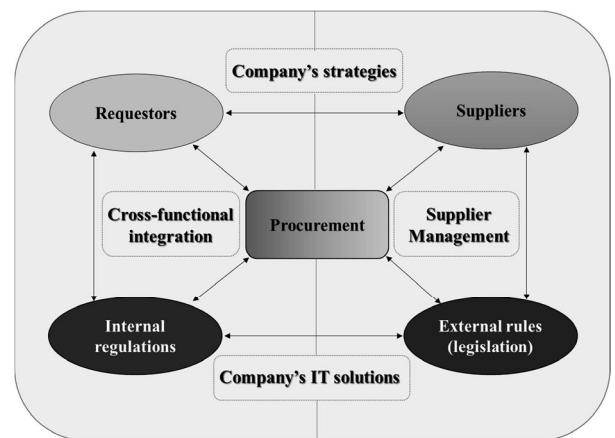
Thus, Procurement should run its activity by digitized workflows (digitized platforms and digitized tools/applications) to operate procedures at an effective level, with secured outputs and in the most acknowledged and transparent way (Wittinger, 2019; Seyedghorban et al., 2020). Without electronic workflows and processes, it is not possible to make the purchasing procedures faster and well-monitored or to have reporting possibilities instantly; several times we need with urgency accurate data such as status of a procedure, lead times, total spending (by year, quarter or related to a particular supplier), purchasing volumes, etc., figures which can be obtained or extracted from the digitized systems and applications only.

Discussion

In this chapter we will discuss the proposed comprehensive model of procurement (developed based on the literature and practice), furthermore, we will give examples of practical implications and theoretical contributions.

Figure 4

Four forces and four drivers’ conceptual model



Source: Authors' construction

The complex model of procurement

To describe the features and factors of the procurement work, its mechanism and interactions during the purchasing processes, we propose a comprehensive model (Figure 4) which consists of the above mentioned four forces (Requestors, Suppliers, Internal regulations and External

rules) and four drivers (Company's strategies, Company's IT solutions, Cross-functional integration and Supplier Management).

The model is situated in the frame of the entire company with special attention to its features:

The left ("internal") part of the model is discussed below the notion of cross-functional integration: it means that the procedures should be conducted in a way to apply high level of supporting cooperation to avoid disagreements among divisions.

The right ("external") part of the model is driven by Supplier Management: the knowledge of how to manage the supplier relationship.

The company's strategies and IT solutions will not only influence the purchasing work but will also determine the cross-functional integration (internal cooperation) and the Supplier Management (external relations) due to their workflow and regulatory processes.

In terms of forces, the purchasing area links parties to each other by its various work (Gelderman et al., 2017; Nicoletti, 2017), as follows:

- Requestors are linked both directly (by contract fulfilment) and indirectly (through procurement procedure) to Suppliers,
- Requestors are linked directly to the Internal regulations by the operations and indirectly to the External rules by the contracts concluded by Procurement,
- Suppliers are linked directly to Requestor when fulfilling the tasks laid in the contracts and indirectly when the intermediary is again Procurement,
- Suppliers are linked directly to External rules by the contracts and through their core activity and indirectly to Internal regulations also by the contracts concluded by Procurement,
- Internal regulations must be in compliance with External rules, while they can be much more specific and detailed; they can fine-tune the processes and operations as the theoretical basis of the work and contracts.

We consider all the other factors not mentioned in our conceptual model to be given aptness or already involved in these forces and drivers (or represented by them). Let us explain how we interpret it:

- the core business determines the industry and the market, so these are aptness; on the other hand, the market (i.e. supply sources and types) is already embodied by Suppliers,
- other stakeholders such as Customers belong to the Sales department, therefore another model should deal with them; nevertheless, we can consider them to be already represented by Requestors (since the request is originated from some external Customer demand/requirement to be solved at the end of the process); furthermore, this factor is also represented by the management and through it by Strategies and Internal regulations, since meeting customer needs is the number one goal of the core activity,

- nonetheless, Strategies are not equivalent to Internal regulations. Several times happened that years were spent till Strategies appeared in Internal regulations.

In terms of drivers, the cooperation among business parties cannot take place without workflows and platforms, since an explicit cooperating scheme must be stated to ensure objectivity in terms of bias-free and equal management of internal and external partners (Ferreira et al., 2019; Poberschnigg et al., 2020). Following such principles:

- Company's strategies: are on the top of all actors (forces) and activities (drivers) since these are the principles that make sense to and guide the operations inside and outside of the company.
- Company's IT solutions: the IT platforms, systems and applications are the base and condition to be able to trace the processes and operations.
- Cross-functional integration: links Procurement and Requestor to each other, as the internal cooperating scheme of the companies.
- Supplier Management: links Procurement and Supplier to each other, as the management method of supplier relationships to grant continuous (external) supply.

Practical implications

Based on the conceptual model and considering the features of the companies, Figure 5 shows the status of the target companies in terms of the discussed factors; the highlighted (coloured) cells depict areas that need development, or where some deficiencies could be detected.

We can state that there are not any deficiencies regarding the Internal regulations and External rules, nor in terms of Strategies. As mentioned above there is a need to put a high accent on internal relations in terms of Cross-functional integration and external in terms of Supplier Management. Furthermore, continuous IT development is a must and a broader classification regarding Requestors and Suppliers (at a high level of category management) can help a better understanding thus a more effective cooperation.

- Company A: needs to make a wider division regarding the Requestors and Suppliers; also, the Supplier Management needs to be improved. Furthermore, there is a need to evolve in sense of existing IT applications and platforms.
- Company B: needs to apply a more effective Cross-functional integration and cooperation to lower personal conflicts.
- Company C: needs to make also a wider division regarding the Requestors and Suppliers, and to develop Supplier Management. There is a strong need to boost IT applications and platforms, while there is a need to discontinue such a hostile atmosphere.
- Company D: Supplier Management needs to be a little bit improved.

Procurement practice in terms of model factors at the given companies

PROCUREMENT PRACTICES	Four Forces				Four Drivers			
	Requestor	Supplier	Internal regulation	External rules	Company's strategies	Cross-functional integration	Supplier Management	IT solutions
Company A	moderately sequenced	moderately sequenced	exists and applied	maxim	efficiently applied	moderate level of conflicting interests	moderately applied	moderate improving
Company B	highly sequenced	highly sequenced	exists and applied	maxim	efficiently applied	high level of conflicting interests	efficiently applied	continuous improving
Company C	moderately sequenced	moderately sequenced	exists and applied	maxim	efficiently applied	high level of conflicting interests	moderately applied	moderate improving
Company D	highly sequenced	highly sequenced	exists and applied	maxim	efficiently applied	moderate level of conflicting interests	moderately applied	continuous improving
Company E	highly sequenced	highly sequenced	exists and applied	maxim	efficiently applied	moderate level of conflicting interests	efficiently applied	continuous improving

Source: Authors' construction

Theoretical contributions

The developed comprehensive conceptual model could help most to understand better the operations within and outside of the company; it could explain the complexity of the purchasing work, its mechanisms and why the importance of the purchasing job is increasing. So far, it is clear, there are complex requirements towards Procurement and its contribution to company success is crucial; irrespective of its complexity and importance, however, an overall model does not exist, which could give a helicopter view on procurement operations' context.

This article was written to draw attention to the lack and importance of a complex purchasing model which identifies the dimensions of the procurement work, synthesizes its factors and build them into a single one and comprehensive new model; it could illuminate the existing deficiencies and improper routines (if any), their roots and can highlight the new challenges connected to the factors/elements of the purchasing work.

Furthermore, this complex model can explain to the procurement managers how they should handle and to the scholars where they can study the purchasing issues; the model strives to be a compass of the procurement features for practitioners and to draw attention to some potential research topics – as further research opportunities – to scholars; so, the paper attempts to help both parties.

Conclusion

The conceptual model of procurement proposed in this paper could be regarded as global in case of centralized purchasing and at a high maturity level; so, it can be applied

– if desired – even during the real procurement procedures to help decisions by understanding the elements of procurement processes and their interactions on each other. Even that Procurement has already reached a high development level, but the processes are not effective enough, we could find the reasons around the factors depicted in the previous parts of the article. But, considering that we cannot influence the actors, more precisely their existence, because we cannot replace them at all, we can develop the drivers only.

Strategy and internal cooperation

Shifting from the traditional approach – where the purchasing area is considered as a simple administrative organization – toward a more strategic field, the procurement organization will continue to enhance its position in the company. Also, there is a need to move ahead from the hostile “cooperation” to an indeed collaborative approach among the company's organizations. This approach depends on the organizational culture and leaders' behaviour and will determine the conduct of the parties inside of the company. But probably due to different interests, some discrepancies among divisions will survive, even though it is clear at the end of processes an individual decision not carried out in a prudent manner could become a common disadvantage.

Supplier relationship management

In the endeavour to become more efficient companies sometimes used to exploit their suppliers; in other cases, to become more flexible, they used to apply outsourcing or offshoring schemes; other alternatives are common/joint cooperation or a strategic partnership. Due to these steps

and based on the continuously changing market environment, companies are becoming more dependent on their suppliers which could increase the overall risk and the company's vulnerability. Therefore, Procurement must pay special attention to Supplier Management.

Digitalization

If there are no digitized platforms (systems, solutions and applications) there is no chance to trace the events. If there is no control, also there is no development and recovery opportunity; on this path, there will not be any opportunity for effective work and professional success.

Today the competition is accelerating, so the working scheme must keep pace with it, but it is not possible without digitalization.

Limitation and further opportunities

The article could have limitations (for instance) in the number of dimensions and/or related to their interaction; furthermore, another question is to what extent this model could be used by smaller companies and/or by companies with non-centralized procurement, or this can be resolved at all. All the above aspects can be turned into further research questions and future examination opportunities.

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CUSTOMER INVOLVEMENT – A SYSTEMATIC LITERATURE REVIEW OF THE DEFINITION, MEASUREMENT, AND INNOVATION OUTCOMES

VEVŐI BEVONÁS – DEFINÍCIÓK, MÉRÉSI MÓDSZEREK ÉS INNOVÁCIÓS EREDMÉNYEK SZISZTEMATIKUS SZAKIRODALMI ÁTTEKINTÉSE

This study provides a systematic literature review of empirical, survey types of studies published in top-tier English academic journals about the impact of customer involvement on innovation outcomes. The results distinguish customer involvement from related concepts, outline the extant definitional ambiguities of customer involvement, and—based on the analyses of prior definitions and measurement items—suggest an updated, new definition of the concept. The study provides an overview and typology of innovation outcomes of customer involvement by showing that customer involvement may culminate in innovation process improvement, enhanced financial outcomes and superior innovation perception. The findings of this study might be especially insightful for firms that seek to involve customers, as it gives guidance for evaluating both the process and the outcomes of involvement. This emphasises further gaps in the literature and suggests important avenues for further research.

Keywords: innovation, customer involvement, new product development, systematic literature review

A tanulmány szisztematikus szakirodalmi áttekintést nyújt a legmagasabb színvonalú angol nyelvű tudományos folyóiratokban megjelent empirikus, kérdőívalapú tanulmányokról, amelyek a vevők bevonásának innovációs eredményekre gyakorolt hatásáról szólnak. Az eredmények megkülönböztetik a vevői bevonást a kapcsolódó fogalmaktól, felvázolják definíciós kétértelműségeit, illetve – a korábbi definíciók és mérések elemzése alapján – a fogalom aktualizált, új definícióját javasolják. A cikk áttekintést és tipológiát ad a vevői bevonás innovációs eredményeiről, bemutatva, hogy szerepe az innovációs folyamatok javításában, a jobb pénzügyi eredményekben és a magasabb szintű innovációs felfogásban csúcsozhat ki. A tanulmány eredményei különösen hasznosak lehetnek a vevők bevonására törekvő cégek számára, mivel útmutatást ad a folyamat és az eredmények értékeléséhez. A tanulmány a szakirodalom hiányosságaira is kitér és fontos utakat javasol a további kutatásokhoz.

Kulcsszavak: innováció, vevői bevonás, új termékfejlesztés, szisztematikus szakirodalom-áttekintés

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The role of customers has dramatically changed in recent years. As part of this paradigm shift, firms tend to see customers less as a mere source of information but increasingly as partners and co-creators, especially in innovation (Pralhalad & Ramaswamy, 2004). As a recent Deloitte (2021) report summarizes, firms can stay ahead of

the competition if they engage customers through customer involvement at its deepest levels. Given the recognized relevance of customer involvement, this study systematically reviews the literature to enrich the domain of customer involvement and innovation. Specifically, the study investigates the following research questions:

- How is customer involvement defined and measured?
- How is customer involvement differentiated from related concepts?
- What is the effect of customer involvement on innovation?

The findings from this review offer three key contributions to the extant literature. First, the extant research organized around various fields – such as knowledge management, marketing, innovation, entrepreneurship, and information systems – considers several aspects of customer involvement but lacks a clear and inclusive typology that delineates customer involvement’s domain, scope, or boundaries. A multitude of conceptualizations of customer involvement co-exists, which limits the effective accumulation of domain knowledge. For example, some customer involvement research refers to the concept as the ability of the firm to create the environment for the customer to have direct interaction (Anning-Dorson, 2018), while other studies refer to customer involvement as activities where customers participate in firm-initiated practices (Menguc, Auh, & Yannopoulos, 2014). Moreover, customer involvement is often discussed with other concepts such as value co-creation, customer co-creation, customer integration, open innovation, etc. and even as a synonym to these terms. This conceptual confusion and overlap may be the source of inconsistent results. To fill this void, this study offers an integrated definition for customer involvement, resolves definitional ambiguities and outlines the scope of the topic.

Second, there is a lack of understanding of the innovation-related outcomes of customer involvement. For example, some studies suggest that customer involvement has a positive effect on the financial performance of innovation (Kang, Lee, Hwang, Wei, & Huo, 2020), while other studies do not confirm a direct link or measure a negative effect (Stendahl, 2009). This study offers valuable resources for managers who seek to keep track of their customer involvement outcomes in terms of innovation outcomes.

Finally, although this study mainly focuses on the review of papers published in top-tier English language academic journals, it provides a brief overview of the research published in leading Hungarian academic sources.

The paper is organized as follows. In the next section, I give a detailed overview of how I collected potentially relevant papers, how I identified and coded the relevant ones, and how I analysed them. In the next sections, I present my results. Specifically, I show how prior papers defined and measured customer involvement, distinguish customer involvement from related concepts and present a typology and measurement of customer involvement’s innovation outcomes. This is followed by a discussion of the theoretical and managerial contributions of the paper. The paper concludes by presenting avenues for future research.

Methods

For the systematic literature reviews, I followed the guidelines of Tranfield, Denyer, and Smart (2003). The aim

of the method is to review survey types of papers that examine the effect of customer involvement on innovation outcomes. My methodological procedure has the following three stages: (1) the identification of potentially relevant papers, (2) relevancy identification and detailed coding, and (3) an analysis of the relevant papers. As a first step of the systematic literature review, I identified potentially relevant papers. I searched using the strings “customer co-creation” OR “customer involvement” AND “innovation” OR “NPD” OR “new product development” OR “new service development” AND “questionnaire” OR “survey”. I used two databases, specifically, Scopus and Web of Science.

Table 1

Analytical procedure

(1) Overview and comparison of prior definitions and measurement of customer involvement
Aim of analysis: Provide an updated, more accurate, and comprehensive definition for customer involvement and give guidance to managers on how to evaluate and measure customer involvement
<i>Analytical sub-procedure for an overview of definitions</i> Data source: Manuscript, definitions as (if) presented Unit of analysis: Elements of definitions Analytical method: Iterative grouping
<i>Analytical sub-procedure for an overview of prior measurements</i> Data source: Manuscript, scale items Unit of analysis: Items in the measurement scale used for capturing customer involvement Analytical method: Iterative grouping
<i>Analytical sub-procedure for comparison</i> Unit of analysis: Categories of definitional elements and measurement items Analytical method: Contrasting the categories of prior definitions and measurement items
(2) Overview of measurement of innovation outcomes
Aim of analysis: Illustrate the aspects of customer involvement’s innovation outcomes that were previously considered and guide managers on how to evaluate the outcomes of customer involvement’s connection to innovation
<i>Analytical sub-procedure for an overview of definitions</i> Data source: Manuscript, scale items Unit of analysis: Items in the measurement scale used for capturing innovation outcomes Analytical method: Iterative grouping

Source: own compilation

Considering the lack of a uniform conceptualization of co-creation in the literature, I needed to give special attention to identifying relevant papers. I included duplicate, mishit (e.g., book chapters and conference proceedings) and considered manuscripts from highly ranked academic journals (i.e., Q1, <https://scimagojr.com>). I excluded studies that did not investigate the link between customer involvement and innovation, studies on the technical aspects of coco-creation (the platforms used for involving customers, the role of online reviews in co-creation, the

characteristics of customer co-creation compared to market research, etc.), and studies on the process innovation outcomes of co-creation (the role of co-creation in supply chain innovations, manufacturing system innovations, etc.). Finally, only the papers that report the scale items used for measuring customer involvement were included.

This research results in (1) an overview and comparison of prior definitions and measurements of customer involvement and (2) an overview of the measurement of innovation outcomes. Table 1 summarizes the contributions that I expect from the respective analyses, the data sources, and the analytical procedures.

As Table 1. shows, the aim of reviewing the definitions and the measurement items used to capture customer involvement is to provide an updated, more accurate, and comprehensive definition of customer involvement and give guidance to managers on how to evaluate and measure customer involvement. To achieve this goal, I used the manuscripts as data sources, and I used the iterative grouping of definitions and measurement items. The aim of the overview of the innovation outcomes of customer involvement is to illustrate the variety of customer involvement innovation outcomes that were previously considered and to guide managers on how to evaluate the outcomes of customer involvement in innovation. When creating the typology for the innovation outcomes, I also worked with the measurement items and allocated them to the categories that emerged as a result of the analysis.

Definition, measurement and conceptual distinction of customer involvement

What is customer involvement?

Table 2

Exemplary definitions of customer involvement and an integrated new definition

Definition of customer involvement
<i>Integrated new definition</i>
Customer involvement is the firm's (1) intensive, frequent and bidirectional collaboration (2) with customers, as initiated and encouraged by the firm, (3) to cultivate valuable customer knowledge and (4) to improve outcomes at various stages of the innovation.
<i>Exemplary prior definitions</i>
<ul style="list-style-type: none"> • Customers' active contribution to the development of new products, for instance, by suggesting innovative ideas for new products or testing developed prototypes (Keszey & Biemans, 2016) • Both the breadth and depth of the customer participation in the firm's new product development (NPD) (Anning-Dorson, 2018) • The extent to which service producers interact with current (or potential) representatives of one or more customers at various stages of the new service development process (Carbonell, Rodríguez-Escudero, & Pujari, 2009)

Source: own compilation

As a result of my systematic literature search, I created an updated new customer involvement definition, which was needed because previous definitions did not cover the full spectrum of the phenomenon. According to the new definition, customer involvement is a firm's (1) intensive, frequent, and bidirectional collaboration (2) with customers, as initiated and encouraged by the firm, (3) to cultivate valuable customer knowledge and (4) to improve outcomes at various stages of the innovation. Table 2 not only contains the new definition but also provides some example definitions from prior studies. The rest of the chapter explains how I created the new definition. Prior definitions have partially addressed these aspects, but as the exemplary definitions illustrate, in many cases, essential definitional elements are ignored, such as the notion that customer involvement is initiated by the firm at various stages of the innovation process.

The following parts of this section show the items used to measure customer involvement and quotes from prior definitions. The definitional elements and measurement items are organized around the four definitional elements and provide credit for the necessity of adding each element to the definition.

As Table 3 shows, for example, in the relational aspects (1) of intensive, frequent and bidirectional collaboration, it can be seen that many researchers emphasise the active involvement of customers in the measurements, such as "our customers were *actively* involved in a variety of product designs and development activities" (Cui & Wu, 2017) or "customers were *actively* engaged with this project" (Storey & Larbig, 2018). In a similar vein, frequency also appears recursively in definitions, such as "the transfer of information about customers' needs and preferences took place *frequently*" (Cui & Wu, 2016) or the "the *frequency* of the meetings with customers was high (Carbonell et al., 2009)".

Table 3

Measurement of the nature of collaboration with customers in the scales used for capturing customer involvement

Customer involvement definitions and items used to capture the nature of collaboration with customers
<i>Prior definitions</i>
<ul style="list-style-type: none"> • <i>Frequent, bidirectional, and face-to-face</i> customer communication process (Gustafsson, Kristensson, & Witell, 2012) • <i>Dialogue, mutual influence, and understanding</i> of customers rather than one-way listening (Hsieh & Hsieh, 2015) • Brings <i>different parties</i> together (i.e., a group of customers) (Tseng & Chiang, 2016) • Direct <i>interaction and engagement</i> of the customer (Anning-Dorson, 2018) • Customers <i>actively</i> contribute to the development of new products (Keszey & Biemans, 2016)

Table 4

Definition and measurement of the knowledge aspect in the scales used to capture customer involvement

<i>Measurement items</i>
<p>Intensity</p> <ul style="list-style-type: none"> • Our customers were <i>actively</i> involved in a variety of product designs and development activities (Anna Shaojie Cui & Wu, 2017) • <i>Active</i> customer involvement (Gustafsson et al., 2012) • Customers were <i>actively</i> engaged with this project (Storey & Larbig, 2018) • There were <i>extensive</i> consultations with customers (Carbonell et al., 2009) <p>Frequency</p> <ul style="list-style-type: none"> • The transfer of information about customers' needs and preferences took place <i>frequently</i> (Cui & Wu, 2016) • Our customers <i>frequently</i> interacted with the new product team during the development process (Cui & Wu, 2016) • Our customers provided <i>frequent feedback</i> and input on product designs (Cui & Wu, 2016) • The <i>frequency</i> of the meetings with customers was high (Carbonell et al., 2009) • Our key customers are involved in <i>periodically</i> reviewing operations with us (Lin, Chen, & Chiu, 2010) <p>Bidirectionality</p> <ul style="list-style-type: none"> • The major customer was an <i>integral part</i> of the design effort for the new product development (Feng & Wang, 2013; Kang et al., 2020; Li, Li, Feng, & Xu, 2019) • We <i>partnered</i> with major customers for developing a new product (Feng & Wang, 2013; Li et al., 2019) • To reduce lead time, I have focused on <i>collaboration</i> (Gustafsson et al., 2012) • This product was developed in close <i>co-operation</i> with a potential or current main customer (Stendahl, 2009) • Specific customers were <i>invited</i> to join the project as team members (Carbonell et al., 2009) • A high degree of <i>face-to-face</i> communication (Gustafsson et al., 2012) <p>Initiated and encouraged by the firm (aspect neglected in the definitions)</p> <ul style="list-style-type: none"> • My company <i>encourages</i> customers to express their opinions on my services on social media (e.g., Facebook, Twitter, LinkedIn) (Mitrega, Spacil, & Pfajfar, 2020) • We always <i>encourage</i> my customers to help us in the production of quality service (Anning-Dorson, 2018) • Our employees are <i>encouraged</i> to monitor the internet to search for customer opinions on my company (Mitrega et al., 2020)

Source: own compilation

Table 4 presents the definitional elements and the measurement items of the knowledge aspect. As seen from the definitional elements, in the case of customer involvement, the exchange value is knowledge itself. However, the measurement items also draw attention to two important aspects, which have been neglected in the definitions. On the one hand, knowledge sharing is not one-way. This notion is reflected by (Hsieh & Hsieh, 2015) who suggests using the item “we explain the ideas in a meaningful way to customers” or by (Tseng & Chiang, 2016) who measure customer involvement by asking respondents to evaluate the extent to which firms “Provide customers with professional knowledge in fields with which they are not already familiar”.

Customer involvement definitions and the items used to capture the knowledge aspect of collaboration with customers
<p>Knowledge aspects in prior definitions</p> <ul style="list-style-type: none"> • Customers providing <i>feedback, information, and knowledge</i> to firms (Menguc et al., 2014) • Suggesting <i>innovative ideas</i> for new products or testing developed prototypes (Keszei & Biemans, 2016) • Creative <i>problem solving</i> (Gustafsson et al., 2012) <p>Knowledge aspects in measurement items</p> <p>Knowledge sharing of the firm with customers (aspect neglected in the definitions)</p> <ul style="list-style-type: none"> • We explain the ideas in a meaningful way to customers (Hsieh & Hsieh, 2015) • Provide customers with professional knowledge in fields with which they are not already familiar (Tseng & Chiang, 2016) • We actively provide information to reply to customers' suggestions (Hsieh & Hsieh, 2015) <p>Knowledge gained by firms from customers</p> <ul style="list-style-type: none"> • We always gather market insights from customers through face-to-face customer meetings, visits, workshops, or customer suggestions (Anning-Dorson, 2018) <p>Cultivate customers as valuable sources of external knowledge (aspect neglected in the definitions)</p> <ul style="list-style-type: none"> • Our customers' involvement as codevelopers of the product was <i>significant</i> (Cui & Wu, 2016) • Customers give <i>lots of feedback</i> for the new ideas (Hsieh & Hsieh, 2015) • NPD is governed to a <i>large extent</i> by customer feedback (Keszei & Biemans, 2016) • We used customers as a <i>key information</i> source (Cui & Wu, 2017) • Our key customers have a <i>major influence</i> on the design of new products (Feng, Sun, Zhu, & Sohal, 2012) • Customers were my <i>main</i> data providers (Haisu Zhang & Xiao, 2020) • Communication and interaction leading to <i>novel</i> ideas (Gustafsson et al., 2012)

Source: own compilation

Table 5 depicts the definitional elements and the measurement items of the innovation outcome aspect. As the definitions show, the core aim of customer involvement is to reach enhancements of innovation outcomes. This notion is further illustrated in the items used for measurement. Specifically, a number of studies emphasise the stage of customer involvement. For example, when measuring customer involvement, (Melton & Hartline, 2015) ask whether customers were involved in the design stage, while, for example, (Storey & Larbig, 2018) focus on whether customers were involved at every stage of the innovation project. These measurement items show that customer involvement might play a role at various stages, and this could also be reflected in the new definition.

Table 5

Definition and measurement of the innovation outcome aspect in the scales used to capture customer involvement

Outcome aspect of customer involvement (for improved outcomes at various stages of the innovation)
Outcome aspect in prior definitions
<ul style="list-style-type: none"> The extent to which service producers interact with customers at various stages of the innovation process (Carbonell et al., 2009) Leverage customer communication and enable this communication to be transformed into input into [service] innovations (Mitrega et al., 2020) Manufacturers incorporate their customers into their product development and continuous improvement programs (Feng et al., 2014) (Yang & Zhang, 2018) Breadth and depth of the customer participation in the firm's innovation (Carbonell, Rodriguez-Escudero, & Pujari, 2012)
Outcome aspect in the measurement items
Stages
<ul style="list-style-type: none"> We consulted major customers early in the design efforts for the new product (Feng & Wang, 2013) Customers were involved early in the development process (Gustafsson et al., 2012) To what extent were customers involved in the design stage? (Melton & Hartline, 2015) Customers were involved at every stage of the project (Storey & Larbig, 2018)
New product development
<ul style="list-style-type: none"> There is a strong consensus in my firm that customer involvement is needed in product design/development (Feng et al., 2012; Yang & Zhang, 2018; Huiying Zhang & Yang, 2016; Zhao, Feng, & Shi, 2018) We used information about my customers' needs in the development of the new product (Cui & Wu, 2016) We utilized product designs that were created by my customers (Cui & Wu, 2016) Our customers' involvement constituted a significant portion of the overall product development effort (Cui & Wu, 2017) Our project team acted on data from customers (Haisu Zhang & Xiao, 2020)

Source: own compilation

What customer involvement is not?

After having discussed the definition of customer involvement, I want to distinguish customer involvement from related but different concepts and then include customer co-creation, customer integration, crowdsourcing, value co-creation, open innovation and customer participation.

As Table 6 posits, customer involvement can be differentiated from these concepts along with the four definitional elements that I identified by investigating prior studies (see the previous section). These elements refer to (1) intensive collaboration (2) with customers that (3) brings in customer knowledge (4) with the aim of new product development. I start with customer co-creation, which is a subset of customer involvement. Customer involvement typically takes the form of a bidirectional, collaborative mode (e.g., Anning-Dorson, 2018). Some scholars, howev-

Table 6

Conceptual distinction of customer involvement

Concepts	Definitional elements			
	1 ^a	2 ^b	3 ^c	4 ^d
What is customer involvement?				
Customer involvement: the firm's (1) intensive, frequent and bidirectional collaboration (2) with customers, as initiated and encouraged by the firm, (3) to cultivate valuable customer knowledge and (4) to improve outcomes at various stages of the innovation.	yes	yes	yes	yes
What customer involvement is not?				
Narrower concept than customer involvement				
Customer co-creation: an active, creative, and social collaboration process between the firm and customers during the innovation, as facilitated by the company (Piller & Walcher, 2006)	yes	yes	yes	yes
Broader concepts than customer involvement^e				
Customer integration: the combining of customer resources (persons, possessions, nominal goods, or personal data) with the company resources to transform customer resources (Moeller, 2008)	yes	yes	nlt ^f	nlt
Crowdsourcing: a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a variety of tasks (Estellés-Arolas & González-Ladrón-de-Guevara, 2012)	yes	nlt	yes	nlt
Value co-creation: a joint, collaborative, concurrent, peer-like process of co-creating new value through customer experience and competence. Value creation is an all-encompassing process that includes provider and customer activities (design, delivery, manufacturing, delivery, and usage) (Grönroos, 2011)	yes	yes	nlt	nlt
Open innovation: a distributed innovation process based on purposively managed knowledge flows with a variety of actors across organizational boundaries that uses pecuniary and nonpecuniary mechanisms in line with the organization's business model (Chesbrough, Vanhaverbeke, & West, 2014)	yes	nlt	yes	yes
Different from customer involvement but related concepts				
Customer participation: the degree to which the customer is involved in producing and delivering the service (Dong, Evans, & Zou, 2008)	nlt	yes	nlt	no
Value in use: a joint, collaborative, concurrent, peer-like process of co-creating new value through customer experience and competence. Value in use co-creation is limited to creating value during the customers' usage of the product (Grönroos, 2011)	yes	yes	nlt	no
Value co-destruction: an interactional process between service systems that results in a decline in at least one of the systems' well-being (Plé & Chumpitaz, 2009)	yes	yes	nlt	no

^a Intensive, frequent collaboration; ^b With customers; ^c Customer knowledge; ^d New product development, innovation; ^e Concepts are identified as broader if at least one of the definitional elements may contain but typically focuses on a broader scope; ^f Not limited to/not focal

Source: own compilation

er, also mention forms of customer involvement in which customers are only regarded as sources of information in contrast to more collaborative forms of involvement (e.g., Cui & Wu, 2017). Customer co-creation is, by definition, an active, creative, and social collaborative process between the firm and customers, as facilitated by the company (Piller & Walcher, 2006). Therefore, it is not easy to draw a sharp boundary line between the two concepts. The term co-creation may refer to a more active contribution than customer involvement, which may also take a more passive form. Based on these arguments, I conceptualize co-creation as a subset of customer involvement.

I consider customer integration, crowdsourcing, value co-creation, open innovation and customer participation as broader concepts than customer involvement. For example, as the crowdsourcing definition suggests, it is a type of *participative online* activity in which an individual, an institution, a non-profit organization, or company proposes to a *group of individuals* of varying *knowledge*, *heterogeneity*, and *number*, via a flexible open call, the voluntary undertaking of a variety of tasks (Estellés-Arolas & González-Ladrón-de-Guevara, 2012). Therefore, crowdsourcing differs from customer involvement in the sense that crowdsourcing is not limited to the exchange of value with customers; moreover, crowdsourcing may also involve “crowds” who are not the customers of the firm and may include other stakeholders, such as individuals, institutions, non-profit organizations. In a similar vein, value co-creation is also conceptually different from customer involvement, as it is defined as a joint, *collaborative*, concurrent, peer-like process of co-creating new *value* through *customer experience* and competence. Value creation is an *all-encompassing* process that includes provider and customer activities (design, delivery, manufacturing, delivery, and usage) (Grönroos, 2011). Accordingly, value co-creation aims to exchange a variety of resources beyond customer knowledge as customer involvement suggests, with the aim of creating new value, which may not necessarily be limited to innovation.

Table 6. presents customer participation as an example of a concept different from customer involvement. Specifically, customer participation is defined as the degree to which the *customer* is *involved* in *producing* and *delivering* the service (Dong et al., 2008); thus, customer participation focuses on the production and delivery process, not the innovation process. Similarly, value in use differs from customer involvement in the sense that it is limited to creating value during the customers’ *usage* of the product (Grönroos, 2011), not during the process of innovation, as customer involvement suggests.

Measuring the innovation outcomes of customer involvement

This section presents the innovation outcomes of customer involvement and shows how these outcomes can be captured and measured. In prior research, the innovation outcomes of customer involvement were organized around the three core metrics of (1) innovation process-related

metrics, (2) financial outcomes, and (3) customers’ innovation perception.

Table 7 illustrates the items used to capture the innovation process outcomes of customer involvement. For example, studies have measured the improvement of the innovation speed (Morgan, Anokhin, Song, & Chistyakova, 2019), process novelty (Carbonell et al., 2012) and economic improvements of innovation as an outcome of customer involvement (Zhao et al., 2018). The projection base refers to what these process improvements had to be compared. As Table 7. shows, some of the improvements were compared to firm-internal values, such as – as a result of customer involvement – „The speed of new product development of my firm is much faster than I expected” (Morgan et al., 2019). Another part of the research used competitors as a benchmark, such as (Carbonell et al., 2009) measuring the technical superiority compared to competitors as a customer involvement outcome: “Fewer technical problems than my nearest competitors”.

Table 7
Measurement of the innovation process outcomes of customer involvement

Innovation process
Projection base: Firm
<i>Innovation speed</i>
<ul style="list-style-type: none"> • The speed of new product development of my firm is far ahead of my project timeline (Morgan et al., 2019) • The speed of new product development of my firm is much faster than I expected (Morgan et al., 2019) • The speed of new product development of my firm is much faster than my typical product development time (Morgan et al., 2019)
<i>Innovation process novelty</i>
<ul style="list-style-type: none"> • The new service exploited a technology that was new to the firm (Carbonell et al., 2012)
<i>Green product innovation</i>
<ul style="list-style-type: none"> • Using environmentally friendly material (Zhao et al., 2018) • Improving and designing environmentally friendly packaging for existing products (Zhao et al., 2018)
Projection base: Competitors
<i>Technical superiority</i>
<ul style="list-style-type: none"> • Fewer technical problems than my nearest competitors (Carbonell et al., 2009)

Source: own compilation

As Table 8 shows, most of the studies scrutinized the financial results of innovation as an outcome of customer involvement. There are a variety of metrics in the questionnaires, such as return on investment (ROI), return on assets (ROA), income- and spending-related metrics (sales, commercial success, revenue goals, costs, and profitability), and market success (market share). Part of the research considers the firm, while for other studies, the competitors are benchmarks to evaluate these metrics. For example, some researchers measure return on investment (ROI) relative to its firm-internal stated objective (Cui & Wu, 2016; Tseng & Chiang, 2016; Yang & Zhang,

2018; Haisu Zhang & Xiao, 2020), while other scholars measure it relative to competitors (Menguc et al., 2014; Huiying Zhang & Yang, 2016). Similarly, the market share outcomes of the new product can be evaluated compared to firm-set goals (Carbonell et al., 2009; Cui & Wu, 2016; Melton & Hartline, 2015; Morgan et al., 2019; Storey & Larbig, 2018; Yang & Zhang, 2018; Haisu Zhang & Xiao, 2020) or compared to main competitors (Feng & Wang, 2013; Menguc et al., 2014; Huiying Zhang & Yang, 2016).

Table 8

Measurement of the innovation financial result outcomes of customer involvement

Financial results
Projection base: Firm
<ul style="list-style-type: none"> • Return on investment relative to its stated objective (Cui & Wu, 2016; Tseng & Chiang, 2016; Yang & Zhang, 2018; Haisu Zhang & Xiao, 2020) • Return on assets (Keszey & Biemans, 2016) • Sales, commercial success relative to its stated objective (Carbonell et al., 2009; Cui & Wu, 2016; Gustafsson et al., 2012; Keszey & Biemans, 2016; Melton & Hartline, 2015; Morgan et al., 2019; Storey & Larbig, 2018; Tseng & Chiang, 2016; Haisu Zhang & Xiao, 2020) • Market share relative to its stated objective (Carbonell et al., 2009; Cui & Wu, 2016; Melton & Hartline, 2015; Morgan et al., 2019; Storey & Larbig, 2018; Yang & Zhang, 2018; Haisu Zhang & Xiao, 2020) • Overall profitability, profitability compared to the goal (Gustafsson et al., 2012; Keszey & Biemans, 2016; Melton & Hartline, 2015; Morgan et al., 2019; Tseng & Chiang, 2016; Yang & Zhang, 2018; Haisu Zhang & Xiao, 2020) • Costs (within planned budget) (Feng & Wang, 2013; Li et al., 2019) • Revenue goals (Yang & Zhang, 2018) • Number of sold products (Pee, 2016)
Projection base: Competitors
<ul style="list-style-type: none"> • Return on investment relative to competitors (Menguc et al., 2014; Huiying Zhang & Yang, 2016) • Sales, sales growth relative to competitors (Feng & Wang, 2013; Menguc et al., 2014) • Market share, market share growth relative to (main) competitors (Feng & Wang, 2013; Menguc et al., 2014; Huiying Zhang & Yang, 2016) • The profitability, profit growth of the new product is high relative to main competitors (Feng & Wang, 2013; Huiying Zhang & Yang, 2016) • Overall commercial success compared to competitors (Huiying Zhang & Yang, 2016) • NP performance relative to main competitors (Hsieh & Hsieh, 2015; Menguc et al., 2014)

Source: own compilation

A third subset of the metrics used to measure customer involvement outcomes were related to innovation perception (Table 9). Researchers have asked about the perceived customer satisfaction of the innovation, for example, the degree to which the new product meets or exceeds customer expectations (Tseng & Chiang, 2016). Some of the research assessed the reception of innovations – as an out-

come of customer involvement – compared to competitors. For example, the “customer solution was superior to competitors” (Carbonell et al., 2009), and “our NPD projects were more novel and innovative compared with my competitors” (Keszey & Biemans, 2016).

Table 9

Measurement of the innovation perception outcomes of customer involvement

Perception of innovation
Projection base: Customers
<ul style="list-style-type: none"> • Number of similar products identified by customers (reverse coded) (Pee, 2016) • The new product meets or exceeds customer expectations (Tseng & Chiang, 2016) • The new product meets or exceeds customers’ expectations of satisfaction (Tseng & Chiang, 2016) • The new product meets or exceeds the customers’ expected value (Tseng & Chiang, 2016) • The new service provides substantially higher customer benefits relative to the previous services in the category (Melton & Hartline, 2015)
Projection base: Competitors
<ul style="list-style-type: none"> • The percentage of service innovation that met customer needs relative to competitors (Hsieh & Hsieh, 2015) • The market response to my NPD projects was more positive than my competitors’ (Keszey & Biemans, 2016) • Our NPD projects were more successful than my competitors’ (Keszey & Biemans, 2016) • Our NPD projects were more novel and innovative compared with my competitors (Keszey & Biemans, 2016) • Service experience was superior to competitors (Carbonell et al., 2009) • Customer solution was superior to competitors (Carbonell et al., 2009) • The new service is a highly innovative service, which replaces a vastly inferior alternative (Melton & Hartline, 2015)

Source: own compilation

Brief overview of Hungarian research

As an extension to the overview of the literature published in top-tier international journals, I also reviewed studies from this domain. During my work, I found that most Hungarian research in this field focuses mainly on innovation, knowledge management and product development. The involvement of customers in innovation and product development processes has not been thoroughly researched in Hungary. My analysis is different from the Hungarian research conducted thus far and strives to provide insight into the examined problems by connecting the academic literature on innovation, product development and knowledge management. Strictly speaking, I have not found relevant research on the topic of the connection between customer involvement and innovation outcomes. Below, I provide a short overview of the relevant Hungarian academic literature and slightly expand the perspective to research that does not have a direct connection to the theme of my research.

When analysing the Hungarian literature, I classified the writings on this topic into three groups. In the first group, the works address the nature and concept of innovation in general and its organizational and managerial aspects. The second focuses on knowledge management and the effective use of knowledge for innovation. The third group explores the nature and relationship between product development and innovation using different approaches. These domestic publications help to understand the basic concepts that frame the topic and emphasise the present situation regarding the research on the subject in Hungary.

Understanding the concept of innovation and related areas

The term innovation covers a wide range of concepts, from the skin-friendly angle of a razor blade to the discovery of the internet or the mapping of the human genome. There is therefore a myriad of approaches to defining innovation in the business and academic literature (Fejes, 2015).

For companies, having a competitive advantage is essential for market performance. Creating and realizing competitive advantages in innovation is the basis for achieving and maintaining a successful market position. In this respect, innovation is not an ad hoc, one-time extra for businesses but a complex, ongoing, and integrative task to always ensure competitiveness (Piskóti, 2016). The relationship between innovation and corporate performance can be attributed to several factors. On the one hand, the number of innovations observed is related to corporate capabilities, and financial performance based on corporate capabilities can provide a good forecast for service companies (Berezvai, Agárdi, & Szabolcsné Orosz, 2019). In addition, several tools are available to quantify innovation performance, such as market-based (market share and customer satisfaction), financial success (profit and profit rate) and technical performance indicators (technical specifications and competitive advantage rate) metrics (Keszey, 2018).

Defining the role of marketing in innovation is one of the pillars of my research. Currently, more than ever, marketing can fulfil its fundamental task of supporting the business success of enterprises and the achievement of their goals only if it also focuses on innovation activity and if it acts as “innovation marketing”, i.e., it helps to develop the competitive advantages of the enterprise in terms of innovation and to implement them on the market. The task of marketing is to ensure the competitiveness and market success of enterprises, which are increasingly based on innovation. The current 3rd generation theoretical approach, which represents an integral link between innovation and marketing, and the practice aimed at ensuring the competitiveness and market success of innovation performance can be considered an era of marketing-driven innovation, where marketing itself becomes innovative and innovation-driven (Piskóti, 2016). Marketing innovation capabilities can also increase the general competitiveness of companies (Berezvai et al., 2019).

Knowledge management and the efficient use of knowledge for innovation

Knowledge is often seen as a strategic factor by organizations and their managers (Keszey & Katona, 2015). The driving force behind the successful market performance of companies is their ability to innovate; knowledge management has a significant impact on this innovation capability, with knowledge sharing playing a key catalytic role (Keszey, 2018). Global competition has put the innovative capacity of companies at the centre of attention of both managers and academics. Companies that work in the knowledge-based economy need to place a particular emphasis on developing their ability to renew and adapt (Baksa & Báder, 2020).

Currently, the conditions for innovation have also changed significantly: new intellectual content is created through the joint thinking and cooperation between people with different knowledge (Baksa & Báder, 2020). Knowledge sharing is at the heart of knowledge management processes, as it links the acquisition of knowledge with its exploitation at the organizational level. It also plays a particularly important role in making tacit knowledge actionable. Tacit knowledge can be made available to the organization primarily through personal interactions and knowledge sharing (Baksa & Báder, 2020). Market knowledge at the company level thus facilitates the success of innovation, as the knowledge of customers' preferences enables businesses to better understand their customers' needs and offer them novel and innovative products, and innovations are more likely to meet customers' expectations (Keszey, 2018).

Exploring the link between product development and innovation

Product is a broad concept in the management literature and encompasses not only physical and tangible products but also services (Keszey, 2018). In addition, there is a rich literature on innovation, including the process of developing a new product from a procurement perspective (Gelei & Jámor, 2018). Surveys were launched in the 1960s to determine what makes an innovation successful and what are the characteristics of firms that are at the forefront of innovation. Initially, product-level and later firm-level studies dominated (Kiss, 2014). Innovation and, in particular, the development of new products, is a key driver for firms, as it can lead to increased performance and competitiveness in many ways and can be a key source of survival and renewal (Bokor, 2003).

Both development engineers and marketing specialists play, or at least may play, a key role in the development of new products (Pataki, 1996). The specific processes of product development can always be mapped as the result of different market imperatives and technological opportunities in the practical work of firms. The notion of novelty, according to the degree and source of novelty of the product/service, can also be approached by taking stock of the basic development orientation. Orientations can be derived from an assessment of two factors, namely, prod-

uct maturity, i.e., from new product to known product, and the alignment of the product and the customer, i.e., from the user's directly expressed needs to the transfer of new opportunities offered by the technology (Szakály, Berényi, & Harangozó, 2006). In so-called 'market-driven' companies, the main driver for the development of new products is the 'market push'. New product ideas and initiatives are mainly driven by marketers (Pataki, 1996).

Contributions

Theoretical contributions

This study set out to review the current state of the art in the literature that examines the impact of customer involvement on innovation. The study contributes to the extant literature by 1) defining and conceptually distinguishing customer involvement from other related concepts, 2) providing an overview of the measurement of innovation outcomes, and 3) offering a brief overview of the Hungarian research published in this domain.

To address the call for clarity and consistency in the usage, definition, and measurement of the concepts in the customer involvement literature, I resolve definitional ambiguities and suggest an improved definition to be utilized in further research. The updated definition has four main definitional elements: bidirectional collaboration with customers to cultivate customer knowledge for improved innovation outcomes. With the help of the four definitional elements, customer involvement can be well distinguished from the related concepts, such as value co-creation or crowdsourcing. As my review reveals, there is no uniform scale available to capture customer involvement. It is beyond the scope of my research to develop a unified measurement tool, but my study may serve as a basis for such developments. In my research, I also reviewed the measurement of innovation outcomes, and three innovation-related outcomes – specifically, the innovation process, financial results, and perception of innovation – are outlined, which are affected by customer involvement.

Managerial contributions

Contemporary managers have started to think differently about customers and see them not only as a source of revenue but also increasingly as collaborators. This research supports this new approach by providing a tool and approach for managers to evaluate customer involvement.

For example, as a measure of the customer involvement process, based on my findings, it is worth monitoring the following aspects.

- To what extent can collaboration with customers be described as frequent, intensive, and bidirectional during customer involvement?
- To what extent is the knowledge that the firm gains through collaboration valuable?
- Does the firm share its knowledge with customers during customer involvement (in addition to gaining customer knowledge)?
- At what stages are customers involved in innovation?

Moreover, my research provides valuable insights to firms that seek to evaluate the outcomes of customer involvement. My review suggests that firms should continue monitoring the innovation outcomes of customer involvement in terms of the following aspects.

- To what extent does customer involvement improve the innovation process in terms of the following aspects?
 - Innovation speed
 - Technical superiority and process novelty
 - Environmental aspects of innovations
- To what extent does customer involvement improve the financial outcomes of innovation in terms of the following aspects?
 - Return on investment
 - Return on assets
 - Sales and commercial success
 - Cost reduction
 - Market share
 - Profitability

Managers should keep in mind that these metrics should be evaluated not only compared to internal firm metrics but also competitor benchmark values.

Limitations and directions for future research

To better understand the relationship between customer involvement and its subsequent innovation outcomes, rigorous empirical research efforts are needed. Based on my literature review, I suggest an updated, amended definition for customer involvement. There is a large variance in the extent to which the items used in the articles cover these aspects, and I can conclude that there is no widely accepted scale to measure the phenomenon. This is surprising regarding the efforts made to standardize the measurement scales of customer involvement-related concepts and a limitation that should be addressed by future research to promote the comparability of empirical findings.

As a result of my systematic literature search, three distinct innovation outcomes (the NPD process, financial results, and NP perception) emerge. Nevertheless, numerous studies combine these outcomes; for example, the measurement for detecting innovation outcomes contains items that refer to financial performance and NP perception within the same scale. Future research should be more rigorous in this respect; otherwise, it reduces the accuracy and comparability of the measurements. Studies suggest that customer involvement affects various innovation outcomes differently (Keszey & Biemans, 2016) and impacts financial innovation performance through the innovation process and innovation perception (Feng & Wang, 2013; Huiying Zhang & Yang, 2016). If the measurement does not allow the separation of the distinct aspects of innovation outcomes, then it is difficult to pinpoint the mechanisms of how customer involvement influences innovation outcomes.

Relevant studies are typically based on data from one respondent per firm. To increase the validity of the results, two important methodological approaches are outlined. One is multiple within-firm respondents or dyadic (firm and customer side) survey approaches. The other approach is to combine perception-based measurements with objective metrics, and I also see some examples in the literature; for example, the number of patents or the number of sold products as a proxy for the intensity of innovation (Pee, 2016; Saldanha, Mithas, & Krishnan, 2017).

This study, like every study, has limitations that should be noted. My study was limited by its primary focus on the new product and service development aspect of innovation; thus, I did not cover studies that investigated the effect of customer involvement on process innovation (e.g., the adoption of a new production procedure or information technology system). I also did not cover the antecedents of customer involvement. In addition, I concentrated on studies that quantify the impact of customer involvement on innovation, which excluded exploratory research.

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TALENT MANAGEMENT IN HUNGARY – AN EMPIRICAL STUDY AND SUGGESTION FOR A PROCESS-BASED APPROACH

TEHETSÉGMENEDZSMENT MAGYARORSZÁGON – EGY EMPIRIKUS TANULMÁNY ÉS EGY FOLYAMATALAPÚ MEGKÖZELÍTÉS JAVASLATA

This research aimed to examine the status quo of talent management (TM) in Hungary through an online questionnaire. According to responding companies (n=75), talented employees are interpreted fully/partially by some competencies. The need for talent segmentation seemed to be significant – mainly concentrating on employees with critical skills, graduate/Gen Z talents, high potentials, managerial talents, and trainee talents. Related to the TM, the respondents' approaches varied, but four processes typically appeared as components of TM practices – attraction, selection, development, and retention. All of them turned out to be very important, but the respondents experienced difficulties related to each process. Based on the findings, the implementation of a process-based TM model has been proposed. The model suggests interpreting so-called talent potentials, who participate in the entire TM process, along with Spencer and Spencer's (1993) competency clusters, through which they become the members of particular talent segments.

Keywords: talent management, talent segmentation, human resource management (HRM), competency, questionnaire

A kutatás célja a tehetségmenedzsment (TM) magyarországi állapotának vizsgálata volt egy online kérdőíves felmérés révén. A válaszadó vállalatok (n=75) a tehetséges munkatársakat teljes mértékben/részben bizonyos kompetenciák mentén értelmezik. A válaszok alapján a tehetségszegmentálás iránti igény jelentősnek bizonyult – főként a kritikus képességekkel rendelkező munkatársakra, a diplomás/Z-generációs tehetségekre, a magas potenciállal rendelkező tehetségekre, vezetői tehetségekre és a gyakornok tehetségekre koncentráva. A TM-hez kapcsolódóan a válaszadók megközelítései változatosak voltak, de a TM-gyakorlatok részeként általában négy folyamat jelent meg: vonzás, kiválasztás, fejlesztés és megtartás. Mindegyik nagyon fontosnak bizonyult, de a válaszadók nehézségeket tapasztaltak az egyes folyamatokkal kapcsolatban. Az eredmények alapján egy folyamatalapú TM-modell használata javasolt. A modell az úgynevezett tehetségpotenciálok értelmezését Spencer és Spencer (1993) kompetenciaklaszterei mentén ajánlja. Ők részt vesznek a teljes TM-folyamatban, amely révén bizonyos tehetségszegmensek tagjaivá válnak.

Kulcsszavak: tehetségmenedzsment, tehetségszegmentáció, emberierőforrás-menedzsment (EEM), kompetencia, kérdőíves felmérés

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The term talent has evolved since ancient times. The Greek “talanton” (τάλαντον [talent]) originally meant “balance, weight, sum of money” (Hoad, 1996). Later on, talent became an extremely valuable coin (Howatson, 2011); thus, only a few people could possess talents

– exclusively rich people (Gallardo-Gallardo et al., 2013). Since then, many have dealt with talents generally and in the world of work (e.g., Dries, 2013; Meyers et al., 2013). In the field of human resource management (HRM), it can be considered a turning point when the so-called

'war for talent' concept was published by McKinsey & Co. (Chambers et al., 1998; Michaels et al., 2001). In recent decades, talent management (TM) has garnered increasing attention and significance due to economic, demographic, environmental, and organizational changes (Hancock & Schaninger, 2020; Hatum, 2010; Poór, 2016; PwC, 2020; Stahl et al., 2012; Strack et al., 2018; Szabó, 2011; Wallenstein et al., 2019). Nowadays, talented employees are recognized as playing an important role in a company's success (Meyers, 2019; Tóthné Téglás, 2020), and according to some, acquiring and retaining talents are matters of survival for any organizations (Karoliny & Poór, 2019). However, managing talents is a significant challenge both globally (Deloitte Magyarország, 2017; Ruan et al., 2017) and in Hungary specifically (HRPortal.hu, 2020; Poór, Juhász et al., 2018; PwC Magyarország, 2013). According to a recent study, the attraction and selection of talented employees are the biggest HRM challenges currently in Hungary (Kincentric Team in Hungary, 2018). With respect to HRM issues, certain characteristics of the Hungarian labor market should be taken into consideration. First of all, the demographic trends – the Hungarian population has been naturally declining year by year since 1980, and it is aging (KSH, 2021f, 2021g). Though the economically active population has been increasing in roughly the last two decades, its number is still far below the late 1970s (KSH, 2021a). At the same time, not only by age group but also by highest educational qualification can different changes in the number of employed persons be observed in each year – they are also decreasing (KSH, 2021b, 2021c). Similarly, the number of unemployed persons varies by age group and by highest educational qualification per year (KSH, 2021d, 2021e). It has to be noted that besides unemployment, labor shortages, and talent shortages also characterize the Hungarian labor market in certain areas – e.g., in IT or health care sectors (Balogh & Karoliny, 2018; Héder, 2017; Szabó, 2011; Tóthné Téglás, 2020). Due to significant political and economic changes in Hungary, the 1990s brought huge transformation and development of the labor market (Tikhonova et al., 2018). According to some opinions, due to its regulations and HR practices, the Hungarian labor market can already be acknowledged as one of the most advanced ones in Central and Eastern Europe (Poór, Fehér et al., 2018). For example, it includes such state-of-the-art and highly recognized TM practices as MOL Group TM programs (Poór, Fehér et al., 2018).

The primary purpose of this paper is to contribute to the advancement of the existing TM knowledge by examining and analyzing the status quo of TM in Hungary. Moreover, the presentation of the results of the empirical study about TM in Hungarian companies might also help HRM practitioners to better operationalize TM and related efforts. The research presented in this article has three initial research questions (RQs). In order to answer these RQs, an online survey has been conducted, the responses to which have also been analyzed through relevant descriptive and inferential statistical methods.

RQ1: How is talent (a talented employee) viewed in Hungarian corporations? What are the similarities in the conceptualizations?

RQ2: Is there a need for differentiating more types of talent (segmenting)? If yes, what talent segments occur?

RQ3: In what ways are Hungarian companies concerned with TM? What characterizes their operation of TM? What are the common elements in Hungarian TM practices?

The article is structured as follows. First, a concise literature review presents the relevant talent tensions and TM approaches. Then, the methodology of data collection and information about the analyzed data take place. The following section is dedicated to the results of the analyses. The key findings and results are followed by practical implications, limitations, and future research questions.

Literature Review

Despite the growing interest in TM, one may still meet considerable uncertainties as different approaches and several practices of TM can be found. Likewise, opinions about talent definitions differ significantly too (Gallardo-Gallardo & Thunnissen, 2016; Thunnissen & Gallardo-Gallardo, 2019).

Viewpoints About Talents in the World of Work

Nowadays, regarding the interpretation of talent in the world of work, a wide variety of viewpoints and perspectives are presented in the HRM-related literature, which seems to agree on the scarcity of a universally accepted conceptualization of talent in scientific TM-themed works (Dries, 2013; Gallardo-Gallardo et al., 2013; Jayaraman et al., 2018; Savanevicienė & Vilciauskaitė, 2017; Stahl et al., 2012; Thunnissen & Van Arensbergen, 2015). Hereinafter, the key tensions of talented employees will be presented along with the fundamental sources.

The exclusive-inclusive and the subject-object talent tensions appear most frequently in the literature – the first one concerns whether some or all employees can be considered as talents, while the second one is about the interpretation of talent as people or as certain characteristics (Dries, 2013; Gallardo-Gallardo et al., 2013). Dries (2013) pointed out further perspectives on talent, such as innate-developable (focusing on how much talent can be developed), output-input (concerning the importance of efforts and results), and transferable-context dependent (highlighting dependence on the environment) tensions. Related to the two aforementioned common talent approaches, Gallardo-Gallardo et al. (2013) additionally distinguished talent as natural ability, as mastery, as commitment, and as fit subapproaches within the object approach, as well as high performers and high potentials subapproaches within the exclusive approach. In addition to addressing the exclusive-inclusive and innate-developable tensions, Meyers et al. (2013) presented five principal approaches to talent – talent as giftedness, as individu-

al strength, as (meta-)competencies, as high potential, and as high performance. Similarly, in Meyers and van Woerkom's (2014) work, the exclusive-inclusive and innate-developable perspectives appeared; furthermore, four talent philosophies were introduced by pairing them. These are the exclusive/stable, the exclusive/developable, the inclusive/stable, and the inclusive/developable philosophies. In their later studies, Urbancova and Vnouckova (2015) and Meyers et al. (2019) examined the prevalence of these four philosophies and found diversity regarding the consideration of talent in the examined companies. Thunnissen and Van Arensbergen (2015) touched briefly on the five talent tensions in line with Dries (2013) and proposed a multidimensional approach to talent applying the Differentiated Model of Giftedness and Talent (DMGT) by Gagné (2004, 2010). The authors distinguished an individual level (encompassing talents with their abilities, interpersonal characteristics, and performance) and an organizational level (including the TM system and TM actors). They highlighted that the organizational context and the actors involved in TM affected the interpretation of talent and stressed the need to contextualize talent.

TM Approaches

Regarding not only the conceptualization of talent but also TM, several opinions and streams can be found in the literature. Based on the seminal works about TM (Iles et al., 2010; Lewis & Heckman, 2006; Mellahi & Collings, 2010), four approaches emerged. In their essential article, Lewis and Heckman (2006) distinguished three streams. In the first one, TM is meant to be a set of typical HRM activities (e.g., attraction, selection, training and development, or career planning). According to the second stream, TM focuses on a selected group, developing a talent pool, and attaching paramount importance to HR planning and succession planning. In line with the third one, a comprehensive talent perspective, TM concentrates on talented employees, both exclusively and inclusively, and their performance. Collings and Mellahi (2009) cited the approaches mentioned above (excluding the inclusive side of the third one) and distinguished a fourth strategic approach in their well-known work. In this point of view, TM is about identifying key positions that are crucial to the company's comparative advantage and filling them with the members of the talent pool, who receive conscious training and development. Later, these four streams were presented by Sparrow et al. (2014, p. 36) as "1. People approach: talent management as a categorisation of people. 2. Practices approach: talent management as the presence of key HRM practices. 3. Position approach: talent management as the identification of pivotal positions 4. Strategic pools approach: talent management as internal talent pools and succession planning." In another frequently cited TM article, Iles et al. (2010) invoked the first three streams by Lewis and Heckman (2006), though they proposed the third one as concentrating on the talent flows through the organization and targeting competence development. In the wake of all these articles, the four substantial TM approaches can be summarized as follows: 1) a selection of

HRM activities relabeling HRM, 2) integrated HRM activities focusing on talent pools, 3) managing talent flows and targeted competence development, and 4) identifying positions and acknowledging strategic importance.

TM Processes and Talent Groups

Related to the operation of TM, opinions and practices are quite different about the (sub)processes that make up TM. Several viewpoints can be found; therefore, the number of TM processes executed varies. At the very least, two processes are usually distinguished – attraction and retention, as for example by Ready et al. (2008). Somewhat similarly, but supplementing the previous ones, Hatum (2010) and Oosthuizen et al. (2016) distinguished a triplet of attraction (recruitment), development, and retention. In both Stahl et al.'s (2007) and Scullion et al.'s (2010) works, a quartet of attraction, selection, development, and retention occurred. While referring to others, McDonnell (2011) already mentioned five TM processes – identification, development, appraisal, deployment, and retention. In the extreme, even more processes can be found in some sources, such as Sparrow et al. (2014) – identification of external talents, attraction, engagement and retention, identification of internal talents, management of talent flows, development, and performance management. Schiemann (2014) proposed a so-called talent life cycle – attraction, acquisition, onboarding, training, performance management, development and succession planning, retention, and recovering lost talents. Taking the common elements together, with respect to the acquisition of new talents, attraction and selection can be highlighted, while concerning the employment of existing talents, development and retention might play the key roles as four common processes in TM practices.

Furthermore, related to the implementation of TM practices, talent segmentation might be an important aspect. Besides a comprehensive talent pool, several talent groups can be at the focus of TM practices, e.g., high potentials, key experts (critical skill employees), managerial talents, or fresh graduate talents (McCracken et al., 2016; McDonnell et al., 2011; Stahl et al., 2012).

Data and Methodology

As part of our comprehensive TM research, an online questionnaire was made to record and investigate corporate TM practices in Hungary. To the best of our knowledge, such an extensive study has not been conducted among the enterprises operating in Hungary. The questionnaire was originally written in Hungarian, and for the analysis, the author of this paper translated it to English along with the answers. The survey started with a question about the interpretation of talented employees (Q1) and was concerned with implementing talent segmentation and the talent segments (Q2–3) as well. Then, three questions focused on the operation of TM – the TM approach implemented, the form of TM, and the TM processes (Q4–6). Moreover, the importance, the target reaching, and the difficulty of each TM process were studied in detail (Q7–9). Finally, statistical data regarding the characteristics of the studied

companies were also collected (Q10–13). The questionnaire consisted of open-ended questions, multiple-choice questions, and ordinal questions.

To analyze the responses, relevant descriptive and inferential statistical methods (e.g., qualitative research methods, a histogram, median, mode, nonparametric hypothesis testing, association analysis, a chi-square test for independence, a proportion test, Mood's median test, a Mann-Whitney test, and Spearman's rank correlation) were used, depending on the types of questions (Hunyadi & Vita, 2006; Malhotra, 2016).

By the end of data collection (May 2020), 75 corporations out of the nearly 600 contacted responded. The questionnaire was completed by HRM specialists or top managers of the companies that had participated in the most prominent Hungarian job fairs in recent years since these jobs fairs are considered to be one of the most common tools to attract talented employees in Hungary. Company representatives were contacted in several ways (meeting them at job fairs, via emails and/or telephone) and asked to fill in the online survey. It should be noted that not all the questions were answered by all respondents; thus, the number of answers to each question varied. The responses arrived from companies of various sizes (with less than 100 and more than 10,000 employees), operating in the service sector and industry, from all regions of Hungary. Concerning the typical responding company, it can be stated that its average statistical headcount was between 50–249 employees, its main field of activity could be classified as the service sector, its domestic operating site was in Budapest, and it did not operate as a subsidiary.

Analyses and Findings

Talent

In connection with talented employees, the participants were asked about their own definition and differentiation (segmentation).

Talent Interpretation

To the open-ended question regarding the interpretation of talent (Q1), 72 substantive answers were recorded, while three respondents did not answer. Analyzing the responses ($n=72$), we found it quite remarkable that all of them specified talented employees fully/partially as having certain competencies. For instance, “A talented employee invents himself in every situation, takes a proactive approach to things, and inspires others by setting an example” or “who exceeds the expected level of competence in the job, voluntarily takes on tasks, enjoys their solution and inspires others.” Examining the content of these talent interpretations, we could classify the vast majority (69) of them according to Spencer and Spencer's (1993) prominent model, except for three answers which focused on competencies but did not detail them (e.g., “outstanding skills and abilities”). Based on the original specification of Spencer and Spencer's (1993) competency dictionary with 100 competencies in six clusters, we examined the presence of all the six competency clusters in the talent

interpretations. The results of classifying the 69 detailed competency-based talent interpretations into the six competency clusters revealed that the achievement and action cluster dominated (with 62 classifications, which is 86% of all the 72 answers). The personal effectiveness (51; 71%) and cognitive clusters (49; 68%) also excelled, while the managerial and impact and influence clusters seemed to be much less critical (22; 31%, and 19; 26%, respectively). The helping and human service cluster occurred in just a few cases (8; 11%: see section RQ1 in Figure 7).

To sum up, the respondents interpreted talented employees fully/partially as having certain competencies, which could be classified according to Spencer and Spencer's (1993) competency model. The results suggest that nonmanagerial competencies are significant – the dominance of the achievement and action cluster and the importance of the personal effectiveness and cognitive clusters in the participants' talent definitions are quite understandable due to the high (performance) expectations towards talented employees in general. However, the significantly reduced importance of the managerial, the impact and influence, and the helping and human service clusters was not expected. These competencies might be of greater importance to only certain management-related talent groups (e.g., leadership talents, potential managerial talents), not for all talents. In light of the results, it may be worth further examining the interpretations according to different talent segments.

Talent Segmentation

In connection with differentiating talented employees at the companies, 68 respondents gave answers to the single-select multiple-choice question (Q2) – the majority (51; 75%) of them were in favor of talent segmentation (TS; implementing it already or reckoning it was necessary), while the minority (17; 25%) did not consider it necessary. Seven participants did not want to/could not answer regarding talent segmentation. Of the 51 respondents who were in favor of differentiating talented employees, 35 opted for segmenting several groups of talents, while according to 16, it was sufficient to establish a single, comprehensive, general group of talented employees.

Segments. Those respondents who were in favor of TS with several different segments (being distinguished or that needed to be distinguished: $n=35$) most often mentioned three in response to the respective question (Q3). The following five segments appeared repeatedly in the 35 responses: critical skills employees (CSEs: 28; 80%), high potentials or potential managerial talents (25; 71%), graduate/Gen Z talents (23; 66%), managerial/leadership talents (19; 54%), and trainee talents (7; 20%: see section RQ2 in Figure 7). Moreover, a comprehensive talent group, students with corporate scholarships, project talents, and other talents were mentioned once (3% each). It is worth noting that professional talent segments occurred more often in the responses than management-related talent segments. This is in line with the findings regarding the talent interpretations and competency clusters. Thus, the results showed a notable necessity for TS in Hungary, most im-

portantly focusing on CSEs, graduate/Gen Z talents, high potentials or potential managerial talents, managerial talents, and trainee talents.

Talent Management

Related to managing talented employees, the participants were asked about how they deal with TM and the approach of TM, along with certain characteristics of the operationalization of TM as well.

TM Form

Regarding how the companies deal with TM (Q4), the 73 responses to this single-select multiple-choice question varied, but the vast majority (63; 86%) seemed to deal with TM – formally or deliberately. Twenty-eight (38%) of the 73 respondents conducted a formal TM program(s), and a further seven (10%) corporations were concerned with TM (deliberately) but intended to start a formal TM program(s). Twenty-eight (38%) respondents were concerned with TM (deliberately) but did not operate any formal TM programs. Simultaneously, approximately every seventh respondent (10; 14%) did not deal with TM.

TM Form and the Talent Interpretations. Afterward, association studies were conducted to examine the connection between the form of TM and the talent interpretations, i.e., the occurrence of competency clusters from Spencer and Spencer (1993) related to the form of TM. In line with preliminary assumptions, six chi-square tests of independence were used to test whether the occurrence of the given cluster (achievement and action, helping and human service, impact and influence, managerial, cognitive, and personal effectiveness) and the form of TM (formal TM/deliberate TM/no TM) were associated. The Cramer V-square statistic was used to measure the strength of the associations.

Table 1
Results of Chi-Square Tests of Independence Between the Form of TM and the Occurrence of the Competency Clusters

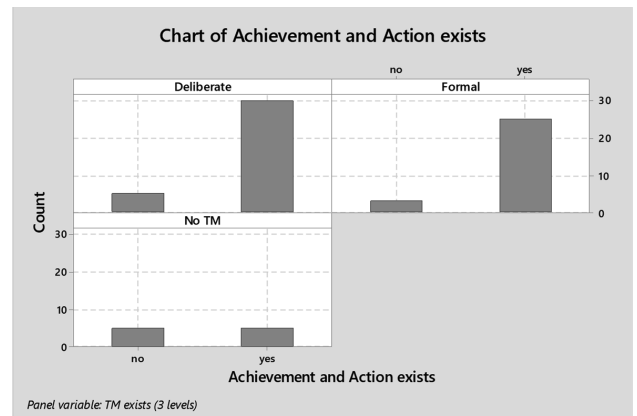
Chi-square tests	p-value	Cramer's V-square value
Achievement and action vs. TM form	0.015	0.114
Helping and human service vs. TM form	0.767	0.007
Impact and influence vs. TM form	0.599	0.014
Managerial vs. TM form	0.214	0.042
Cognitive vs. TM form	0.462	0.021
Personal effectiveness vs. TM form	0.220	0.041

Source: Own calculation

Based on the p-values in Table 1, one associative relation was found at a significance level of 0.05. In the case of the achievement and action (AA) cluster, according to the p-value (0.015), there was an associative relation between

the AA cluster and the form of TM. (It should be noted that two cells with expected counts were less than five during the calculations.) Based on the Cramer V-square statistic (0.114), the associative relation of AA and TM form was weak. As shown in Figure 1, the AA cluster's presence was associated with the form of TM – AA is much more likely if formal or deliberate TM exists. In practical terms, in the case of formal or deliberate TM, the AA competencies' roles are significant.

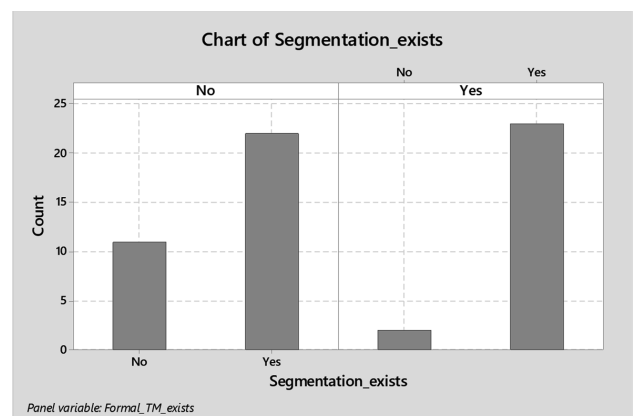
Figure 1
The Relation Between the Form of TM and the Existence of the Achievement and Action Cluster



Source: Own calculation

Beyond the AA cluster's associative relation, there were no associations revealed between any other competency clusters and the form of TM (Table 1). Thus, of the six competency clusters, only the AA cluster's occurrence seemed to be associated with the form of TM; thus, in the case of deliberate and formal TM, the AA cluster is very likely to occur.

Figure 2
The Relation Between the Existence of Formal TM and Talent Segmentation



Source: Own calculation

Existence of formal TM and TS. Focusing on the 63 participants who dealt with TM (deliberately or formally), further analysis was conducted related to talent segmenta-

tion. In the case of those respondents who dealt with TM and gave answers about TS ($n=58$), the relation between the existence of formal TM and the opinion about segmentation was examined through an association study (Figure 2). A chi-square test was conducted to assess whether the existence of formal TM and talent segmentation were associated, and the Cramer V-square statistic was used to measure the strength of the association.

At a significance level of 0.05, according to the p -value (0.022), there was an associative relation between the existence of formal TM and talent segmentation; however, the associative relation was weak based on the Cramer V-square statistic (0.091). As shown in Figure 2, TS is more likely to be present if formal TM exists. Hence, TS seemed to be associated with the existence of formal TM, and in the case of formal TM, TS is very likely.

TM Approach. The 63 participants who dealt with TM were asked to characterize their TM approach according to the influential works of Lewis and Heckman (2006), Collings and Mellahi (2009), and Iles et al. (2010). To this single-select multiple-choice question (Q5), 53 responses were recorded. In 20 respondents' (38%) opinions, TM was a set of typical HRM activities (e.g., recruitment, selection, development, career planning). Only five participants (9%) conceived TM as an integrated HRM activity focusing on a selected group, namely developing a talent pool and attaching paramount importance to HR planning and succession planning. At the same time, 17 respondents (32%) marked striving to develop a comprehensive talent approach by concentrating on the talent flows through the organization and targeted competence development. In contrast, 11 participants (21%) opted for taking a strategic approach, i.e., identifying key positions that are crucial to the company's comparative advantage and filling them with the members of the talent pool, who receive conscious training and development. Thus, it can be stated that regarding their approach to TM, the opinions varied. Some participants regarded TM as common HRM activities only; others viewed TM as a comprehensive talent approach with targeted competence development or as focusing on key positions in a strategic approach. At the same time, it can be observed that development turned out to be an element common to all approaches and responses.

TM Processes. In connection with the operationalization of TM, the 63 participants who dealt with TM were also asked about their TM processes based on the literature review (Q6). Fifty-six identified the processes that were components of their TM activity. The number of TM processes ranged from one to four; most frequently (27 times; 48%) two processes were listed. It was quite surprising that no other process was mentioned; only the following four processes were marked in the multiselect multiple-choice question with an "other" option: development (D: 44; 79%), retention (R: 40; 71%), selection (S: 28; 50%), and attraction (A: 27; 48% – see section RQ3 in Figure 7). To compare the presence of the four TM processes in the 56 responses, the proportions of the companies at which the examined process (A, S, D, and R) existed were studied. The inequalities (the differences) between

any two proportions were examined through hypothesis tests, respectively. In line with all pairs of the processes (A–S, A–D, A–R, S–D, S–R, and D–R), six proportion tests were conducted. In the null hypotheses, it was stated that there was no difference between the given two population proportions (e.g., $p[A]=p[S]$), while the alternative hypotheses were one-tailed (e.g., $p[A]<p[S]$), respectively.

Table 2
Results of Proportions Tests of Any Two TM Processes

Proportion tests	p -value
Attraction vs. selection	0.425
Attraction vs. development	0.000
Attraction vs. retention	0.005
Selection vs. development	0.000
Selection vs. retention	0.009
Development vs. retention	0.809

Source: Own calculation

According to the p -values in Table 2, at a significance level of 0.05, in two cases (A vs. S and D vs. R), there was not sufficient evidence to reject the null hypotheses, so those proportions proved to be equal, respectively. While the other four null hypotheses were rejected according to the p -values, i.e., those proportions proved to be unequal. In light of these results, the overall ranking is $p(A)=p(S)<p(D)=p(R)$. Thus, the proportions of attraction and selection were proved to be equal and were lower than the equal proportions of development and retention.

As a result, it can be said that four processes characterize the operation of the respondents' TM typically. Development and retention processes proved to be dominant, but attraction and selection also appeared in many responses; thus, both the employment of existing talents and the acquisition of new talents seem to be important in Hungarian TM practices.

TM processes and the existence of formal TM. Moreover, related to the four TM processes, further association studies were conducted. Four chi-square tests of independence were used to test whether the given process (A, S, D, and R) and the presence of formal TM were associated. The Cramer V-square statistic was used to measure the strength of the associations (Table 3).

Table 3
Results of Chi-Square Tests of Independence Between TM Processes and the Existence of Formal TM

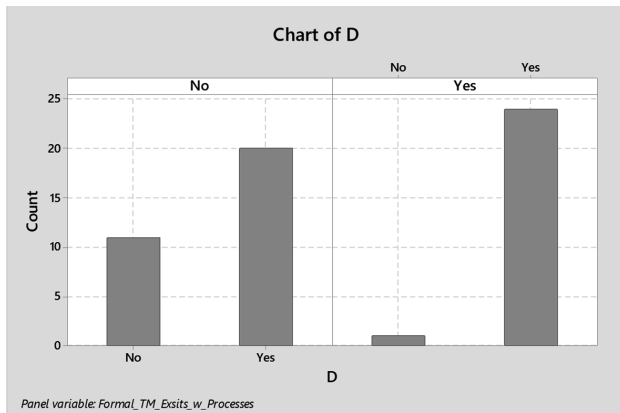
Chi-square tests	p -value	Cramer's V-square value
Attraction vs. existence of formal TM	0.977	0.000
Selection vs. existence of formal TM	0.179	0.032
Development vs. existence of formal TM	0.004	0.145
Retention vs. existence of formal TM	0.610	0.005

Source: Own calculation

As shown in Table 3, in the case of the development process, at a significance level of 0.05, according to the *p*-value (0.004), there was an associative relation between D and the existence of formal TM. Based on the Cramer V-square statistic (0.145), this associative relation was weak. At the same time, there were no associations between any other TM processes and the existence of formal TM.

Figure 3

The Relation Between the Existence of Formal TM and the Development Process (D)



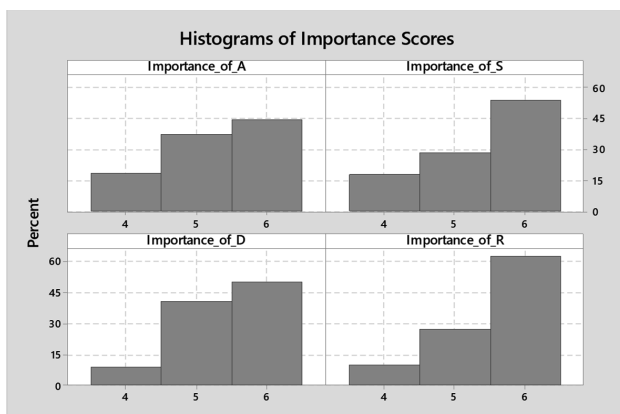
Source: Own calculation

As shown in Figure 3, the development process's presence is associated with the existence of formal TM: D is more likely if formal TM exists. Thus, of the four processes, only development seemed to be associated with the existence of formal TM; in the case of formal TM, the development process is very likely to occur.

Importance of TM Processes. The 56 participants who previously provided answers regarding TM processes were also asked about the importance of their given processes (Q7). The respondents had to characterize on a 6-point ordinal scale how important the given process was (1=not important at all to 6=very important).

Figure 4

Histograms of the Importance Scores of the Four TM Processes



Source: Own calculation

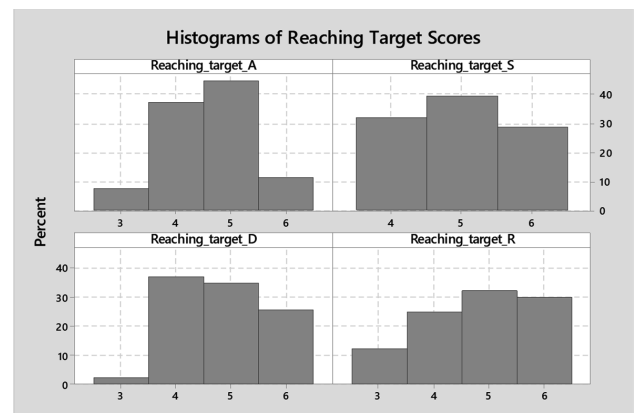
Regarding the importance of the four TM processes, somewhat similar results were obtained (Figure 4). The importance of all four processes ranged from 4=rather important to 6=very important, and the modes of importance scores of A, S, D, and R all were 6=very important.

Moreover, further examination was conducted to compare the importance scores of TM processes. The medians of importance scores of the four TM processes were tested through a Mood's median test to assess whether they were equal or not. In the null hypothesis, it was stated that there was no difference between the four medians of importance scores in the population, while the alternative hypothesis was that the subpopulations' medians were different. The results showed that the medians ranged from 5.00 to 6.00: median(Importance_A)=5.00, median(Importance_S)=5.50, median(Importance_D)=6.00, median(Importance_R)=6.00. At a significance level of 0.05, however, according to the *p*-value (0.493), there was not sufficient evidence to reject the null hypothesis, i.e., the differences between the medians of importance scores were not statistically significant in the population. Hence, no notable differences were detected among the particular TM processes' importance scores; all their own processes seemed to be equally very important.

Target Reaching of TM Processes. The 56 participants who had previously provided answers regarding TM processes were also required to characterize on a 6-point ordinal scale (1=not at all to 6=absolutely yes) whether they could reach their target regarding the given process or not (Q8). As shown in Figure 5, slightly different results were observed related to the target reaching for the four TM processes. In the case of A, D, and R, target reaching ranged from 3=rather not to 6=absolutely yes, while the target reaching of S ranged from 4=somewhat yes to 6=absolutely yes. The modes of target reaching for A, S, and R were 5=yes, while in the case of D, it was worse (4=somewhat yes).

Figure 5

Histograms of the Target Reaching for the Four TM Processes



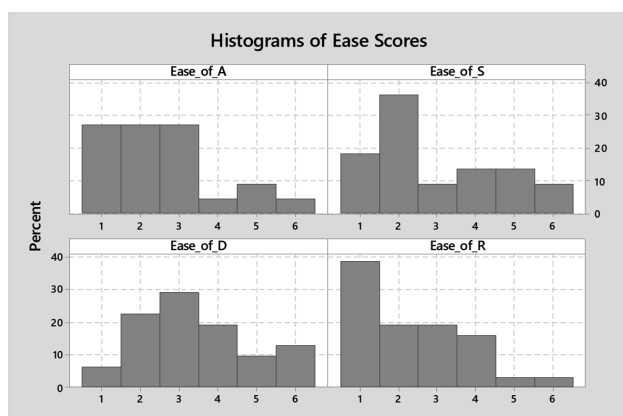
Source: Own calculation

Another analysis was also conducted to compare the target-reaching scores of the TM processes. The medians of the

target reaching for the four processes were tested through a Mood's median test to assess whether they were equal or not. In the null hypothesis, it was stated that there was no difference between the four medians of the target-reaching scores in the population, while the alternative hypothesis was that the subpopulations' medians were different. The results showed that all four processes' medians were 5.00 in the samples and that at a significance level of 0.05, according to the p -value (0.821), there was not sufficient evidence to reject the null hypothesis, i.e., the differences between the medians of the target-reaching scores were not statistically significant in the population. Based on the medians, no striking differences could be observed among the target reaching of the particular TM processes. In the case of all their processes, there seemed to be challenges in reaching the targets. It is worth noting that in the case of target reaching, slightly different and lower results were observed than before regarding the importance of the processes. Although the medians were proved to be equal, the range of the selection process was narrower (i.e., better), while the mode of development process turned out to be lower (i.e., worse) than the others (Figure 5).

Difficulty of TM Processes. In addition, the 56 participants who previously provided answers regarding TM processes had to characterize on a 6-point ordinal scale (Q9) whether the given process was causing difficulty or not (1=causes serious difficulty to 6=does not cause any difficulty at all). In connection with the difficulty of the four TM processes, quite different results were obtained. To analyze the data similarly as before, this 6-point scale of difficulty was reversed to the easiness of TM processes (1=causes serious difficulty corresponded to 1=not easy at all, and 6=does not cause any difficulty at all corresponded to 6=absolutely easy; see Figure 6). The answers seemed to be divided; all six values were marked on the 6-point scale of all four processes' easiness. The modes of ease scores ranged from 1=not easy at all to 3=rather not easy (Figure 6).

Figure 6
Histograms of the Easiness Scores of the Four TM Processes



Source: Own calculation

Furthermore, another examination was conducted to compare the ease scores of TM processes. The medians of ease

scores were analyzed through a Mood's median test to assess whether they were equal or not. In the null hypothesis, it was stated that there was no difference between the four medians of ease scores in the population, while the alternative hypothesis was that the subpopulations' medians were different. The results showed that at a significance level of 0.05, according to the p -value (0.090), there was not sufficient evidence to reject the null hypothesis, i.e., the differences between the medians of ease scores were not statistically significant in the population, although they ranged from 2.00 to 3.00: median(Ease_Score_A)=2.00, median(Ease_Score_S)=2.00, median(Ease_Score_R)=2.00, and median(Ease_Score_D)=3.00.

Based on the results, the medians of the processes' ease were proved to be equal; however, according to the modes and histograms (Figure 6), slight differences could be noted between the ease of the particular TM processes. Attraction and retention seemed to be a little bit more difficult, while development was a little bit easier when comparing the ease of TM processes to each other.

Association Studies of Importance and Target Reaching. Additionally, related to the four TM processes, importance scores and target reaching were also compared, respectively. Four Mann-Whitney tests were conducted to examine the medians of importance and target reaching of the four processes (A, S, D, and R). In the null hypotheses, it was stated that there was no difference between the given subpopulations' medians (e.g., η [Importance_A]= η [Reaching_target_A]). In contrast, the alternative hypotheses were one-tailed (e.g., η [Importance_A]> η [Reaching_target_A]), respectively, where η denotes the median.

Table 4
Results of the Mann-Whitney Tests

Mann-Whitney tests	p -value
Importance of A vs. reaching the target of A	0.004
Importance of S vs. reaching the target of S	0.041
Importance of D vs. reaching the target of D	0.001
Importance of R vs. reaching the target of R	0.001

Source: Own calculation

The results showed that in the case of all four processes, according to the p -values in Table 4, the null hypotheses were rejected, i.e., the importance median was greater than the goal-reaching median, respectively, at a significance level of 0.05. Thus, for all four TM processes, a difference could be observed regarding the importance of the given process and how well they could reach the target concerning that process, e.g., the importance of D was higher than the level of reaching the target of D.

Spearman's Rank Correlations Related to the Ease (Difficulty) of TM Processes. Moreover, the connection of the ease scores of TM processes to the importance scores and target-reaching scores were examined further through Spearman's rank correlation coefficients, respectively (Table 5).

Table 5
Results of the Spearman's Rank Correlations

Spearman's rank correlations	<i>p</i> -value	Spearman's rho
Importance of A vs. ease of A	0.951	-0.014
Importance of S vs. ease of S	0.351	0.209
Importance of D vs. ease of D	0.811	0.045
Importance of R vs. ease of R	0.889	-0.026
Reaching the target of A vs. ease of A	0.687	-0.091
Reaching the target of S vs. ease of S	0.080	0.381
Reaching the target of D vs. ease of D	0.167	0.254
Reaching the target of R vs. ease of R	0.645	-0.086

Source: Own calculation

It was quite surprising that in the case of all four processes, at a significance level of 0.05, according to the *p*-values in Table 5, there was no significant rank correlation between the TM processes' ease and importance and between the ease and target reaching, respectively. Hence, no correlations were revealed between the ease scores and importance scores of TM processes and between the ease scores and target reaching scores, respectively.

Summary

Key Findings

The central aim of this paper was to contribute to the advancement of the existing TM knowledge by examining and analyzing the status quo of TM in Hungary, which has not happened before. The main results of this study can be summarized as follows.

RQ1: Regarding the interpretation of talents and the similarities in the conceptualizations, based on the results for Q1, it could be observed that the respondents specified talented employees fully/partially as having certain competencies, with the AA competency cluster prevailing, followed by the personal effectiveness and the cognitive clusters according to Spencer and Spencer's (1993) framework. The results suggest that non-managerial competencies are significant, while other competency clusters might be of greater importance to only certain management-related talent groups (e.g., leadership talents, potential managerial talents), not for all talents.

RQ2: In connection with talent segmentation, in the participants' opinions, according to the results for Q2–3, the need for TS seemed to be significant in Hungary, mostly concentrating on the following segments: CSEs, graduate/Gen Z talents, high potentials/potential managerial talents, managerial talents, and trainee talents. It can be observed that specific professional talent segments occurred more often than some management-related talent segments.

RQ3: Related to managing talents, it could be observed that the vast majority of the respondents seemed to deal with TM, either formally or deliberately, while only less than every seventh respondent did not deal with TM according to the results for Q4.

In connection with Q4 and talent interpretations according to Spencer and Spencer's (1993) model, out of the six competency clusters, only the appearance of the AA competency cluster was proved to be associated with the existence of TM; AA is much more likely if formal or deliberate TM exists. Furthermore, talent segmentation turned out to be associated with the existence of formal TM; in the case of formal TM, TS is very likely.

Related to the TM approaches, responses varied, but development occurred as an element common to all approaches and responses according to the results of Q5.

In connection with the characteristics of the operationalization of TM, based on the results of Q6, four processes appeared to be components of the participants' TM activity typically: development, retention, selection, and attraction. The proportions of attraction and selection were proved to be equal and lower than the equal proportions of development and retention. Moreover, of the four processes, development was proved to be associated with the existence of formal TM. In the case of formal TM, the development process is very likely to occur.

Related to the TM processes, respondents also characterized (1) how important the given process was, (2) whether they could reach their target regarding the given process, and (3) whether the given process was causing difficulty. Regarding the importance of the four TM processes (Q7), somewhat similarly, high results were obtained in terms of ranges, modes, and medians, showing that each of their particular processes was very important to the respondents. However, related to the target reaching of the processes (Q8), slightly different and lower results were observed than before. The range of selection processes was narrower (namely better), while the mode of development process turned out to be lower (namely worse) than the others, but the medians were proved to be equal. In the case of all processes, there seemed to be challenges in reaching the targets. Moreover, according to the results of the Mann-Whitney tests, the levels (medians) of target reaching of the processes proved to be lower than their importance, respectively. At the same time, quite different and much worse results were obtained in connection with the difficulty of certain TM processes (Q9); thus, the responses ranged widely. The modes, which were much lower than before, showed that the four processes caused difficulties for the participants. According to the difficulty (ease) scores, slight differences could be noticed between the difficulty (ease) of the particular TM processes (attraction and retention seemed to be a little bit more difficult, while development was a little bit easier when comparing them to each other), though their medians were proved to be equal. To sum up, the TM processes turned out to be very important, but reaching the targets seemed to be more challenging (mostly in development), and the respondents experienced difficulties in each area (some-

what in attraction and retention). According to the results related to RQ3, the importance of the four processes can be observed; thus, all of them play a significant role in corporate TM practices.

In line with the statistical data (Q10–13), the typical responding company had an average statistical headcount between 50–249 employees, its main field of activity was the service sector, its domestic operating site was Budapest, and it did not operate as a subsidiary.

Results in Light of the Process-Based TM Model

Based on all the answers to RQ1–3, it can be observed that the results of this study are consistent with the process-based TM model by Daruka and Pádár (2019). That model originally adapted Gagné’s (2010) process-based approach and the DMGT 2.0 framework to higher education; however, it might be applied in such business circumstances in line with the current findings (Figure 7). The model suggests interpreting so-called talent potentials along with Spencer and Spencer’s (1993) competency clusters as a starting point. These talent potentials participate in the entire TM process – the quartet of attraction, selection, development, and retention, through which they become members of particular talent segments. Specific catalysts (e.g., organizational factors, such as leadership attitude, and macroenvironmental factors, such as demographic trends) might affect this process-based approach to TM.

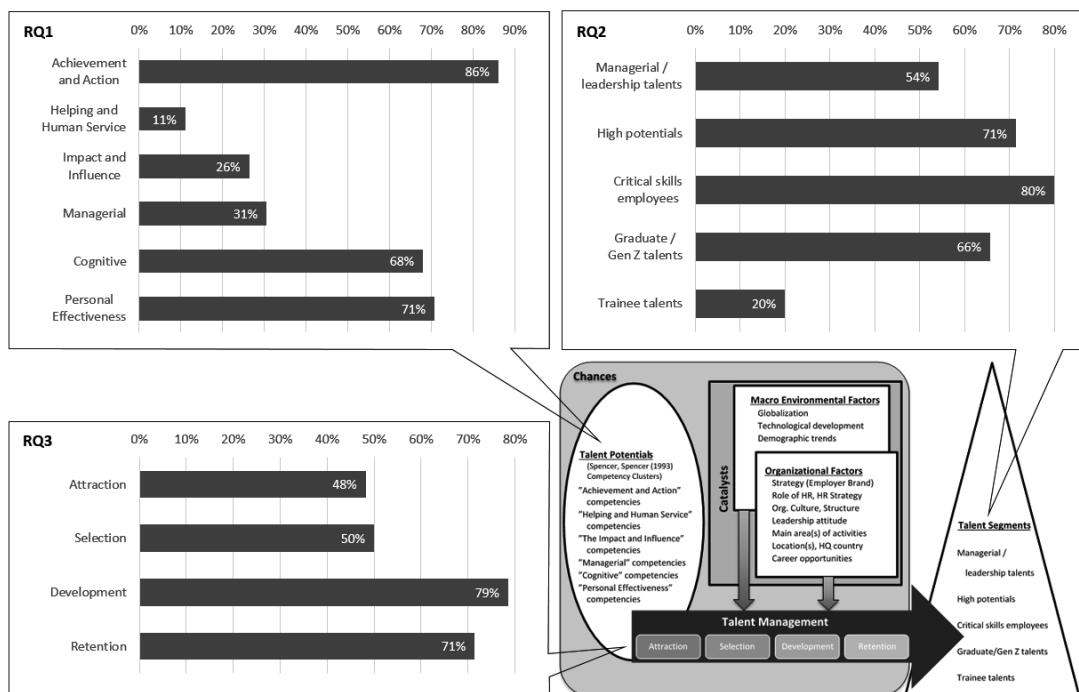
pretations, the opinions about talent segmentation, and the major features of TM and its processes in Hungary. Based on the results of this comprehensive TM research, a process-based TM model can be suggested to implement in a business context. This process-based model might help TM to operate more effectively and efficiently by differentiating talent potentials and talent segments, or it could aid in starting TM at companies.

Practical Implications

TM has received more attention recently in Hungary; however, there are several approaches and practices to follow. This paper aimed to examine and identify typical Hungarian TM practices. The results highlight the importance of competencies in talent interpretations, the need for talent segmentation, and the key TM processes – a quartet of attraction, selection, development, and retention. The proposed process-based TM model could assist in managing talented employees formally. Following this proposed model and the ever-expanding competency-based approach (Pató Gáborné Szűcs et al., 2021; Tóthné Téglás, 2020), HRM specialists might comply and/or specify relevant job descriptions and specifications more easily. Since these are interrelated with recruitment and selection, performance appraisal, and career planning, these processes can be improved as well. Moreover, they could also help organize proper development programs, which can be an essential part of TM.

Figure 7

Summary of Respective Results Related to the Process-Based TM Model by Daruka and Pádár (2019)



Source: Daruka & Pádár (2019, p. 126) extended by the author with her own results

Note: As the number of responses to each question varied, the proportion of responses has been indicated, respectively.

This article aimed to study the characteristics and analogies of Hungarian TM practices. The main contribution of this paper that it reveals the similarities of talent inter-

In practical terms, in the case of formal or deliberate TM, the AA competencies’ roles are significant. Thus, the findings of this work, through revealing the peculiarities of

the current TM practices in Hungary and proposing a process-based TM model, can help to advance the field with respect to how present and future TM programs might operate and/or be improved in order to support managing talents as effectively and as efficiently as possible.

Limitations and Further Research Plans

Regarding the limitations of this article, it should be acknowledged that the sample size is a limitation; other companies might be involved as respondents in the future. Thus, the number of answers to each question might also be increased, which would allow further tests and in-depth analyses to be conducted, which were not able to be performed due to the low number of sample items for each variable. The homogeneity/heterogeneity of the sample poses a limitation, too; through a larger sample, subsets might be examined according to other variables, for example, taking into account the heterogeneity of the sample, examining what differences might be detected between homogeneous subgroups (c.f., Tóthné Téglás, 2020). As a quantitative tool, the online questionnaire could also be mentioned as a limitation; however, to further develop the study, some qualitative methods might be used as well; for example, additional in-depth interviews might reveal further important details about the TM practices in Hungary. It would also be worthwhile to carry out additional investigations from the perspective of various stakeholders, owners, managers, and most of all, and the talented employees involved inter alia. Testing the implementation of the proposed process-based TM model in the Hungarian business context also awaits future research.

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MARKETING RESOURCES AND FIRM PERFORMANCE – THE ROLE OF MARKETING CAPABILITIES AND MARKET MUNIFICENCE IN AN EMERGING AFRICAN ECONOMY

MARKETING-ERŐFORRÁSOK ÉS VÁLLALATI TELJESÍTMÉNY – MARKETINGKÉPESSÉGEK ÉS PIACI NAGYLELKŰSÉG EGY FEJLŐDŐ AFRIKAI GAZDASÁGBAN

In this paper, the authors investigate the relationship between marketing resources and firm performance in the context of SMEs in a developing African economy. Drawing on sample of SMEs from Ghana, the study examines the direct relationship between marketing resources and firm performance, the mediation role of marketing capabilities between marketing resources and firm performance, and the way market munificence moderates the impact of marketing capabilities on firm performance. They find evidence of a positive causal link between the use of marketing resources and firm performance. The findings provide insight to practicing SME managers to consider when deploying resources to succeed on their plans for firm performance in a developing economy.

Keywords: marketing resources, firm performance, marketing capabilities, market munificence

A cikkben kis- és középvállalati (KKV) kontextusban, egy fejlődő afrikai gazdaságban vizsgálják a szerzők a marketing-erőforrások és a vállalati teljesítmény közötti kapcsolatot. A cikk ghánai KKV-mintán elemzi a marketing-erőforrások és a vállalati teljesítmény közötti közvetlen kapcsolatot, a marketingképességek mediáló hatását a marketing-erőforrások és a vállalati teljesítmény között, és azt, hogyan a piaci nagylelkűség moderálja a marketingképességek hatását a vállalati teljesítményre. Pozitív oksági kapcsolatot bizonyít a marketing-erőforrások használata és a vállalati teljesítmény között. Az eredmények gyakorló KKV-vezetők számára szolgálhatnak megoldásul, amikor vállalati teljesítménnyel kapcsolatos terveik sikerre viteléhez erőforrásokat vonnak be egy fejlődő gazdaságban.

Kulcsszavak: marketing-erőforrások, vállalati teljesítmény, marketingképességek, piaci nagylelkűség

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An increased concern of SMEs is how to achieve superior performance in a dynamic competitive environment. Marketing resources are crucial in this respect as they are assumed to have a strong effect on firm performance in an emerging economy. (Kamboj & Rahman, 2015; Spielmann & Williams, 2016; Krasnikov & Jayachandran, 2008). With a plethora of studies on SME and major businesses in the developed economy in the United States and around the world, and in the case of an emerg-

ing economy, like Ghana- a sub-Saharan African country (Heirati et al., 2013), there is a need to investigate the effect of marketing resources on firm Performance and the role of marketing capabilities as marketing functions to better understand SME in the developing economy (Spillan & Parnell, 2006) by both academician and practitioners.

The small and medium sized enterprises, generally referred to as SME's in Ghana, are considered the engine of growth of the economy. The sector is estimated to be made

up of 70% of all industrial establishment. They contribute about 22% to GDP and account for 92% of businesses in Ghana. (Oppong et al., 2014). SMEs in Ghana are facing several challenges because of evolving market environments and the need to compete with other businesses (Carvalho & Costa, 2014). These challenges include a lack of access to improved and affordable technologies (Quaye, 2014), as well as financing (Abor & Quartey, 2010; van der Schans, D.2015). These problems, according to Quaye & Mensah (2018) come from either the internal or external business environment. Most SMEs and their managers are vulnerable because of the strain on marketing organizations in the SME business environment. As a result, the marketing construct (i.e. marketing resource and capabilities) is studied for SMEs to adapt their strategies to the rapidly changing market (Easmon et al., 2019).

Besides, the focus of managers at every resource deployment, in administering the SME in the country, should include how to enhance the performance of SMEs at the management level using marketing functions and factors that influence the performance of small enterprises. This paper seeks to provide insights into methods by which marketing resources and capabilities are deployed for firm performance. It also discusses the moderator variable that determines the effect of the relationship between the marketing resources, marketing capabilities and performance.

In order to shed light on this, the following research questions are addressed: (1) what is the effect of marketing resources on firm performance in an emerging SMEs in developing economies; more clarity was needed for the relative impact of marketing resources as an organizational function (Nath et al., 2010). (2) What factors mediate the relationship between marketing capabilities and firm performance; the need to study other marketing capability deployment to achieve customer goal of satisfaction in a competitive environment (Angulo-Ruiz et al., 2014). (3) What is the role of market munificence in relation to marketing resources and firm performance in an emerging African economy? Three key contributions are provided in this study: *First*, we define and empirically analyze the influence of various elements of the marketing resource construct in the context of SME's in Ghana on firm performance. *Secondly*, we investigate and understand the mediating relations on how managers in Ghana are adopting the variables for evaluating their SME performance in the internal marketing strategy decisions of their businesses. *Thirdly*, we provide insight to newly established Ghanaian SMEs and their CEOs on the alertness that must guide their responses to changes in the strategic business environment and leverage on the deployed resource value in achieving firm performance (Carson et al., 2020).

The remaining part of the paper is organized as follows. First, we discuss the literature and relevant research background, followed by the proposed theoretical model. Next, we present an overview of our primary empirical studies, and provide the details and result of each study. The paper concludes with a discussion of academic and managerial implication, as well as the limitations and direction for future research.

Theoretical Background

By helping researchers to deliberate on the drivers of competitiveness in a business environment, the resource-based view (RBV) has had an impact on the discussion of marketing strategy literature (Harangozó, 2012; Frösén, Luoma, Jaakkola, Tikkanen, & Aspara, 2016). RBV theory attempts to understand how firms uses internal tools, expertise, and competencies to boost their effectiveness and productivity (Mele & Della Corte, 2013). It describes performance disparities between firms based on the premise that a better performing firm has a resource portfolio that provide an advantage in the business environment (Barney & Arikan, 2001). Additionally, the theory views resource heterogeneity among companies, and assets that are linked to the businesses that enable managers to formulate and execute value-creating strategies, as essential to explaining company success (Barney, 2001). These capabilities are dynamic as they allow the organization to adopt new strategies by integrating and adapting available resources in new and different ways, to reflect evolving market conditions (Teece et al., 1997).

RBV is built on two main concepts: resources and capabilities (Kozlenkova et al., 2014) The logic of RBV is used as a foundation theory in this study to explain the relationship between marketing resources and firm performance, as well as marketing capabilities and market munificence, and to investigate their functions in an emerging economy (Alnawas & Hemsley-Brown, 2019). Furthermore, it is used as a “know how” advantage that assists managers of SMEs in selecting and deploying resources to respond to market conditions (Barrales-Molina et al., 2014).

However, there are recent scholars who shared interesting understanding about the concepts. Hooley, Greenley, Cadogan, & Fahy (2005), who discussed further themes on marketing resources (Hooley et al., 2005), and Morgan, N. A., Feng, H., & Whitler, K. A. (2018), who explored the scholarly focus of the concept as a growing interest for international marketing literature (Morgan et al., 2018). The following are some of the concepts discussed in relation to the theoretical model for this article.

Marketing Resource

Varied definitions of marketing resources abound from marketing scholars. One of such definitions was stated by Hooley et al. (2005), which was broadly perceived as “resources that created values in the market”. Srivastava et al. (2001, p.2) also defined the term as “an attribute, tangible or intangible, physical or human, intellectual or related, that can be deployed by a firm to attain a competitive advantage in its market” (Othman et al., 2015, p 2.).

Marketing Capabilities

The company can generate added value with the help of capabilities, which are specific combinations of resources (Dankó, 2004). Marketing capability of a firm is a multifac-

ceted phenomenon with a complex combination of *human resource or asset* (referred to as the level of competence of a person responsible for marketing-related decisions and activities); *market assets* (indicating such variables as market share, quality of key customer relationships, position in the marketing channel and physical facilities established for carrying out marketing activities like sales, communication network with customers, suppliers; and *organizational asset* (comprising marketing related strategies, policies, plans, and programs developed and acted upon by the company, see Möller & Anttila, 1987). Marketing capabilities are indispensable prerequisites for marketing processes, and – as it will be detailed later – for higher performance (Piskóti, 2016).

Market Munificence

Market munificence represents the extent to which market capacity can support sustained growth which predicts the volume of market demand change, such as the rate of market growth or decline (Shou et al., 2013). Munificence as a variable affecting organization has been researched for decades which gained considerable outcome as an important concept in the study of business environment (Rasheed & Prescott, 1987; Yasai-Ardekani, 1989). Munificence, as an environmental condition, refers to an industry's abundance of resources that sustain growth, which is usually calculated as the industry growth rate (Chen, Zeng, Lin, & Ma, 2017). Castrogiovanni (1991) describes the principle of munificence by defining three distinct types of munificence: ability, opportunity/threat, and growth/decline. Capacity refers to the level of resources available to enterprises; opportunity/threat refers to the degree of unexploited capacity and growth/decline refers to capacity shift (Wang et al., 2019).

SME in Ghana

In Ghana, the contribution of SMEs to economic growth is well documented; SMEs account for roughly 90% of all registered businesses at the Registrar General's Department (Domeher et al., 2017). Small and medium-sized businesses (SMEs) are key drivers of global economic development (Kongolo, 2010; Ayyagari et al., 2011). These businesses encourage creativity and innovation. They are labor-intensive but do not need a large amount of capital, making them simple to set up. As a result, they are important sources of jobs in a variety of economies and strategic poverty alleviators (Beck et al., 2008; Wehinger, 2013).

Besides, there are a variety of studies on SMEs financing in Ghana, to be sure. For example, Mensah (2004) reviewed the SME financing schemes in Ghana, Abor and Biekpe (2006) looked at how to address the SME financing gap through policy, Abor (2007) looked at the differences in financing preferences among SMEs in Ghana, Ahiawodzi and Sackey (2013) looked at the factors that influence credit rationing in the private sector, and Domeher et al. (2014) looked at the nature of the SME credit market.

Firm Performance

Measuring performance becomes essential in allowing managers and researchers to evaluate the specific actions of firm, where firms are compared with their rivals in a competitive business environment (Richard et al., 2009). Firm performance has three parts. These include financial performance, product market performance, and shareholder return performance (Pulka et al., 2018). Besides, Cavusgil & Zu (1994) explained firm performance as the extent to which a firm achieve its financial objective.

Hypotheses Development

Marketing resources and firm performance

The association between marketing resources and firm performance have been identified in existing literature (Spillan & Parnell, 2006). It is argued that by leveraging on marketing resources, businesses would be in a better position to thrive in the marketplace (Hooley et al., 2005) and the deployment and identification of the marketing resources can serve as the crucial drivers in achieving a higher level of performance (Davicik & Sharma, 2016). The resources enable companies to build and retain the competitive advantage to achieve the superior performance (Tan & Sousa, 2015). Other effects of marketing resources on performance are explored in some research streams (Davicik & Sharma, 2016; Angulo-Ruiz et al., 2014; Capron, Kor & Mahoney, 2005; Mariadoss, Tansuhaj, & Mouri, 2011; Wang, Dou, Zhu, & Zhou, 2015). Therefore, we hypothesize that:

H1: Marketing resources are positively related to firm performance.

Marketing resources and marketing capabilities

Several studies (Morgan et al., 2009; Davcik & Sharma, 2016; Najafi-Tavani et al., 2016; Qureshi et al., 2017) have shown the importance of marketing resources and capabilities, which help achieve better performance in a business environment. For example, as marketing resources are combined with other complementary resources and capabilities, such as market-based information assets (Morgan et al., 2009), firm efficiency improves significantly (Song et al., 2008). The current study not only emphasizes the independent performance impacts of marketing resources and marketing capabilities, but it also indicates that a firm will benefit from the complementarity of both marketing resources and marketing capabilities (Ngo & O'Cass, 2012), therefore we hypothesize:

H2: Marketing resources are positively related to marketing capabilities.

Marketing capabilities and firm performance

Extant literature showed that, marketing capabilities have been extensively studied, ranging from the conceptualization of marketing capabilities to firm performance (Day, 1994; Tan & Sousa, 2015). Additionally, marketing capabilities has a considerable number of direct links with firm performance which were proposed by many studies (e.g. Blesa & Ripollés, 2008; Vorhies & Morgan, 2005).

Ngo & O’Cass (2012) and Murray et al. (2011) found that marketing capabilities help transform a firm marketing knowledge into market success and performance. For example a group of employees in a business unit or department form marketing capabilities when they combine and apply their skills and experience to complete a specific marketing-related assignment (Miller, Pentland, & Choi, 2012; Felin, Foss, Heimeriks, & Madsen, 2012) the integration and manifestation of market knowledge among themselves in executing a task is what provide the basis for creating marketing capabilities (Murray et al., 2011; Orr et al., 2011). As a result, firms with greater ability to generate business awareness and disseminate it among their employees are more likely to achieve superior marketing capabilities (Vorhies et al., 2011). When the firm’s MC serves as an instrument in this role, it has the potential to contribute to firm performance. Therefore, this study hypothesises:

H3: Marketing capabilities are positively related to firm performance.

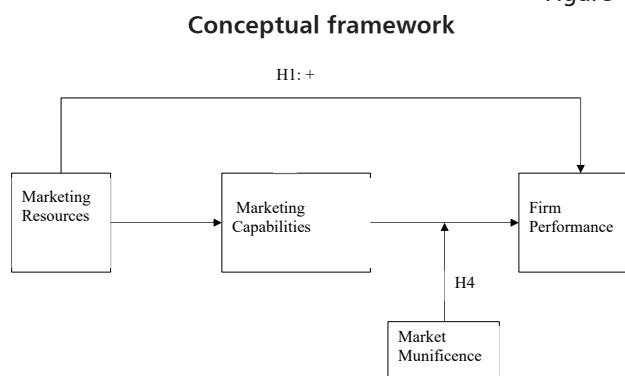
Market munificence, marketing capabilities and firm performance

Given the strategic nature of the external environment in business, munificent as a market opportunity, is considered to influence decision making to achieve the growth of the market, determine the number of immediate customer of one’s business and the life cycle stage of the products in a market being entered (Petrou et al., 2020; Castrogiovanni, 1991). Empirical evidence show that munificence moderates the relationship between the resource and organizational outcome such as performance (Elbanna & Child, 2007; Goll & Rasheed, 1997). Firms in a munificent environment operate an interactive effect to determine the growth/decline or opportunity/threat, which are possible to influence firm’s performance (Wang et al., 2019). We therefore hypothesis that:

H4: Market munificence moderates the relationship between marketing capabilities and firm performance.

The theoretical framework set out in Figure 1 describes the relationship between marketing resources and firm performance, the mediating role of marketing capabilities and the moderator effect of market munificence to firm performance.

Figure 1



Source: own compilation

Methodology

Sample and Data collection

This study developed a self-administered questionnaire to collect primary data from identified key informants using scales derived from extant literature. Letters were sent to each of the identified informants elucidating the objectives of the study; and engaging them to participate in the research. Anonymity was assured to each participant. In total, 188 useable responses were returned from the targeted 250 respondents. Similarly, Adaileh, Alrawashdeh, Elrehail, & Aladayleh (2020) used a self-administered questionnaire to collect data from managers in large and medium-sized industrial companies. There were 170 participants who responded (Adaileh et al., 2020; Elrehail, 2018; Tajeddini, 2010).

Before conducting the survey, the Kumasi branch of the Registrar General Department, under the ministry of justice and attorney general’s department, was contacted to give assistance for the list of registered businesses with companies’ details; the nature and object of the companies; registration and incorporation dates; and addresses and office locations of some SMEs within the Ashanti region, Ghana. The following central business unit of the region was targeted with the questionnaires: Asawase, Ahensan, and Adum. Having accessed the data, from January to August 2018, the list of registered sole proprietorships in Kumasi was 14,438, with total companies limited by shares as 2,238, and 11 partnerships. There were total figures of 16,687, registered business in the region (sourced from the Registrar General Department, Kumasi Office, 2018).

Survey design and measurement

The adopted measurements used for this study were revised to suit the Ghanaian context. The survey was pre-tested, and responses were sought from respondents using a Likert scale and other quantitative indicators, concerning SME managers. Minor adjustments were offered to minimize the difficulty of respondents, which motivated the participants to respond accurately (Podsakoff et al., 2003).

Studying the works of Ngo & O’cass (2012), the four items used to measure marketing resources were: (i.e., sufficient knowledge of marketing activities, sufficient resources in marketing activities, sufficient knowledge in marketing management, and sufficient resources in marketing management). The respondents indicated the extent to which they agreed or disagreed with the four statements about the availability of knowledge and skills. On a seven-point Likert scale, ranging from 1= ‘strongly disagree’, and 7= ‘strongly agree’. The instructions and items asked the respondent to think in terms of possession of the resources relative to their industry standard.

Firm performance has not been an easy feat (Covin & Slevin, 1989). As a subjective measure of seven items, we decided to capture firm performance, and for each item, the respondents specified their respective level of satisfaction with the performance of their business relative to its competition (Covin & Slevin, 1989; Pelham, 1999). In the context of SMEs and private companies, it is especially

difficult to collect performance perception data since they frequently consider this type of information to be highly confidential (Fiorito & LaForge, 1986), and in developing country like Ghana, such data is almost non-existent (Ahinful & Tauringana, 2019).

Five items were adapted from Vorhies & Morgan (2005) and used for Marketing capabilities. These items were product development, target market development, pricing distribution channels and marketing communication. The respondents indicated how well their firm performed marketing mix activities relative to the industry standard. A seven-point Likert scale was used, ranging from 1= 'strongly disagree'; and 7= 'strongly agree'.

For the moderator variable of market munificent, we used Keats & Hitt's (1988) operational munificence and dynamism scale, originally developed by Dess & Beard (1984), in the same way that García-Sánchez et al., (2019), Goll & Rasheed (2004), and Chen et al. (2017) did. These scales included market growth, the number of immediate customers, and the product's life cycle stage (Table 1).

Table 1
Demographic Characteristic of SMEs: (n=188)

Variables	Factors	Frequencies (n)	Valid Percent (%)
Sectors of SME	Manufacturing	24	12.76
	Wholesale / Retail	34	18.08
	Agriculture/ Agric-Business	7	3.72
	Hospitality (Including, Hostel & Restaurant	20	10.63
	Financial Services	39	20.74
	Health Facilities/ Services	10	5.31
	Service Providers	52	27.65
	Others (Kindly Indicate)	2	1.06
FirmAge (SME)	1–5yrs	56	29.78
	6–10yrs	71	37.76
	11–15yrs	29	15.42
	16–20yrs	16	8.51
	21–25yrs	6	3.19
	26 and above	10	5.31
No. of Employees	Less than 5 Employees	44	23.40
	5–49 Employees	109	57.97
	50–99 Employees	17	9.04
	100 and above	18	9.57

Source: own elaboration

Measurement model validation

We conducted a confirmatory factor analysis (CFA) in AMOS 23 to assess the validity of the measurement model and conducted a series of reliability tests, which included all multiple item scales and covariates. The model fits the data reasonably well ($\chi^2=286.462$, $DF=146$, Relative $\chi^2=1.962$, $P=0.000$; $GFI=0.871$, $AGFI=0.832$, $CFI=0.935$; $IFI=0.936$, $NFI=0.877$, $TLI=0.924$, $RMSEA=0.072$). The factor loading of all the items were more than 0.50 (Bagozzi & Yi, 1988); and the average variance extracted (AVE) of all constructs exceeded the recommended benchmark of 0.50 (Fornell & Larcker, 1981), providing support for convergent validity (Bagozzi & Yi, 1988). The composite reliability of all constructs also exceeded the recommended benchmark of 0.70 (Nunnally, 1978). Discriminant validity was established by first comparing the square roots of the AVE values against the off-diagonal correlations (Fornell & Larcker, 1981). As it is shown in Table 2, the square roots of the AVE were consistently greater than the off-diagonal correlations, providing support for discriminant validity. Discriminant validity was also assessed by comparing the scores of individual correlations with their respective reliabilities (Gaski & Nevin, 1985). As shown in Table 3, no individual correlations were greater than their respective reliabilities, providing further support for discriminant validity.

Table 2
Constructs Validity and Reliability of the measurement model

Constructs	Items	Factor Loadings	AVE	Construct Reliability
Marketing Resources	MR4	0.852	0.627	0.870
	MR3	0.756		
	MR2	0.838		
	MR1	0.713		
Marketing Capabilities	SMC5	0.753	0.572	0.870
	SMC4	0.709		
	SMC3	0.771		
	SMC2	0.709		
	SMC1	0.834		
Firm Performance	FP6	0.787	0.691	0.940
	FP5	0.843		
	FP4	0.827		
	FP3	0.806		
	FP2	0.884		
	FP1	0.858		
	FP7	0.811		
Market Munificence	MM3	0.678	0.566	0.795
	MM1	0.824		
	MM2	0.748		

Source: own elaboration

Table 3

Discriminant Validity

Constructs	CR	AVE	Firm Performance	Marketing Resources	Marketing Capabilities	Market Munificence
Firm_Performance	0.940	0.691	0.831			
Marketing_Resources	0.870	0.627	0.405	0.792		
Marketing_Capabilities	0.870	0.572	0.379	0.371	0.757	
Market_Munificence	0.795	0.566	-0.161	-0.176	-0.275	0.752

The square root of AVE of each construct (on the diagonal) and correlation coefficient (on the off-Diagonal)

Source: own elaboration

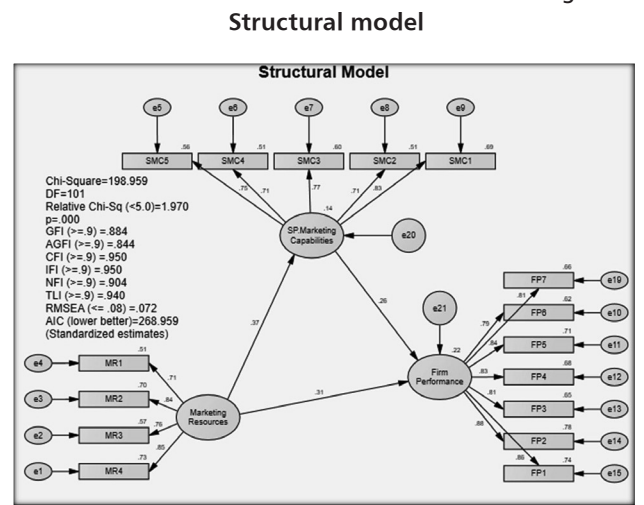
Analysis and results

The model was examined using Structural Equation Modelling (SEM) which is appropriate to estimate multiple relationships among variable (Bagozzi & Yi, 1988) (Figure 2). Composite variables for path coefficient results were extracted by using the standardized regression weight (Beta), unstandardized estimate (B), critical ratio (t), and significant value (p) as presented below. In Table 4, the path coefficient results revealed that all the three hypotheses were statistically significant as the p values are lower than 0.05.

Analysing the mediating effect

In the view proposed by Zhao et al. (2010), researchers test the mediation effects on whether an indirect effect is significant. If the bias-corrected percentile method generates a confidence interval that includes zero, the indirect effect is insignificant. Otherwise, a confidence interval that does not include zero suggests that the indirect

Figure 2.



Source: own elaboration

effect is significant. The Table 5 presented the mediation effect of the marketing resources on firm performance

Table 4

Path Co-efficient Results

Hypotheses		Beta	B	S.E.	C.R.	P	Decision
Marketing_Capabilities	<--- Marketing_Resources	0.371	0.515	0.118	4.355	***	Significant
Firm_Performance	<--- Marketing_Capabilities	0.264	0.254	0.078	3.246	0.001	Significant
Firm_Performance	<--- Marketing_Resources	0.307	0.411	0.112	3.684	***	Significant

R² value of Firm Performance =0.22, R² value of MC =0.14

Source: own elaboration

Table 5

Mediation Effect of Marketing Resources on Firm Performance through Marketing Capabilities

Hypothesized Path	Beta	P-Value	95% Bootstrap BC CI		Decision	
			LB	UB		
Direct Model						
Marketing Resources → Firm Performance	0.405	0.000			Significant Partial Mediation	
Mediation Model						
Marketing Resources → Performance	0.307	0.000				
Std. Indirect Effect	0.098	0.008	0.022	0.192		

Note: Indirect effect is significant if zero (0) falls outside of LB and UB

Source: own elaboration

through marketing capabilities where the results revealed statistically significant as the p value of the standardized indirect effect is less than 0.05. However, the mediation is partially mediated as the direct effect between marketing resources and firm performance is significant (Preacher & Hayes, 2004).

Analysing the moderating effect

Interaction effects provide researchers with the ability to enrich the understanding of the relationship by establishing the conditions under which such relationship apply to a variable whether stronger and weaker. They help in providing more detail prediction about the relationships of variables (Andersson et al., 2014). For the purposes of analyzing this moderator, using continuous variable (Li et al., 2020). We applied hierarchical linear modelling procedures to analyse the interaction effects, which was consistent with Cohen (2013). The predictor variables have been mean-centered; market munificence and marketing capabilities were multiplied to create the interaction term. The interaction term proved to be significantly and positively related to firm performance ($\beta = 0.284, p < 0.05$). The positive influence of marketing capability on firm performance is stronger with higher market munificence, which supports the $H3$.

Discussion

In this study, we investigated the relationship between marketing resource and firm performance through an empirical study of SMEs in Ghana. Specifically, we examined the effect of marketing capability as a mediating variable and market munificent as the moderating variable (see Figure 1.). The study's main contribution was to investigate the relationship between marketing resource and firm performance, the mediating relationship of marketing capabilities and the moderation effect and the moderating effect of market munificence to firm performance in an emerging economy, thus exploring their roles and marketing functions, relevant to contributing to theoretical development on the strategic marketing literature.

We investigate and understand the mediating relations on how managers in Ghana are adopting the variables for evaluating their SME performance in the internal marketing strategy decisions of their businesses. The results show that all four hypotheses are statistically significant as the p value is less than 0.05 and the t -value is greater than 1.96. In the case of the hypothesis 1, marketing resources has a positive relationship on firm performance ($\beta = 0.411, t = 3.684, p < 0.05$), hypothesis 2 ($\beta = 0.254, t = 3.246, p < 0.05$) marketing capabilities are positively related to firm performance. Hypothesis 3, states that, marketing resources are positively related to marketing capabilities ($\beta = 0.515, t = 4.355, p < 0.5$); hypothesis 4 is the market munificence moderating the relationship between marketing capabilities and firm performance ($\beta = 0.140, t = 2.016, p < 0.05$).

Conclusions: Contribution to theory

The findings also add to the understanding of stressing the importance of market resources and capabilities, and establish their impact on firm performance. Consequently, the outcome of these methods can be more assertive in terms of endorsing the resource-capability based view, of capability, suggesting that superior performance results from a firm's resources and capabilities (Wernerfelt, 1984). Morgan et al. (2009) emphasize that marketing capacities may be immobile, difficult to reproduce and largely non-replaceable processes of value development, a view that has been empirically confirmed in current literature (e.g., Krasnikov & Jayachandran, 2008; Vorhies & Morgan, 2005). Furthermore, the empirical findings suggest that, the deployment of marketing resources, using the developed and empirically tested scale for measuring the construct and assessing their impact have the positive effect on firm performance. This provides support to the theoretical proposition (Hooley et al., 2005; Wang, Dou, Zhu, & Zhou, 2015; Angulo-Ruiz et al., 2014; Mariadoss, Tansuhaj, & Mouri, 2011; Davcik, & Sharma, 2016) and integrating it with the growing literature in the marketing research (Lafferty & Hult, 2001).

Marketing capabilities have a positive impact on firm performance, according to the empirical results given by the study and through the established use of marketing capabilities variables (i.e. pricing, product growth, target market development, distribution channel, marketing communication, etc.). This statement backs up recent research on marketing capabilities and firm performance (Bodea, 2016; Morgan, 2012; Vorhies, Orr & Bush, 2011; Morgan, Vorhies & Mason, 2009).

The moderating effects of market munificence was considered in explaining how marketing capabilities positively impact on firm performance because market growth and product life cycle were used in the analysis as the central variable underlying the extent to which market capacity can support sustained growth in the changing market demand (Shou et al., 2013; Park, Chen, & Gallagher, 2002). The findings provide an empirical evidence supporting the effect of munificence on performance (Goll & Rasheed, 2004; Delmas & Pekovic, 2015; Martin-Tapia et al., 2008; López-Gamero et al., 2009; McArthur & Nystrom, 1991). Another finding related to the moderating effect variable used in the study was the number of immediate customers. Marketing influence becomes relevant, when SME make a conscious effort to create relationship with customers (Heide, 1994; Swaminathan & Moorman, 2009).

Managerial Implications

For managers, the study provides guideline for their firm-specific context by reinforcing the need to develop full functional marketing activities as a way of enhancing superior performance resulting from the resources and capabilities of the firms in the SME business environment. Managers' objectives of achieving financial and operational results through capabilities variables, such as return on investment, sales growth, and profitability (Ferraris et

al., 2019) can provide better tools to SME business owners and managers in the Ghana.

Managers' role is to decide the best way to leverage and expand these marketing resource and capabilities skills, even though developing such capabilities becomes more difficult over time (Day, 1994). The firm must be able to observe, analyze, and comprehend the changes imposed by environmental factors to cope with them.

Also, SMEs could achieve improved firm performance by deploying marketing capabilities in the form of product development design or quantities, enhancing the distribution channels of their services and goods to their customers, pricing their commodities/services to be affordable and conduct a marketing communication, etc. The result shows that with the upgrading of market munificence, marketing capabilities will impact on firm performance. Managers should be concerned with the environmental munificence since the munificence influence SME performance.

Finally, the current study should assist SME managers in making better investment decisions when it comes to developing the right resource and capability combinations to improve their business results. Managers must also be mindful of possible trade-offs between various strengths and take them into account when making investment decisions for their businesses. In this vein, the study shows that the relationship between marketing resources and firm performance is positive and the influence of mediating effect of marketing capability on one hand; the moderating effect of business munificence through marketing capabilities is also positive on the other hand. Consequently, when deploying these capabilities to achieve the set targets and results in terms of improving SME business efficiency, managers must take a balanced approach.

Limitations

The research was conducted in a developing country, in Ghana; as a result, the findings of the study cannot be generalized in either developed or other developing country related to their SMEs. Different countries adopt different business structures, according to business system theory (Tempel & Walgenbach, 2007). There were other potential moderators like (i.e.: market turbulent, ownership structure, leadership style and technological intensity etc.) that could be investigated. Furthermore, we tested our hypotheses by using sample of firms and individuals from a limited area (Mason et al., 2015).

Directions for Future Research

The findings highlight potential areas for future research. For example, there is the need to conduct further study on the three methods of marketing resources, namely marketing orientation, entrepreneurship orientation and innovative capability with market turbulent as a moderating variable in a developing economy with uncontrollable factor like the political force (Othman et al., 2015). In addition, environmental capability, growth/decline, and opportunity/threat are three types of munificence that can be discussed to ob-

serve further effects of marketing resources and capabilities in the business environment (Castrogiovanni, 1991). Other environmental dynamics and uncertainty, such as advancing technology, global competition, and shifting customer preferences, can be used to provide a broader view of resource deployment to firm performance.

Some of these effects are referred to as mediated moderation or moderated mediation by various sources (Preacher et al., 2007), but there is a lot of disagreement about what pattern of causal relationships constitutes each kind of effect and how to determine its significance, thus moderated mediation can be investigated to study the causal relationship of the variables in order to help managers in their business environment.

Appendix

Measurement Instrument of the Empirical Study	Factor loading
Marketing Resources (MR) AVE =0.627; CR =0.87 (Vorhies & Morgan, 2005)	
1. We have sufficient knowledge to engage in marketing activities (product, price, distribution, and marketing communication).	0.852
	0.756
2. We have sufficient resources to engage in marketing activities (product, price, distribution, and marketing communication).	0.838
	0.713
3. We have sufficient knowledge to engage in marketing management (market intelligence management, marketing planning).	
4. We have sufficient resources to engage in marketing management (market intelligence management, marketing planning).	
Marketing capabilities (MC) AVE =0.68; CR 0.572 (Vorhies & Morgan, 2005).	
Relative to the industry standard, how well has your firm performed on the following activities:	
1. Product development (quantities, design, etc.).	0.753
2. Target market development (who, where, when, and in what quantity).	0.709
3. Pricing.	0.771
4. Distribution channels.	0.709
5. Marketing communication	0.834
Firm Performance (FP) AVE =0.691; CR =0.940 (Covin & Slevin, 1989)	
Relative to your firm's stated objectives, how well has your firm performed on:	
1. Sales/ Revenue	0.787
2. Return on investment	0.843
3. Market share.	0.827
4. Return on asset	0.806
5. Profitability.	0.884
6. Net profit margin	0.858
7. Overall marketplace performance	0.811
Market Munificence (MM) AVE=0.566; CR=0.795 (Aldrich, 1988)	
1. The life cycle stage of the product in the market being entered	0.678
2. The number of immediate customers	0.824
3. Growth of market	0.748

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FROM THE LATE OTTOMAN EMPIRE TO THE SINGLE-PARTY ERA – THE CHANGING TRAITS OF PREMATURE TURKISH POPULISM

A KÉSŐ OSZMÁN BIRODALOMTÓL AZ EGYPÁRTI KORSZAKIG – A KORAI TÖRÖK POPULIZMUS VÁLTOZÓ VONÁSAI

Populism, one of the six fundamental pillars of Kemalist ideology, officially entered the Turkish constitution in 1937. However, its origins date back to the *II. Meşrutiyet Dönemi* (Second Constitutional Era) of the Ottoman Empire. Yusuf Akçura, Ahmet Ağaoğlu, and Hüseyinzade Ali, the intellectuals of the *II. Meşrutiyet Dönemi*, formulated Turkish populism under the influence of Russian Narodniki, although this concept was interpreted differently during and after the single-party era. Many studies assume that Turkish populism is a rigid and unchangeable concept. However, despite this assumption, it has continually renewed itself and reflected the economic and social conditions of the period. Thus, this study aims to demonstrate how the understanding and practice of populism have changed from the late Ottoman Empire period to the single-party era.

Keywords: Turkey, Turkish populism, single-party era, narodniki, *II. meşrutiyet*

A populizmus, a kemalista ideológia hat alappilléreinek egyike, 1937-ben hivatalosan is bekerült a török alkotmányba. Eredete azonban visszanyúlik az Ottomán Birodalom második alkotmányos korszakáig (*II. Meşrutiyet Dönemi*). Yusuf Akçura, Ahmet Ağaoğlu és Hüseyinzade Ali, a második alkotmányos korszak szellemi vezetői az orosz Narodniki hatására fogalmazták meg a török populizmust, bár ezt a koncepciót az egypárti korszakban és azt követően eltérően értelmezték. E feltételezés ellenére azonban folyamatosan megújult, és tükrözte a korszak gazdasági és társadalmi viszonyait. Így a tanulmány célja az, hogy bemutassa, hogyan változott a populizmus megértése és gyakorlata a késő Oszmán Birodalom időszakától az egypárti korszakig.

Kulcsszavak: Törökország, török populizmus, egypárti korszak, narodnyikok, második alkotmányos korszak

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Over the last decade, populism has become a buzzword, and studies of populism have grown. However, this has caused a miscomprehension that populism contains a strict set of ideas that applies to any case. Likewise, populism as a concept applied to different political actors at different periods in Turkey. The reason for this lies in the fact that populism in Turkish has two forms: “*halkçılık*” and “*popülizm*.” The former occupied the central interest of the *II. Meşrutiyet Dönemi* (Second Constitutional Era) intellectuals and the single-party era (1923–46). In Turkish literature, it still has a very positive connotation, as the education and enlightenment of the people were the main

objectives. However, the latter form has negative connotations and refers to the opposite of the “Western-liberal democratic system” (Baykan, 2017).

The main aim of the paper is to demonstrate that early accounts of “*populism-qua-halkçılık*” (Gürhanlı, 2020) had socialist traits partly due to the influence of Russian-born Turkish immigrants such as Yusuf Akçura, Ahmet Ağaoğlu, and Hüseyinzade Ali. In contrast, the latter view (i.e., the emerging regime and single-party era), adopted the solidarist model of Ziya Gökalp. To demonstrate the differences and similarities between the early and later views, the study laid particular interest on how

understanding and practice of populism changed from 1908 to the early 1930s.

The study raises a significant question of whether the understanding and practice of populism have changed from the late Ottoman Empire era to the single-party era. It will discuss how Ottoman intellectuals heavily emphasized the differences among social classes while the single-party era ignored the existence of social classes and adopted Ziya Gökalp's solidarist view. It will investigate the way in which Ottoman intellectuals have practised populism as a means of enlightening the people, whereas single-party elites viewed populism as a way of mobilizing the social classes, gaining the legitimacy and tools for creating a modern nation.

Concerning the structure of the study, the first section gives an overview of the literature on populism-qua-halkçılık. The second section argues that early accounts of populism-qua-halkçılık can be found in the II. Meşrutiyet Dönemi. This marks the beginning of intellectual freedoms ranging from the publication of magazines and foundation of associations to the introduction of political liberties and parties. Hence, populism-qua-halkçılık evolved through the contribution of Turkish intellectuals including, among others, Yusuf Akçura, Ahmet Ağaoğlu, and Hüseyinzade Ali. The third section reveals that after World War I ended, the traits of populism began to change with the lower classes were no longer being addressed as people of the “middle classes” came into prominence. It notes that Akçura's socialist features of populism lost influence while Gökalp's solidarism, including the national economy and nationalism, gained ground. Hence, the existence of the social classes was ignored. The last section investigates that during the War of Independence and thereafter, populism was practised as a means of mass mobilization, gaining the legitimacy and tools to create a modern nation. The sovereignty of the people and the will of the nation were mentioned many times. Hence, populism was embedded in such an era. As Mustafa Kemal gained a grip on power, he began to claim that there was no deep division of classes across the country, while Gökalp's solidarist ideas were adopted by the single-party regime.

Literature Review

Despite the fact that populism as an ideological discourse has been a part of Turkish politics since the late Ottoman Empire period, researchers still struggle to define what exactly constitutes Turkish populism (Karaömerlioğlu, 2017, p. 21). Indeed, much of the problem stems from the extensive flaws of populism in general, ranging from “context specificity” and “minimal definition” to “conceptual stretching” (Pappas, 2016). For example, concerning the context specificity, in Imperial Russia, populism emerged as a socialist and agrarian radical movement against the state, while in the United States it took a different shape as farmers invited the state to intervene in economic affairs. Thus, attempting to understand populism without considering the specific context of the country causes con-

fusion. Another problem comes from inconsistent usage of the term, as we call it, conceptual stretching. Even in the scholarly literature on populism, it is very common to see discussions taking place without intellectual references. We often hear the term, but we do not grasp to what it refers. Indeed, in the Turkish case, it is a greater issue because populism in Turkish has two forms: halkçılık and popülizm. The former was associated with the single-party era (1923–46), while the latter is attributed to political parties and leaders after the Democrat Party (*Demokrat Parti*, DP) appeared in the political arena in 1946 (Gürhanlı, 2020, p. 94).

So far, there have been few attempts to distinguish between halkçılık and popülizm. For example, Zafer Toprak drew a distinction between the two, associating the former with “intellectual populism” in developing countries and the latter with “political populism” in developed countries. He argued that halkçılık is deeply connected to the single-party era, while popülizm is attributed to the DP and thereafter. He emphasized that “intellectual populism applies to societies that find themselves, or join the caravan, in the relatively late conditions of capitalist development, in the second or third stage. At these stages, capitalism enters large peasant lands and dissolves traditional, pre-capitalist structures” (Toprak, 1992, p. 11). He noted that until 1950, which marked the first free and fair election, Turkish populism had intellectual characteristics, where “searching the national values” in the countryside and the journey to the people were the main aims. Whereas after 1950, marking the victory of the DP, we encountered political populism. The main feature of political populism is to “unite the entire nation under one umbrella” and it exploits rhetoric such as the “nation's parliament and nation's government” (Toprak, 1992, pp. 17–18).

Moreover, many researchers (i.e., Gürhanlı, 2020; Karaömerlioğlu, 2017; Toprak, 2013) pointed out that the emergence and development of populism-qua-halkçılık lie in the emergence of Turkish intellectuals alongside “*İttihat ve Terakki Cemiyeti*” (The Committee of Union and Progress). Indeed, similarly to the Russian case, populism did not materialize from the bottom up and the reason behind this can be explained through two core points. First, the Turkish peasantry was highly distanced from the core ideas of populism. Thus, intellectuals had to initiate the ideas and educate them. Second, they needed popular support with the aim of toppling the Sultan Abdul Hamid II. regime. Therefore, they had to approach the masses and persuade them (Karaömerlioğlu, 2017, pp. 21–29).

The significance of populism in the single-party era was emphasized by many researchers (Hanioğlu, 2011; Karaömerlioğlu, 2017; Karpas, 1959; Zürcher, 2004). Kemal Karpas, for instance, argued that republicanism, secularism, and populism were three core principles of the single-party regime. Nationalism indeed is the primary principle and laid the foundation of the Republic, while secularism is considered a tool to fulfil the overarching aim: the modernization of the nation. Due to popular sovereignty being the primary feature of populism, populism is considered a “social-political justification” to

ensure nationalism (Karpát, 1959, pp. 50–51). Similarly, Hanioglu puts forward an idea that during the single-party era, despite Mustafa Kemal having an inadequate knowledge of politics, “republicanism and populism”, among other principles, occupied the centre of his political worldview. If we consider the Republicanism core principle, populism becomes the backbone of republicanism. So, Hanioglu notes that republicanism without populism was truly unimaginable for Mustafa Kemal (Hanioglu, 2011, pp. 109–111).

Indeed, Mustafa Kemal’s devotion to populism can be also seen in the official newspapers including “*Hakimiyet-i Milliye*” (national sovereignty) and “*İrade-i Milliye*” (national will). However, Hanioglu warns that despite speaking for the people, Mustafa Kemal did not seek “government of the people” because of his belief in Gustave Le Bon’s ideas of elitism. Indeed, he did not adopt every idea held by Le Bon (i.e., Le Bon’s hostility to the French Revolution) but aimed to restore the revolutions and elitism. Thus, he wanted to change Le Bon’s philosophy and adapt it to a new state based on revolutions and elitism together (Hanioglu, 2011, pp. 112–113). Moreover, the distinguishing characteristics of populism in the single-party era can be summarized in Ziya Gokalp’s concept of solidarism, including “national solidarity” (the interests of any group or class cannot harm the interest of the whole nation), and the “denial of class interests” (any political party or group representing a distinctive class cannot be practised) (Zürcher, 2004, p. 182). Kemal Karpát believes that the reason behind the single-party regime’s insistence on solidarism lies in the idea that the existence of social classes would harm the foundation of the regime. Thus, the regime rejected the multi-party system with the justification that the economic interests of the masses can be ensured by a single party. That is to say, the ruling elites intended to nullify the need for a multi-party system (Karpát, 1959, p. 308).

Furthermore, Asım Karaömerlioğlu focused on the field of populism in the single-party era: “*köycülük*” (peasantism). He famously noticed that from the Ottoman Empire to the single-party era, the percentage of peasants significantly increased. Therefore, the single-party regime’s efforts of gaining the trust of the peasantry can be seen in such an upsurge. Indeed, peasants were the main drivers of the economy as the country had pre-capitalist structures. As such, peasants were seen as a provision of the nation-state. Thus, the populist rhetoric of the will of the people and sovereignty of the nation was constantly emphasized by the ruling elites. He nevertheless warned that despite such efforts, populism in the mentioned era did not become a mass movement in political terms. This was because the ruling elites aimed to control the peasants while consolidating their power. They also used populist rhetoric to cover their elitism (Karaömerlioğlu, 2017, pp. 12–15).

Karaömerlioğlu noticed that despite the fact that peasant rhetoric was heavily practised by the single-party regime, it was highly elitist and “imposed top-down.” The overarching aim of such rhetoric was to prevent the “proletarianization” of the peasants while keeping them in their villages. Karaömerlioğlu acknowledged that the sin-

gle-party regime aimed to uplift the “cultural” and “economic” level of peasants though the underlying aims, anti-urbanization, and anti-industrialization, overshadowed their efforts (Karaömerlioğlu, 2017, pp. 48–49).

In the early 1930s, populism gained more significance for the single-party regime. For example, in May 1931, six fundamental principles (Republicanism, Nationalism, Populism, Statism, Secularism, and Revolutionism/Reformism) were approved in the Congress of the Republican People’s Party (*Cumhuriyet Halk Fırkası*, CHF) and later in 1937, incorporated into the Turkish constitution. According to Feroz Ahmad, populism among other principles served two core purposes in the single-party era. First, it authorized the ruling elites to act as representatives of the people. Second, it annulled the “class conflict and class struggle” which were indeed in favour of the business community. However, the denial of the existence of classes began to draw heavy criticism in the party, particularly by Liberal segments in the 1930s. Nevertheless, they had to wait until 1945 to gather “based on class” (Ahmad, 1993, pp. 63–65).

Methodology

Concerning the methodological approach, firstly, we have attempted to apply “conceptual history” (the history of concepts) to investigate how the meaning of the terms such as “people,” “nation” and “class” are mentioned in the articles of Yusuf Akçura and Ziya Gökalp. However, we faced obstacles in understanding the Ottoman Turkish language because it absorbed a great amount of Arabic and Persian words and was written in Arabic script. Thus, relying on primary sources became out of the question. As such, we have relied on secondary sources and cited significant authors in the field of populism (e.g., Hanioglu; Karpát; Toprak) to demonstrate how the concepts of people, nation and class changed from the II. Meşrutiyet Dönemi to the single-party era.

The Emergence of Populism-qua-Halkçılık through the II. Meşrutiyet Dönemi

If one takes a glance at Western civilization in the 19th century, one can easily see advances in the political, technological, scientific, and economic spheres. These advances inevitably had an impact on Western culture and thought but, beyond the Western world, were not experienced to a great extent. The Ottoman Empire, for instance, was still struggling to catch up with the Western states by state-led modernization but, due partly to the Islamist autocracy having deep roots in the state institutions, modernization attempts were being suffocated. Nevertheless, by the late 19th century, students in the military and medical schools adopted Western thinking, and the first discontent against the autocrat Sultan Abdul Hamid II (1876–1909) arose among them. Shortly after, secret committees and thinkers who assembled in Cairo, Paris, and Geneva, followed the university students and began to be called *İttihat ve Terakki* (Berkes, 2015, pp. 389–390).

İttihat ve Terakki eventually grew considerable networks in various parts of the Balkan countries and gained significant power in the military. By 23 July 1908, military officers seized the government building in Thessaloniki and revolted against the Sultan. The Sultan made early attempts to put down the uprising though failed to do so. Accordingly, he restored the “*Kanun-i Esasi*” (Constitution) by agreeing with the insurgents’ demands (Gürhanlı, 2020, pp. 103–104). It was indeed a victory of İttihat ve Terakki, and this era became known as the II. Meşrutiyet Dönemi.

The II. Meşrutiyet Dönemi is very important in many respects, including the enlargement of political liberties, publication of new magazines, and foundation of new associations. Hence, during this period, the first political parties were established, many associations were set up, and printing without fear became possible. Thus, the number of magazines and newspapers increased. As an example, between 1908 and 1909, 353 magazines and newspapers were published, while in 1910 and 1911 the numbers decreased to 130 and 124 respectively (Toprak, 2013, p. 85).

The range of magazines was also remarkable, giving wide coverage to many issues from traditional and modern versions of Islam to socialism and materialism. For instance, “*İslam Mecmuası*” (*Islam Magazine*), published in 1915, covered not only matters related to religion but also education, morality, and economics. Writers of the magazine, including Ziya Gökalp, supported “*milli iktisat*” (the national economy) and “*milli sermaye*” (the national capital) while having praised the growing power of the Russian Muslim bourgeoisie. Parallel to that, a magazine named “*İştirak*” (*Participation*) supported socialism while “*Felsefe Mecmuası*” (*Philosophy Magazine*) gave wide coverage to biological materialism (Toprak, 2013, pp. 85–89). Therefore, it is safe to conclude that the II. Meşrutiyet Dönemi brought an intellectual depth to the late Ottoman period.

Among other ideas, the II. Meşrutiyet Dönemi produced early accounts of populism-qua-halkçılık. An authoritative study of Zafer Toprak, “Popülizm ve Türkiye’deki boyutları,” reveals that it came to the Ottoman intelligentsia’s attention through three routes. The first route was via the Balkan line due to the fact that *Narodnik* (populist) views were already gaining ground in the Balkan peninsula and these ideas had numerous impacts on the intelligentsia in the realm onwards until the late 19th century. The second route indicates the venture of Russian-born Turkish immigrants such as Yusuf Akçura, Ahmet Ağaoğlu, and Hüseyinzade Ali. The third was through the socialist Hinczak movement, yet again inspired by the Narodniki, as Ottoman intellectuals frequently interacted with them (Toprak, 1992, p. 10). These examples demonstrate the heavy influence of Russian Narodniki on Turkish populists.

Hence, to gain a better understanding of Turkish populism, we need to first briefly grasp the Russian Narodniki. Russian Narodism found its theoretical expression in the writings of thinkers such as Herzen, Chernyshevsky, Lavrov, Bakunin, Tkachev, and Mikhailovsky (Dogan, 2019). When “Great reforms” had taken place under the leader-

ship of Tsar Alexander II, the Russian peasantry had been freed from the chains of serfdom, but the Russian Narodniki were not pleased with such reforms because they believed that majority of the reforms were not suitable for the social structure of Russia (Erkan, 2017). They realized the striking difference between the promises made by the Tsarist government and the poverty of Russian society. They claimed that there was no progress in terms of the economic situation of Russian society, particularly in the peasant class. For this reason, the Narodniki decided to advocate the rights of the small producer peasantry, whose land was gradually being lost to rich farmers. Thus, the Narodniki called for peasantry to revolt against Tsarism for the realization of the revolution (Haspolat, 2011).

Additionally, the Narodniki assumed that the poverty of the Russian peasantry gave them important duties, including improving the economic situation of peasants, enlightening them, and the “journey to the people.” For such purposes, they removed their clothes, put on the garments of peasants and travelled across Russia by train. Sharp differences nevertheless appeared as they had seen the idealized life of peasants and the reality was utterly contradictory (Pedler, 1927).

Similar to the Narodniki, the Ottoman intelligentsia who gathered around *Türk Ocakları* (Turkish Hearths) set numerous aims, including among others the journey to the people and enlightening them. A magazine titled *Halka Doğru* (*Toward the People*) in particular, published by Türk Ocakları in 1913, provided a suitable platform for propagating such aims. The leading writers, including Yusuf Akçura, Hüseyinzade Ali, Ziya Gökalp, and Halide Edip (Adivar), stressed the urgency of the journey to the people. For instance, Akçura put emphasis on the necessity of the education of the people and wrote that: “in order for the people, namely peasants and tradesmen, to establish schools and societies, there is a need for educated men who will come before them and guide them” (as cited in Toprak, 1984, p. 173). Similarly to that, *Türk Yurdu* (*Turkish Motherland*) magazine, published by *Türk Yurdu Cemiyeti* (the Turkish Motherland Association) in 1911, advocated the journey to the people and encouraged intellectuals to go to rural areas and villages. Conferences and discussion programmes were organized for such purposes (Toprak, 2013, pp. 172–173). Accordingly, rural settlements and villages in Anatolia became symbolic places of purity and national values were sought in such places (Toprak, 1984, pp. 15–21).

Moreover, Anatolia drew more attention after two Balkan Wars due to the loss of its entire European territories. Such a loss was not easy on two points: first, Balkans were the culturally richest territories, and the majority of the Ottoman elites came from there. Second, it caused the arrival of millions of Muslims into Ottoman lands. Such an influx inevitably led to a change of the empire’s demography as Turks constituted a greater part of the population (Zürcher, 2004, pp. 106–109). Hence, the perception of the non-Muslim subjects of the empire inevitably changed and *halk* (volk, folk) came into prominence (Özden, 2011, pp. 109–110).

Amid discussions by intellectuals, the meaning and understanding of *halk* have significantly altered. *Halk* was already known in the 19th century and used in daily life. It referred to “*people*” as in Western countries, but the *people* term referred to low classes (*avam*). Therefore, *Halk* was not an important element of decision-making in the Sultanate. It was like being referred to as “creation” in a religious sense. However, during the II. Meşrutiyet Dönemi, *halk* no longer referred to the “sum of individuals” but gained a “collective meaning” with more depth. So, during this era, it gained a secular meaning and became a “constituent” of building the nation-state (Toprak, 2013, pp. 165–170).

Furthermore, following the Balkan Wars, intellectuals argued that Turks were no longer “*etrak-i bi idrak*” (lack of understanding), but rather “they are *halk*,” and Anatolia, and it was time to restore their dignity” (Özden, 2011, p. 110). As Şevket Süreyya (Aydemir) famously observed:

... Now, Istanbul has gained another importance not only because it is the capital city of the Ottoman Empire, but because it is the center of a new movement that speaks to the broadest horizons where the most beautiful Turkish is spoken and the most idealist books are written. Anatolia was suddenly loved. The gloomy Anatolia of the old age, the “vulgar and uncouth Turkish”, was now history. Now the name of the nation is Turkish, and the language spoken was beautiful Turkish. Turkishness was honorable greatness. The homeland was no longer called the Ottoman land, but the Turkish homeland. Even the situation of the sultan, who lived in a shadow with his bulky body in his bulky palaces, had changed. He was now a Turkish Khan. People’s names were also changing. We were putting new names after our real names: Alps, Tekinler, Oguz, Borgeceneler were derived (Aydemir, 2014, p. 50).

However, even though the Ottoman intelligentsia put much effort into the construction of nation and populism, *halk* resisted defining themselves by their ethnic origin. Instead, they identified themselves with Islam as a supra-national identity. Therefore, there was a contradiction between Ottoman intellectuals’ imagining of *halk* and “ordinary *halk*” (Özden, 2006, pp. 90–91).

Moreover, while the phrase of the journey to the people remained as a focal point, intellectuals emphasized the dissimilarities between the culture of the sultanate and *halk*. Writers for magazines including *Halka Doğru*, *Türk Yurdu*, and *Genc Kalemler (Young Pens)* pointed out that Ottoman society had two components which were disconnected from each other: “*halk kültürü*” (the people’s culture) and “*saray kültürü*” (the palace’s culture). *Halk kültürü* is genuine and “pure,” while the *saray kültürü* is multicultural and “artificial” (Özden, 2006, p. 90). This difference is noted by Ziya Gökalp, as follows:

... Turkists not only taught the elite name of the nation, but also the beautiful language of the nation. As the name they gave to the nation was taken from the people, this language was also taken from the people, both had existed only among the people. The elite had been living the life of somnambulists until then. They, like somnambulists, had a dual personality. Their real personality was the Turk, but

they thought themselves Ottomans under the delusions of their somnambulism. While their real language was Turkish, they spoke an artificial language in their delirium. In poetry, they put aside their own meter and sang in artificial meters copied from the Persians (Gökalp, 1959, p. 261).

Differences accordingly came to light. Thus, it was time to awaken the nationalist feelings of *halk*. For this objective, Türk Ocakları and Türk Yurdu Cemiyeti carried out parallel works including the organization of conferences, initiation of literacy training, and introduction of courses in different fields. They built dormitories and schools and supported students with scholarships. Besides this, many newspapers, magazines, and books were published. The magazines included, among others, “*Türk İlleri*” (*Turkish Provinces*) “*Türk çocukları*” (*Turkish Children*), “*Tanlar*” (*Dawns*), “*Anadolulular*” (*Anatolians*), and “*Köylüler*” (*Villagers*). These magazines stimulated an awareness of the concerns regarding the origins of Turks and were followed by many books written or translated on Turkish history (Gündüz, 2007, pp. 78–79).

Populism-qua-Halkçılık During the Turkish War of Independence (1918–22)

After World War I (1914–18), the traits of populism-qua-halkçılık began to change as the need for rapid nationalization and industrialization gained ground among Turkish intellectuals. Hence, lower-income groups (e.g., peasants, artisans, and tradesmen) were no longer being addressed as the people. Rather, the people began to refer to the “middle classes.” This preliminary change in traits can be seen in the works of “*Halka Doğru Cemiyeti*” (Toward the People Association), founded in 1918. It published a periodical magazine titled “*Halka Doğru*” (*Toward the People*), and the first issue came out on 1 February 1919. It primarily aimed to provide a “national identity” to the middle classes rather than the lower classes (Zeren, 2011). Such an aim can be seen in the article about “purpose and profession” (*maksat and meslek*) as follows: “our aim from the expression of the people is the layer that constitutes the middle class of the nation in terms of education and training, understanding and wisdom” (as cited in Toprak, 1984).

Meanwhile, the socialist features of the Russian Narodniki began to lose their influence while populism began to evolve through nationalism (Doğan, 2019, pp. 136–137). For example, Ziya Gökalp, until the end of the First World War, supported artisans, and tradesmen while expressing his concerns regarding the subject of industrialization. However, after the war ended, he moved toward industrialization and adopted Durkheim’s “division of labor.” He argued that Ottoman society was pre-capitalist and consisted of “*meslek zümreleri*” (occupational groups) which, irrespective of occupation, needed each other and benefitted from one another. However, in Western countries, classes are sharply drawn, and conflict is inevitable. For instance, in a capitalist system, the bourgeoisie exploits the workers, whereas in socialism workers exploit the bourgeoisie (Toprak, 2013, pp. 284–291). Hence, he con-

cluded that the existence of social classes imposes a threat to social structure. He accordingly began to develop his solidarist ideas with the combination of nationalism and national economy (Toprak, 2013, pp. 281–282).

Gökalp adopted French solidarist ideas with changes based on Ottoman social circumstances. Hence, he imagined solidarism as “*İçtimai halkçılık*” (sociological populism). His distinct solidarism was a mixture of “*bireycilik*” (individualism) and “*toplumculuk*” (socialism). As a way of achieving social justice, “*artı değer*” (plus value) occupied a central place in his writings. For Gökalp, artı değer had to be used for “*sosyal hizmetler*” (social services) and people in need. Thus, his solidarism stretched from social insurance to free education (Toprak, 2013, pp. 295–296).

Taha Parla nevertheless warns that while Gökalp’s solidarism overlaps with socialism, it refuses Marxist ideas. His sociological populism adopts private property and capitalism but refuses liberal democracy (Parla, 1985, pp. 42–45). Hence, he finds the most appropriate term for Gökalp’s solidarism to be “*halkçı demokrasi*” (populist democracy), that opposes liberal democracy and Marxism both (Parla, 1993, pp. 183–186).

For all his debatable ideas, Gökalp’s arguments were adopted by the single-party regime. His ideas became a sort of regime ideology which was supported by “solidarism,” “nationalization” and “national economy” (Doğan, 2019, p. 138). Thereafter, the single-party regime ignored the class struggle and division of classes as famously written by Gökalp in “*Yeni Mecmua*” (*New Magazine*):

The presence of many strata or classes within a society indicates that there is no internal equality. Consequently, the aim of populism, by removing the differences of group and class from the different groups of the society to the professional groups that are born only by the division of labor. In other words, populism complements its philosophy on this motto: There is no class but a profession! (As cited in Toprak, 1977, p. 92)

Populism-qua-Halkçılık during the Single-Party Era

During the Turkish War of Independence, populism-qua-halkçılık had many features, including, among others, gaining legitimacy, mobilizing the social classes, and acting as a tool for creating a modern nation. Initially, it was practised as a way of gaining legitimacy. Once resistance began, the opposite authorities of the “Istanbul government and Ankara government” had a deep conflict over the claim of final authority across the country. To gain legality, the Ankara government opened *Büyük Millet Meclisi* (the Grand National Assembly) on 23 April 1920 (Berkes, 1998, p. 436).

Despite the Ottoman assembly being shut by the allied powers, the Istanbul Government consistently made efforts to discredit the Ankara government. It attempted to present Mustafa Kemal and his companions as non-religious. In response, Mustafa Kemal practised populism as a means of gaining the support and trust of different social classes. For instance, when he became the president of the

assembly on 24 April, he gave a speech to the deputies (Mutlu, 2014, pp. 92–93). In his speech, the importance of “national sovereignty and national will” was emphasized as follows:

... Our Grand Assembly gathered with extraordinary authority because of this necessity and obligation caused by the constitutional situation and our law and to ensure national sovereignty above all. The fact that the elections were held with full urgency and with warm interest, shows that our legal position is understood and assumed with the same opinion by the whole nation. Besides, the formation and principles of our Great Assembly show that it is based on the national will sincerely and with great power. (TBMM Kültür, 1987, pp. 49–50)

As his speech ended, the assembly decided to set up a commission to form the new constitution. On 18 August 1920, the commission unveiled the results and favoured the sultanate supporters. While drafting the constitution, many deputies agreed on the protection of the sultanate and caliphate (Berkes, 2015, pp. 499–500). Accordingly, “*Teşkilât-ı Esâsiye*” (the Fundamental Organization) was ratified by *Büyük Millet Meclisi* and became the first constitution of the modern Turkish state.

Concepts including, among others, “the people,” “will of the nation” and “the popular sovereignty” were addressed many times in *Teşkilât-ı Esâsiye*. It is very significant because it later became a guide for the single-party regime. The first article stated that “sovereignty is vested in the nation without condition. The governmental system is based on the principle of self-determination and government by the people.” The following article emphasized that “executive power and legislative responsibility is exercised by and concentrated in the hands of *Büyük Millet Meclisi* which is the sole and real representative of the nation” (Güneş, 2020). Hence, it can be claimed that regardless of the deputies’ ideological stance, populism was embedded in this epoch.

Furthermore, parliamentary debates can provide us with an understanding concerning the populism of the era. There were indeed various deputies who comprehended populism as “direct democracy” while associating the people with lower-income groups. As an example, Soy-salhoğlu İsmail Suphi Bey emphasized the divisions between peasant and civil servants (as a means of elites of the country) as follows:

The class of civil servants was convinced that they were virtually grateful to the administration in this country, and they always said that they have a right of authority over the peasant, otherwise the country cannot be governed. Consequently, the masters made a lot of mistakes by living on the back of this country, by acting on the back of this country, as much as the class of the civil servant is at fault with his lack of intellectuals and his not understanding the country. (As cited in Köker, 2007, p. 141)

However, Mustafa Kemal regarded such arguments as “radical democracy” and distanced himself from them (Köker, 2007, pp. 138–143). He was aware of deep divisions, though refused the division of classes and adopted Gökalp’s solidarist model (Doğan, 2019, p. 139).

Moreover, alongside nationalism, populism was a chief ideological component of Mustafa Kemal's upcoming occupations. As the War of Independence ended, he intended to carry out reforms to prevent the danger of another collapse and create a modern society. Thus, the necessity of a popular political party emerged thereafter. On 6 December 1922, he expressed his intention to establish a party as follows:

To be worthy of the respect and trust shown to me from every class of the nation, even from the furthest corners of the Islamic world, I will be honored forever, as a humble person of the nation, to dedicate the good of the country until the end of my life. After peace, based on the principle of populism, I intend to form a party called the People's Party. (As cited in Kodal, 2020, pp. 2615–2616)

Shortly after his speech, he began travelling across Western Anatolia and visited various places (Ekici, 2017, pp. 353–354). He gave many speeches regarding his intentions for the People's Party. He gave early signs that class struggle would not be taken into consideration. From his viewpoint, the existence of the classes was essential, but they did not clash with each other. Even though they did not follow the same interests, they were “complementary to each other.” Hence, the “rights” and “happiness of all classes” would be ensured by the People's Party (as cited in Canpolat, 2020, p. 381). His speech indeed proved that Gökâlp's solidarist ideas based on the refusal of class struggle and the support of the cooperation of the classes would be a guide for the People's Party.

Furthermore, the election programme, known as “*Dokuz Umde*” (Nine Principles), was announced on 8 April 1923, and formed the ideological backbone of the People's Party. It was indeed very similar to the first two principles of *Teşkilât-ı Esâsiye*. The first principle emphasized the unconditional sovereignty of the Turkish nation, while the second principle stated that the sole representative of the nation was Büyük Millet Meclisi (Ekici, 2017, pp. 353–354).

On 9 September 1923, the People's Party was officially founded. Subsequently, it set various goals, such as increasing the people's level in terms of cultural and economic means. However, as Karaömerlioğlu noted, the single-party regime could not succeed over its objectives. The reason behind this was that the peasants and lower classes were merely seen as a means of “extending the party base” and a “barrier against social uprisings.” As such, populist rhetoric mainly helped republican elites to hide their elitism and avoid possible class struggles. They even pursued a policy to keep peasants in their villages with the rationalization that possible mass immigration to cities from villages would cause a conflict between classes (Karaömerlioğlu, 2017, pp. 12–15).

At the turn of the 1920s, the single-party regime consolidated its power. As such, the ruling elites considered the existence of the assembly sufficient for people's demands (Köker, 2007, pp. 136–138). Consequently, the motto of “*halk için halka ragmen*” (for the people despite the people) became the prevailing rhetoric of the ruling elites. It is not surprising that Gökâlp's phrase of “*Sınıf*

yok meslek var” (no class but an occupation) justified their arguments for covering class struggles. In case of disapproval, they could claim that everybody was equal and represented by the state (Karaömerlioğlu, 2017, p. 38).

Solidarism and the Desire for the Construction of Middle Classes

Despite the fact that solidarism was adopted by the single-party regime, we can also see the desire for increasing the percentage of the middle classes in society. Indeed, the reason behind this can be explained by three core points: the provision of services for industry, settlement of reforms, and adoption of the Western lifestyle. First, due to long-lasting wars, the country was economically and socially in ruin, meaning that trade suffered, foreign investment ended, and non-Muslims fled. Despite industry still being in need of services, Muslims had no experience in the economic field (McCarthy, 1983, p. 144; Ozay, 1983, pp. 51–52). Thus, to provide services for industry and fill the vacuum, the middle-class Muslim bourgeoisie was needed. Second, the middle classes had great significance for the settlement of democracy. As Ottomans had many reforms including the *Tanzimat Fermanı* (Imperial Edict of Reorganization), *Islahat Fermanı* (Reform Edict), and Kanun-i Esasi, due to the lack of middle classes, reforms could not be adopted and institutionalized. However, when ruling elites founded the republic, they aimed to institutionalize and create “middle classes” which could protect and continue the republic (Karpat, 2010, pp. 40–45). Third, the modernizing reforms that took place in the 1920s needed urban middle classes who had adopted the Western lifestyle and secularism (Göle, 1997, p. 52). Thus, the reasons for seeking the construction of middle classes can be seen in these three core points.

Conclusion

The understanding and practice of populism significantly changed from the late Ottoman era to the early Turkish Republic. During the II. Meşrutiyet Dönemi, the peasantry and lower classes occupied the central interest because Ottoman intellectuals considered the lifestyle of peasants pure and spiritually rich. In contrast, during the War of Independence and thereafter, the middle classes came into prominence. The reason behind this cannot be understood without considering the growing demand for the national economy and nationalization. Hence, during the 1920s, the existence of the middle classes was considered more appropriate for the construction of the nation-state. However, we cannot still claim that the peasantry lost all attention. The peasants and lower classes were still heavily praised, but this remained only at the rhetoric level. As Gökâlp's solidarist philosophy was adopted by the single-party regime, it was good rhetoric for hiding deep class divisions.

The study also discussed the evolution of populism-*quahalkçılık* from 1908 to the 1930s. It argued that the similarities between the Narodniki and the Second Constitutional Era populism-*quahalkçılık* lay in the Narodniki ideas of

a journey to the people and the enlightenment of peasants. Similar arguments were put forward by Ottoman intellectuals as well. The leading magazines *Türk Yurdu* and *Halka Doğru* published many discussions in regard to encouraging intellectuals to go to villages and rural areas to educate people. So, the heavy influence of the Russian Narodniki on populism-qua-halkçılık is hard to deny.

As a result of conducting this research, we suggest that populism in Turkey cannot be understood without a detailed historical analysis of populism-qua-halkçılık. While this study does not offer a conclusive answer to the question of how the understanding and practice of populism changed from the late Ottoman era to the single-party era, it certainly raises important questions and encourages further research in the field.

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