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Challenges for the new European Union member states banking sectors

in the context of European integration

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Abstract.
One of the least integrated components of the European financial system, according to the European Central Bank, is represented by the European banking sector. As the European Union has extended its membership to 27 members, since 1st of January 2007 we consider important to underline the progress that has been achieved in the integration of the banking sectors from these new member states. Thus, the aim of our research is to present in a non-exhaustive meaner the main dynamics and achievements that have been made in the development and integration of these banking sectors. In order to achieve this we have used an analyses based on the law of one price and the studying of the competition level that exists on the new European Union member states banking sectors.
Keywords: European integration; banking sectors; law of one price.

Introduction

The development of a common European market for goods and services – including that of an integrated retail banking sector – represented a main focus for the European Union in the last decades.

The creation of a common European single market for goods and services has represented the main focus at the European Union level in the last decades. In order to archive this, European institutions (like the European Central Bank or the European Commission) have argued that the integration of the goods and services sectors must be accompanied by the integration of the financial sectors, which will provide the backbone for the achievement of a dynamic European economic which would be able to sustain long term economic growth. The banking sector represent one of the least integrated components of the whole European financial sector, the challenges in its integration being enhance by the enlargement of the Union to 27 member states.

Taking these into consideration we consider the opportunity for a study that will underline the main dynamics regarding the development and integration of the banking sectors from the new European member states from Central and Eastern Europe (our panel is composed from Poland, the Czech Republic, Slovakia, Hungary, Romania and Bulgaria).

In order to archive this we have organised our research as following: the first part contains introduction remarks regarding the study undertaken, the second part presents the characteristics of the methodological approached used, while the third part is focused on the dynamic development of the banking sectors from the panel countries, part four provides an overview of the main achievements registered in the integration process of these sectors and the fifth part contains the final conclusions of the study.

Methodological considerations

The European banking sector has suffered in the last decade's o series of deep changes, which have been the focus of a large body of academic literature, these researches using both quantitative and qualitative approaches (Gual, 2004). The liberalisation and deregulation of the European financial markets, prompted by the London Stock Exchange Big Bang in the eighties, followed by European initiative aimed at enhancing the integration process and the development of pan-European payment systems, both for grows settlements and retail transactions, have put a tremendous pressure on the traditional way in which European banks carried out their activity.

Faced with these new challenges, the European banks have tried to adapt their business model by diversifying and universalising their products and services lines, offering both to retail and corporate costumers along with traditional instruments: insurances, the possibility to buy investment funds units, private banking instruments and the possibility to manage investment portfolios. Nevertheless, the outside competition has also grown as insurance companies and investment funds have developed their own products and services which offered viable alternatives for saving and investment in regard to the banking offer (Goddard et al., 2007). These

developments have lead to a blurring of the demarcation line between banks and other financial intermediaries (Rajan and Zingales, 2003). At the same time, because of the changes determined by the European integration process, banks have developed a more widen pan-European network of branches and subsidiaries, which have helped the development of the overall European banking system thru an enhancement of the completion level, especially in the case of the new member states (Lensink and Hermes, 2004).
Despite the many legislative initiatives at European level in order to harmonise the integration of the European banking sector and match the achievements from the monetary and bonds markets (Baele et al., 2004; Manna, 2004), most of the academic literature underlines modest progresses in this direction (Dieckmann, 2006; Staikouras et al., 2007).

The main challenges identified by the academic literature that prevent the deepening of the banks integration process, especially in the case of the new member states, are represented by the particularities of the local business environment, the cultural and linguistic barriers that exist which are enhanced by the different legal and fiscal systems which are in place in these countries and which tend to be very heterogeneous (European Central Bank, 2010; Buch and Hennich, 2002).

In order to underline the progresses made in the integration of the banking sectors from the new European Union members countries from central and eastern Europe we will use the methodology set for law of one price. Thus, according to the law of one price, as a result of the integration process the nominal interest rates should converge toward the lowest registered level. For detail methodological considerations regarding the law of one price see Baele et al. (2004).

For completely underlining this complex process we will also take a look at the changes that have been registered in the competition level from the analysed banking sectors, as a deepening of the integration process should point out to an increased competition level, as entry barriers are removed and the cost for accessing these new banking markets drops significantly.

In order to emphasise the annualized growth of the banking sectors we will use the CAGR index which is calculated based on the formula:

$$CAGR(t_0, t_n) = \left(\frac{V_{t_n}}{V_{t_0}} \right)^{\frac{1}{t_n - t_0}} - 1 \quad (1)$$

where V_{t0} represents the starting value and V_{tn} is the last value, $t_n - t_0$ represents the number of years. The CAGR Index deepens the effect of volatility of periodic variations that can render arithmetic means irrelevant.

In order to establish the dynamics of the competition on the banking sectors from the new European Union meber states we will take in to consideration tow main indicators.

The first indicator that we will use is the CR5 Index, which represents the percentage that the top five banks are having in the total assets of the system and which reflect the concentration degree of the market. The indicator is calculated base on the formula:

$$CR5 = \frac{A_1 + A_2 + A_3 + A_4 + A_5}{AT} x100 \quad (2)$$

where A_1, A_2, A_3, A_4 and A_5 represent the value of the assets held by the top five banks in the system and A_T represent the value of the total assets of the banking system. It can take values between 0.1% and 100%, where the low value represents a highly dispersed market and 100% represents an oligopoly or monopoly.

The second index that we will use is the Herfindahl Index, which underlines the degree of competition which exists on the market and is calculated based on the following formula:

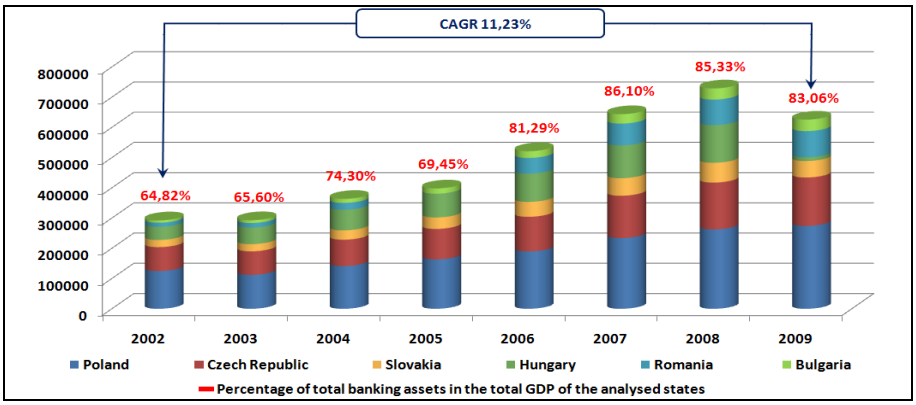
$$H = \sum_{i=1}^{N} S_i^2 \quad (3)$$

where S_i is the market share (in our case the value of banking actives) of firm (bank) i and N represents the number of banks that exist in a certain market. It can take values between 0 and 10000. If the values are below 100 it underlines the existence of a highly competitive market, if the value is below 1000 it reflects a dispersed market, if the vale is between 1000 and 1800 it indicates a relative moderate concentration in the market and if the value is above 1800 indicates a highly dense market.

Development of the banking sectors from the new EU member states

In the context of the global financial and economic crisis we can say that the banking systems from the new member states are at a cross-road. The impact of the crisis on these banking systems, cooped with the economic depression that followed has lead to a depreciation of the banks' portfolio which are active in these markets. Despite the low percentage of bad credits, the high rate of late payments related to the existent loans has raised the pressure on the bank's ability to obtain profits, mainly because of provisions that they must constitute taking in to consideration the current developments. In this context the main focus of the banking activity in the analysed states has been shifted since the start of the economic down turn from the expansion of the credit activities, which characterised the period prior to the summer of 2008, to a strategy concerned with the management of the existing loans portfolio. Alongside all these developments, there is a constant pressure on the banks from the analysed markets to diminish their costs which has pushed many of them to re-evaluate their operational network capacities, their cost structure, their credit portfolios and also their medium term business plans.

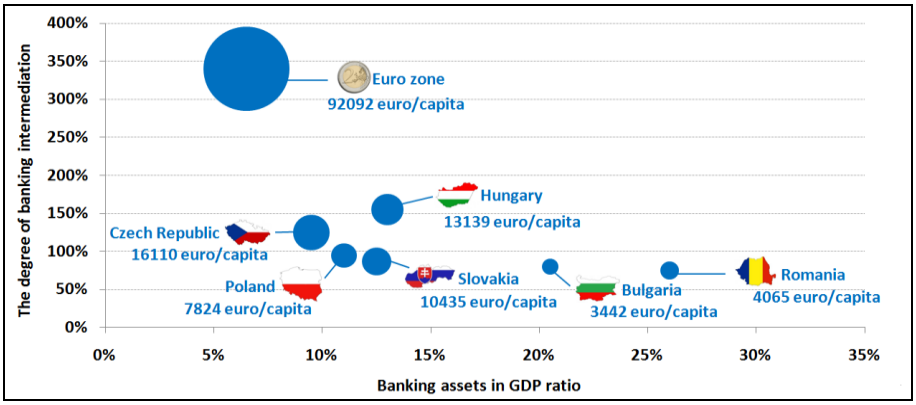
The total assets of the banking sectors from the analysed countries were at the end of 2009 at 83,06%, registering a fall from the previous year with 2,27%.



Source: [Own simulation based on data provided by the European Central Bank]

Fig. 1. Growth of the banking assets in the case of the analyzed countries

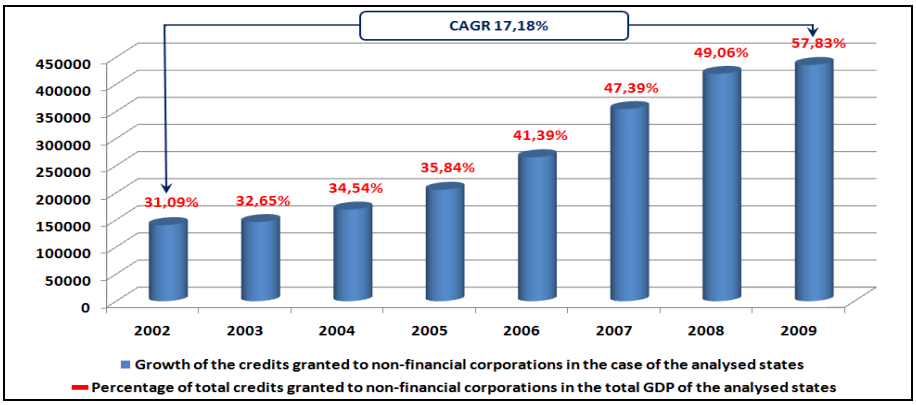
If we analyse the per capita ratio, then at the end of 2009, we can see that the values are much dispersed, with Bulgaria registering the lowest value and the Czech Republic the highest.



Source: [Own simulation based on data provided by the European Central Bank]

Fig. 2. The dispersion of the per capita banking assets in the case of the analyzed countries

In regard to the evolution of the bank's credit activity, this has registered a period of strong development between 2002 and 2008, especially as a result of the aggressive promotion of the consumer credits in most of the analysed countries. This period of boom was followed by a freeze in the loaning activity in 2009 as a result of the financial crisis and economic depression which has hit most of the new European Union member states. Moreover the projections made by the European Central Bank suggest an average contraction of the lending activities of the banks from the panel countries with about 6% in 2010, as a result of the depreciation of the economical and financial environment of these countries.



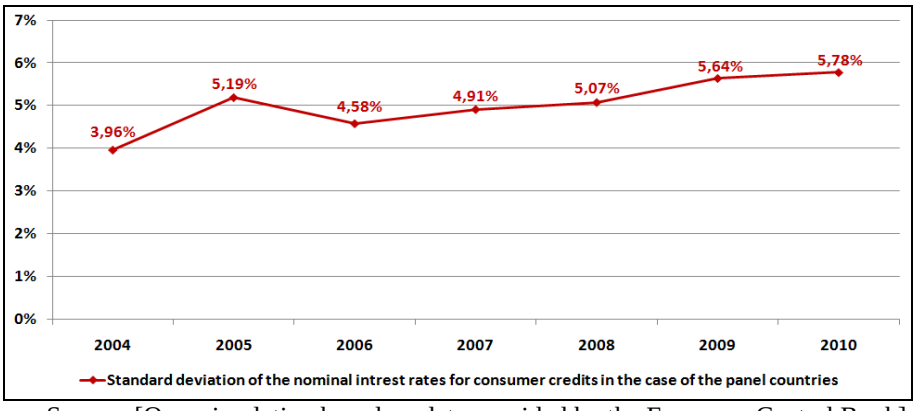
Source: [Own simulation based on data provided by the European Central Bank]

Fig. 3. Growth of the credits granted to non-financial corporations in the case of the analyzed countries

Taking into account these developments we can argue that the banking sectors from the analysed countries have registered a strong development in the last period, which can be partially attributed to the European integration process. Nevertheless we consider important to underline the fact that the banking sectors from these countries are far from reaching their full potential for development, especially taking into account that these sector can benefit from the latest technological advancement in this field and thus having the possibility to compress development stages through which they need to go.

Achievements and challenges in the integration process

We will start our analysis by comparing the convergence of the nominal and the real interest rates for retail credits, more exactly general purpose credits. We have taken in to consideration these interest rates because the general purpose credits represent one of the main categories of credits granted by the banks operating in the analysed countries.

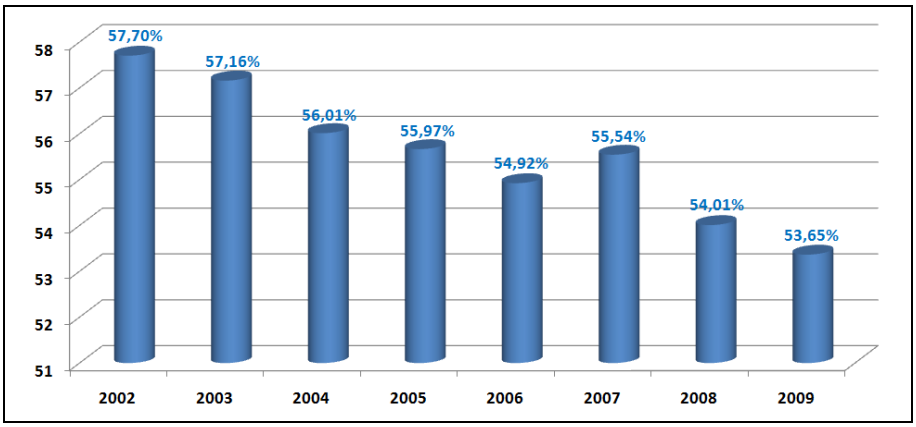


Source: [Own simulation based on data provided by the European Central Bank]

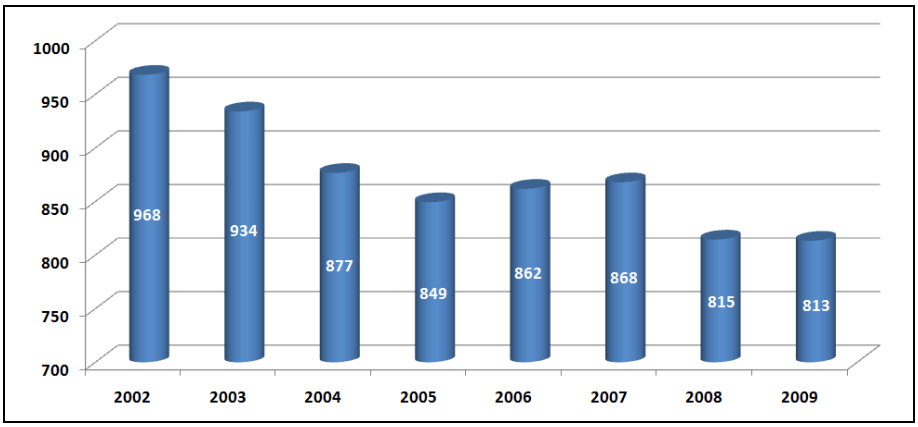
Fig. 4. Convergence of the nominal interest rates for consumer credits

Despite of the negative impact of the financial crisis we can observe form the analysis of the convergence of the nominal interest rates a deepening of the integration process of the banking sectors from our panel, which tends to confirm the law of one price – at least until 2006.

In this context it becomes interesting to analyze the evolution of the competition level that exists in these banking markets.



Source: [Own simulation based on data provided by the European Central Bank]
Fig. 5. Evolution of the concentration index (CR-5) in the case of the analyzed countries



Source: [Own simulation based on data provided by the European Central Bank]
Fig. 6. Evolution of the Herfindahl index in the case of the analyzed countries

From our analysis we can see that that the analysed banking sectors have registered a consolidation of the activity, as a result of the diminishing of the competition level. Most of the bigger banks present in these markets have undertaken several aggressive campaigns which have solidified their presence making it more difficult for smaller competitor to develop lucrative niches. We can also observe that as a backlash of the financial crises and of the economic depression that has hit these new member states since the mid of 2008, the share of the top 5 banks has dropped, but the Herfindahl index has registered approximately the same values. This indicates a relative stability regarding the competition level on the market, while the banking assets have been spread around more. This is an effect of the rationalisation of credit by the bigger banks, which have diminished their share of the market in relationship with the consolidation of the smaller competitors which have tried to freeze and solidify their assets.

Conclusions

Correlating the results of the two analysis undertaken we can conclude that the integration process of the banking sectors from the analysed countries is a present process which fell short of expectations. However, we must underline the fact that the deepening of banking integration process in the case of these banking sectors, and at the European Union level in general depends now much more on the decisions of the market players and also to some collateral factors and to a lesser degree to issues which can be regulated and harmonised away by pan-European legislation initiatives. This is the reason why we consider that the integration and development of these banking sectors is a process still underway, far from being complete, which has just entered in the fundamental changes phase, which will take some time to be achieved but surely will provide greater benefits.

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Business risk audit: literature synthesis

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Abstract.
Through this article, part of the thesis (ie, basic research stage), achieving a synthesis of the literature on financial audit based on risk assessment business. We decided not achieve the statistical records of the number of published research on the business risk audit or the number of citations as an analysis of how the subject has been addressed by various researchers, the influence of the new methodology on a mission to improve qualityaudit and social impact of the new audit methodology.
Key words: audit; business risk methodology; accounting data

Introduction

Organizations decline has always been a concern of researchers, even if there was a generally valid definition of this concept, the importance of identifying cases that could affect the achievement of an economic entity has justified rich literature that analyzes this issue. No less interesting were found auditors of this phenomenon. The impact of the economic entity business risk audit risks, the measures taken by the auditor to reduce audit risk and economic risk of the auditor, client risk assessment to further exploit and 'recovery' ability to identify these risks the auditor stood the attention of researchers.Signal we believe that the relationship between business risk of a client and the conduct of a financial audit was the subject of multidisciplinary studies.

The process of revitalizing the traditional financial audit methodology has emerged as an objective necessity as a result of numerous legal implications, especially after 1990, when many audit offices have suffered losses due to not audit failures and, especially, inability client entities to achieve its objectives. It became increasingly obvious need to adapt the methodology somewhat mechanistic, traditional, at specific activities of client organizations. The premise from which we started was to identify the primary causes that lead to significant distortions of financial statements: business risk and tend not to make public, through financial statements, difficulties entity (Djami, 2003). Many accounting irregularities are brought to light only during bankruptcy entities in financial difficulty.

Further, the paper is structured as follows: After a brief presentation of how the audit practice has evolved, we realize a description of the conjuncture in which crystallized audit methodology based on business risk assessment. Throughout the paper we make reference to rules governing conduct a financial audit Audit Standards. We will continue with the presentation of research studies into the topic of Business Risk Auditing and in closing we conclude on the advantages of applying audit methodologies based on business risk assessment, benefits weighed against the audit firms, customers and the engagement of users of financial statements.

An audit conducted in accordance with international auditing standards, provides users with reasonable assurance that the financial statements in their entirety, prepared in accordance with an identified financial reporting framework "provides a true" in that they do not contain significant distortions from fraud or error increasing thus their reliability, plus the credibility of financial statements is given by the professionalism and independence of the auditor. Risk Auditor to declare bankruptcy is a viable entity-order risk and the risk of declaring a viable entity in bankruptcy is called second order risk. Risk costs are much higher order and are costs borne by all stakeholders and even society as a whole, if we consider the allocation of resources to the detriment of the poor profitable activities. Damage to the auditor's professional reputation, which eventually may add an amount representing damages requested by the client "beneficiary" of a type I error is the cost.

Moments in the evolution of audit techniques, audit the completeness of documents, specifically the 1930s, to approach the evaluation of internal control system, then, the audit based on the general development of the audit risk model (Mikola and Casta, 1999), with its specific instruments such as the definition of materiality, the level of assurance provided by audit engagement, development of sampling techniques are time points that characterize the evolution of the economic environment in which entities operate and changes in organizational structure -as an audit client. Dynamic business environment, financial markets, increasing the cost of the audit, calls for greater efficiency and effectiveness of production insurance. In this context, the next "natural step in the evolution of audit approach" is characterized by increasing auditor's knowledge regarding the client's business,

using professional auditors who possess the necessary competence to more complex risk assessment and diversion of resources audit in accordance with riskevaluated (Bell Doogar and Solomon, 2008).

Getting the client's business knowledge is required by International Standard on Auditing ISA 315 Understanding the Entity and Its Environment and Assessing the risk of material misstatement (Camera Auditorilor Financiari din Romania (2007); procedures consist of investigations to obtain data on potential audit client. These data relate to: customer reputation, its relations with the business that operates with previous auditors, with tax, about the creditworthiness of the customer relationship. Usefulness of these investigations is to reduce the economic risk of the auditor that "no risky client does not pay enough for the audit firm can defend itself after the client has all sorts of problems" (Danescu, 2007). The knowledge thus acquired the underlying decision to refuse to customers, if the auditor detects generalized significant uncertainties regarding the ability to continue operating or resource allocation decision audit, audit of negotiating rates for customers accept (Johnstone and Bedard, 2003).

For external users, although the auditor expresses an opinion on compliance of the complete set of financial statements with the applicable financial reporting is not a "guarantee the future viability of the entity" under ISA 570, Going Concern, the new methodology may increase the accuracy of opinions expressed . By restoring investor confidence in the information contained in financial statements issued by listed companies, the role of auditors in ensuring the stability of financial markets is obvious.However, reluctance sized firms in the European Union to audit the financial statements of major listed companies is justified by the economic risk assumed in case of any bankruptcy clients. Conjunction with providing insufficient training, describing the facts found to constitute structural barriers that affect the European market for audit services (European Commission's recommendations on limiting the civil liability of statutory auditors, Brussels, 2008) is perfectly justified. Recommendations C.E. that document the work of national regulators statutory audit liability cap considering financial auditors, proportionate liability, both measures are inapplicable where there is intentional nature of the auditor's expression of opinion inappropriate. Joint and several liability of audit firms and management is really unfair, if client unable to continue, undisclosed uncertainty in the financial statements: if the auditor "fault" is the risk of undetected (professional failure), concealing the difficulties the continuity of exploitation is considered misleading financial reporting fraud (under ISA 240 The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements).

Concern offices belonging to Big Four to reduce economic risk by ensuring a market share has resulted in undiminished proposing a new model profesional: reputation and profits, both provided by the progressive integration of the current procedures of carrying out a global analysis of external financial audit of the entity and "their risk areas" (Ramirez, 2003). By the late 1990s Business Risk Auditing (BRA) was used for offices Arthur Andersen, Ernest & Young, KPMG, Pricewaterhouse Coopers (Bell et al., 1997).

Business Risk identification and evaluation based on financial and non-financial data, incorporating the general pattern of risk assessed audit risk and determine the acceptable audit risk - elements of the overall strategy and audit programs, represents a synthesis of what is called Business Risk Auditing. Dimensional aspect of audit quality, namely detecting material misstatements and disclosure, and add a new variable called Chemangui Manita (2004) "adaptability audit work performed at customer's risk areas."

Theoretically analyzed in the context of external financial audit, namely agency theory (Jensen and Meckling, 1976), the audit based on risk assessment of business can be seen as having implications not only reduce information asymmetry in terms of significant noncompliance financial statements with the applicable financial reporting, as much more important than financial value for shareholders, reducing residual losses caused by decisions that affect the continuity of the agency.

As regards the practical application of this methodology, there is a "unique form" of the practices applied by audit offices in an attempt to determine the acceptable audit risk as a function of business risk (Knechel, 2006). Traditional audit methodology requires knowledge of the entity and its environment auditor in assessing risks of material misstatement (as ISA 315), novelty of ARB is forecasting causes that could lead to failure of customer business, which is the reason causes the distortion of financial statements . It is obvious risks of material to facilitate location, even to the account level, and the new conditions, more precise targeting of subsequent tests. Anticipating the behavior of managers under accounting dangers surrounding the client's business require both intuition and reasoning so that the auditor's report issued to set up an early warning of all stakeholders (including management). In addition, the added value of external financial audit is given by the auditor's identification of residual risk business (risks that have not been identified by the client); indirect, positive effects of appropriate customer management residual risk rentabilizează and law audit by reducing time spent on a mission budget. In light of the external financial auditor business risk management by importing not the result of management accounting practices by applying creative accounting and fraudulent financial reporting because both methods can help disguise the difficulties of the entity, thus the issue of false signals on its viability. It explains the difficulties that arise in relation to auditor-audited for the accounting policies adopted, although permitted by applicable accounting standards may lead to the preparation of financial statements that present a much more favorable than the real situation of the entity.

Summary of literature

"Important and valuable innovation audit firms," (Peecher et al., 2007), even the "climax" in the development of audit practices (Knechel, 2006) analyzing the entity's strategic risks, risks embedded in the general model of audit risk may be a form of expectation gap reduction, the gap between user expectations of what he should "tell" an audit report and auditor's work quality.

Though explicit formulation of audit procedures need to adapt to the risks surrounding the business of each client comes from the Anglo-Saxon environment, adversely affect the quality of signals on a mission to "lack of coherence between risk and audit programs detected accounts' were issued and the professional body for quality control audit du Conseil France-Haut Commissariat aux Comptes-H3C, created in 2003 "in order to restore public confidence in the quality of external audit" through an "audit of audits." The results of studying the annual activity reports prepared by French professional body H3C in 2003-2009 are inconclusive: among the shortcomings identified, classified according to stages of audit are: "difficult to justify practices of auditing accounts programs by reference to findings in previous stages of risk assessment "," systematic use of standard audit programs under the internal procedures manuals, without efforts to adapt them to specific business and identified in previous phases of the mission" (Hazgui et al., 2009).

As the cost of an audit based on risk assessment business, consider relevant the results of a study by Bell et al. (2008) on a sample of 165 audits of an office belonging to the Big Four in 2002-2003, of which 79 are original mission. Meodologia research used is multiple regression. Considering the benchmark period before the application BRA, the need to involve partners in the mission is about. 40% higher in conditions in which the average level of labor utilization is 10% lower, but not found a substantial reduction in budget allotment.

Risk that the entity can not meet the objectives, business risk, is considered a source of risk of material misstatement in the BRA. According to Bell et al. (2008), business risk is "a measure of threats to business viability."

Auditor's reasoning in the decision to accept new customers or to continue the engagement to existing customers was analyzed for cost increases by increasing the budget for the mission needed, surprising results indicate the inadequacy of audit fees and the risks of subsequent procedures identified strategic customer (Kerr et al., 2007), also the auditor tolerance to aggressive reporting practices for client acceptance risk assessed as "low" was established by experimental research (Brown, 2005).

Identifying and assessing business risk is perhaps the most difficult part of the audit methodology requires ARB as qualitative information (non-quantifiable monetary) to a greater extent than traditional audit methodology. Also, the ongoing evolution of risk factors affecting business and, especially, need to identify, from many factors, relevant in the context of the socio-economic gave managers predict behavior based on the risks to business continuity require extensive application of judgment the Auditor-correlated with quantitative methods as a tool formalized decision.

Although the usefulness of research on professional reasoning in analyzing business risk is obvious, experimental results are just the description of stages of work done by an auditor. Thus, to complement these results with research on the collection of information deemed necessary by the auditor in assessing business risk, auditor's reasoning on the selection of relevant information is required. If the selection of relevant information can be considered experimental, it is more difficult to collect information (possibly?) To achieve a "research laboratory".

Evaluation methodology based on Business Risk Audit (MBR), is considered an "apparent harmony of interests between the auditor and corporate management" (Bell et al., 1997), the effect of applying this methodology on the relationship auditor / audit is analyzed both audit performed in accordance with U.S. market regulation, SAS, (Sahnoun and Zara, 2008) and in jurisdictions that conduct audits are conducted in accordance with International Standards on Auditing (ISA).

Offices to apply the comparative advantage of MBR has been reviewed by Kopp and O'Donnell (2005), Choy and King (2005) and research results are anticipated: the majority of audit failures are caused by undetected material misstatements but result from aspects of the business context (business environment, the effects of globalization, technological progress, etc.).. As a result of subsequent procedures, MBR requires extensive application control tests, using larger samples and changes in the form of working papers prepared by the auditor: narrative description of internal procedures is often used instead of flow-chart (Bierstaker and Wright, 2004).

Business risk was considered long term / short term risk of bankruptcy (Bruynseel andVillekens, 2006) highlighting the "conditions and events" (as SAS 5), including those that are not contained in financial statements that impact business continuity.Specific impact analysis of various indices of potential bankruptcy risk of the audit report has identified a positive direct correlation between entities that have sold significant assets or apply a strategic plan to reduce costs and number of entities that received modified audit report.

A paradoxical effect of the Business Risk assessment has been highlighted by research undertaken by O'Donnell and J. Schultz (2005) have called "halo effect" increase tolerance unusual fluctuations observed by the auditor for auditing the accounts and focusattention on the economic performance of the client.

Business Risk stressing that does not overlap with the inherent risk as defined in ISA 200, "Objective and General Principles Governing an Audit of Financial Statements" the auditor's perception of entities is analyzed from a psychological perspective, particularly the ability of auditors to detect fraud (Wu et al., 2002).

Accuracy planned audit procedures based on the assessment of inherent risk, control and detection (in the classic audit) as a result of the analysis strategy (AS) and related audit of the rules and theories of strategic management has also made the object of audit research in Curtis and Stuart (2005).

Business risk, credit risk regarded as a multivariate regression was analyzed using, as explanatory variables earnings and cash flow of the sample of entities taken into consideration (Bocker and Klüppelberg, 2005). In this type of credit risk analysis is both an operational risk and especially the risk that the entity credited to enter default and can not repay loans and interest due. Analysis strategy (AS) or Business Risk identification (both forms of expression are present in the literature) performed an audit for financial planning is geared more to the explanation and prediction based on analysis of financial and non financial data, possible vulnerabilities that may arise in further work, and less on quantifying risk.

Documentation prepared for the Business Risk analysis is not appropriate audit evidence (Berberich, 2005) in terms of ISA 500 Audit Evidence, but elements that contribute to knowledge of the entity and its environment by the auditor that allows more accurate assessment of risk of material misstatement.

Applying simple regression model, Behn (2001) found a positive linear correlation between the opinion expressed in the audit report (exogenous variables) and the entity's ability to obtain financing.

A recent study (Sahnoun and Zara, 2008) focused on analyzing the impact assessment by the auditor of Business Risk on the relationship between auditor / audited. We believe that the method used in the study mentioned in the national economic context, considering the degree of subjectivity in assessing relationships, has a limited validity.

Bettman and Johnson (1990) demonstrated the superiority of cognitive efforts made by the auditor to identify and evaluate Business Risk from the risk assessment of material misstatement of the financial statements.

Using a sample of firms that went bankrupt in 1998-2001 and received a favorable opinion of business continuity (type II error) (Bruynseels and Willekens, 2006) put in obvious negative impact of cash flow (obtained for example, loans) the accuracy of Business Risk assessment. Forecasting errors committed were much smaller number in the period after December 2001, public announcement date of the Enron bankruptcy (Geiger et al., 2005).

In relation to the market share held in a particular sector, audit offices develop their own methodologies for identifying and Business Risk assessment based on financial and non financial data analysis (Neal and Riley, 2004). Studies confirm the superior efficiency of financial market securities issued by small entities compared with the shares issued by large companies (Klein, 1998), and changes in course titles emerging stock markets: the equilibrium yield on securities in these markets is higher even if short term, the risks are higher (Erb, Harvey and Viskanta, 1996). There are reasons that justify the importance given to research aiming strategic approach to audit small and medium entities listed on an alternative market in Europe.

Given the consequences for subsequent procedures planned and, ultimately, the opinions expressed, reliable sources of evidence used in assessing business risk is a major concern for an auditor. Positive correlation between direct and auditor experience and credibility given to the reliability of sources of audit evidence, especially if the impact of such evidence is information associated with negative consequences for the business customer, is demonstrated by empirical studies (Johnson and Kaplan, 1991; Knechel and Messier, 1990).

Auditor's professional judgment put in a position to assess the client's business risk is affected by the processing of information. Sequential processing of information generated "contrast effect" (Hogarth and Einhorn, 1992), defined as more powerful impact of the latest information, especially if they contradict the auditor's previous convictions. Given that the formation of the auditor's opinion on the business risk is based largely on subsequent events (as ISA 560 Subsequent Events), the importance of recent evidence obtained on the opinion expressed is obvious. This is where the opinion formed and expressed coincide ... The fact that the aforementioned effect of contrast negatively affects professional skepticism, even for experienced auditors, it is shown by research carried out (Francis et al, 2005).

Stressing that the risks affecting a business are interdependent, and causes of decline, even the failure of a business, does not occur in isolation (Novak and Sajter, 2007), the need for simultaneous examination of these conditions the reliability of opinion formed. But the simultaneous examination of audit evidence whose content is appropriate information to identify and assess business risk depends on their availability, continuous discussions within the audit team on the evidence obtained during the mission can be a way of mitigating the effect of contrast.

Of risk management methods, according to Johnstone and Bedard (2003) use the more risky audits the auditors with appropriate training audit to establish rates to contain a risk premium, using different techniques audit and implementation of specific policies for monitoring developments risky customers personalization strategy we will focus on general and audit programs tailored to customers included in the portfolio created a virtual office audit.

How negative opinion of the auditor, based on evidence of continuing operation of its "costs" the auditors concerned both researchers (Carey et al, 2008) and cabinets audit managers, their conclusion is that, demonstrating competence and independence, lost a risky customer, acquiring at the same time, the ability to win (it is true, longer-term) customers interested or certificate of "big names" of the audit services market.

Market share reflects an audit office, according to Mayhew and Wilkins (2003) "efforts of the offices to specialize according to branch of activity of the customer." This allows an alignment of services to needs customer, single customer, obtaining thus further gains from this specialization as possible by serving a wide economiilorde portfolio of customers "with the same basic features," the supreme audit fees, the result of bargaining power market segment.

An interesting challenge is for practitioners giving up and calling patterns in the reasoning are much more professional, also requires the auditor trained to become a financial analyst and expert in human psychology, a diagnostician applying audit procedures appropriate to the circumstances. Next period will demonstrate to what extent financial audit based on risk assessment will enable businesses to reduce the number of "financial autopsy" performed and increased insurance audit report seen by users. Typical audit methodology, the predictability of the procedures are less effective in detecting fraud, given that the client can anticipate areas of interest covered by the audit, hence resulting need to use different methods of risk assessment (Jeffrey and Zimbelman, 2002).

Preparation of fraudulent financial statements can be caused, according to ISA 240 The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements "the efforts of management to manage earnings in order to mislead users, influencing their perceptions of performance and profitability of the entity "(par.10). From identification to commit fraud case its effective, the auditor must obtain evidence of what the literature identifies as a "fraud triangle" (Jeffrey and Zimbelman, 2002):

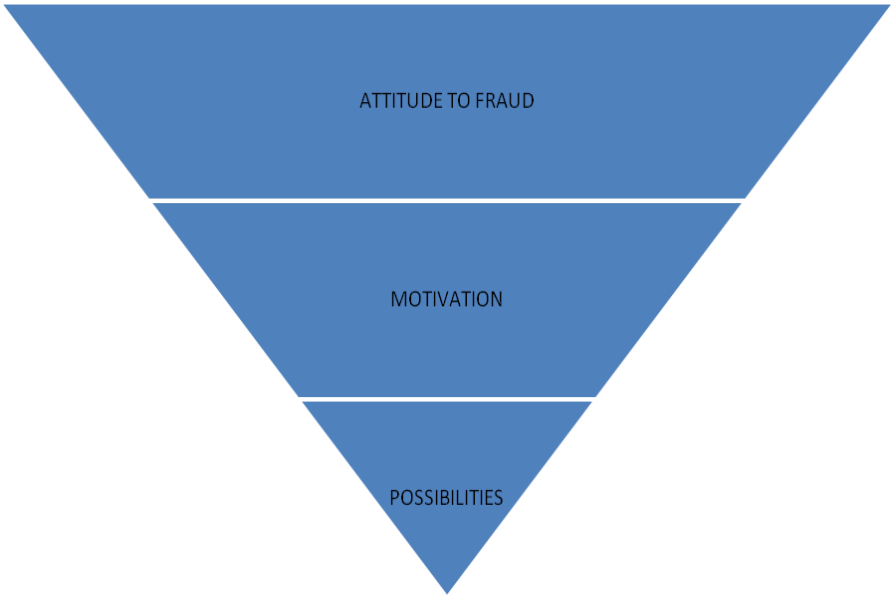


Figure 1. Fraudulent conduct
Source: Jeffrey and Zimbelman, "The effects of the decomposition of Fraud Fraud Risk Assessments Triangle on Auditors's Sensitivity to Incentive and Opportunity cues, 2002.



Figure 2. Risk of Fraud

We ranked as determining elements commit fraud in this case, fraudulent financial reporting for the following reasons: honesty management is the decisive factor in that there may be reasons (eg, pressure, self-interest), there may be opportunities (corporate governance ineffective inadequate internal controls or easily circumvented), ethical behavior prevails. Conversely, the risk of fraud is minimal when, although there are opportunities to commit fraud, reasons, there is definite attitude of anti-fraud management.

If you can obtain sufficient appropriate evidence (as ISA 500 Audit Evidence) the opportunities to commit fraud by applying the control test, evidence of reasons to commit fraud, the study of the minutes of the Board, analyzing the composition and competence of the audit of contracts that stipulate conditions for remuneration of management, evidence management on ethical behavior can be obtained by an auditor with a keen sense of observation and logical reasoning infallible.

The objective of an audit remains the same: reasonable assurance provided on the "true and fair view of the financial statements of all significant respects" (according to ISA 200 Objective and general principles governing an audit of financial statements). The scope of financial audit, that the nature, timing and extension procedures deemed necessary by the auditor to obtain audit evidence necessary and sufficient for expressing views are defined by identifying business risk and impact assessment of audit risk.

Switching from the audit documentation of the transactions carried out in an economic substance of transactions to audit paradigm shift is specific Business Risk Auditing."Sometimes the most important information is probably not found in the entity's accounting records" (Arens Loebbecke, 2000, p.204).

Although details of the implementation of audit risk based on business assessment (called in the paper BRA) differ between large audit practices (Bell Doogar and Solomon, 2008), structuring procedure involves the following steps:

1. Business risk assessment.
2. Audit risk assessment as a function of business risk.
3. Audit planning. Setting overall strategy and audit programs.

Traditional audit methodology requires knowledge of the entity and its environment auditor in assessing risks of material misstatement (as ISA 315), novelty of ARB is forecasting causes that could lead to failure of customer business, which is the reason causes the distortion of financial statements . It is obvious risks of material to facilitate location, even to the account level, and the new conditions, more precise targeting of subsequent tests. Anticipating the behavior of managers under accounting dangers surrounding the client's business require both intuition and reasoning so that the auditor's report issued to set up an early warning of all stakeholders (including management).

Based on the classification of forms of audit, as Joras (1996) can be appreciated as a mix BRA statement audit, operational audit and audit of anticipation because this methodology requires financial statements and accounting audit, evaluation organizational capital and anticipated effects on the behavior of

managers diagnosed weaknesses in terms of communication performance obtained.

Conclusions

For external users, although the auditor expresses an opinion on compliance of the complete set of financial statements with the applicable financial reporting is not a "guarantee the future viability of the entity" (ISA 570 Going Concern), the new methodology may increase the accuracy of opinion cast. In fact, the interests of Shareholders on continuity of income and the costs of monitoring, then, and auditing, and interests of auditors to minimize losses due to financial failure and / or guest operating are converging.

Advantages of the new metolologii for audit offices can be quantified in terms of reducing economic risk (the risk that the auditor will suffer financial consequences even if the mission was carried out according to regulations), the consulting work performed in compliance with standards of ethical conduct requirements, especially on independence (in spirit and appearance). For example, after termination of service audit, auditor experience, gained through the application of audit methodology based on business risk assessment, can be a competitive advantage in the negotiation of that office consulting services that can provide the customer.

While additional investments will be needed for staff training [Tozer, 2003 [43]; Wyatt, 2003 [44]], investment in education are always profitable. In the above, add prestige obtained by audit offices concerned and the interests of their clients, the reputation of being a not insignificant capital on a market as competitive as the financial audit market.

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Factors Affecting Individual Equity Investor's Decision Making in Pakistan

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Abstract.
Investor behavior is central concept in behavioral finance which analyzes the influence of various factors on individual equity investor decision making. The nature and significance of these variables on investor decision making can be different and interesting in various countries. This study therefore examines the influence of economic, and behavioral, factors in shaping the investment behavior of individual equity investors in Pakistan. The factor includes classical wealth maximization, accounting information, self-image/firm-image coincidence, neutral information, advocate recommendation and personal financial needs. The study found strong influence of self-image/firm-image coincidence, neutral information, and advocate recommendation on individual equity investor decision making. Whereas, no influences of factors like classic wealth maximization, accounting information and personal financial needs is found on individual equity investor's decision making in the context of Pakistan.

Key Words: Individual equity investor, behavioral finance, Pakistani equity markets.

JEL Classification: G10, G11, N20

Introduction

Financial market diversification enables institutional and individual investors to invest in a greater range of financial products. It also facilitates investors to decide and choose among various investment options. To decide between different investments options, the decision of investor is based on economics as well as behavioral factors. These behavioral factors are taken into consideration of the field of behavioral finance.

Behavioral finance gained remarkable attention in recent years in explaining investor behavior and its influence on investment decision making. Studies explaining the individual investor's behavior were firstly emerged about 1970's. Behavioral finance investigates the decision making process that deals in buying or selling of financial assets and provides the rational behind decision making process. Its main focus is on psychological principals used by investor to make investment decision. Theory which defines behavioral finance is given by Khneman and Tyevsky (1979); and Kahneman (1982). Khneman and Tyevsky (1979) states that investor may not always appear as rational for investment as supposed. These Behaviorists are of the opinion that investors may behave irrationally while making investment decisions. Behavioral finance is relatively a new concept that has challenged many old held beliefs of traditional finance. Shefrin (1999) defined behavioral finance as "a rapidly developing area that contracts with the influence of psychology on the behavior of financial professionals". Number of studies in behavioral finance has examined the factors that influence investor behavior. Different set of factors have been used in various studies that influence equity selection process of individual investor. For instance Meriks et al. (2004) used five categories namely: accounting information, subjective/personal, neutral information, advocate suggestion, and personal monetary needs to explain the factors that influence individual investor behavior. Nagy and Obenberger (1994) used seven classifications: social relevance, self-image/firm-image coincidence, neutral information, classic wealth maximization, accounting information, advocate recommendation, and personal financial needs. Whereas Al-Tamimi (2005) used five categories including: self and firm-image co-incidence, personal financial needs, neutral information, accounting information, and advocate recommendations to analyzed the individual investor behavior in UAE financial markets.

Major focuses of the previous studies are on institutional investor, and less attention has been give to retail equity investor behavior. Moreover, majority of these studies are in the context of on developed countries with limited focus on developing countries. This study fills this gap by analyzing the factors that influence the decision making process of retails equity investors in Pakistan. This study will help to understand these factors

and will enable the policy makers to understand the individual investor behavior and draw their future policies in the light of the findings of this study.

The following research questions will be addressed in this study:

To what extent classic wealth maximization factors effects individual investor decision making in Pakistan?

To what extent accounting information factors like financial statement condition and stock marketability effects individual investor decision making?

To what extent self image/ firm image factors effects individual investor decision making of retails equity investors in Pakistan?

- To what extent neutral information factors effects individual investor decision making.
- To what extent advocate recommendation factors like opinions of the firm's majority stockholder and Broker's recommendation effects individual investor decision making?
- To what extent personal financial needs factors like diversification needs and attractiveness of non-stock investment effects individual investor decision making in Pakistan?

Rest of the paper is organized as follows; section 2 contains review of literature, conceptual model and research hypothesis. Section 3 elaborates the research methodology including sample and sampling, measurement and instrumentation and procedure. Section 4 provides results and discussions in the light of previous researches. Finally, conclusion is provided along-with .some policy implications.

Literature Review

Numerous studies have focused on the importance of behavioral factors on the individual equity investor decision making process. To quote few, Cohn et al. (1975) provide tentative evidence on investors' risk assumption attitudes and hold that "as investor wealth increases his risk aversion tend to decrease". Lewellen et al. (1977) found capital gain, overall return and dividend yield preferences of investor differs with age, education, sex and income levels. Blume and Friend (1978) gave good inferences about equity investor preferences. De Bondt et al. (1985) worked on behavioral finance and provided evidence in support of previous studies regarding cognitive bias resulting in stocks mis-pricing at NYSE. Barnwell (1987) provides that lifestyle characteristics: occupation, risk-aversion and control orientation are helpful in predicting individual investor behavior. Statman and Caldwell (1987) also connected behavioral factors to capital budgeting. Warren et al. (1990) also examined the investment choices of individual investors' based upon demographic characteristics and lifestyle attributes. Shleifer (1999) viewed market efficiency in the context of investor's behavioral factors. Riley and Chow (1992) hold that as income, age, education and wealth increases risk aversion tend to decreases. LeBaron et al. (1992) finds that risk aversion of individual investor is based on intuitive instead of rational reflections.

Nagy and Obenberger (1994) also analyzed factors affecting behavior of individual investor and provided that investor prefer wealth maximization. They also hold that attributes such as firm's ethical behavior, international and local business, track record relating to environment are given cursory attention by individual equity investors. Moreover, recommendations of family members, friends, coworkers, brokerage houses and stockbrokers are also not given much attention by investors. Epstein (1994) provided that individual investors consider social information given in the annual general report or CSR report regarding corporation product quality and safety information, and activities relate to environment in their investment decision making. Krishnan and Booker (2002) provided that investor's decision to make a decision to sell or retain stock using analyst's recommendations. Merikas et al. (2003) also checked the factors affecting behavior of investor on Athens equity market and concluded that individuals make their decisions of stock purchase using economic variables combined with other different variables. The results of Merikas et al. (2003) indicated that the factors are correlated to each other as provided in previous empirical studies on behavioral finance. Malmendier and Shanthikumar (2003) instituted that major investors of stock market create extraordinary volumes of trades using positive recommendations of associated analyst. Small investors apply irregular buying forces after all helpful recommendations, and also utilize affiliated analysts recommendations. Hodge (2003) examined investor's insight of auditor independence, the benefits of audited financial statements, and earnings quality. He provided that lower observation of earnings is related with larger dependence on audited financial reports of the firm and analysis of reports when deciding about investment. Kadiyala and Rau (2004) analyzed traders' response to organization event declarations and provided that investors undervalue previous information and information provided. Al Tamimi (2005) conducted study on UAE stock market and provide that the wealth maximization and accounting information are the most preferable factors for the UAE equity trader's behavior. UAE investor behavior is least affected by neutral information, religious reasons and family members opinion.

Nagy and Obenberger (1994) explained that classic wealth maximization factors received normal ratings from investors, in spite of their supremacy of the economic basics of most theories of individual investor behavior in their study. Al Tamimi (2005) provides accounting information cause an influence on the UAE investors' behavior. So what is relative importance of these factors on individual investor behavior? Nagy and Obenberger (1994) provided that most of the investors in the model give importance to factors related to accounting information. Al Tamimi (2005) also used factors linked to self-image/firm-image co-incidence to check influence on the UAE investor behavior. If it is, what relative importance these factors have? Nagy and Obenberger (1994) explained that most of the investors select stocks on the basis of qualitative criteria. This presents an alarming challenge to an investment society familiarized to quantitative analysis and announcement of the comparative prices of the securities. Al Tamimi (2005) used neutral information to check its influence on the UAE investor behavior. Al Tamimi (2005) provides advocate recommendations as a factor that influences the UAE investor behavior. Nagy and Obenberger (1994) concluded in their study that most of the investors rely on expertise of the professionals, but many investors are also cautious of this kind of information sources. Al Tamimi (2005) utilized personal financial factor to check its effect on the UAE investor behavior. Nagy and Obenberger (1994) provide that sophisticated individual investors take capital for investment and expenditures related to consumption as independent things. Merikas et al. (2003) also examined the influence of accounting information, subjective/personal, neutral information, advocate recommendation, and personal financial needs on investor behavior in the context of Greek investors. More recently Chandra and Kumar (2011) also hold that factors like advocate recommendation, accounting information and neutral information influence individual investor behavior.

Hypothesis Development

Based on research gap and research questions the following research hypotheses are constructed for this study:

H1: Individual equity investor decision making in Pakistan is influenced by classical wealth maximization theorem.

H2: Individual equity investor decision making in Pakistan is influenced by accounting information.

H3: Individual equity investor decision making in Pakistan is influenced by self-image/firm-image coincidence.

H4: Individual equity investor decision making in Pakistan is influenced by neutral information.

H5: Individual equity investor decision making in Pakistan is influenced by advocate recommendation.

H6: Individual equity investor decision making is influenced by personal financial needs in Pakistani equity markets.

Research Methodology

The research model is presented at Figure 1.

Sample and Sampling. Target population in the study is the individual investor participating in three different stock exchanges of Pakistan. There are three stock markets in Pakistan namely; Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE). KSE is the largest stock exchange of Pakistan, which was awarded best stock exchange of the world in 2004. In order to collect data 400 questionnaires were distributed to individual investors in all these three stock exchanges, 254 questionnaires were received and 239 questionnaires were usable leaving a response rate of around 60%. The lists of individual equity investors were obtained from stock brokers and survey questionnaires were mailed to the respondents. Personally administered survey was also conducted to enhance the response rate. Investors from diverse backgrounds were incorporated in order to generalize the findings of the study.

Measurement and Instruments. A modified questionnaire is used to examine the influence of different economic, behavioral and demographic factors on individual investor equity selection process in Pakistan equity markets. Six factors included in the questionnaire are: classical wealth maximization, accounting information, self-image/firm-image coincidence, neutral information, advocates recommendation and personal financial needs. The independent variables used in this study are classic wealth maximization which consists of four items, accounting information consists of four items, self image/ firm image consists of eight items, neutral information consists of seven items, advocate recommendation consist of four items and personal finance needs consists of four items. All these items are measured on a 5-point Likert scale (1= least influential to 5= most influential). These items were taken from previous studies of (Nagy and Obenberger 1994, Merikas et al. 2003 and Al Tamimi 2005) Dependent variable used in this study is individual decision making which consists of five

items measured on a 5-point Likert type scale (1= strongly disagree to 5 = strongly agree). The instrument to measure individual equity investor decision making is adopted from Muhammad and Ismail (2009).

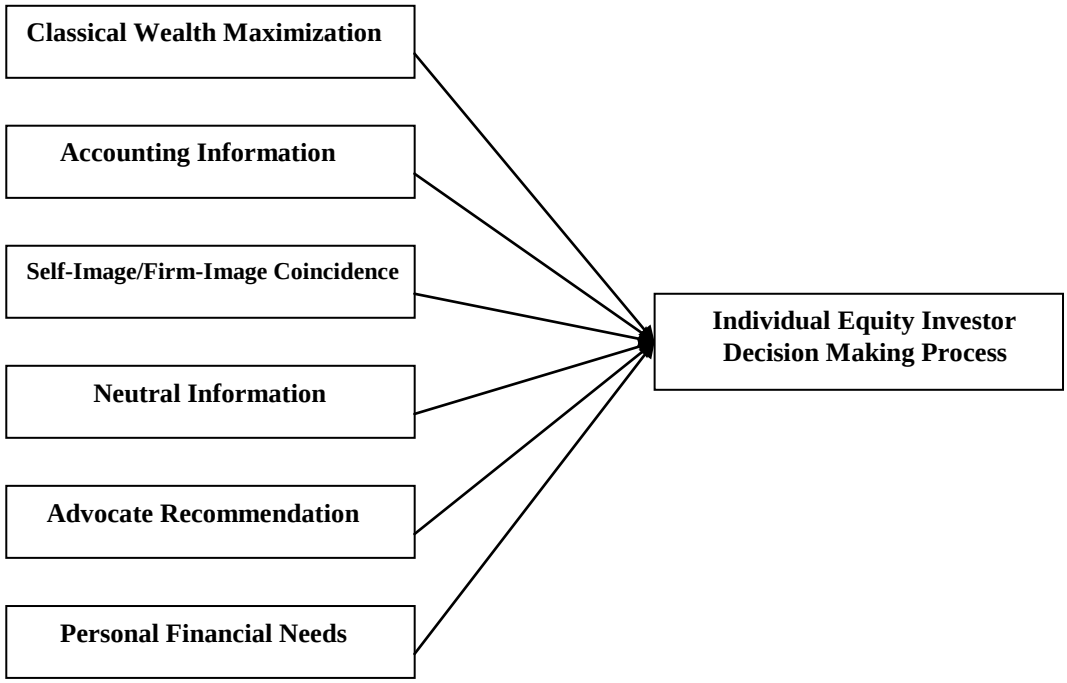


Figure 1. Individual Equity Investor Decision Making Model

Procedure.

This is an exploratory study based on primary data. The data has been collected from individual equity investors. The data was collected through structured survey questionnaire which were mailed and personally administered. The collected data was entered into SPSS sheet for onward analysis. The reliability analysis was conducted through SPSS. Structural equation modeling (SEM) technique is adopted to test the hypotheses. AMOS latest version is used for path analysis and structural equation modeling approach. SEM is very popular technique owing to its data sensitivity and objectivity. SEM allows development of conceptual model, development of hypotheses and testing of hypotheses to scientifically prove the study.

Results and Discussions

This section contains the interpretation of data analysis and discussions of these results in the light of previous literature. The analysis used in this study includes, reliability analysis to check the health of data for analysis and, regression analysis to test hypotheses. The regression analysis is conducted through structural equation modeling technique. SEM technique incorporates results of model fit, path analysis and the model.

The result of reliability analysis shows the value of Cronbach's alpha .716, which is quite satisfactory. The data is considered reliable is the value of Cronbach's alpha is equal or greater than .70. The data for reliability analysis consisted on total of 36 items of both independent variables and the dependent variable.

Table 2. Regression Analysis

Hypotheses	DV	Direction	IV	Estimate	S.E.	C.R.	P	Decision
H1	IDM	<---	CWM	.130	.111	1.178	.239	Reject
H2	IDM	<---	AI	.107	.101	1.061	.289	Reject
H3	IDM	<---	SI	.392	.179	2.190	.029	Accept
H4	IDM	<---	NI	.403	.185	2.179	.021	Accept
H5	IDM	<---	AR	.299	.128	2.345	.019	Accept
H6	IDM	<---	PF	-.025	.105	-.233	.815	Reject

The results of model fit analysis also produced satisfactory results. Although values of model fit do not meet all required standards, but model can be accepted overall. The results obtained from the model fit in this research depicts the probability level as .231, which confirms the model fit as adequate, as the value of P should be > 0.1. The Table II provides the regression weights and acceptance or rejection of the developed hypotheses. In order to accept any hypothesis the value of P should be < .05. Our *H1* states that individual investor's decision making in influenced by class wealth maximization factor, but analysis do not statistically approve this hypothesis. The value of P is 0239, which is far greater than .05 we, therefore reject our *H1*. Nagy and Obenberger (1994) also found the mediocre influence of classic wealth maximization on investor behavior. Accounting information also do not influence on investor behavior as value of P is .289, therefore, we reject our *H2* as well. This finding also depict that investor do not behave rationally in the equity markets of Pakistan. Rational investors tend to incorporate accounting information such as financial statements, higher dividends, expected corporate earnings in their investment decision making. The study found significant influence of self image/firm image coincidence on investor decision making as value of P is .029, we therefore accept our *H3*. Neutral information like current economic conditions, financial press reports, price trends of securities and corporations' and commitment towards social responsibility is also having significantly positive influence on investor's decision making. Nagy and Obenberger (1994) also found neutral information having strong influence on investor behavior in their study. The value of P is .021, leaving our *H4* as accepted. Interestingly advocate's recommendations including recommendations from family members, friends and co-workers and stock brokers is also having strongest and significant influence on individual investor's decision making. The value of P in this case is .019, resulting acceptance of our H5 as well. Al Tamimi (2005) provides advocate recommendations as a factor that influences the UAE investor behavior. Chandra and Kumar (2011) also hold that investor behavior is influences by advocate's recommendation. Finally, personal financial need is having no influence on individual equity investor's decision making with value of P .815; we reject our H6, therefore. Merikas et al. (2003) also hold that individual investor considers themselves quite independent of personal financial needs variable. The results are quite logical and are in line with many of previous studies on investor behavior.

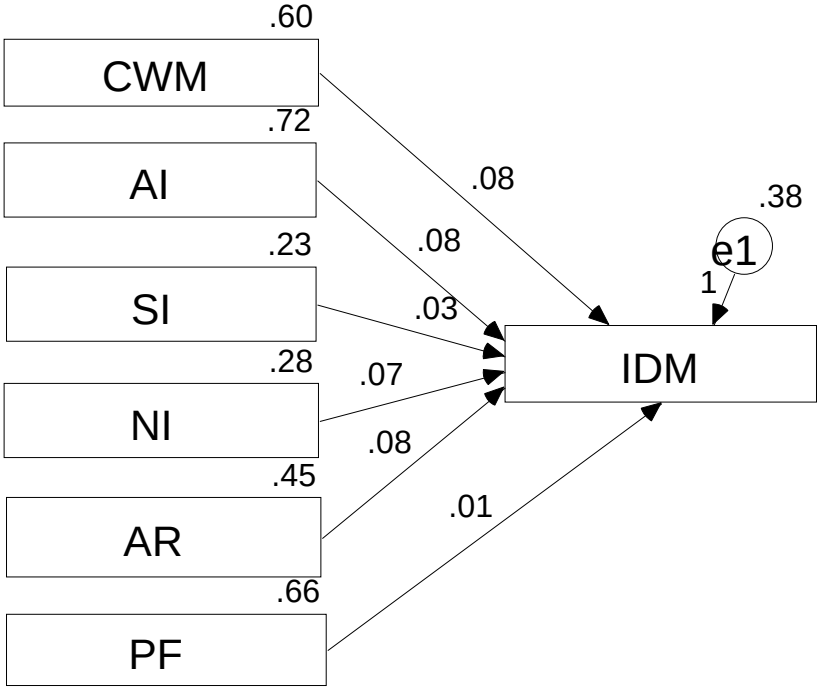


Figure 2. Structural Equation Model

Figure 2 shows the structural model of this study, the model shows the nature of relationship between the independent variables i.e. the factors affecting individual equity investor's decision making, the dependent variable of this study.

Conclusion

The main objective of this research is to examine the influence of prescribes factors on individual investor's decision making process. The factor includes classical wealth maximization, accounting information, self-image/firm-image coincidence, neutral information, advocate recommendation and personal financial needs. There is very less amount of literature available on investor behavior in the context of Pakistan. Therefore, this study provides a guideline for future researchers in this field. It also provides some policy implications for corporations, and investment professionals and the investors of course. The study found significantly positive influence of self-image/firm-image coincidence, neutral information, and advocate recommendation on individual investor's decision making process. Whereas, no influence is found for classical wealth maximization, accounting information, and personal financial needs. This depicts that individual equity investors' in Pakistan are not rationale as they base on their decision making on the recommendations of family, friends, co-workers and stock brokers rather on accounting information. This finding is having certain implication, for stock exchange authorities, who should actively work for investors' education regarding investment. The higher the investor's inclination towards recommendations of others, the higher will be chances of market manipulation and speculation. Similarly, the higher the speculation in the market the less the chances that ordinary person invest in such stock market. In order to make stock exchange a true representative of the economy that bridges the gap between saver and the borrower. The speculative image of stock exchange prohibits ordinary citizens of the country to invest their savings in such stock market.

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Globalization and the Importance of Dialogue in Ferdoosi`s Shahnameh

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Abstract.
As we march through this new millennium - the age of globalization and human communication - "dialogue" has been considered as one of the main needs of human beings to lead a peaceful life. Poets, philosophers and the artists are among those who play a vital role in the world society. A prominent figure in Iran culture and civilization with his universal ideas, Hakim Abolghasem Ferdoosi has had a very crucial role in dialogue realm. Although Shahname depicts the fight of the good and the evil, it focuses on the recognition and mutual understanding because it is an extract of the events of a country with an ancient civilization. The purpose of this study is to show the characters following peace and dialogue and the factors developing and hindering dialogue in Shahnameh. It also aims introducing a plan based on Ferdoosi`s ideas.
Key words: globalization; Ferdoosi`s Shahnameh; dialogue.

Introduction

The concept of "communication and world village" does not imply that all the countries and political regimes should live under a unified administration but it means the closeness and balance of ideas of human beings with the common needs.

In contemporary world, given the globalization and human communication, the concept "dialogue" is one of the needs and main necessities of human communication because having dialogue, human beings can lead a secure violence-free life. Poets, authors, philosophers and artists are among those who can play a vital role in world community as heroes of dialogue. In Iranian culture and civilization, Hakim Abolghasem Ferdoosi is one of those who played a very important role in dialogue among people, nations and cultures with his universal thought.

Hakim Abolghasem Ferdoosi, the l0th century poet, lived in an era when Iranians needed "epic stability". Pressure and cruelty were on the Iranian intellectuals and those who criticized against the lords of money and power were executed in the name of being against the religion (Rashed Mohassel, 1997). Witnessing fruitless wars and cruelties, Iranian nation were in hunger of freedom and prosperity and were nostalgic of their retrospect glorious days.

Adoring Iran and Iranian thoughts, Ferdoosi then versified Shahnameh (the letter of kings). Based on Iranians myths and epics, he inscribed a book that depicts not only chivalry of Iranians but also a comprehensive picture of moral, civil and cultural features of Iranian nation.

As Eslami Nodooshan (2005) put, "Shahnameh enjoys some features that no book in the world has and if I were not criticized, I would say that no book in the world has only one or few features no more but those all dimensional comprehensiveness is unique to this book. Unfortunately , due to the fact that Farsi is not an influential world language, I mean economy and politics do not support it, our great books could not make their our names household in the world as Noldeke , German Iranologist, said: "Shahnameh is a national epic that no nation has something like. The narrator is someone who knows the world literature".

Although "Ferdoosi`s verse is an encyclopedia that depicts various dimensions of Iranian ancienttribes` lives" (Bertels, 1991: p.130), if looked deeply, this book includes all the angles of human thought. Therefore, this book does not belong to only one nation or tribe but it is a universal book in which all the nations can find their common dreams.

It can be concluded that Shahnameh is a world book and humanistic "[it] never ignores the great common values of human beings nor sacrifices it for a biased tendency to a tribe, race, religion and even gender and does not discriminate between "the same camp" and "different camp" and "man" and "women" but only considers the human basic qualities, good thought, speech and action as the criterion and acclaim them" (Doostkhah, 2005).

One of the important human issues in contemporary world is the discussion of "war" and "dialogue". Although Shahnameh is based on "the fight of the unmatched" and the opposition of the good and evil forces, one of Ferdoosi`s conclusions of this opposition is the wise recognition and finding mutual understanding and

interaction instead of war and fight because this book is an abstract of the country experiences and events with thousands of years of life.

In Ferdoosi`s Shahnameh, "dialogue literally means argument, struggle, conversation, talk, speech and greeting" (Dehkhoda, 1994) but semantically speaking dialogue in Shahnameh is not a simple dialogue but a wise endeavor that interlocutors with their unique perspective based on moral and human reasoning try to know each other and come to a common thought. Since the purpose of dialogue is to reknow the people, nations and cultures, every person or nation presents his own thought and experiences to come to a universal wisdom so that they can meet their common needs.

As Khaleghi Motlagh (2009) states "In Shahnameh, the dialogue is based on unique philosophy and perspective usually not so long because mythological issues are enormously linked with philosophical and moral ones and the style is not a sheer narrative but in most cases are in dialectic dialogues and reasoning conversations" . The purpose of those dialogues is to show the conditions and contingencies of Ferdoosi`s time. Ferdoosi would like to show the opposition of ideas by means of concepts of legends heroes. He put the history of human being as a mirror before their eyes via dialogues so that they can find their fate and destiny there and add to their wisdom and maturity.

Given the dominant thought on Shahnameh, the progressive and handicapping factors in dialogue will be discussed as follows:

1. Wisdom.

Wisdom has been used more than any other word in Shahnameh. Besides, it plays the most important role in understanding the ideas used in Shahnameh. "Wisdom" is a very wide concept. It is all the learning of human with accurate finding. Gathered in a person, they create wisdom, i.e. the way to continue a society.

Wisdom is the combination of ideas and practical experiences that are used as an instruction and guideline (Eslami Nodooshan, 2005). So it can be said that Ferdoosi`s Shahnamh is a book of wisdom. At the beginning of Shahnameh, he acclaims wisdom saying:

Wisdom is better that whatever God has granted
So wisdom should be acclaimed fairly.
Wisdom is the crown of the kings
Wisdom is the decoration for the famous.

Shahnameh is the field for the fight of Satan and Good ideas. Shahnameh shows that war does not settle the disputes but adds fuels to the flames.

"Greed" is the opposite of wisdom and is a handicapping factor in dialogue. It is the name of a demon; i. e. demon of ambition and greed. In Shahnameh, war, violence, ambition, arrogance, jealousy and lie are rooted in greed. Rostam, Siavash, Iraj, Keikhosro, Bozorgmehr are good samples of wisdom and Salm and Toor, Afrasiab, Zahhak and Goshtasb are samples of greed.

Fereydoon`s story and his three sons can clarify the issue better. After Zahhak, Fereydoon divided the world into his three sons based on their qualification. Rome, china and Tooran were given to Salm and Toor and Iran was given to the youngest son, Iraj. But Salm and Toor were not satisfied with this division, thus, they made a plan to invite Iraj to kill. Fereydoon informed his son of their mischievous plan but Iraj with his spiritual character wisely negotiated with them and talked to them about the lessons of history and reminds:

I don’t want Iran, nor East nor China neither kingdom nor the territory of the earth
The high position that has miserable ending deserves crying
If you promote to even the heaven
Finally, you will be graved by the earth
I do not have a bone to pick with you
I do not bother myself for the sake of it (Ferdoosi, 2009)

But greed and ambition that are the cause of all of the wars and massacres in the history do not let Salm and Toor understand Iraj`s peace massage so they killed their brother. "Iraj is the first martyr of peace in Iranian epic. Thus, taking revenge of people like Salm and Toor who reply peace with blood is one of the themes of Shahnameh as a structural element of Iranian national epic" (Salasi, 2008).

Iraj`s death created two fronts of satan and divine as Tooran and Iran in Shahnameh and includes most epic parts of Shahnameh. Here were killed a lot of people. Finally, Manoochehr, descendent of Iraj, took revenge and killed Salm and Toor.

2. Self knowing.

Ferdoosi believes that in order to know himself, one should refer to the deepest source of knowing, i.e. the legends so that he can find out the deepest thoughts of human being. Shahnameh helps us understand that we are all descendents from Kiumars - he was the first king in Shahnameh - the borders between the countries have

been created politically as the world was divided by Fereydoon. All countries are united and all humans equal. It is the reason why Vaheddoost (2002) states, the vigorous and most permanent belief is that in the unity of the world and human. In myth worldview, they are not separated from one another. They are equal in "existence" and only in "appearance" are they far and separated.

3. Avoiding racism and prejudice.

Although Shahnameh acclaims Iran and Iranians, it does not necessarily mean that Iranians are all always good and non Iranians bad. Whatever is good and considered humane is acclaimed so if Iranians do not observe it, they will be blamed. Therefore, good and evil borders in Shahnameh are of moral ones not racist. As it can be seen in Shahnameh, Viseh, the leader of Tooranian and Aghrires, Afrasiab`s brother and the blatant enemy of Iranians are considered good while Gashtasb, Iran`s king, and Salm and Toor, Fereydoon`s sons are among the evil characters of Shahnameh.

Therefore, Shahnameh respects all the human beings and believes that race and tribe are not and dialogue.

4. Religious tolerance, religion unity.

Although a muslin, Ferdoosi respects all religions. He praises Allah who has created life and wisdom. He praises God who is beyond our thought, wisdom and imagination. He even acclaimed some other religions in his poems. For instances, he acclaims Zartosht, Iranian prophet and considers him monotheist and just while saying:

He accepted the clean religion
And cruelty and ignorance were concealed
(Ferdoosi, 1975)

Elsewhere he talks about the disciples` patience:

If you are angry with others,
You are not acting based an Christ`s thought and belief (Ferdoosi, 1975).

His pluralisms appeared when he lived in the era when Soltan Mahmood Gaznavi was fanatic in his religion and killed the enemies of his religion! Ferdoosi was so tolerant in accepting different religions that his corpus was not received permission to be engraved in Muslims` cemeteries.

4. Justice.

According to Shahnameh, a fair government is one that enjoys a wise discipline, is not cruel with the people and supports the people (Ferdoosi, 2000).

Zahhak`s administration is a sample of not fair one in Shahnameh. He governed unfairly and was cruel with the weak people. No one dared to criticize. In Ferdoosi`s words:

The good people`s actions have been hidden
The stupid`s intentions have been widespread.
Art turned to be useless and witchcraft got valuable
Honesty disappeared and harm got appeared
Government took power with cruelty
Goodness is talked just privately

It is time when dialogue is closed and war is gaining power. Kaveh rose up against Zahhak and made him fall from throne. On the other hand, in Anooshirvn`s administration that is well known for its justice was dialogue open. He consulted with governors every day. In Ferdoosi`s word:

No one expected even water and bread of others
And people could sleep every place at any time
No one knew theft and plundering
No one violated others` privacies

Even when money was on the way of people, they did not steal it.

Calmly people of different classes slept
and wolf and sheep drank from the same spring. (All were in peace and quiet).
The heroes were not damaged by daggers anymore
Nothing was heard except the voice of happiness (Ferdoosi, 2000).

The peace and quiet observed in Anooshirvan`s administration is because of justice and the wisdom of dialogue.

Conclusion

The information and communication age has made people of different nations close to each other. If different races and nations were not considered as the main policy of administrations, undoubtedly, the security and peace would be missing in the society. The terrorist evil actions throughout the world may show that these groups saw themselves in an unjust position. If the world did not take lessons of the history, it would expect to witness more oppositions and wars.

It is hoped that once no one at any place of the world be a victim of war and the people of different nations in the globalized world enjoy peace and quiet.

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Complex and open innovation process: representation and analysis of its key networking actors

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Abstract.
Open innovation could be perceived as too complex to be systematically managed, according to some industrial experts and academics. Literature on open innovation is dominated by abstract explanations. The objective of this research is to facilitate strategy managers with visualisation and qualitative analysis of complex innovation processes to constantly introduce the required variety of new products. It contributes to the emerging research on mapping representations of open innovation. For that, an analysis framework is created, mapping holistic as-is and should-be views of internal and external networks of key actors who conduct the essential activities towards effectively and sustainably achieve innovation success. Comparison of the as-is and should-be maps highlights areas for potential improvement. Because these key actors form a complex system per-se, these maps are useful to analyse their activities, before detailing managing-decisions about the other actors involved in operational-level innovation processes for specific products. The framework is formed by five elements: New Product Development Phases, Key Actors, Knowledge-Intensive Service Activities, Network Locations and Technology Transfer, identified through interdisciplinary research on Engineering, Business Management, Social Science and Economic Geography. UK-based premium automotive companies (mainly an OEM) have used this approach for better understanding of their open innovation, reporting £7m value-add.

Key words: Open Innovation, Knowledge Intensive Service Activities, New Product Development Process

Introduction

The objective of this research is to enable strategy managers the visualisation and analysis of complex innovation processes to constantly introduce the required variety of new product families. Industrial experts and academics consider some open innovation processes as too complex to be comprehensively delineated and systematically managed. One of the major problems faced by strategy managers is that alignment between the usual but ambitious strategy of innovative companies (constantly offering never seen technology) and their operational-level processes, though vital to success, is often unachievable. For that, the Analysis and Management for Innovation (AMI) framework was created to help strategy managers to conceive the holistic as-is and the should-be views of the key actors that act and interact across functions and across organisations to conduct the activities that are essential to complete the overall open innovation processes of their companies. Because these key actors form a complex system per-se, this AMI framework is useful to map their main activities for innovation, before detailing decisions on the other actors involved in specific operational-level product -family innovation processes.

Literature Review

This study aims to contribute with qualitative research to the limited but growing area of mapping representations of open innovation.

1. Interdisciplinary approach for innovation.

Innovation can be understood as the introduction of a new product, process or service for the first time into a specific market (Dicken et al., 2001). The presented project merges theories and findings from social science, especially economic geography, into traditionally used concepts from engineering and business management. The combination of these disciplines that offer extensive research on innovation can broaden the accuracy of innovation management. According to some experts innovation still remains poorly understood, although numerous studies from diverse disciplines have provided valuable insights to innovation. There is a need for more interdisciplinary research (Beckeikn et al., 2006).

2. Abstract concept of open innovation should move to a useful level for firms.

The present paper presents research involving concepts such as networks, NPD, actors and KISA, as further explained, in order to facilitate managers to well-define and systematise open innovation practices. There have been many models proposed to analyse innovation such as “product innovation and process innovation; radical innovation and incremental innovation; ...and more recently closed innovation and open innovation” (Lee

et al., 2010). Indeed, according to many experts, it is the open innovation model which can better define current innovation processes, as new products become more complex, formed by an increasing number of components and targeting a large diversity of markets (Lee et al., 2010; Liu and Chaminade, 2010; Badaway 2010). Because a firm has finite resources, open innovation that a firm conducts through interactions across departments and across organisations, has become crucial to complement, add further value, speed up or enhance its competitive advantages (Gronlund et al., 2010; Lee et al., 2010). There is need for new perspectives explaining how organisations can transform their current models to benefit from open-innovation. Thus, Gronlund et al. (2010) suggest that it is necessary to advance the abstract theory of open innovation to a more concrete and well-defined application level (Badaway 2010). "...there has been a seamless transition between... strategy and the activities undertaken to achieve this strategy..." (Hines et al., 2006).

3. Emerging mapping representations for open innovation.

The present study aims to contribute to the emerging area of mapping representations of open innovation, adopting qualitative research to provide a more in-depth understanding of it. The use of qualitative research tools such as interviews enables not only to identify the main patterns of innovation networks, but also to comprehend reasons for their formation and possible improvement. The presented study is based on interviews of key actors daily involved in the analysed open innovation processes. This level of information is necessary for strategy managers. Most recently, studies have been using structured and sophisticated techniques, such as social network analysis (SNA) software, to effectively uncover and map important patterns of innovation, including nodes, ties and technology transfers (Kastelle and Steen, 2010). The generated representations have been reported to be useful for policy decision making (Kastelle and Steen, 2010). Nevertheless, these latest papers have been mostly based on quantitative research (Kastelle and Steen, 2010), which may not "...penetrate the hidden depths of the social relationship that give rise to these..." patterns (Thompson, 2003). There is a need for more qualitative research such as the one presented here.

Case Study

Methodology.

Qualitative research was conducted to explore in-depth experiences, meanings and perceptions about the innovation process of the OEM (Yin, 2003). It involved a literature review, interviews and meetings; using theoretical sampling. The results are presented as a case study. First, the project tried to identify the customers' requirements. In the presented case, the OEM wanted to satisfy its final customers, delivering "...never seen technology... beyond clients' aspirations..." (author's interviews). For that, the OEM had state-of-the-art product development processes which specify what and when new technology at component level should be implemented to develop the final product in the shortest time possible. Thus, the chief programme engineer (CPE) required that the newly acquired or developed technology would be at Implementation Ready (IR) stage when needed along the Product Development phase. All uncertainties related to R&D were expected to be resolved prior to this phase. As the AMI framework for the OEM was developed up to the Product Development phase, by request of the OEM, it was first identified that the main customer who needed to be satisfied was the chief programme engineer (CPE).

With this information, the project progressed to find out how the OEM attempted to achieve its customers' requirements through its innovation process. The director of the Product Development Operations (PDO)' department, as one of the strategy managers of the innovation process, agreed to be the champion of this project. He introduced the research to the rest of the participants. During the period between September 2005 and June 2006, 27 one-hour recorded and open interviews were carried out with individuals identified, through these same interviews, as some of the most knowledgeable and experienced participants in the innovation process of the OEM. They were also recognised as the ones, who performed the basic KISA of the nine key actors defined in generic AMI framework. Theoretical sampling was used to explore, validate and verify data from interviewees, comparing it until saturation was reached and additional sampling of interviewees no longer provided new information (Strauss and Corbin, 1990). Interviewees were not cased in a standardised one-way mode of communication, such as a multiple-option questionnaire (Yin, 2003; Sayer, 1992). Open interviews allowed the responder to express different circumstances, disclosing specific, substantial and causal agents (Sayer, 1992).

Based on the generic AMI framework, the five elements that shape the 'as-is' (Fig. 1a) and 'should-be' maps (Fig. 1b) of an specific AMI framework for the OEM were created, using cumulative data from these experienced interviewees and the literature review. These five elements are:

1. When. NPD phases, along columns.
2. Who. Key actors along rows.
3. Where. Locations of key actors, defined also along columns.
4. What. Essential activities, depicted by circles.

5. How. Technology transfer, delineated by linking lines.

The insights of theories and past research that were combined to create each of these five elements are explained in detail in the 'Description of the generic AMI framework' section. For the OEM, the 'as-is' map (Fig. 1a) was formed mainly using data from the interviews, meanwhile the 'should-be' map (Fig. 1b) was built strongly based on information from interviews, theories and past research.

The first three elements of the AMI framework for the OEM are the same for both the 'as-is' and 'should-be' maps (Figs. 2a and 2b), to allow further comparison. Hence, data analysis identified 19 key actors located internally and externally to the OEM that conducted essential activities for innovation, based on the nine mentioned key actors for the basic KISA of the generic AMI framework. The AMI framework for the OEM only pictures nine NPD phases up to the 'Product Development' phase, which are derivatives of the first four out of seven elementary NPD phases identified in generic AMI framework. The locations of the key actors in the innovation process of the OEM were specified also in column one.

The generated AMI framework helped to identify the holistic as-is and the should-be views of the key actors that act and interact across functions and across organisations to conduct the activities (Knowledge Intensive Service Activities –KISA) that were essential to effectively, systematically and sustainably complete each phase of any product -family innovation processes for the OEM. The comparison of the 'as-is' (Fig. 1a) and 'should-be' (Fig.2b) maps highlighted potential improvements in internal and external networks for innovation formed by key actors.

The results of the AMI framework were evaluated and approved by the champion who arranged other two meetings, in which the simple two-sheet AMI framework's maps (Figs. 2a and 2b) supported the dialogue among three strategy managers, PDO director, R&D director and product strategy manager.

Results.

Conception of new ideas.

Should-be (Fig. 1b): The presented AMI framework helped the analysed firms to visualise specific R&D sources required to develop each technology that needs to be implemented in their products. With similarities to other research (Green and Martinez-Solano 2011), it was found that the 'Conception of new ideas' should come from internal and external R&D units, including suppliers, competitors, customers and universities (see from row 2 to row 7 = R2-7). In the particular case of the OEM, it should mainly come from the interaction between the OEM and its major suppliers and, to a lesser extent, from the customer. Automobile parts suppliers belong to a vast diversity of technology sectors. Nevertheless, economic geography literature has observed that in a MNC, R&D is significantly internalised and centralised in parent companies and in a few internal sites but also in the largest supplying MNCs in each technology sector (OECD, 2006; Dicken, 1998).

As-is (Fig. 1a): Although most interviewees (mainly key decision-makers) agreed that it is imperative to visualise and understand the sources of new ideas for the automobile, the applied state-of-the-art management processes used by the analysed firms ignored, or partially consider this phase (R2-7). As a consequence, the technology that could have been ready on time is not because the main internal and external R&D sources were not formally identified and acknowledged. The following subsection explains how knowledge networks are formed to absorb most of the information on new technologies in the market.

Capturing information on new technologies.

Should-be (Fig. 1b): The aim is that the rich generation of ideas about new technologies in the market is captured by those in charge of identifying, developing and deploying technology in the vehicle. Interviewees identified that the responsible groups for that were the following functional departments: R&D (see row 2 = R2), development engineering (R6), and manufacturing (R7), which are classified in this project as 'internal technology experts'.

As-is (Fig. 1a): Instead, the AMI highlights that a reduced number of actors, the 'strategy team' (R14-17), in charge of developing the 'vehicle strategy' of the OEM were all looking for and capturing information on new technologies, from similar sources, independently of each other and so duplicating their efforts and redundantly using their limited resources. Moreover, they were all heavily reliant on databases (see links from R14-17 to R4) when making decisions about what technologies should be selected for each product, mainly because it would be extremely difficult for each single individual to obtain direct information from the thousands of 'internal technology experts' (R&D (R2), development engineering (R6) and manufacturing engineers (R7)) within the company.

Also, the AMI framework has shown that unfortunately these 'internal technology experts' - who have to work daily identifying, developing and deploying new technology into the vehicle - are not encouraged enough by the company to develop a more complete vision of the road mapping technology in their own areas. Interviewees said that they are sometimes narrowly focused on only three or four suppliers (R2) to access information about new technologies. It was observed that some 'internal technology experts' managed to successfully develop internal and external knowledge networks (e.g. Communities of Practice) (Wenger, 1998), to introduce new technologies.

Documenting new technology development and transfer information to the product strategy team.

Should-be (Fig. 1b): Interviewees advised that the 'internal technology experts' who work in a common technology area should periodically discuss, agree and document (e.g. by using technology roadmaps - TRMs) how they all perceive the long-term technology development in their areas (see links between R3, R6 and R7) with contribution from their suppliers (R2). They should also have a formal, periodical and systematic way (e.g. TRMs) of transferring their captured knowledge about new technologies to the 'strategy team' (Line R6-R17) (Cooper, 2001). The 'strategy team' should only coordinate and support these 'internal technology experts' in documenting their knowledge about new technologies (R17). Interviewees mentioned several benefits for the 'strategy team', including:

- focusing their limited resources on developing the vehicle strategy (Ohno, 1988)
- documentation of valuable knowledge on new technologies from 'internal technology experts' (e.g. detailed TRMs)
- having enough time to consider recommendations from 'internal technology experts'
- closing the gap between 'internal technology experts' and the 'strategy team' (Hines et al., 2006)
- Gaining marketing feedback about the desirability of new technologies early during the process (Ohno, 1988)

As-is (Fig. 1a): 'Internal technology experts' work quite independently of each other when developing technologies and do not communicate with each other enough. Also, they do not communicate systematically with the strategy team (see link from R3 to R15), and so, their knowledge on new technologies is often lost. R&D experts communicated informally with the strategy team, which tried to forecast technology development in each sector (R14-17).

Long-term and short term product strategy.

Should-be (Fig. 1b): Subsequently, the product strategy involves the evolution of a new idea into a marketable product. As in previous research (Green and Martinez-Solano, 2011), it was observed that the strategy team and the parent company's development advice team are the main actors that should work with departments such as manufacturing, management and marketing but also with finance, purchasing and HR (R18-20) in order to create the product strategy, visualising its potential market and constraints on resources (OECD, 2006). Past economic geography studies have suggested that Development Advice mostly comes from the MNC's parent company (R8) (Dicken, 1998). In this phase, these vehicle strategists (R14-17) can define what products will be placed as leaders or followers in the automotive market niche in the short and long term. The adequate visualisation and development of previous knowledge networks is vital for the successful accomplishment of this phase (Zanfei, 2000). The product strategy team of the company should be able to select the best (commodity level) technologies that could be included in each product from a given document (such as TRMs) from the 'internal technology experts' (see linking line in R17 from C4 to C7) (Howells, 1996). This could happen after a formal, periodical and systematic two-way communication between the 'internal technology experts' and the 'strategy team' (see links from R6 to R17 in C6 and C8). As a result, the selected technologies could be feasible and cover the firm's strategy for each specific product.

As is (Fig. 1a): At the time of the presented analysis, it was considered that there was not an effective link between the 'Conception of new ideas' (C2) and the 'Product strategy' phases (C5, C7). Sometimes, it was not possible to deploy some technologies selected by the 'strategy team' mostly from databases (R4), because these technologies were not feasible for the company, or they were accessed too late during the product development programme.

Long-term and short-term technology development.

Should be (Fig. 1b): The maps of the AMI framework shows that if proper knowledge networks have been developed previously with the most convenient internal and external R&D sources (as explained above), the desired technology could be identified, acquired or developed on time, and then deployed in the final product when required at the product development phase (see triangle links between R3, R6 and R7 in C3-4, C6, C8, C10) (Hanninen and Kauranen, 2006). It is recommended that 'internal technology experts' (R&D (R3), development engineering (R6), and manufacturing engineers (R7)) from the same technology area should communicate formally and periodically with each other, from the very moment that they are capturing information about new technology through its development and until they have to deploy it within the vehicle programmes. These experts should discuss and agree together as a single team what technologies are feasible to develop in the long and short-term. It can be seen in the mapping of the AMI framework that the internal R&D department would be expected to lead the long-term technology development (see R3 in C6), working with other internal and external R&D centres, for example, the parent company (R4 in C6), suppliers (R2 in C6), R&D universities, and others (R5 in C6) (Lin and Chen, 2006). The short-term technology development would be mainly led by the technology development engineers (see R6 in C8) (and suppliers (R2 in C8)), with moderate participation by the R&D team (R3 in C8) (Hildreth and Kimble, 2004). Finally, technology development and manufacturing engineers would lead the deployment of the technology in the 'product development' phase. In

this phase, the R&D team's participation should be minimal, only supporting the other teams in the case of unforeseen changes.

As-is (Fig. 1a): However, the mapping of the AMI framework shows - as interviewees explained - that R&D, technology development and manufacturing groups in the same technical area do not communicate with each other enough (see no links between R3, R6, R7 in C2-C9). Thus, the R&D team is sometimes communicated with too late during the process, so that either its developed technologies are unfeasible for the company or that there are not enough resources to deploy them. As a result, R&D may waste considerable resources in developing technologies that will not be deployed. Also, sometimes, the R&D team does not have time to carry out long-term technology development (see R3 in C6); instead, this team has to spend its precious time deploying technologies into the programmes (see R3 in C10).

Conclusions

The AMI framework development is a step in-between that could be conducted to help develop the link of establishing sustainable innovation strategy and managing operational-level processes. It enables key actors to commit their valuable knowledge and experiences to the 'memory of the organisation', storing and communicating their value-add practices that encourage innovation. As innovation is not static, the AMI tool also facilitates the regular analysis and systematisation of these practices, that otherwise may be considered ad hoc occurrences and lost. Because the AMI framework development is based on qualitative research, it can provide not only a mapping representation of vital patterns, but also a realistic explanation and proposed improvement of these patterns (Thompson, 2003). In this way, the present study contributes with qualitative research to the limited but growing research area on graphical representation of complex open innovation processes. Further research in this area is recommended combining more qualitative and quantitative research methods (e.g. using software programmes) to enhance the benefits of these findings on policy making.

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Figures

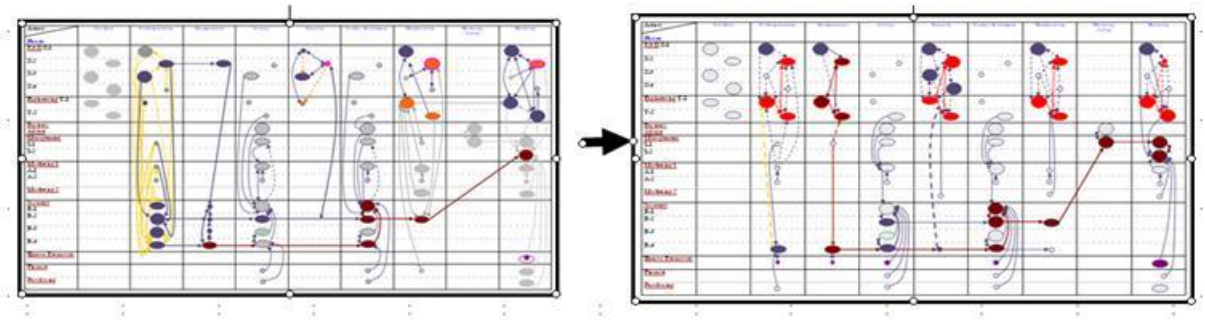


Fig. 1. (a & b) ‘As-is’ and ‘Should-be’ map

Creating national, ISO and CEN standards for tourism – a view point from Bulgaria

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Abstract.
The object of this paper is to present participation of experts from Bulgaria in creating standards for tourism at national and international level.

In Bulgaria, the organization creating and adopting the standards is Bulgarian Institute of Standardization – BIS. The technical committee dealing with standards in tourism is BIS TC 89.

At international level, the organization creating standards (and specially standards in tourism) is the International Standards Organization (ISO). The technical committee responsible for the standards in tourism is ISO TC 228–Tourism and related services.

At EU level, the organization creating standards is European Committee of Standardization–CEN. The technical committee devoted to tourism here is CEN TC 329.

In this article, some aspects of the work of these three committees and the Bulgarian participation in creating standards for tourism is considered.

Key words: Quality, standards, tourism, technical committee.

Introduction

At international level, the organization creating standards (and specially standards in tourism) is the International Standards Organization (ISO). The technical committee responsible for the standards in tourism is ISO TC 228–Tourism and related services.

At EU level, the organization creating standards is European Committee of Standardization–CEN. The technical committee devoted to tourism here is CEN TC 329.

In Bulgaria, the organization creating and adopting the standards is Bulgarian Institute of Standardization – BIS. The technical committee dealing with standards in tourism is BIS TC 89.

In this article, some aspects of the work of these three committees and the Bulgarian participation in creating standards for tourism is considered.

ISO TC 228 - Tourism and related services

ISO TC 228 - Tourism and related services - has currently a secretariat with two national member bodies: AENOR (Spain) and INNORPI (Tunisia). Contact persons are Mrs. Elena Ordozgoiti (AENOR) and Mr. Mohamed Abdelkefi (INNORPI).

There are several work groups in this committee:

- ISO/TC/WG1 Diving services
- ISO/TC/WG2 Health tourism services
- ISO/TC/WG3 Tourist information and reception services at Tourist Information Offices
- ISO/TC/WG4 Golf services
- ISO/TC/WG5 Beaches
- ISO/TC/WG6 Natural protected areas.
- ISO/TC/WG7 Adventure tourism
- ISO/TC/WG8 Yacht harbors
- ISO/TC/WG9 Industrial tourism
- ISO/TC/WG10 Environmentally friendly accommodation establishments

Standards and projects under direct responsibility of TC228 Secretariat, with participation of experts from Bulgaria, are:

- ISO 11107:2009 - Recreational diving services - Requirements for training programmes on enriched air nitrox (EAN) diving (published standard);

- ISO11121:2009 - Recreational diving services - Requirements for introductory training programmes to scuba diving (published standard);
- ISO/NP13009 - Beaches - Criteria to render the service (new project approved);
- ISO/FDIS 13289 - Recreational diving services - Requirements for the conduct of snorkelling excursions (FDIS registered for formal approval);
- ISO/FDIS 13293 - Recreational diving services - Requirements for gas blender training programmes
- ISO/FDIS 13970 - Recreational diving services - Requirements for the training of recreational snorkelling guides
- ISO/NP 14489-1 - Safe delivery of adventurous activity - Part 1: Risk management
- ISO/NP 14489-2 - Safe delivery of adventurous activity - Part 2: Leader competence
- ISO/NP 14489-3 - Safe delivery of adventurous activity - Part 3: Information to clients
- ISO/CD 14785 - Tourist information offices - Information and reception services -Requirements
- ISO 18513:2003 - Tourism services - Hotels and other types of tourism accommodation - Terminology
- ISO 24801-1:2007 - Recreational diving services - Safety related minimum requirements for the training of recreational scuba divers - Part 1: Level 1 - Supervised diver
- ISO 24801-2:2007 - Recreational diving services - Safety related minimum requirements for the training of recreational scuba divers - Part 2: Level 2 - Autonomous diver
- ISO 24801-3:2007 - Recreational diving services - Safety related minimum requirements for the training of recreational scuba divers - Part 3: Level 3 - Dive leader
- ISO 24802-1:2007 - Recreational diving services - Safety related minimum requirements for the training of scuba instructors - Part 1: Level 1
- ISO 24802-2:2007 - Recreational diving services - Safety related minimum requirements for the training of scuba instructors - Part 2: Level 2
- ISO 24803:2007 - Recreational diving services - Requirements for recreational scuba diving service providers
- ISO/CD 28621 - Medical spas using natural resources - Service requirements

Proposal for new field of ISO work – some required criteria

Proposal for new field of ISO work should meet some required criteria:

1. Issue: the proposer shall provide a simple and concise statement describing the business, technological, societal or environmental issue that the proposal seeks to address.
2. The scope of issue: the proposer should document relevant global metrics that demonstrate the extent or magnitude of the economic, technological, societal or environmental issue, or the new market. This may include an estimate of the potential sales of the resulting standard(s) as an indicator of potential usage and global relevance.
3. Technological benefit: the proposer should provide a simple and concise statement describing the technological impact of the proposal to support coherence in systems and emerging technologies, convergence of merging technologies, interoperability, resolution of competing technologies, future innovation, etc.
4. Economic benefit : the proposer should provide a simple and concise statement describing the potential of the proposal to remove barriers to trade, improve international market access, support public procurement, improve business efficiency, result in a flexible, cost-effective means of complying with international and regional rules/conventions, etc
5. Societal benefits: the proposer should provide a simple and concise statement describing any societal benefits expected from the proposal.
6. Environmental benefits: the proposer should provide a simple and concise statement describing any environmental or wider sustainability benefits expected from the proposal.
7. Intent of the work: the proposer should provide a simple and concise statement clearly describing the intended use(s) of the proposed deliverable(s), for example, whether the deliverable is intended as requirements to support conformity assessment or only as guidance or recommended best practices; whether the deliverable is a management system standard; whether the deliverable is intended for use or reference in technical regulation; whether the deliverable is intended to be used to support legal cases in relation to international treaties and agreements.
8. Metrics: the proposer should provide simple and concise statement of metrics for the committee to track in order to assess the impact of the published standard over time to achieve the benefits detailed under the four bullet points immediately above.
9. Beneficiaries: the proposer should provide a simple and concise statement identifying and describing affected stakeholders and how they will each benefit from the proposal.

As tourism is a service, standards in tourism are mainly related to Human Resources (HR) and HR processes.

The primary employment interest of organizations is to: identify, hire, and maintain talented workers; foster an environment that motivates employees to deliver their best efforts in pursuit of organizational objectives; and establish resilient and effective procedures that facilitate these aspirations. According to a 2008 survey of 4,700 executives conducted by the Boston Consulting Group ("BCG") and the World Federation of Personnel Management Associations ("WFPMA"), global organizations need to master their HR processes and while delivering on recruiting and staffing commitments to meet future challenges [1].

The formulation and facilitation of workforce management practices that humanely help employees to deliver on organizational commitments to customers has primarily become a function of the human resources management professionals or those supervisors who independently perform human resource management activities. A consequence of the growth and diversity of those who operate Human Resources ("HR") roles has been their tendency toward fomenting proprietary and complicated solutions to management concerns where simplicity and consistency were warranted. Standardization is seen as a remedy to the bureaucratic inefficiencies that emerge from activities where self-conscious risk aversion can often overwhelm the flexibility needed in the modern marketplace.

While the role and duties of HR professionals has become more complex, the need for effective solutions by industry leaders has also intensified. During a meeting sponsored by the Society for Human Resource Management ("SHRM"), a panel of global HR professionals identified the following needs and concerns that organizations have concerning their workforce:

- Talent management continues to be a high priority and must be more efficient than before while leveraging cost awareness and monitoring demands for key positions.
- Finding and retaining quality talent continues to be essential to business sustainability, but is difficult in global markets that may act differently in turns of opportunity and salary treatment.
- A new approach is needed to develop global workforce cultures, with better understanding of transnational teams, online collaboration, globalization and business process transformation.
- Global mobility of high-value workers continues as multinational companies restrict new hires and relocate talented employees from within their existing workforce [3].

According to Professor Paul Sparrow of the Manchester Business School, "between 1995 and 2020 the population of the underdeveloped nations will increase by the equivalent of the total population of the developed nations" [4]. Meanwhile the latter's share of employees educated to the first degree level has dropped from 75% to 40 % of the world population [4]. If trends continue the need to nimbly transfer and maintain talent will compel organizations to scale up their workforce practices, particularly in emerging economies. Those companies who exploit this opportunity will become more productive than if they focus on traditional growth strategies. The standardization of the exchange of employee competence will become as central to the growth of future industries as common rail gauges were to cargo transport, quality principles have been to manufacturing, and information technology harmonization has been to the internet enterprises.

Standardization in the field of HR management, includes standardization of the certification of practitioners based upon elements of education, examination, experience and ethical conduct. The standardization of HR management processes typically includes, but is not limited to, talent acquisition, performance management, training and development, union (works council)/management relations, diversity and inclusion management, gathering workforce data including goals, analyzing and evaluating the organization's workforce plan, developing and presenting employment recommendations and/or alternatives, implementing the workforce planning recommendations, measuring and monitoring the HR solutions.

The main beneficiaries of the standards include:

- Public policy leaders: Voluntary consistency of practice will reduce the cost of investigations and other regulatory responsibilities of agencies and ministries charged with overseeing workplace practices.
- Organizations: International standardization will facilitate the interchange of talent within and among international organizations. The cost of managing employees will reduce as workforce management approaches will align with the standards and economies of scale can be applied, across sectors, in relocation, benefits, compensation and other HR functions.
- Emerging Economies: Talent in developing countries will have increased access to opportunities elsewhere as the barriers to access are reduced through interoperable workforce staffing practices.
- Business Leaders: Business leaders and the greater marketplace would finally have a means to measure the value of the intangible assets HR organizations and the employees they support contribute to their firms. The transparency of practices in countries where businesses operate to private codes will enhance their reputations, improve employee morale, lower labor turnover, decrease accidents, enhance product quality and foster greater consumer and investor confidence [2].

- Employees: Employees expectations for treatment and opportunity within organizations would be better understood by all parties and his or her competencies and other assets would be portable as he or she transfers among organizations. Employees would be incented to improve their capability and to trade them across borders to willing employers.
- Consumers: The cost of products and services would likely reduce due to an increase in efficiency of acquisition, transfer, and maintenance of talent. Increased employment and the enhanced integration of education with business would also be a likely consequence of HR standards.

Proposal for new field of ISO work – some recommended criteria

The proposals for new fields of ISO work should also contain some recommended information:

1. A statement of the proposer's assessment on the prospect of the resulting deliverable(s) being compliant with the ISO or IEC Global Relevance Policies and the ISO Sustainability Policy where relevant.
2. A statement of the proposer's assessment on compliance with the ISO/IEC Policy Principles on the Relationship of ISO and IEC Standards to Public Policy and the possible relation of the resulting deliverable(s) to public policy, including a statement regarding the potential for easier market access due to conformity with appropriate legislation.
3. A statement of the proposer's assessment on how the proposal may be related to, or may appear to be similar to, existing work in other international or regional organizations (including other ISO and IEC committees). The proposer should explain how the work differs from identified apparently similar work, or explain how duplication will be minimized.
4. A simple cost/benefit analysis relating the cost of producing the deliverable(s) to the expected economic benefit to businesses worldwide.
5. Title of the proposed new committee (in the case of a proposal for a new field) or title of the proposed deliverable (in the case of a new work proposal within a committee).
6. Scope statement proposed new committee (in the case of a proposal for a new field).
7. The preferred type or types of ISO deliverables to be produced under the proposal.
8. Proposed initial program of work (in the case of a proposal for a new field).
9. A listing of relevant existing documents at the international, regional and national levels.
10. A listing of relevant countries to be actively engaged as the subject of the proposal is important to their national commercial interests.
11. A listing of relevant external international organizations or internal parties (other ISO and/or IEC committees) to be engaged as liaisons in the development of the deliverable(s).
12. Preferably an existing document to serve as an initial basis for the ISO or IEC deliverable or a proposed outline or table of contents.
13. An expression of commitment from the proposer to provide leadership if the proposal succeeds.

Handling of proposals by ISO and IEC central offices and by committee secretariats

At the stage of handling the proposals by ISO and IEC central offices and by committee secretariats it is recommended that they assume an important role to enforce compliance with the requirements detailed above. If a proposer submits proposal documentation that does not provide the information required, the proposal will be returned to the proposer for further development before it can be submitted to ISO members or IEC national committees for vote. For new work proposals, committee secretariats should also review the consistency of proposals with the committee's Strategic Business Plan.

In the case of proposals that proposer feels may not fall within an existing committee, staff of the ISO and IEC central offices first considers this internally and then consults with the members to assess any possible relationship of the proposal to existing committees. If related committees are identified as a result of this consultation, the proposal may be referred to the appropriate committee for further processing or chair and secretary of the related committee may be requested to comment on the proposal.

ISO member body and IEC national committee voting

When voting on a proposal for new work (either new field of technical work or a new work item proposal within a committee) ISO member bodies and IEC national committees should be required to respond on the following:

1. If they approve, disapprove or abstain on the proposal.
2. Comments.
3. The document stage at which the project should be placed:
   3.1. Further study is needed before standards development/writing can commence?
   3.2. The project, using the attached reference documents as a basis, can be placed at the:
      3.2.1.1. Preparatory stage (WD)
      3.2.1.2. The first national commenting stage (CD)
      3.2.1.3. The broader national enquiry stage (DIS/CDV).

4. Participation – require a response on whether or not the country will support active participation. In case of approval vote and a commitment to active participation, also required are the names and contact information of the WG experts.

Approval criteria

The ISO and IEC criteria for approval of new fields of technical activity are:

1. A 2/3 majority of the national bodies voting are in favor of the proposal
2. At least 5 national bodies have expressed their intention to participate actively.

The ISO and IEC criteria for approval of new work item proposals is:

1. A simple majority of the P members voting are in favor of the proposal.
2. A commitment to participate actively in the development of the project, i. e. to make an effective contribution at the preparatory stage, by nominating technical experts and by commenting on working drafts, by at least 4 P-members in committees with 16 or less P-members and at least 5 P-members in committees with 17 or more P-members. Only P-members having also approved the inclusion of the work item in the program of work will be taken into account when making this assessing the voting results.

CEN TC329 criteria for creating standards and standards created so far

At EU level, the organization creating standards is European Committee of Standardization–CEN. CEN is the EU standards body and receives much of its funding from the European Commission. The tourism services committee here is TC 329. This committee is chaired by the German standards body, DIN. Standards have been published on terminology (terms applying in different languages to services provided by tourist accommodation, tour operators and travel agents), language study tours, recreational diving services and local guiding services.

There are no standards currently under development in this committee. However, the terminology standard may soon be revised by the ISO tourism committee (see above).

In addition to the work of TC 329, the wider CEN organisation has recently submitted a series of reports to the European Commission on the feasibility of drawing up European standards in eleven categories of service provision. Two of these eleven reports could affect tourism businesses:

- Accessibility of transport and tourism services (to people with disabilities).
- CHESSS (CEN's horizontal European service standardisation strategy). As a horizontal standard, this would include the handling of customer complaints, safe service delivery and customer satisfaction.

Decisions on both of these are expected shortly.

BIS TC 89 - work of the committee and the standards adopted so far

In Bulgarian Institute of Standardization (BIS) in 90-s a couple of technical committees were created which were devoted to different tourism sectors. For example, BIS/TC90 – Hotels and restaurants, BIS/TC91 – Activities related to additional tourism services, BIS/TC92 – Medical SPA (Balneology) tourism. Later (29.03.2009), because of financial and organizational purposes, they were closed and their activities were transferred to the earlier created BIS/TC89- Tour operator and travel agent activity and tourist transportation. In parallel with this, the name of BIS/TC89 was changed to "Tourism activities". So, the only technical committee devoted to tourism in Bulgaria currently is BIS/TC89, with scope defined as: "Standardization of all services in tourism (hotels, restaurants, tour operators, travel agencies, transportation, balneology, SPA, wellness, thalaso-therapy), including management of processes and personal and quality."

In 2010, another technical committee –BIS/TC93 – Beauty services – also joined BIS/TC89.

Currently, BIS TC89 "Tourism activities" covers the following activities: hotels, restaurants, land transportation of tourists, water transportation of tourists, air transportation of tourists, travel agents activities, tour operators, balneology and wellness tourism, other tourism activities.

BIS TC 89 acts in close collaboration with some other BIS TCs: BIS TC 34 Quality management. BIS TC 32 Agricultural foods, BIS TC 15 Environment protection.

In 2009, it was decided the Bulgarian BIS/TC89 to cover the areas of the following European and international technical committees:

- CEN/TC329 – Tourism services
- CEN/PC394 – Services of chiropractors
- ISO/TC228 – Tourism and related services
- ISO/TC230 – Psychological assessment
- ISO/TC231 – Brand valuation
- ISO/TC232 – Learning services for non-formal education and training.
- BIS TC 89 has full membership in the following international technical committees:
- ISO TC 228 Tourism and related services
- ISO TC 230 Project committee: Psychological assessment
- ISO TC 231 Project committee: Brand valuation
- ISO TC 232 Learning services for non-formal education and training.

The most important standards related to tourism adopted by BIS TC 89 are:

-EN 13809:2003 Tourism services – Travel agencies and tour operators – Terminology.

-EN 14153-1:2003 Recreational diving services – Safety related minimum requirements for the training of recreational scuba divers – Part 1: Level 1 – Supervised Diver

- EN 14153-2:2003 Recreational diving services –Safety related minimum requirements for the training of recreational scuba divers – Part 2: Level 2 – Autonomous Diver

- EN 14153-3:2003 Recreational diving services –Safety related minimum requirements for the training of recreational scuba divers – Part 3: Level 3 – Dive Leader

- EN 14413-1:2004 Recreational diving services – Safety related minimum requirements for the training of recreational scuba instructors – Part 1: Level 1

- EN 14413-2:2004 Recreational diving services – Safety related minimum requirements for the training of recreational scuba instructors – Part 2: Level 2

- EN 14467-2004 Recreational diving services – Requirements for recreational scuba service providers

- EN 14804-2005 Language study tour providers – Requirements.

- EN 15565-2008 Tourism services – Requirements for the provision of professional tourist guide training and qualification programs

- EN ISO 18513-2003 Tourism services – Hotels and other types of tourism accommodation – Terminology (ISO 18513:2003)

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Appendix

Table 1. Stage of Standards - codes –ISO

Stage code	Semantics
00	Preliminary stage
10	Proposal stage
20	Preparatory stage
30	Committee stage
40	Enquiry stage
50	Approval stage
60	Publication stage
90	Review stage
95	Withdrawal stage

Table 2. Sub-stage of Standards - codes –ISO

Sub-stage code	Semantics
00	Registration
20	Start of main action
60	Completion of main action
90	Decision Sub-stages
92	Repeat an earlier phase
93	Repeat current phase
98	Abandon
99	Proceed

Table 3. Stage and Sub-stage of Standards - codes – ISO

Stage	Sub-stage	Semantics
00	00.00	Proposal for new project received
	00.20	Proposal for new project under review
	00.60	Close of review
	00.98	Proposal for new project abandoned
	00.99	Approval to ballot proposal for new project
10	10.00	Proposal for new project registered
	10.20	New project ballot initiated
	10.60	Close of voting
	10.92	Proposal returned to submitter for further definition
	10.98	New project rejected
	10.99	New project approved
20	20.00	New project registered in TC/SC work program
	20.20	Working draft (WD) study initiated
	20.60	Close of comment period
	20.98	Project deleted
	20.99	WD approved for registration as CD
30	30.00	Committee draft (CD) registered
	30.20	CD study/ballot initiated
	30.60	Close of voting/ comment period
	30.92	CD referred back to Working Group
	30.98	Project deleted
	30.99	CD approved for registration as DIS
40	40.00	DIS registered
	40.20	DIS ballot initiated: *5 months*
	40.60	Close of voting
	40.92	Full report circulated: DIS referred back to TC or SC
	40.93	Full report circulated: decision for new DIS ballot
	40.98	Project deleted
	40.99	Full report circulated: DIS approved for registration as FDIS
50	50.00	FDIS registered for formal approval
	50.20	FDIS ballot initiated: *2 months*. Proof sent to secretariat
	50.60	Close of voting. Proof returned by secretariat
	50.92	FDIS referred back to TC or SC
	50.98	Project deleted
	50.99	FDIS approved for publication
60	60.00	International Standard under publication
	60.60	International Standard published
	90.20	International Standard under periodical review
90	90.60	Close of review
	90.92	International Standard to be revised
	90.93	International Standard confirmed
	90.99	Withdrawal of International Standard proposed by TC or SC
95	95.20	Withdrawal ballot initiated
	95.60	Close of voting
	95.92	Decision not to withdraw International Standard
	95.99	Withdrawal of International Standard