

Springer Proceedings in Business and Economics

Adina Letiția Negrușă
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Remodelling Businesses for Sustainable Development

2nd International Conference
on Modern Trends in Business,
Hospitality, and Tourism, Cluj-Napoca,
Romania, 2022

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ISSN 2198-7246

ISSN 2198-7254 (electronic)

Springer Proceedings in Business and Economics

ISBN 978-3-031-19655-3

ISBN 978-3-031-19656-0 (eBook)

<https://doi.org/10.1007/978-3-031-19656-0>

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Foreword

This volume contains the proceedings of the 2nd International Conference on Modern Trends in Business, Hospitality and Tourism, an annual international conference which aims to bring together researchers, practitioners, and scholars to share their research findings and expertise, and to discuss most recent trends, challenges, and opportunities in the fields of business, hospitality, and tourism. The conference was held in a hybrid format (in person and online), in the Faculty of Business, Babeş-Bolyai University, in Cluj-Napoca, Romania, from May 12 to 14, 2022.

The COVID-19 global pandemic has affected all areas of our lives and has had a significant impact on businesses and society at large, creating challenges and disruption of businesses in different industries and sectors internationally. Nevertheless, the global pandemic has also led to a ‘re-thinking’ of business practices, and new opportunities that will accelerate the transformation to a more sustainable development are now being identified by businesses. The COVID-19 pandemic has indeed revitalised the societal debate about sustainability, in line with the 2030 United Nations Sustainable Development Agenda and its framework, which provides a template for sustainable development for businesses at the national and international levels.

It is not surprising then that the theme of the 2nd International Conference on Modern Trends in Business, Hospitality, and Tourism has been ‘Remodelling Businesses for Sustainable Development’. Through this theme, this global issue was addressed from different perspectives in relation to the practices of business sustainability within the following conference topics:

- Smart and Sustainable Development Issues in the Digital Environment
- Business Challenges and Opportunities During Crises
- Sustainable Business Models
- Innovation and Entrepreneurship
- Changing Dimensions of Modern Business and Hospitality
- Financing Alternatives for SMEs

- Challenges and Trends in Tourism and Hospitality
- Modern Customer Experiences
- Human Capital Leadership and Organisational Behaviour
- Challenges and Opportunities in International Business
- Global Capital Markets and Their Role in Investment Financing the Post-COVID-19 Recovery
- Corporate Governance
- Classic and Alternative Approaches in the Fields of Accounting, Banking, Business Law, Economics, and Finance

There were seven invited plenary presentations covering the different areas of the conference: Morris Altman (University of Dundee) talked on behavioural economics and wealth creation and well-being, Ștefana Maria Dima (West University of Timișoara) on financial ratios for the companies' market value in the hotel industry, Constantin Brătianu (National University of Political Studies and Public Administration) on the time paradox and strategic thinking, Konstatina Zerva (University of Girona) on digital nomads as new tourism segment, Alina Bădulescu (University of Oradea) on collaborative economy in tourism, Anca Yallop (Auckland University of Technology) on data analytics and ethics, and Adriana Manolică (Alexandru Ioan Cuza University of Iasi) on smart consumer and e-information.

The conference programme included 32 presentations of research papers (co) authored by Romanian and international academic researchers – participants from Romania, India, Canada, France, New Zealand, Turkey, Spain, Portugal, Hungary, and the United Kingdom made the conference truly international in scope.

I was equally impressed with the contribution of students at the conference, an applaudable initiative to feature and highlight young researchers' work. Thirteen students, under the guidance and supervision of 12 academics from the Faculty of Business, presented research papers on various business topics such as organisational behaviour, leadership, financial planning and analysis, stock management, marketing, and strategic management, bringing new perspectives to their fields of study.

The 13 contributed papers in this volume were selected from 55 submissions reviewed by 27 reviewers from Romanian and international universities and research institutions. On behalf of the conference community, I would like to thank all reviewers who offered their expertise in evaluating the papers and provided valuable feedback to authors for improvement, all authors who submitted papers for consideration, and the invited speakers.

Many thanks are due to the scientific committee chairs who have made every effort to ensure a pleasant and safe event. Notably, the careful planning of conference activities, the wonderful Romanian cuisine participants had the opportunity to experience, and the memorable coach trip to Turda Salt Mine and Alba Carolina Citadel, two significant tourist landmarks in Transylvania, have made this conference an unforgettable experience for all the participants. Thank you!

All in all, the 2nd Edition of the International Conference on Modern Trends in Business, Hospitality, and Tourism in Cluj-Napoca was very successful, and we look forward to participating in the next edition.

Auckland University of Technology
Auckland, New Zealand

Anca Yallop

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Chapter 1

Responsive Design Thinking: Transitioning from Human-Centered to a Planetary-Centric Approach to Innovation. Principles and Perspectives



Dalia Poleac

Abstract The number of methodologies and tools to deliver sustainability goals is growing at high speed. However, for the past two decades, design thinking has consistently helped businesses reshape the experience of innovating. Today, organizations are integrating and acquiring more designers to work together with developers and engineers and generate more value for the business. The designers' approach to problem-solving is a non-linear process that optimizes performance and drives innovation. Thinking like a designer is a necessary skill when we confront massive disruption due to the current global pandemic, unexpected climate changes, and exponential technological advances. According to Tim Brown, Executive Chair of IDEO, "thinking like a designer can shift the way organizations deliver products, processes, services and strategy" (Brown, *Harvard Business Rev*, 86(84):141, 2008). Through immersive consumer research, ideation, prototyping, and iteration, companies like Apple, Airbnb, Netflix or Uber came up with innovative solutions to complex business challenges. As the world is undergoing great changes due to the rapid adoption of new technologies, and the humanitarian and planetary crisis we experience, the role of designers evolves every day. So is the level of awareness of the potential long-term and unintended consequences of what they design. Planetary-centric innovation is a disruptive shift in perspective since we used to design products and services with people at the core. This paper proposes a new framework for innovation to help businesses design better products and services without sacrificing their responsibility to the environment.

Keywords Design thinking · Innovation · Sustainability · Transformation · Framework

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Switzerland AG 2023

A. L. Negrușă, M. M. Coroș (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_1

1.1 JEL Classification: M15

1.1.1 Introduction

The design thinking methodology can be used in service and product design for business remodelling in Web 3.0. With the development of the metaverse, the next-generation engagement for the customer will consist in delivering just-in-time immersive experiences for communities and generating a positive impact on the environment. Constant iteration, a design thinking practice, is needed for companies to run and test prototypes, in both digital and the real world.

However, producing what consumers want and need can damage the environment if the process is not responsive to emerging global challenges: “design which is based on comprehensive knowledge and understanding of the user, climate, cultural and spiritual aspects, regional material, and structure would lead to a significant urban landmark building.” (Andalib & Khodadadeh, 2021).

“Integrating design and sustainability science hold much value for transforming our social-ecological system” (Maher & Maher, 2018): this perspective remodels the subject of design thinking abilities to generate innovative products and services by adding to the original framework practices which question the urgent need to repair, reduce, reuse, and recycle.

1.2 Literature Review

Design as an instrument of value creation has been the focus of numerous studies since the 1980s and positive relationships with performance have been found. “Scholars and practitioners acknowledge over the years the central role of design as a driver of innovation and change” (Magistretti et al., 2021a). Design thinking goes hand in hand with digital transformation. “Digital transformation describes the deep-seated changes in organizational activities, processes, and capabilities induced by the advent of digital technologies. Digital transformation requires sensing, seizing, and reconfiguring the digital technological challenges into opportunities” (Magistretti et al., 2021b). Here, it can be said that academic literature recognizes the role of design thinking as a driver of change.

Design thinking is a “problem-solving approach characterized by the empathetic lens through which designers integrate perspectives of end-users and key stakeholders throughout the entire process of developing solutions” (Krolkowski et al., 2022).

“Students tend to develop active learning and higher-order thinking skills in small group activities. It is important to design curricula to help cultivate the students’ competence in collaborative skills and higher-order thinking that will help them develop; it can facilitate the students’ learning effectiveness in an educational setting” (Tsai, 2021). Doing that, they have better chances for innovative thinking in



Fig. 1.1 Design thinking process spaces. (Source: Author's own processing using IDEO)

the future; but new models in design thinking start with a different instructions for developing competence and skills.

1.2.1 Research Methodology

The research methods used for this paper are theoretical research, the author's professional experience in the field and expert interviews, with design thinking practitioners. My goal is to explore the impact of design on business, altering the classic design thinking methodology: empathize, define, ideate, prototype and test, to come up with a responsive design thinking formula. To be constantly aware of the impact of design requires to be extremely sensitive to the process and operate with empathy, applied knowledge and planetary awareness (Fig. 1.1).

As a result, of my research, I will propose insertions of key questions to be added to the original framework. Also, I will bring forward the value and use of prototyping at an early stage of the process, where with fewer materials one can showcase their ideas to test the market demand. Ultimately, the paper analyses how design thinking can contribute to sustainable innovation for business, by asking the right questions and becoming more inclusive with internal and external stakeholders.

1.2.2 Results and Discussions

According to Harvard Business School, Business Insights, starting December 2021 design thinking has been a highly required skill for the following positions (Han, 2022):

- Marketing managers
- Executives
- Industrial engineers
- Graphic designers
- Software developers
- General and operations managers

- Management analysts
- Personal service managers
- Architectural and engineering managers
- Computer and information systems managers (Fig. 1.2)

As companies are looking to acquire talent with these skills, more demand is going to be created among educational institutions to provide design thinking training.

1. Embedding sustainability

The Sustainable Development Goals set in 2015 as part of the UN 2030 Agenda for Sustainability will set the framework to generate impact thinking when entering the problem space. Many tourism industry stakeholders signed the Glasgow Declaration which focuses on the reduction of carbon emissions by 2030. Tourism is becoming more commanding in taking a leadership role to tackle both global and local challenges. Reinventing business models, regenerating traditional ones, and innovating to deliver better products and services are subjects of great interest post-pandemic. At the same time, companies need to address global risks such as climate change or humanitarian risks such as mental health and poverty, to build on the world after COVID-19. By constantly asking “what is the environmental effect” shaping the future of their business, leaders are becoming more aware of the need for responsible design.

The effects of COVID-19 generated massive disruptions for micro and small enterprises, in developing countries, due to a lack of digital technologies. “Firms redesign the business process by adopting digital technology to improve efficiency, minimize costs, and innovate. The digital transformation includes practical internet use as a data-based management model in design, production, marketing, sales, and communication” (Bai et al., 2021). The digital world is rapidly developing and issues such as social good and personal privacy are addressed. Developing strong creative collaborations between industries and platforms is a driving force for sustainable development and social well-being and design thinking is a methodology that encourages these actions.

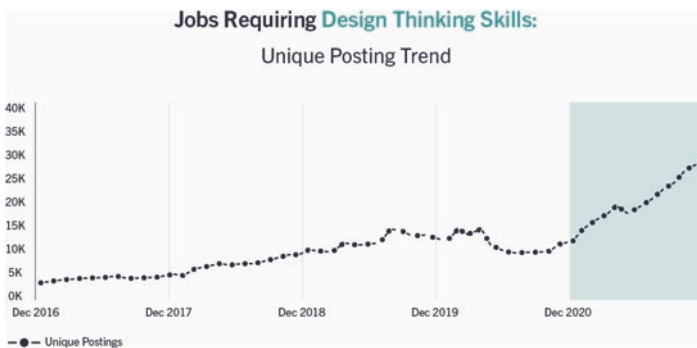


Fig. 1.2 Jobs requiring design thinking skills. (Source: Emsi Burning Glass, 2021)

Today's organizations are running their activities in an increasingly tough planetary condition. Remodeling businesses for sustainable development is taking into consideration the vulnerabilities of the ecosystem and the effects of climate change and integrating new technologies to drive creative and innovative solutions. Combining the expertise of the public, academic and private sectors can trigger a positive impact on the future. Fostering cooperation and interdependence to sustain systemic change is a planetary-centric approach to innovation. Design thinking as a process holds space for best-practice partnerships which can come together to co-create and reach ambitious collective goals.

As consumers become more aware of the impact of their purchases on the global environment, businesses are working to include sustainability in their value chain, starting with design, manufacturing, supply chain, and distribution. "When advocating for sustainability in designing products and services, one cannot help but think of ethics and the morals, beliefs, and principles of responsible design that assist our environment longevity. It is a proactive versus reactive approach to design" (Ruffino, 2021).

However, sustainable goals have to do with more than just conserving or regenerating the environment, it has other layers to it such as creating better experiences to sustain human existence. This is a notable human need and therefore a solid argument for why we need both a human-centered and a planetary-centric approach to innovation.

1.3 Responsive Design Thinking Structure

1.3.1 *Pillars of Knowledge*

Addressing sustainability in design for business requires a multidimensional approach and the right set of skills. "Fashion designers, for example, can have a key role to play in making fashion more sustainable, as they are able to influence and contribute to all dimensions of fashion impact (economic, environmental, social, and cultural), both positive and negative. Contemporary fashion education requires multidimensional adjustments to curricula, reflecting the complex nature of sustainability problems" (Murzyn-Kupisz & Hołuj, 2021).

To drive innovation with sustainability at its core, the process of design thinking needs the right pillars of knowledge including human, social, economic, and environmental. In the design thinking process team members come together to get inspired, ideate, and implement ideas. Burall (1991) emphasizes that designers need to solve environmental problems by using their imagination and leadership skills.

Although different for every business some factors are to be taken into account when conducting a responsive design thinking process such as: having at least one pillar of foundational knowledge on how the business is impacting the environment; one pillar of knowledge to identify strategic opportunities, identifying where the

business intersects with sustainability to generate profit; forward-thinking able to foresee the impact of what is to be designed, long term; sustainable thinking, cultural thinking, and understanding.

Forward-thinking is about the ability to align organisational goals with future trends to obtain profit and growth. Adapting to change is not enough, leading the design thinking process with a futuristic mindset is creating the future with awareness on the impact of what is to be designed. Visualisation skills go hand in hand with forward-thinking: the ability to illustrate possibilities with images and stories being a strong ability highly recommended in the process of innovation. There are several types of possibilities that need to be considered. The first is a set of possible but not likely scenarios, the second is possibilities likely to happen, and the third is what you want to happen (Morgan, 2020). Recognizing emerging trends is an advantage when starting the process of design thinking and evaluating their impact is a tool which can be used to adapt the solution.

“Sustainable thinking is basically defined as making decisions that do not cause negative consequences for current or future generations” (Deniz, 2016):

- Economy of resources
- Life cycle design
- Socially responsible design

Cultural thinking and understanding are related to the habits, traditions, and beliefs of a society. Cultural diversity and differences need to be addressed to understand the context in which the creative process of design thinking takes place. Coming up with the right solution for consumers implies a deeper understanding of their culture and the ecosystem they are in.

“Design thinking is a specific method to develop innovative solutions to wicked problems in multidisciplinary teams. The fact that people with different disciplinary and often also cultural backgrounds work together, makes it quite a challenge to compensate for deficits in common understanding of terminologies or mindsets” (Thoring et al., 2014). We should distinguish between organizational, professional, and national cultures. Universities and companies which apply design thinking live in a particular culture driven by the values and beliefs of these institutions. However, organizational culture can embody the same set of values regardless of where it is located. Because of this dimension teams performing the process in organisations should be aware of the effect of their beliefs when entering the problem space.

1.3.2 Empathy and Planetary Awareness

The future requires alterations to multiple tools in the managerial tool kit. On one hand, companies will need to operate with a designer’s mindset, specially tailored to starting up and accelerating business growth in a period of great disruption; and on the other hand, leaders and teams will need an analytical approach to manage a business in a stable ecosystem.

Empathy is the first stage of the original design thinking process, usually applied to “meet customers’ needs where they are today to take them where you think they need to be” (Liedtka & Ogilvie, 2011). Design thinking cannot begin without deeply understanding the human factor, the people you are creating for. In today’s context of transition towards a sustainable approach to product and service design, the empathy stage needs to focus on planetary issues and include them as stakeholders among the users of the result. A responsive design would ultimately adjust for the challenge defined in the second stage of the design thinking process, which should consider the relation between clients’ needs and the impact on the local and global environment.

Practicing design thinking starts with addressing a real problem or opportunity to formulate a hypothesis that will further help you confirm or infirm the initial challenge. The preferred question used for this data-based exploratory stage is “what is?”. The purpose is to help the team working with the methodology become aware of the need they are trying to address and prepare them to generate ideas. Sustainability often addresses questions related to society, the environment, business, and the common good of humanity. Before design thinkers can shape a solution for their challenge, they first need to diagnose the problem with the wider ecosystem considered. Ultimately, a great user experience generated by a giant like Apple, where the product has the latest technology incorporated and the best design, due to issues such as deliberately building to not last batteries, can lead to a direct negative consequence on the environment.

1.3.3 Ideation and Impact

Designing solutions which work alongside, rather than against their local ecosystem and climate, are indubitable on the path to a sustainable future. Ideation processes should start with a contribution. Apart from solving the challenge, the solution selected should include a sustainability goal. The question addressed: does my idea contribute to generating a positive impact on the environment in which our product or service will live? How products and services interact with society and the environment to overcome planetary challenges is a key aspect to look at when designing, for companies looking to improve their ecological footprint.

A case study was undertaken by the research team at the University of Girona (Spain) and Dr. Giang T. Phi of College of Business Management, VinUniversity made known that design thinking is the key to success for tourism social entrepreneurs. “Taking a social enterprise in Vietnam as a case study of Community-Based Tourism Travel, this paper revealed that tourism social entrepreneurs have developed an intuitive ability to apply design thinking to social innovation, despite lacking training” (Mahato et al., 2021). Hired by the NGO Community Health and Development (COHED) to guide the project which triggered poverty assuagement and the protection of the ecosystems for the local community, the lead of the project used design thinking concepts.

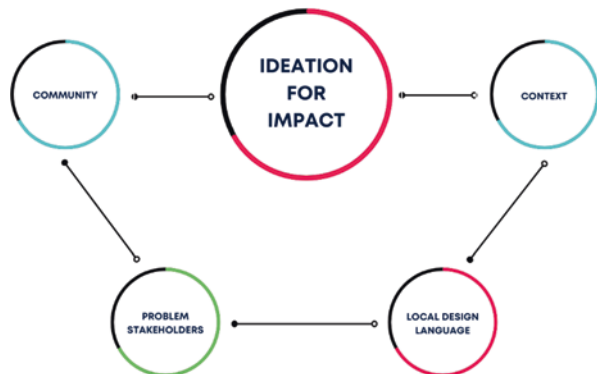
The first step in the first phase of the process was understanding of social problems through community immersion – getting to know the context in which the problems emerge. The second step involved different stakeholders and is based on qualitative research. The second phase involved the inclusion of local design language using local materials, which shows orientation towards conservation of the heritage these communities hold. Ideation here was focused on developing of value-added services with a layer of sustainability on top (Fig. 1.3).

The social and environmental context within which tourism exists determines all parties involved such as visitors, communities, and industries to become direct instigators of positive impact.

Design thinking was used to generate sustainable ideas for community and tourism in Dolomiti Paganella, a holiday destination in Northern Italy, where the team has successfully used the methodology to address challenges together with the local community. Luca D’Angelo, destination manager presented the project at X. Festival 2021, where he explained how the creative problem-solving process played a key role in understanding both the local community needs and concerns and the tourists’ expectations. The team engaged all stakeholders of the project to contribute to generating ideas and bringing value to the future of tourism in Trentino region.

Wonderful Copenhagen, the official tourism organization of the Capital Region of Denmark, presented at X. Festival 2021 how they used design thinking to address issues around health and safety in a post-pandemic recovery context. Tapping into complex problem solving caused by the pandemic, cultural institutions in Copenhagen managed to find innovative solutions using this process. Showing empathy through a co-creation process, they reduced bias by inviting many perspectives to the table and allowing them to creatively collaborate. Initiatives such as the “Mars from home” experience, implemented by The Science Museum were a great success during and after the pandemic.

Fig. 1.3 Ideation for impact. (Source: Author’s own processing based on the CBT social innovation process to design thinking. Source: based Mahato et al., 2021)



1.3.4 *Pretotype*

The fourth stage of the original design thinking process is prototyping the solution. A prototype is a first version of a product or service, an artifact people can interact with and experience in order to offer feedback. However, in 2009, the term pretotype was coined by former Engineering Director at Google, Albert Savoia: “building the right it, before you build it”, describing that it is a cheap version of a product, which helps designers accelerate learning about that product.

Building a pretotype to showcase the potential execution of an idea takes less time than assembling a prototype. They are very similar in characteristics but answer different questions: prototyping – should we build it, versus prototyping – can we build it. The basic concept of prototyping is to test the level of interest in a yet-to-be-developed idea, by pretending. It can be an artifact which advocates that the product exists in the market, like in the case of McSpaghetti, a product McDonalds wanted to test before starting to produce. The company listed the dish on their menu and when customers were asking for the spaghetti, the answer was: “I’m sorry, we’re out of McSpaghetti. But here’s a coupon for free French fries.”

One of the most successful examples of prototyping we can find is the case of Airbnb. The challenge that led to the design of this service started with the co-founders need to keep the rent they could not afford anymore. They decided to buy a mattress and create a simple website where they offered an air mattress and breakfast. Three people signed up and they collected 240 dollars. Pre-testing a business idea relies on the process of having it interact with real people before deciding to build it.

Building a pretotype has many advantages, besides testing demand. “As a pretotyper you understand the value of speedy and almost resource-free iterations being tested on the real market, no matter how big an organization you are in” (Low, 2018). It takes less time, and less money, and its impact on the environment is less harmful than building a prototype. At the level of the pretotype, the idea you test is still a hypothesis, which brings great advantage to the process due to the freedom to experiment and constantly iterate to get the best and most sustainable version of the product.

In his book “The Right It”, Alberto Savoia addresses the topic of why new ideas fail when entering the market and why prototyping tools are key to estimating if there is a viable need. The design process starts with a business hypothesis. First, you formulate a challenge and afterwards you identify if there is a real need for that challenge to be resolved. To test the idea, designers create prototypes, which are already mockups of the product or service. Savoia (2019) talks about the importance of rapidly testing the need in the market by prototyping the idea before moving to prototyping. He offers a classification of basic prototyping techniques, extracted from business case studies:

- Creating artifacts which suggest the product already exists.
- Testing the initial level of interest in an existing but not yet scalable product or service by building artifacts that suggest the availability.

- Mimicking functionality of a non-operational version of a product by pretending it works and imagining how people would use it.
- Using platforms such as YouTube: Google Glass was introduced via YouTube videos. These short clips showed how the world would look like through the lenses and not the design of the product. They were checking the reaction of viewers, from their level of interest to their desire to learn more or even commit to buying.
- Testing the need in a smaller and informal context to understand if people are interested in it.
- Airbnb example of a pop-up offer.
- Using public spaces with high consumer traffic such as existing stores where one can stick an artifact or prototype the idea on the shelves to test if people are interested in buying it.
- Most new products are formed from existing ones. Tesla took an existing car which was close to the vision they had for building an electrical vehicle, took out the internal-combustion engine, replaced it with an electrical one, and drove around. The outcome of this initiative was a 5000\$ deposit from potential buyers of the electric car assuring them a place on a waiting list to buy one.

1.3.5 Prototype and Test the Concepts

After testing the idea and obtaining the feedback, the team can move forward with the prototyping and iteration phase, before building the outcome. Prototyping and prototyping generate great value when they are both parts of the procedure, moving from one to the other.

“The purpose of the testing of concepts is to estimate the reaction of potential customers to a product concept before investing other resources in its development” (Tilli, 2015). In the last phase of the design process, design thinkers should address the needs of all stakeholders before prototyping and testing the product. A prototype would need to be built and answer the questions relating to the construction of the product.

The planet-centric approach in design requires the use of concepts such as reduce, reuse and recycle, in both functionality and fabrication. Looking back in the late 1950s, the biggest innovation in terms of materials was plastic. For the product developers, it was the greatest material, cheap and fast to produce, adaptable to various designs, and durable. However, this innovation produced the most harmful effects on the global ecosystem because it did not consider from the beginning the complexity of the world we live in and the needs of the natural environment. Therefore, from the moment a team starts to build a prototype to be tested on the market, they should use the most sustainable techniques and materials to show responsibility for the environment.

“Digital fabrication assists in rapid prototype development through computer-aided design and manufacturing tools. Due to the spread of maker spaces like

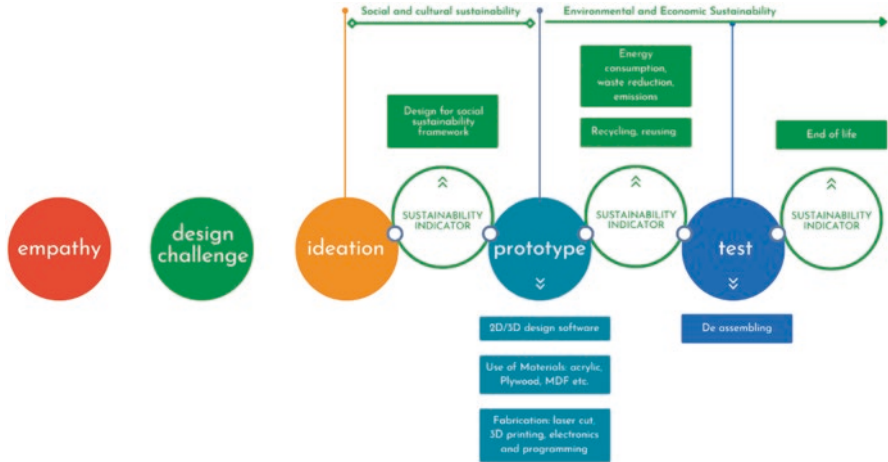


Fig. 1.4 Sustainable design and prototyping. (Source: Author’s own processing based on Proposed Framework for Digital Fabrication based Sustainable Design and Prototyping Soomro et al., 2021)

fabrication laboratories (FabLabs) around the world, the use of digital fabrication tools for prototyping in educational institutes is becoming increasingly common” (Soomro et al., 2021), starting from the design thinking process. The following diagram represents my interpretation of the original Framework for Digital Fabrication by Soomro, Casakin, where sustainability indicators are created to track the impact of design and prototyping. Social and cultural sustainability are addressed through the ideation process, which, as I mentioned before, involves orientation towards conservation of the heritage and stakeholder inclusivity. Sustainable prototyping can be practiced with the use of digital tools and environment-friendly materials. After testing the outcome, before moving forward to production, designers should address the lifecycle of the product they created (Fig. 1.4).

1.4 Conclusions

As priorities shift so does the way in which industries identify possible solutions - from sustainability to digital competitiveness, embracing the process of fast prototyping. Identifying ways to incorporate responsive design thinking as a practice in organizations will help companies manage the transition towards agile business models and sustainability. Constant iteration, through prototyping, prototyping, and testing, with awareness of planetary impact is a perspective which leads to the successful development of innovative products and services for next-generation engagement.

Building teams that are adaptable to change requires the insertion of a designer’s mindset. Adaptability in responsive design is a key principle, with the terminology

emerging from the web design sector, it transpired as an answer to the incredible variety of devices on which the internet can be accessed. These devices required the best user experience which needed to be custom designed to suit that medium. Nowadays, products and services need to have adaptability at their core, the needs of consumers revolving around hyper-personalization and precision. However, design with sustainability in mind is the key to delivering both comfort and planetary-oriented solutions (Fig. 1.5).

To conclude, I propose this framework for innovation, adding to the original design thinking process two steps. The first step inserted is “Pillars of knowledge”: building the right team which comes with the knowledge and skills to address sustainability issues. The second addition is the “Pretotype” stage, where the team can test and validate their idea before building an actual prototype which would imply the use of materials and techniques that could harm the environment. This step should be used to reduce iteration on prototyping when the solution allows it.

Altering the original design thinking methodology flips the creative problem-solving approach toward building an integrative vision for the development of a new product or service. By incorporating the human-centric and planet-centric perspectives, design thinking adapts to encompass consideration for non-human interests.

However, I cannot provide precise guidelines on how to approach problems to drive sustainable solutions, companies should adapt the design thinking criteria to create a positive impact in relation to their sustainability goals. We are aware of the need to address these issues in every design process, starting with building the right teams with the right set of skills, and asking the right questions during research processes such as “does my idea contribute to generating a positive impact for the environment in which our product or service will live?”, or using tools such as pre-prototyping to optimise the use of time and resources for building the outcome of the process.

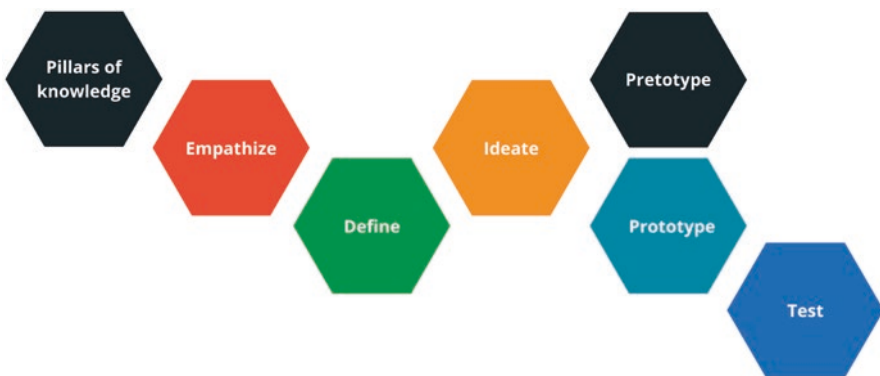


Fig. 1.5 Responsive Design Thinking Framework. (Source: Author’s own processing based on the original Design Thinking Process Spaces by IDEO)

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Chapter 2

Digital Nomad Tourism: The Experience of Living at the Destination



Konstantina Zerva, Raquel Huete, and Mónica Segovia-Pérez

Abstract The negative impact of COVID-19 on international tourism mobility generated two opposite types of discussion: one focusing on how to return to “normality,” and another on how to transform this crisis into an opportunity for redesigning tourism. Mobility restrictions have created a test scenario for teleworking, which has led to the consolidation of the number of digital nomads, describing the professional who uses digital technology and needs a high-quality Internet connection to be able to develop both a professional and a social online and offline lifestyle, while travelling. Digital nomadism represents an increasing tendency worldwide, questioning the existing forms of combining work and leisure and blurring the boundaries between mobility for work and for tourism. As a consequence of the rapid growth of digital nomadism, various destinations have refocused their marketing strategy and present themselves as “digital nomad-friendly” destinations, with ideal conditions to live and work. Urban spaces were the first to react to this new demand due to existing infrastructure standards, whereas rural territories entered the game without much preparation due to the need for escaping the pandemic’s effects, considered as isolated and safe areas.

Through a theoretical perspective, this paper investigates innovation in the tourism sector in general, as it focuses on the analysis of not only a new segment of tourism but also the analysis of a new concept of mobility that challenges the conventional profile of a tourist and offers new opportunities both for rural and urban destinations. A number of emerging concepts of analysis associate coworking spaces with tourist attractions and the gender perspective within this type of mobility.

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Switzerland AG 2023

A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_2

Keywords Digital nomads · Tourism · Coworking spaces · Gender

2.1 Introduction

A direct effect of COVID-19 on the global tourism sector was a 74% drop in international arrivals in 2020 (World Tourism XE “Tourism” Organization (WTO), 2020), followed by a slight growth of 4% in 2021 (WTO, 2022), indicating a slow rate of recovery until pre-pandemic levels are reached. This negative impact and the paralysis of the tourism sector automatically generated two different debates, one about how to return to “normality,” and the other about how to turn this crisis into an opportunity for re-designing tourism. In the second debate and the potential challenges tourism may face, it is important to highlight the emergence of new lifestyle phenomena that seem to guide a novel way of living the tourism experience. Vocabulary like remote working, geo-arbitrage, gig economy, co-working spaces, and digital nomadism provide an alternative context for conceptualising mobility and shaping host destinations.

Mobility restrictions have created a global test scenario for teleworking, which has stimulated the rise of digital nomads, a segment which combines mobility and digitization. The pandemic caused 40% of full-time telecommuters to work from home during the lockdown and until September 2020 (Eurofound, 2020). After lower production costs are demonstrated at comparable levels of productivity in a post-pandemic context (Chevtaeva & Denizci-Guillet, 2021; Deng & Morissette, 2020), this option may be preferred. A number of companies, including Twitter and Spotify, announced in 2021 that they would be allowing their employees to work remotely permanently (El Economista, 2021).

The growth of remote workers is also favoured by the growth of ‘gig’ economy (Hannonen, 2020; Wiranatha et al., 2020). As an economic term, “gig” refers to sporadic, short-term tasks that are sometimes part of a specific job within a project. This economic model was a new type of Internet-centric employment that was popular because it gave people access to part-time jobs they could complete quickly for work or extra income (Ramarajan & Reid, 2013). Over time, the rapid growth of disintermediation processes affected the labour market and tourism directly. Platforms such as Airbnb and Uber have tapped into a new tourist segment to provide their services and promote a change in work habits (Mancinelli, 2020).

With the rapid growth of digital nomadism, a number of destinations have re-focused their marketing strategy to position themselves as “digital nomad-friendly” destinations, with ideal conditions for living and working (Situmorang & Karthana, 2021). Considering the destination management perspective, digital nomads are on the border between work and leisure, as they are attracted to tourist sites where they wish to work for a limited period of time (Cook, 2020). Since urban areas enjoy a tourist reputation and have the infrastructure to meet the demand, they have been the first to respond. Berlin, Prague, and Medellin are currently recognized as hotspots for the international recruitment of digital nomads (Orel, 2020).

Due to more flexible working conditions and the adaptation of destinations to this new demand, the possibility of adopting an alternative lifestyle as a tourist or visitor has created prosperous conditions for the growth of a new segment of tourism and migration. An overview of the literature relating to the profile of digital nomads is presented in this paper, paying particular attention to its direct relation with working conditions as well as to the understudied gender perspective.

2.2 Who Is the Digital Nomad?

Digital nomads are the synthesis of two trends of the globalization era, mobility and the digital (Mancinelli, 2020), inaugurating a new way of viewing identities through their routes rather than their roots (D'Andrea, 2006). In particular, the term digital nomad has been used for the first time by Makimoto and Manners (1997) to describe the professional who uses digital technology to develop a lifestyle that is both professional and social while travelling (Kong et al., 2019; Wang et al., 2019; Prester et al., 2020; Wiranatha et al., 2020; Chevtavaeva & Denizci-Guillet, 2021).

The digital nomad has been described as a university-educated millennial, primarily male, single, and individualistic (Kong et al., 2019; Schlagwein, 2018; Thompson, 2019), who seeks flexibility and freedom in working conditions focused on fun projects and creative or “gigs” (Hall et al., 2019; Mancinelli, 2020; Schlagwein, 2018). Since he considers himself a highly knowledgeable traveller in his discipline, he is often referred to as a ‘knowmad’ (Moravec, 2013; Wang et al., 2019). These nomads have full autonomy in their lives (von Zumbusch & Lalicic, 2020), assume responsibility for managing their retirement, health care, or even the education of their children (Mancinelli, 2020), and have a high level of self-discipline so as to separate between personal and professional time (Richter & Richter, 2020).

They are people from developed countries (Wang et al., 2019) who travel to lower cost-of-living countries to be able to live economically more comfortably at a personal level, take some business risks, and spend the income generated in higher economies for the needs of people in lower economies (Cook, 2020). This phenomenon is known as geo-arbitrage (Ferriss, 2007). Most often, they choose destinations with good weather, accessibility, a comfortable time zone, and in general, a destination with a personal connection (family or friends), a frequent and varied leisure offer (Wiranatha et al., 2020), or good career opportunities given their local contacts (Hall et al., 2019).

In terms of labour, digital nomads reject rigid structures and norms, such as fixed working hours, or permanent workplaces, attendance and the daily commute to work, and control by superiors. They use various forms of digital technology, such as software and telephone applications, cloud services, social networks, and online communities, connecting work with a laptop and social life with a mobile phone (Cook, 2020). Among the types of work they do, digital nomads are engaged in digital marketing, web design, programming, software engineering, online service

assistance, online teaching, freelancers, artists, and professionals who design and sell digital products.

In this paradigm, the nomad frees himself from the demands of a traditional employment model and is able to travel without stopping his/her work (Cook, 2020; Thompson, 2019), and pursues a ‘liberating utopia’ (Thompson, 2018). Millennials working on a distant beach with a laptop isn’t a complete reality due to the difficulty of balancing work and leisure in a tourist destination (Cook, 2020). Problems such as ending up being connected 24/7, or being constantly distracted between mobile phone and laptop force many digital nomads to value externally imposed structures and replicate them in order to optimize their time (Cook, 2020). This means that this professional freedom is limited at a spatial level and possibly it is not the one that best represents the profile of the digital nomad.

In any case, the approach to the challenge of traditional working conditions makes the latter a fundamental aspect of digital nomadism. This has allowed some researchers to detect various sub-segments based on the type of work, the relationship between work and mobility, or between workspaces and social life. In the first case, type of work refers to nomadic work, “gig” work, digital work, or global adventure travel (Nash et al., 2018).

In the second case, work is related to mobility. Reichenberger (2017) outlined a typology of three classes of workers: (a) flexible workers, whose work does not require travel and who do not have travel plans; (b) workers who maintain a residence but travel a lot; and (c) workers committed to a life of mobility. Although the third group captures more of the interest of marketers because of its novelty, the second also represents a powerful digital nomads’ segment that needs to be investigated. On the other hand, Cook (2020) proposed a segmentation between ‘expats’ (who develop low mobility), backpackers (who have a low work focus), business tourists (who have medium mobility), and digital nomads (representing high mobility and work focus).

Finally, in the third case, three sub-segments are detected among a) practical digital nomads who significantly value common workspaces and the existing and extensive community of other teleworkers with a similar profile (Hall et al., 2019; Orel, 2020), but they are not interested in tour packages as a means of getting to know local life or the local community (Chevtaeva & Denizci-Guillet, 2021; Thompson, 2019), (b) sociable digital nomads who travel alone, search for tourism products and they need to socialize, and (c) explorers who are not interested in common work spaces, but rather in getting involved in authentic local experiences (Chevtaeva & Denizci-Guillet, 2021).

However, this approach to the work component is diverging the concept of the digital nomad towards partially similar definitions such as the remote worker, “expat”, or business tourism. There is a substantial difference between the two categories of mobility, namely that digital nomads prioritize based on leisure and the satisfaction of personal interests, and not on professional activity (Mancinelli, 2020; Reichenberger, 2017), and that decisions related to travel are made by the individual and not the business (Chevtaeva & Denizci-Guillet, 2021), and that is frequently repeated (Cook, 2020), without seeking the status of residency. Though it is true that

digital technologies have erased the borders between the country of origin and the country of destination, between static and mobile, and between work and leisure, they have also launched new debates about what community, family, work and leisure, and tourism in the life of a digital nomad can be. This basically indicates that both the travel component and the lifestyle variety of a digital nomad are not well defined.

Since this is a relatively new segment, both academic literature and destination management for digital nomads globally approach this segment relatively uniformly, precisely because they start with the work component. However, in the tourism sector, it is well known that marketing toward rural tourism is not the same as for urban tourism; gender studies are constantly demonstrating the differences in the decision-making process between men and women, and in the field of regional development it focuses more and more on the importance and typologies of access to resources that allow a desired lifestyle by the individual. Therefore, telecommuting has freed up a significant market share for mobile lifestyles as broad as tourism, but it should not be the only starting point when segmenting digital nomads.

2.3 The Traveller's Side of the Digital Nomad

Developed in the context of lifestyle mobility, digital nomadism is the intersection of tourism and migration (Cohen et al., 2015). As a result of its direct relation to this mobility, leisure, and even theories about power in the new social relations in the destination of the visit (Galani-Moutafi, 2000), it has largely been studied from the tourist perspective and its knowledge of the global nomad (Kannisto, 2014; Reichenberger, 2017). There are only a few published studies showing that the main force that drives digital nomads is the development of a personal project of self-realization through the search for destinations that offer leisure, cultural experiences, and alternative lifestyles, or what has come to be known as the 'good life' (Mancinelli, 2020; O'Reilly & Benson, 2016; Thompson, 2018). Digital nomads are less concerned about the actual destination than they are about the life they can live and the contribution they can make to this project. Their travel is incorporated into their routine, rather than as an extra activity, creating multiple homes to return to rather than focusing on a fixed residence. As a result, digital nomads reject the tourist label and embrace the traveller one (Thompson, 2019). As with any frequent consumer, this lifestyle changes selection criteria with time and experience. Cook (2020) states that long-term travellers become less impressed with the landscape and seek out entertainment with their local community or on Netflix.

Digital nomad tourism in its early stages has been compared to existing segments of tourism. The fact that their travel behaviour is similar to that of a tourist, choosing destinations based on tourist criteria and the use of online travel organization platforms made for tourists, keeping a clear distance from the local community, or, on the contrary, participating in tourist activities (von Zumbusch & Lalicic, 2020), it facilitates an identification with a behaviour that is already known. According to

Mancinelli (2020), this segment identifies with the ‘slow’ tourist (slow traveller), who takes several short trips within each destination and does not live permanently in the country of origin. Getting in touch with the special characteristics of the rural lifestyle, its pace, its demographic structure, its security and its rate of development, Situmorang and Karthana (2021) draw parallels with rural tourism and the desire to live local lives. Similarly, Mancinelli (2022) highlights the benefits of rural life for digital nomads in seeking contact with nature.

As the result of combining van mobility - or “vanlife” - and digital nomadism, Gretzel and Hardy (2019) contend that these nomads are taking more risks than the typical minimalist nomad who does not carry much luggage with them; they have also added home ownership to the mix. In the US alone, 17% of digital nomads use their motorhome, that is, 1.9 million people (MBO Partners, 2020). Despite this, these means of transport and access may generate another type of limitation in the concept of spatial freedom, which merits further examination.

2.4 Gender Perspective and Digital Nomads

Gender is defined as a social construction that explains the way individuals behave and act within a society as well as identifying character, personality, beliefs, values, and behaviours that differ between men and women (Figuroa-Domecq & Segovia-Perez, 2020). Nonetheless, tourism in general - without specifically referring to digital nomads - integrated the gender perspective into its analysis objectives only after the 1970s and in a complementary way (Swain, 1995) within their family role or as a consumer of some tourist products. During the 1990s, research was conducted on the promotion of tourist destinations, their different power relations, and perceptions based on gender, and the economic independence achieved by local women through the tourism industry (Harvey et al., 1995; Ireland, 1993; Purcell, 1997). Kinnaird and Hall (2000) explained that there are four pillars in tourism research that link gender with the tourist, the host, the marketing, and the landscape. Starting in the ‘00s, Pritchard and Morgan (2000) added the pillars of the employee, sex tourism, and sustainability (Figuroa-Domecq & Segovia-Perez, 2020). The research between gender and tourism focused on more specific topics such as the solo female traveller or backpacker (Jordan & Aitchison, 2008), gender and poverty reduction (Tucker & Boonabaana, 2012), gender and ecotourism (Tran & Walter, 2014), or within more particular segments such women as volunteer tourists (Bandyopadhyay & Patil, 2017).

A fundamental element of understanding gender roles and stereotypes is to comprehend where they are produced and how they are shaped by their cultural representations (Hanson, 2009). When analysed within the context of mobile lifestyles, the importance of space for establishing social conditions and expectations on power roles for men and women becomes even more apparent since it indicates a variation within these conditions. The trip represents a transformative existential

experience for women (Pung et al., 2020) that, although it does not liberate her from all the stereotypes built in her country of origin, it contributes to the exploration of her identity and behaviour change. Tourism influences the social construction of gender at three levels that are related to each other (Segovia-Pérez & Fiqueroa-Domecq, 2018): (a) individual, which refers to one's conception of the gender that each person represents and how this conception affects personality and behaviour; (b) 'interactional', which focuses on the expectations of gender roles that people develop in relation to each other; and (c) institutional, focusing on how social, cultural and institutional structures reproduce and institutionalize these gender roles.

Until today, gender has hardly been studied in depth within the segment of digital nomads. Interestingly, most of the participants in Thompson's (2019) research are women, but the author does not treat gender as an explicit analytical category. The few instances of this approach focus on observed inequalities between men and women digital nomads, whether due to unequal conditions before starting the journey or through their introduction within the new community in the receiving destination. The 'digital nomad' segment is also represented by the 'bro-mad' stereotype, which represents an affluent, heterosexual white male who travels to a distant shoreline to drink, surf, and meet friends and local women (Cook, 2020; Thompson, 2019). In terms of labour, digital nomads tend to reward capitalism, entrepreneurship, and the maximization of financial and business resources (Thompson, 2019). Based on the technological dependence on professional work in a digital ambience (Segovia-Pérez et al., 2020), this segment is quite masculinized. For example, in a study by MBO Partners (2020), in 2019 in the US only 31% of digital nomads were women, while in 2020 this percentage increased to 41%. The low likelihood of women becoming digital nomads might be caused by economic limitations, so the reality of this problem needs to be studied. For example, well-paying online jobs such as engineering are mostly filled by men, but other high-paying jobs like digital marketing are mostly filled by women (Welance, 2016). If the low demand depends on the lack of services that the destination does not provide, it is necessary to investigate what could be the common point between this segment and the tourist destination (institutional level).

Nomadic couples (interactional level) have shown that the man often has a greater income than the woman, allowing him to make the final decision about the destination to visit and the leisure activities that will be enjoyed (Thompson, 2019). Nomadic families tend to reproduce the classic division of gender roles, where the woman is responsible for the education of their children while the man is the one who provides the salary (Mancinelli, 2020). This indicates that, at the very least, the woman may not have made the lifestyle change she aspired to.

The results of these studies show that digital nomads, who are ever in contact with new communities, have to negotiate their own social gender construction at three levels: from their conception of gender as individuals; how they negotiate their roles in interactions with others; and to what extent the local society and culture replicates roles and stereotypes or, on the contrary, allows them to reinvent themselves (Segovia-Pérez & Fiqueroa-Domecq, 2018).

2.5 Co-Working and Co-Living Spaces as Tourism Attractions

Digital nomads, as shown above, are looking for two basic elements between the various destinations to organize their next trip: a place to work and a community where they can interact and share experiences with other digital nomads. In the first case, before the adaptation of destinations to this segment, the nomads, through their smart devices, searched for spaces with an internet connection, basically in cafes, restaurants, hotels, and apartments where free Wi-Fi is offered (Wiranatha et al., 2020). The increase in demand for these spaces resulted in the creation of common workspaces ('coworking spaces'), which are spaces that are aimed at professionals to work independently, offering them facilities for common use, such as offices, Wi-Fi, conference rooms, office supplies, etc. (Tintiangko & Soriano, 2020). For many, it is an adequate space to establish their work routine, normally during the morning hours (Cook, 2020). Approximately 42,000 coworking spaces will exist worldwide by 2024, according to Statista (2021), but this number seems to be a modest representation of the future evolution, considering the rapid expansion of this business model to tourism destinations.

In the second case, digital nomads highlight the great value they give to communal living spaces (coliving spaces) for their potential to create communities within which they can meet people with similar interests, make new work contacts, and feel safe living within a shared ethic (Tintiangko & Soriano, 2020). These accommodation spaces offer private and common areas, domestic services, and an ongoing community, with the aim of creating a sense of home for digital nomads (Sanghani, 2020). On the other hand, some of the criticisms that this format of working and living has received is that sometimes the facilities are very expensive (Chevtaeva, 2021), or that over time they can be considered spaces of distraction, considering the delicate balance between working in vacation destinations.

Coworking and coliving spaces are part of what is called as the collaborative economy, where value is co-created within the community (Chevtaeva, 2021). It is about creating an optimal system of collaborative consumption in the infrastructure of common use that improves the capacity of use and increases the environmental sustainability of the area (Orel, 2020). The connection of these spaces with local cultural values and the prosperity of the participation of the nomads in these working communities determine the success of the sustainability strategies.

Combining these spaces has created a trend known as 'coworkation', a combination of working and vacationing, the potential of which has been recognized by several destinations to boost their economy after the 2020 pandemic crisis (Chevtaeva, 2021). Therefore, 'coworking' spaces have not only become points of tourist attraction for digital nomads, but have also contributed to the appearance or transformation of some cities as 'coworking hotspots' (Orel, 2020; Prabawa & Pertiwi, 2020), such as Lisbon, Mexico City, Barcelona, Bali, and Chiang Mai in Thailand. Another touristic dimension of these spaces is that they offer, especially to those who visit a destination for the first time, a point of useful local advice,

which indicates their possible important role as intermediaries of information for travellers. These are the community administrators of the ‘coliving’ spaces, who not only manage the organization of the business and the complaints of the nomads, but are also responsible for creating this sense of community and socialization among its members, through the organization of networking events and opportunities (von Zumbusch & Lalicic, 2020). This environment of coexistence, and specifically the use of these spaces as tourist attractions, represents a range of research that is still little explored.

2.6 Conclusions

The purpose of this paper is to present actual academic knowledge regarding a new segment that is already gaining the attention of the tourism industry and specifically Destination Management Organizations. The new conditions of the labour market, the increasing availability of remote work that the public and, in particular, the private sector are adopting, and the subsequent lifestyle flexibility these conditions reflect, demonstrate the need to redefine the possible lifestyle structures that people on the move desire. On the other hand, in addition to allowing a clear separation of desires and needs, the introduction of a gender perspective will allow for an understanding of the rise of digital nomads and the necessary steps to increase the number of female digital nomads. For a detailed description of the digital nomad profile, including decision-making processes, preferences, expectations, and experiences, empirical research is imperative. Depending on the attributes and needs of the supply side, this will allow it to make a close adjustment to the demand side. It is critical that coworking and coliving spaces are studied and integrated into spatial development management plans of tourist and non-tourist areas because of their significant role as environments of dynamic community formations that foster social interactions between locals and digital nomads.

Acknowledgements This paper forms part of the Project “The Relationship Between Lifestyle Migration and the Tourist Dynamics of Destinations” PID2020-117459RB-C21.

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Chapter 3

Linking Destination Competitiveness to Performance. An Analytical Perspective



Ioana Maria Dumitru

Abstract Destination competitiveness and performance are among the most challenging areas of concern and analysis, key concepts of the tourism industry. Tourism destination is often associated in management discourse along with the terms competitiveness and performance and although they are used to a great extent, both in professional and academic environments, conceptualizing and measuring them raises a great interest, as the short and long-term success of destinations are dependant on their competitiveness and performance. Whereas for any Destination Management Organizations (DMO), it is of fundamental importance to be able to assess the linkage between competitiveness and performance and use it as a management tool in the development of tourism.

The concepts of destination competitiveness and destination performance have been discussed in management studies for a few decades already, but despite the numerous attempts, there is no general agreement about how they should be defined and linked. While the performance evaluation frameworks and methods are still debating, it should be noted that the tourism destination performance is a complex notion with puzzling elements and aspects that must be analysed thoroughly. Based on the literature review, there are three directions of analysis, but, regardless of the standpoint, researchers appreciate that performance is fundamentally linked to the competitiveness of tourism destinations, as a significant measurement of destination competitiveness is actually performance.

The main purpose of this paper is to assess the linkage between destination competitiveness and destination performance and overcome the challenges related to their conceptualization and measurement. This article analyses the concept of performance arising from the mainstream approach of traditional goals orientation, efficiency and effectiveness, and the input and output perspective.

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Switzerland AG 2023

A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_3

The paper concludes that performance can be seen as either result or an element of the competitiveness approach. The link between competitiveness and performance depends on the existence of a goal-driven strategy, where performance is the final result. More, the implementation of market performance indicators and the degree of economic efficiency contribute to the development of destination competitiveness as a whole.

Keywords Tourism · Destination · Competitiveness · Performance · Measurement

3.1 Introduction

In the tourism industry, competitiveness is considered by both researchers and practitioners, as a fundamental element. Over the years, it has been among the main concerns, not only in the economic and business sector, but also in the tourism and hospitality industry. Tourism destination is often used in management discourse associated with the terms competitiveness and performance. In a rapidly changing tourism industry, tourism destinations should be capable of understanding the context and adapting their strategies in order to increase their strengths and opportunities. Conceptualizing and measuring competitiveness in tourism builds up a great interest and the short and long-term success of destinations is dependent on their competitiveness and performance.

Many forces and factors have a great influence on destination competitiveness and within the exploration stream, the authors have examined and struggled with the competitiveness concept, its complex and challenging elements and various tourism destination models. While some studies about tourism competitiveness provide intercountry patterns of competitiveness performance (Dwyer et al., 2000, Dwyer et al., 2004; Mangion et al., 2005; Mazanec et al., 2007) and others analyse the specific factors that determine tourism competitiveness (Dwyer et al., 2004; Enright & Newton, 2004; Gooroochurn and Sugiyarto, 2005), both directions of research, in essence, suggest that there is a causal relationship between destination performance and competitiveness (Croes & Rivera, 2010).

Over the last years, researchers directed their efforts in order to correlate the concept of competitiveness in connection with the tourism destination. Anne-Marie d’Hauteserre (2000) presents the competitiveness of a tourism destination as “the ability of a destination to maintain its market position and market share and to improve upon them through time”. Further, Ritchie and Crouch (2003) define competitiveness as the ability of a destination to “increase tourism expenditure, to increasingly attract visitors while providing satisfying memorable experiences and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations” (Ritchie & Crouch, 2003, p.2). Still, there are many debates on how the competitiveness of a destination should be defined. In order to harmonize the definitions, in 2019, United

Nations World Tourism Organisation (UNWTO) defined the competitiveness of a tourism destination as “the ability of the destination to use its natural, cultural, human, man-made and capital resources efficiently to develop and deliver quality, innovative, ethical and attractive tourism products and services in order to achieve a sustainable growth within its overall vision and strategic goals, increase the added value of the tourism sector, improve and diversify its market components and optimize its attractiveness and benefits both for visitors and the local community in a sustainable perspective” (UNWTO, 2019).

Earlier tourism competitiveness research has used a large number of variables and factors to explain the notion of destination competitiveness. Among the first attempts were Crouch and Ritchie (1999) who identified 32 components, and four years later, Ritchie and Crouch (2003) developed a framework that contained 36 factors, clustered into five components. Dwyer and Kim (2003) identified 33 factors and in 2004, Dwyer, Mellor, Livaic, Edwards, and Kim (Dwyer et al., 2004) considered 81 factors. Other models encompass fewer or more variables: Heath’s model (2003) has 26 factors, followed by Enright and Newton in 2004, who identified 52 items. The same year, 2005, Gooroochurn and Sugiyarto indicated 23 factors divided into 8 main indicators, which were afterwards developed in 2007 by Mazanec et al. (2007). The Travel and Tourism Competitiveness Report (2019) issued by the World Economic Forum structures the data into 90 indicators, forming 14 pillars.

Research on tourism performance has increased in the last years and even though the term “performance” has been used in several management reports that date back to 1980, there is still debate about its main definition (Wenbin, 2018). Kozak and Baloglu (2011) was among the leading researchers when he considered the term “destination performance” to compare Spain and Turkey. Despite the fact that “performance” is considered challenging to define and that there are different approaches to measuring it, to consider only the economic efficiency, can not define performance. The performance of a tourism destination can be analysed by taking into account four key elements: economic performance, sustainability, visitor satisfaction, and destination management actions.

Ben Massou (2015, p 72) defines tourism destination performance as being “the capacity of a destination to achieve objectives in terms of tourist receipts, the number of visitors, overnight stays, loyalty, customer satisfaction, etc., by offering with the support of the tourist stakeholders located there, products, services, infrastructures and other means that meet the expectations of tourists in terms of price, quality and distance”. Hanafiah et al. (2016) noted in their analyses that: “determining destination competitiveness is vital to appraise the performance of a destination compared to its competitors” (Hanafiah et al., 2016). “A performance-based measurement of tourism competitiveness will directly respond to the needs of tourism policymakers, such as the evaluation, promotion, learning and improving decision-making process” (Hanafiah et al., 2016). Thus, this paper seeks to link destination competitiveness to performance in order to understand and avoid the inconsistencies and confusion surrounding the concepts.

3.2 Research Purpose and Methodological Approach

Understanding the competitiveness of tourism destinations has increased in interest not only from the academic point of view but also from the public policy perspective. The concepts of destination competitiveness and destination performance have been discussed in management studies for a few decades already, but despite the numerous attempts, there is no agreement about how they should be defined and linked.

Literature review as a research method is the pillar of all academic research processes. Due to the fragmented pieces of information, it is important to examine the accumulated knowledge and fill in the current research gap. The methods used in this paper consist of identifying, selecting, analysing, and processing information and deliver the outcomes. This article aims to examine the link between destination competitiveness and performance and reviews the previous literature by carrying on a methodological analysis examining from literature review reports and articles, empirical and conceptual studies, scientific papers, case studies applications, to books, databases, and so on, assessing the importance of the structural relationship between the conceptual tourism destination competitiveness constructs and the destination performance.

The main purpose is to put together a comprehensive analysis of the most accurate and structured theoretical approaches, that can be used by the Destination Management Organizations (DMOs) as a guide in the process of decision making, or as a tool in their tourism strategy or communication, to prevent the oversights that might appear along the way due to the misunderstanding of the most important elements. It is of fundamental importance to be able to assess the conjunction between destination competitiveness and destination performance, overcome the challenges related to their conceptualization and measurement and apply it in practice.

3.3 Destination Performance and Competitiveness. Results and Discussions

3.3.1 Competitiveness-Performance. Strategic Approach

The tourism literature tried to demonstrate that when measuring tourism competitiveness, there is a major extent of performance application. Destination competitiveness is, according to Ritchie and Crouch (2003), linked to performance by several steps, that combine comparative advantages (endowed factors), competitive advantages (ability to mobilize and deploy resources), tourism markets, competition, goals, and the target market strategy. (Fig. 3.1) The relationship between these elements form the basis of the competitiveness – performance tie. Starting with the comparative (natural and cultural resources, human and knowledge resources, infrastructure, capital resources, etc.) and competitive advantage (elements: growth and development, maintenance, the efficiency and effectiveness; and players:

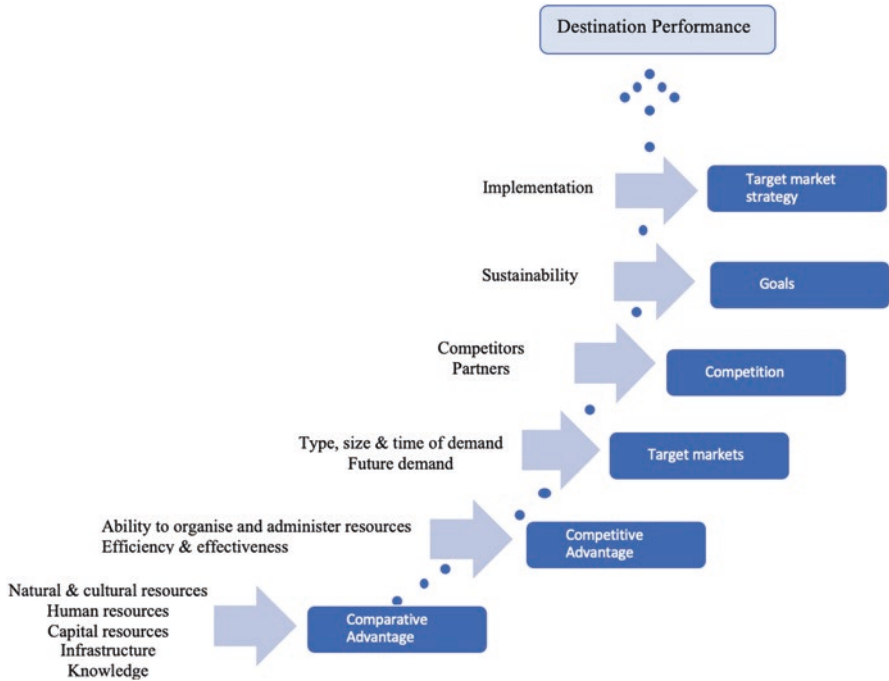


Fig. 3.1 Destination performance. (Source: own elaboration based on Ritchie and Crouch (2003), p.29)

government, industry, enterprises etc.), Ritchie and Crouch (2003) developed a structural framework that encompasses all the aspects that need to be taken into account when assessing destination competitiveness and performance. The essence of a durable target market strategy resides in finding compliance between the major elements of destination competitiveness, which includes tourism market segments and alternatives, competition (both competitors and partners) along with their market strategies, and more importantly, the objectives or goals which the destination intends to attain. Target markets represent other important components that need not only to match a destination’s comparative and competitive advantages but also correspond to a destination’s tourism development goals. The tourism destination will seek to create a balance between its competitive strengths and weaknesses linked to the opportunities and threats for all target market segments. In Ritchie and Crouch’s (2003) vision, the most important matching elements that connect the destination to the market segments are being grouped into four categories: nature of demand (correspondence between tourist needs and the destination offer or comparative advantage), time of demand, the magnitude of demand (compatibility between the capacity of the offer and the size of the market sector) and future demand.

There are many challenges involved in the process of selecting target markets and developing strategies to attract them, so delivering a match between the destination’s competitiveness profile and the characteristics of these market segments

stands for only part of the context. When selecting target market segments, the destinations should also consider the strategy and the goals of the competitors. Depending on their comparative advantages, destinations might target the same set of market segments. These destinations may be grouped in either enemies or allies. Enemies are the destinations that the tourists choose to visit instead. Allies complement rather than diminish. (Ritchie & Crouch, 2003).

The implementation of the target market strategy will generate an outcome that has to be analysed in accordance with the destination's objectives or goals. Goals require short-term milestones, but the performance of a destination must be considered over the long term. Destinations should not fall into illusion, pursuing short-term apparent achievements without a plan or any idea of where this will lead in the long term. Assessing the competitiveness of a tourist destination should rely on the past while considering what might occur in the future. But, from the managerial point of view, it is a future performance that counts. The success of a destination is often determined by the level of economic prosperity achieved from tourism. If and when the strategy fulfils the desired goals, it may be considered a performing destination.

A destination faces more challenges than a company trying to implement a strategy. As Ritchie and Crouch (2003) noted, these challenges emerge because a tourism destination seeks to reach multiple goals, affects numerous and diverse stakeholders, and often disregards the role of the main organisation that is able to see the picture from a bird's-eye view and that has the difficult task of collecting the separate information required to assess its performance. For the policymakers is challenging to determine the specific goals that suit and follow the needs and purposes of destination stakeholders, and furthermore develop a framework that allows the successful fulfillment of these goals.

Ritchie and Crouch (2003) consider the link between destination competitiveness and performance depends on the implementation of the target market strategy that should be goal-driven and in the end, should result in a set of achievements correlated with the settled goals. In other words, it is important to designate a goal or a purpose at which competitiveness is aimed, in order to state that the destination is competitive. Performance is the final result that rests on the execution of the strategy but is also limited by the actions of the competitors.

3.3.2 Competitiveness-Performance. Economic Efficiency And Input-Output Approach

Despite the increased volume of research related to performance, the uncertainty of meaning still remains an issue. If for some researchers, performance can be explained by the degree of **effectiveness** (Goodman & Pennigs, 1979), for others, performance represent the degree of **efficiency** (Ammons, 1984; Folz & Lyons, 1986). The Longman dictionary (2010) defines effectiveness as “being successful in producing an intended result” and efficiency means to “accomplish something with

the least waste of time and effort. In the end, the performance combines two elements: effectiveness and efficiency, that can be interpreted by the fidelity to objectives that were set in the beginning and the way of achieving them (Lozato-Giotart et al., 2012, p. 230).

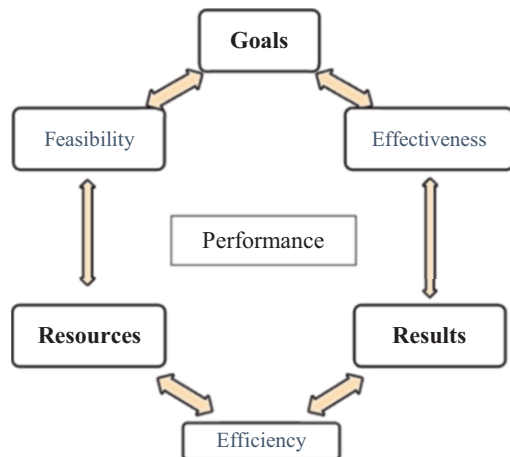
Generally, performance is seen as a progress, an advancement of something that exists so far. This progress is considered a relevant and efficient evolution that contributed to the improvement of the initial situation (Hmioui et al., 2019). This added value can be analysed taking into consideration a set of three elements: goals, resources and results, linked by feasibility, effectiveness and efficiency (Fig. 3.2).

Performance, at both macro and micro levels, is often depicted by financial indicators (production, added value, and employment) and accounting indicators (occupancy rate, average length of stay, tourism turnover compared to overall turnover, total overnight stays) (Held & Hunziker, 2009, p.63; Ouédraogo, 2004, p.68). Analysed from a macro perspective, competitiveness is considered of general interest and the ultimate purpose is to improve the receipts of the residents. From this perspective, competitiveness includes social, cultural, and economic elements affecting the performance of a country. From a micro perspective, it is regarded as a firm-level case, as firm-specific behaviours determine competitiveness (Dwyer & Kim, 2003).

The performance of a tourism destination is an aggregate result of an entire process of improving the offer, through the involvement of staff, improvement of infrastructures, concentrating on tourists, differentiating from competitors, controlling processes and activities, etc. Given the complexity of the tourist phenomenon, the variety of the tourist experiences, and concerns influencing expectations and motivations of purchase behaviour, the evaluation of tourist performance of a destination or territory is the result of the combination of a whole list of indicators (Hmioui et al., 2019).

The development of a set of competitiveness indicators can serve as a valuable tool. Performance ratings can be established for destination competitiveness as a

Fig. 3.2 Performance.
(Source: own elaboration based on Hmioui et al. (2019), p.9)



whole, as well as for particular aspects of competitiveness. Dwyer and Kim (2003) present the market performance indicators organized in seven groups, as follows: Visitor statistics (numbers), Visitor statistics (expenditure), Contribution of tourism to the economy, Indicators of economic prosperity (macroeconomic indicators), Tourism investment, Price competitiveness indicators, Government support for tourism (Table 3.1).

Dwyer and Kim (2003) emphasised that “there is no single or unique set of competitiveness indicators that apply to all destinations at all times”. For each factor, essential to destination competitiveness, there are several indicators that may be assigned as measures. The main idea is that there is no general rule or list or template that apply to all destinations. Different competitiveness indicators will be suitable for different destinations (Dwyer & Kim, 2003).

Effectiveness is generally used as the foremost display of destination performance and has been generally accepted for measuring performance. A scientific evaluation of performance supports the development of indicators, corrects deviations, strengthens the management, avoids inefficient development and promotion, protects the resources (natural and cultural), improves the management efficiency, achieves social balance, and promotes sustainable and durable tourism (Wenbin, 2018).

Additionally, another point of view, explored by other researchers, focuses on the **input-output** approach. The input side is usually determined by the physical endowment, like the tourist facilities (type of accommodation, restaurants, activities, etc), the infrastructure (accessibility, information, safety), and the environment. Another important element is the human resource endowment which covers hospitality, quality of service, and education and is critical to performance. Marketing and promotional expenses are also considered as part of the input. On the other side, the **output** can be expressed as the number of arrivals, length of stay, average expenditure, amount of tourism receipts, productivity, and so on (Kozak & Baloglu, 2011). Croes (2013) considers that “if inputs (actions) are to make a difference, outcomes of these inputs should be examined and evaluated to the extent that they are realizing their intended goals (effectiveness) and at reasonable costs (efficiency)” (Croes, 2013) (Fig. 3.3).

Wenbin (2018) considers that tourism performance evaluation must focus on the results and on the development process. Thus, he assesses the connection between input-output ratios, and costs – benefits results. Outcomes represent the effects of the activities converting inputs into outputs, which reflect the features of the performance measurement mechanism. According to Wenbin (2018), “efficiency refers to the ratio of input and output” and “effectiveness stands for the contribution of output to achieve destination goals”.

Though, as Pearce (1997) implied, a competitive analysis refers to comparative studies as the first step. Thus, evaluating the competitiveness of a destination can be achieved using quantitative and qualitative analysis. The quantitative performance of a destination is enclosed in the annual number of tourist arrivals, length of stay (days), level of expenditure per tourist, and yearly tourism receipts (amount), etc. Nevertheless, the qualitative patterns of destination competitiveness, such as socio-economic data, socio-demographic profile of tourists, level of tourist satisfaction,

Table 3.1 Market performance indicators

<i>Visitor statistics (numbers)</i>	<ul style="list-style-type: none"> • Number of visitors (domestic/foreign) • Growth rate • Market share of destination • Average length of stay • Rate of revisit
<i>Visitor statistics (expenditure)</i>	<ul style="list-style-type: none"> • Expenditure of domestic & foreign visitors • Growth rate of expenditure • Percentage (of destination) in total tourism expenditure • Fluctuations in expenditure share • Foreign exchange earnings from tourism as percentage of total exports
<i>Contribution (of tourism) to economy</i>	<ul style="list-style-type: none"> • Added value (percentage, values, rate of growth) • Domestic tourism • International tourism • Contribution to employment (numbers, percentage, rate of growth) • Productivity of tourism industry sectors
<i>Macroeconomic indicators</i>	<ul style="list-style-type: none"> • Level of employment • Economic growth (rate) • Income (per capita)
<i>Tourism investments</i>	<ul style="list-style-type: none"> • Investment from domestic sources • Foreign investments (direct) • Percentage of tourism investment in total industry investment
<i>Price competitiveness indicators</i>	<ul style="list-style-type: none"> • Aggregate price competitiveness ratio (by purpose of visit and by sector)
<i>Government support for tourism</i>	<ul style="list-style-type: none"> • Budget allocated for the Ministry of Tourism • Expenditure on destination marketing (examination with competitors) • Support for transport and tourism infrastructure • Tourism programmes available • Tax concessions and rates • Trainings for tourism

Source: based on Dwyer and Kim (2003), pp. 404–405.

quality of facilities and services, quality of staff, and so on, should also be considered because these ultimately stimulate and drive quantitative performance (market share, revenues, etc). (Kozak & Baloglu, 2011).

In a recent attempt, Croes and Kubickova (2013) claimed that “a significant measurement of destination competitiveness should include the assessment of

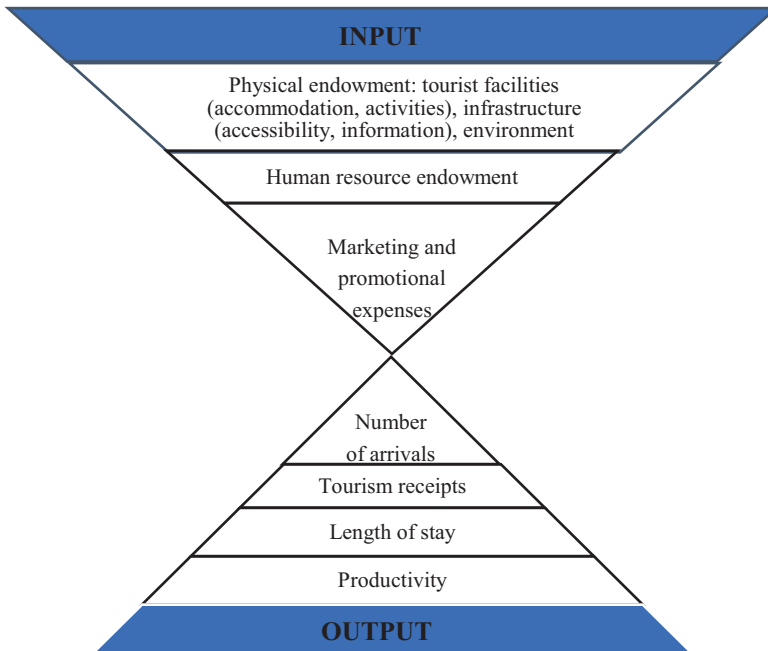


Fig. 3.3 Input and output perspectives of destination performance. (Source: own elaboration based on Kozak and Baloglu (2011), pp. 30–31)

destination performance”. In order to achieve great results and develop business policies, it is important to understand the exact situation of tourism performance in measuring competitiveness (Croes, 2013).

3.4 Conclusions

The study of destination competitiveness and performance continues to raise interest from among tourism researchers, policy-makers, and organizations. Based on the literature review, it can be summarised that there are three directions of analysis: the leading and most complete approach is that proposed by Ritchie and Crouch (2003) which encompasses all elements that are important in the management of a tourism destination, the existence of a goal and the strategy to achieve it; the second opinion of research that assesses the competitiveness- performance relation in terms of economic effectiveness-efficiency and a third one that presents the situation in an input-output direction. The last two standpoints are considered incomplete, as they focus more on the economic approach with quantitative indicators and tools and lack the socio-economic and cultural aspects of competitiveness.

When stating that a destination is competitive, it is important to designate a goal or a purpose at which competitiveness is aimed at. Performance brings a fair

judgment over the achievements of goals that derive from a predefined plan, usually a policy, program, or strategy. While the performance evaluation frameworks and methods are still debated, it should be noted that the tourism destination performance is a complex notion with puzzling elements and aspects that must be analysed thoroughly. The link between competitiveness and performance depends on the implementation of the strategy. Monitoring and evaluating the performance of a tourism destination allows the analysis of the destination's success in achieving strategic priorities and providing the basis for future decision-making and performance improvement. It is of fundamental importance for any Destination Management Organizations (DMO) to be able to assess the conjunction between competitiveness and performance and use it as a management tool in the development of tourism.

The dynamics of destination competitiveness and destination performance arise from the mainstream approach of traditional goals orientation, efficiency, and effectiveness and the input and output perspective. But, regardless of the standpoint, researchers appreciate that performance is fundamentally linked to the competitiveness of tourism destinations, as a significant measurement of destination competitiveness is actually performance and applies in assessing the competitiveness of tourism. Performance can be seen as either result or an element of the competitiveness approach. The link between competitiveness and performance depends on the existence of a goal-driven strategy, where performance is the final result. For other researchers, the implementation of market performance indicators and the degree of economic efficiency contribute to the development of destination competitiveness as a whole.

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Chapter 4

Exploratory Research on Using NFT for Selling Digital Art



Florina-Gabriela Mitu and Marius Bota

Abstract In recent years, a new typology of digital assets, namely NFTs, has started to take off. This name, very veritable on blockchain technology, is an abbreviation used for “Non-fungible token”. Not being fungible basically means that it cannot be replaced with another NFT, because each one is unique and is found in a digital form as a work of art, an image, music, lyrics and even vouchers. They have been present on the market since 2014 but have gained popularity especially in terms of investments in 2021. The benefit and innovation that this type of token brings is that it encodes ownership rights to a buyer, rights which cannot disappear or falsify, as is usually the case in the physical world today. Especially on the art and music market. These non-fungible tokens can also be purchased and distributed online on various specific platforms such as OpenSea.

The purpose of this study is to provide an overview of this technology in the sale of digital art and how it influences both the process itself and what are the challenges and risks of using it today. Moreover, for data collection, exploratory research was conducted. A literature review was done, to be able to identify and analyse papers on topics and to understand this type of digital asset. As well as to better understand the applicability of this technology, a comparative analysis has been made, on several case studies and actions already existed in digital world and for primary data collection an in-depth interview was implemented to better highlight the if the phenomenon’s characteristics and trends are known to the general public of artist in Romania.

Keywords NFT · Digital art · Digital assets · Ethereum · Blockchain

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A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,

https://doi.org/10.1007/978-3-031-19656-0_4

4.1 Introduction

The subject of NFT and its characteristics gain a massive interest this year, especially in the first six months of the year, both worldwide and in Romania. According to the results provided by Google Trend, the Asian countries have shown the most interest in the searching process for this topic in the last three years. At the same time, Romania is in the 22nd place out of 67 countries summarized in the top regions provided by Google Trends. More information can be seen in Fig. 4.1 below.

NFT as a word is a simple abbreviation that means “non-fungible token”. A digital asset can have both physical and digital forms in terms of artistic creation and more. It can also be intellectual property in terms of music, video games, short videos, or digital art. These tokens consist of digital information that has a media format in general and their value can be calculated and expressed in cryptocurrencies. Another feature of these is that they are mostly part of the Ethereum blockchain, also every creator is free to ask for any other cryptocurrency they want. All this is possible due to the amazing advancement of technology and the steps taken in recent years in terms of strengthening and increasing security and preventing risks in this regard, as well as increasing the demonstration of authenticity and its verification (Rehman et al., 2021).

The first form of NFT appeared in 2012, represented by coloured coins, which were an attempt to better explain how Bitcoin works and how it allows the creation of tokens to represent assets that have a certain interest in one blockchain (Bamakan et al., 2022). The next big step in the evolution of this type of token was in 2014 when the so-called Counterparty was created, which is a peer-to-peer financial platform built so that digital assets can be tracked. The major impact and growing popularity of NFTs were in 2017 when CryptoPunks - 10,000 unique generated characters, – were released, this time on the Ethereum Blockchain (Aubert, 2021).

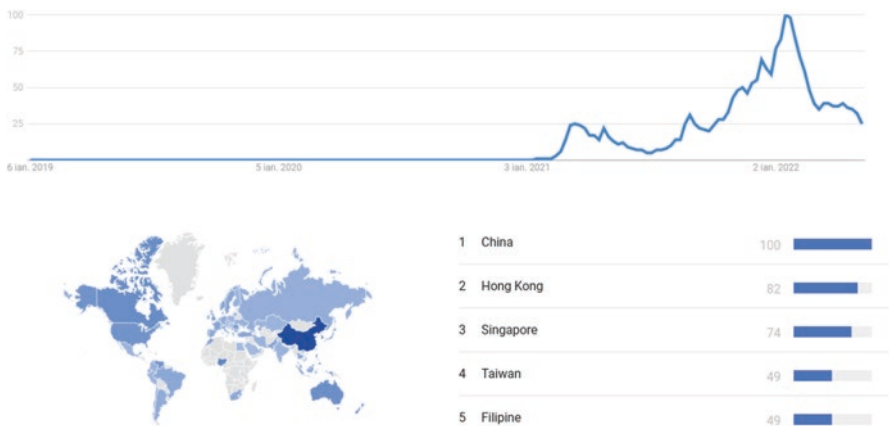


Fig. 4.1 NFT interest in Google search globally. (Source: Google Trends (2022), <https://trends.google.com/trends/explore?q=nft> [Accessed 16th April 2022])

Moreover, in 2021 the NFT market has exploded steadily and has been largely based on the adoption of the mainstream and the transition to it. For the most part, the liquidity and efficiency of this technology have increased a lot, generating at the same time a greater interest for some collectors. In terms of market popularity for art, one of the most popular NFT spots is Opensea which is considered the largest marketplace for these activities. The 5 most popular markets for selling NFTs are: OpenSea, Rare, SuperRare, Foundation and AtomicMarket (Mani et al., 2021).

4.2 Literature Review

A non-fungible token is a way to keep a record of rights and be able to verify and track these copyrights of an asset that is characterized as unique or rare (Mazur, 2021). In other words, any type of object that can be included in a rare category or of an unprecedented uniqueness is an NFT. For example, if we refer to a bitcoin, it is fungible. (Clark, 2021) You can exchange a bitcoin for another bitcoin, or you can exchange a leu banknote for another leu banknote and in the end, you will have the same thing with the same value and characteristics. On the other hand, a painting like “Mona Lisa” is something unique in the world and cannot be changed or replaced with another painting or art object. So, this is an example of not being fungible (Elmessiry et al., 2021). Such a token can be about anything in digital form and the most common and recent activity involving these NFTs is selling digital art. Not only that many artists and collectors have moved their activities almost exclusively to an online format, but they have come to refer to the use of this technology as a new form of art collection and an evolution in this regard in the art market.

After analysing the information provided by several authors in their articles, the main characteristic noticed is that most NFTs are part of the Ethereum blockchain. This blockchain is characterized by a type of cryptocurrency like bitcoin and is differentiated from other typologies through its efficiency and a better support offered for its users.

Mitchell Clark describes in his article that you can think of the blockchain as a place where information is stored, where anyone can contribute, no one can change it and is not controlled by someone specifically. Blocks are those that store data in the blockchain (Clark, 2021). They are practically cryptographically interconnected and by creating and adding these blocks, a chain is formed. This represents a digital ledger (Mani et al., 2021). It is known that this Distributed Ledger Technology is a database that is decentralized and can be managed by many different people. This is also the case with the blockchain, in which transactions are stored with a type of electronic signature known as a “hash” where is used and is an irreversible cryptographic. The other word in the “blockchain” is chain that simply characterizes a chain of blocks made in that network. These blocks practically have a connection between them and manage to point to each other the characteristic connections that cannot be easily erased. In the cryptocurrency world, each type of currency has its own blockchain, such as Bitcoin and Ethereum. Another specific element of the

blockchain is the node that handles everything related to the message of that transaction. These nodes verify that the message was digitally signed by the owner and not by another person. The node checks if the signature is authentic and if it is valid. After this verification, those transactions do not advanced further on the chain but wait until the next block is created to be added. This process in which a block is created and in which the information is verified by those nodes is called “mining”. Other authors point out, fraud or counterfeiting cannot be done or rather it is detected immediately because the value of this hash changes immediately when a change is made (Rehman et al., 2021).

Moreover, this rapid advancement and the introduction of security risk prevention and the provision of the authenticity of NFTs in terms of a digital signature as copyrights found in each token, has led to an increase in interest in using this technology. Also, NFTs have created new opportunities for the art businesses, which in the past has represented countless obstacles to their promotion and openness to a larger target audience. NFT sales have now reached over \$ 1 billion at the end of last year, and they do not seem to stop there (Rehman et al., 2021). This change and this technology, which is still in its development and growth process, has attracted countless researchers as is the case in the present paper.

The NFT minting process is one in which digital art is becoming a part of the Ethereum blockchain. In terms of the NFT market, it seems that since 2020, even in the second half of the year, NFTs represented by digital art has reached over 60 million dollars and presented a volume of 2.5 billion in the total volume of their sales during the same year. In the first half of 2021, the sales were double (Rehman et al., 2021). If were to describe the Ethereum platform, is in general a community that works as software technology and is based on blockchain technology. Following the definition of copyrights and the presented characteristic of the platform makes the following actions favourable: transaction formats and the possibility of establishing a desired trading method, which works according to cryptographic rules. Many users are attracted to those figures because it allows the use of these decentralized applications to create smart contracts and make peer-to-peer payments as well as generate tokens. Moreover, the accounts created on this platform are made based on a code contract, which is called EOA and is controlled by a private key that presents specific details in the transactions (Rehman et al., 2021). In other words, digital art, in addition to being generally described as a representation of a digital or virtual environment of paintings, drawings, music or images, has so far presented countless challenges and problems in terms of theft and forgery. The fact that each work or rather that each NFT is unique and authenticated and proven has also created a greater interest in the use of these tokens in the process of selling and buying digital art.

This process is also known as tokenization of digital art and refers to the fact that artists end up making more profit from their sale and that their works are allocated royalties each time the art are transferred to a new owner or a buyer (Rehman et al., 2021). On the other hand, the benefits of using NFTs are spread. As a buyer, you do not have to be a professional in art or be very prepared before you decide to buy an NFT. All you have to do is own a digital wallet and free time to invest in the work

of artists or NFT creators on the market. Buying an NFT also gives you the satisfaction of supporting the work of a creator and the benefit of having some general rights to use them, such as posting that image online or even using it as a profile picture for various media activities. At the same time, an NFT can be viewed from the perspective of a speculative asset because, after buying it, its value can increase the very next day and, in this case, you can use that NFT further to make a profit. NFTs allow a creator to access the audience directly and not through an intermediary such as an art gallery. Today a creator can sell his work whether it is a simple individual, company, or an NGO as long as they are really the authors of those creations. As the author Dinusha Mendis mentions regarding the limited rights on NFT markets and according to the copyright law in the UK, copyright is automatically the one that appears when it comes to creating a work. This means that the author of the work is also the owner of the copyright (Mendis, 2021).

When someone decides to buy NFT from a particular creator, these buyers receive those property rights from the creator. An NFT is a kind of digital certificate of ownership that represents that the digital asset is purchased and can be tracked on the blockchain. The difference in terms of these stages of ownership over the purchased good is that the NFT owner has no other creating/manufacturing rights over the creation of that work. According to copyright law, this can be explained in broader terms by the fact that these consumers receive at the time of purchase the right to pass on the goods purchased to a wider audience, or to be able to adapt or reproduce the work (Mendis, 2021). The same thing happens when we decide to buy collectible art objects physically. The problem that arises when the purchased good is in a digital format is that it is very easy and convenient to make that work public, to reproduce the art licking or to make several copies of it. Therefore, buyers of NFTs must understand the importance of this copyright because to perform such activities listed above, they must obtain permission from the rightful owner or rather the creator of that NFT. The safest right that can be obtained or transferred, in the case of an NFT, is by obtaining a license in which you as a buyer can use that NFT in commercial activities. Each NFT or creator determines the extent to which these limited copyright rights may arise. Some decide that they should allow the NFT to be posted as a profile picture in the case of social media accounts, others allow their work to be used only for personal consumption and not specifically involving the free public (Mendis, 2021).

Another issue that is closely related to copyright law is that the blockchain in its essence demonstrates its authenticity when that NFT is registered and posted as a new good on the non-fungible tokens market, but that NFT can even be a picture or a reproduction of an already physically existing product that is not yet produced as an NFT, and this cannot be 100% guaranteed by the blockchain. That is why buyers need to be very careful when deciding to buy an NFT, if they are collectors or fans of digital art (Mendis, 2021).

4.3 Research Methodology

This paper is based on exploratory research with the main objective of identifying in detail about a marketing phenomenon that appeared on the market not long ago. Both primary and secondary data were identified, collected, analysed and interpreted. Qualitative research was conducted by implementing an in-depth interview. The main objective of the research was to explore the field of NFTs and the possibility of using them in the sale of art and digital art. A secondary objective was to identify the perception of a group of Romanian artists on the connection between art and NFTs.

For the most part, especially regarding the completion of the first part of the paper, it was possible through a secondary data analysis in which several articles and papers were reviewed. The data selected and concentrated in this article were collected during two to three months and involved consulting several platforms such as Google Scholar, Research Gate, YouTube and various specialization sites on the subject of this paper such as The Verge. The sources of information were considered to be reliable and to provide a perspective on the studied field.

Regarding the primary data collection, an in-depth interview was implemented with 6 interviewees. The main criterion for choosing the 6 interviewed subjects was the knowledge of the subject of this paper: NFTs and the sale of art through NFTs. There were two categories of subjects interviewed. The first category of 2 people was chosen due to the involvement of the interviewed subjects in social media promotion activities and the knowledge regarding the activities of using cryptocurrency and NFTs. The second category was composed of 4 subjects who carry out certain marketing activities as a creator of digital and fine art in physical format. The interviewed subjects are between 20 and 55 years old, are of Romanian nationality and come from both rural and urban areas, and the predominantly geographical area was represented by Cluj County, followed by Constanta and Tulcea counties. The period for selecting and contacting the participants was two weeks and the discussions with the participants were both face to face (offline), online through a dedicated platform and by phone. The duration of the discussion with the participants ranged from 30 minutes to one hour. Also, the number of women was equal to that of men in the total of the 6 interviewees.

The interview guide consisted of 6 open-ended questions that did not allow the subjects to answer monosyllabically, forcing them to argue their answers.

At the beginning of the in-depth interview, it was mentioned that the confidentiality and the way in which these answers will be used further in the research will be respected as well as the fact that the discussions will be recorded.

4.4 Results and Discussions

NFTs are used in many industries other than art, namely fashion, finance, insurance, real estate, etc. Table 4.1 presents some examples of NFTs from the framework of several industries. But in this work, the focus is largely on art (Aubert, 2021).

The phenomenon that captured the interest of Internet users in stepping into the NFT world was when the artist Michael Joseph Winkelmann known professionally as Beeple set a record sale of 69 million dollars and this is one of the highest sales records in digital art ever recorded (Rehman et al., 2021). This sale manages to place the artist in the top three living artists who have managed to have such great and valuable results in an auction. The auctioned work can be viewed in Fig. 4.2 below. The work entitled “Everydays: the first 5000 Days” was sold in 2021 at Christie’s.

Not only the creation of NFT itself has led to this revolutionary result in the art market, but as today personal branding is also a key element in promoting a product as well and in this case, the creator of the work well known today among NFT developers essentially has a much longer process behind (Kastrenakes, 2021).

The reasons that led to this success are the following:

- He managed to create a fanbase of over 2.5 million followers on various social media profiles;
- He managed to post a digital artwork every day for 14 years;
- The attraction was greater from the collectors at the sight of this collage because many expect this work to be worth a lot of money in the future given being an NFT;
- The Auction House’s reputation has been one of the most important factors in the success of selling process because they basically have the vision for it.

Cristie Auction House is known for its famous works of art and historical artwork sold by artists such as Leonardo da Vinci and Shakespeare. The representatives of this house claimed that they see a future in digital art collection and that thanks to

Table 4.1 NFT examples of application based on an industry or area of activities

Activities / Industry	Examples of NFT applications
Art - digital art	Trading artworks and authenticity verification – Crypto-kitties. The artwork can be track easily due to its NFT format.
Credentials certifications, patents and intellectual properties	A way of protecting intellectual property and patents. NFT can be represented as academic credentials, courses, diplomas. It also an easy way to generate prove of manufacturing as an NFT for activities that involves the supply chain field.
Collection products	Posts of various celebrities or collectible cards
Gaming	Objects from video games or places within them, avatars
Domain name for webpages	Ex: Name.com
Different sports	Autograph in digital format

Source: Adapted after Rehman et al. (2021) p. 4

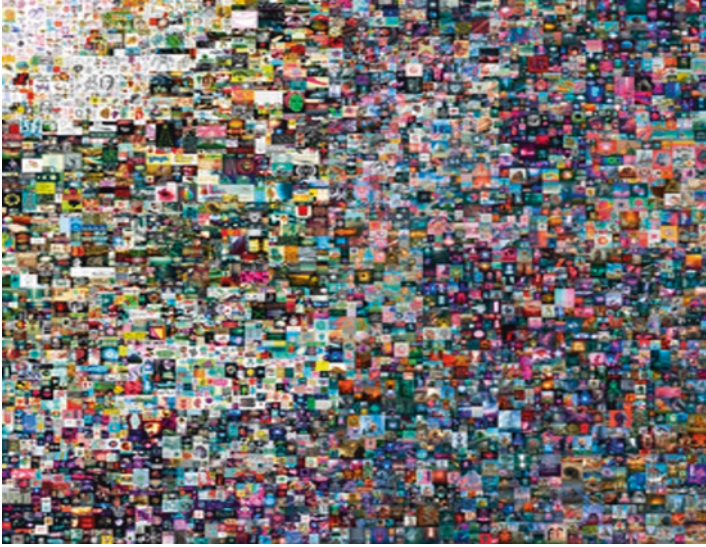


Fig. 4.2 The work entitled “Everydays: the first 5000 Days”. (Source: Wikipedia (2022), https://en.wikipedia.org/wiki/Everydays:_the_First_5000_Days#:~:text=The%20work%20is%20a%20collage,most%20expensive%20non%2Dfungible%20tokens. [Accessed 17th April 2022])

NFTs their collection is finally possible. They really want to be able to take their digital exposure to an even higher level in the future.

People have even spent millions of dollars on videos, digital images such as the case of the Gucci ghost or a colossal minute of a basketball game, and that list do not stop here. It can be said that so many industries have so many forms of NFTs for sale. Whether it’s an exceptional piece of digital art or a cute drawing with a kitten, NFTs are the basis of jpeg or gifs. As it happens in many cases, people still have questions and sceptical views concerning these digital assets and one such question is, “If we can download or copy that image, then why spend more on it?” What exactly are the benefits of NFTs and why would someone collect as an art lover or collector using such technology? One of the answers to the above questions is that you have access to them so you can copy as many digital copies as you want of that artwork or video, even those included with an NFT, but the difference is that NFTs have that unique design to give the public something that is authentic and those copyrights.

In other words, just as in the real world every collector or consumer of art has his own character and interests, the same happens in the virtual world. Those “virtual” collectors are even creators who find any motive or childish idea to implemented as art and to make more money. Out of a desire to create an even larger community of buyers or followers, they end up treating almost anything as a last form of fine art (Chevet, 2018). The actors encountered today on the NFT market start from a simple man, like your neighbour who does not have the financial possibility to publish his works in physical public places such as art galleries and wants to make money

through artwork and cannot reach the target buyers through traditional methods and there are actors like the multinational such as Marvel or Visa who have recently launched their own NFTs and even international celebrities who sell some of their songs or videos from various projects such as movies or series with them as NFT.

Another aspect that is important to be discuss is the internet. This is full of scams, only they are not so visible to the naked eye and can be easily masked in front of an audience that does not have considerable information about this process itself. A very good examples is the scam that involves the creation and sale of NFT and took place and featured an anonymous NFT creator who managed to raise \$ 2.7 million from various investors involved in the creation of a collection of 10,000 NFTs entitled “Evolved Apes” which was supposed to appear on the OpenSea market, but these were not loaded, and the creator ran away with all the money without leaving a trace. Also, another issue that is closely related to the growing popularity of NFTs is their connection to the environment. These are currently still considered to be unfriendly environments. They produce a lot of carbon emissions in the atmosphere, not to mention the enormous energy consumption that their realization involves (Aubert, 2021). One thing is certain, namely that a carbon emission calculation is not very easy to measure and estimate, but lately it seems that this problem continues to affect the environment even more and distinct studies and calculations on this problem has been conducted. More precisely, it was published in the press that Ethereum’s transactions lead to the emission of a quantity of 33.4 kg of CO₂ and according to the author Sophie Aubert, NFT transactions produce on average emissions of over 40 kg of CO₂. From these perspectives, the public has demanded that measures be taken to prevent these pollution activities. At the same time, many personalities have started to pose the problem compared to other business activities or companies that have been conducting transactions for many years such as Visa or other companies that affect the environment in a much more disastrous way and with a greater negative influence than the creation of NFTs (Köhler et al., 2021). At the same time, a lot of energy is used for the process of minting crypt (Mazur, 2021) o currency and implicitly creating an NFT. Such an estimate of the energy used by Ethereum says that it consumes 44.94 terawatts per hour in a year and that this is the equivalent of the energy consumption of an Eastern European country in a year (Rehman et al., 2021). Regarding these energy sources, several researchers and experts in the field have specified that this energy can also come from other sustainable sources, such as solar energy not only from oil or gas.

Following the implementation and start of the discussions in the interviews with those familiar with the crypto field and with the artists who carry out marketing activities of their works, it was largely concluded that the Romanian population is not very experienced in this new NFT universe. Artists suggest that it is already difficult for them to make their work known through social media, such as using Instagram and Facebook platforms to reach their target audience. They said that so far, their profit is largely due to the ordering of custom paintings. Two of them say that people are very sceptical and reserved about the financial offers made by artists for such orders. The biggest profit is from people who want to buy such a painting to be able to offer that work as a gift. Another common perspective of the

interviewees was that the public both in Romania and in other countries are not yet aware of the existence of these NFTs, some of them not hearing at all about these tokens and what they represent. Moreover, those who have heard about them said that they are only aware of the fact that they have become very popular lately, but they have no specific experience in working with them. To the question addressed to the interviewed artists, namely: “Do you consider that the sale and purchase of digital art through crypto currency or as the creation of NFT within the NFT spot on specialized platforms can become a future activity?” they said that it is very unlikely in Romania in the near future because people still do not have the necessary knowledge to perform these activities or knowledge in the field. When asked for the opinion of the two people who have some knowledge about them, one of the interviewees wanted to mention that everything related to NFT he considers to be more of a “nice” and subtle way to launder money. This person thinks that the marketing of these NFTs has become very exaggerated because they have moved far away from their original purpose. People end up creating any NFT right just to make more money and those true collectors or buyers are not interested in the product itself but more in its potential to create more value over time and be able to make more profit, big ones who buys that NFT. At the same time, here are very few who choose to buy just for the sake of appreciating that work. It was also mentioned that the difficulties are already great in terms of the development of the public and the population of the country, in terms of education in the use of technology and especially of shopping through the online environment. It is true that the pandemic has had some influence in terms of bringing more consumers online, and in terms of increasing their activity in the social media environment, but this is not yet at the level where this population has been absorbed a lot of knowledge regarding investments in speculative assets and the use of platforms dedicated to these activities.

4.5 Conclusions

NFTs provide their users with a much better way to demonstrate and enforce the authenticity and legitimacy of the assets that consumers own and have connectivity to a single and unique blockchain account. These consumers not only choose NFTs because they may depend on greater trust in authenticity and copyright, but it seems that benefits such as revenue generation or convenience and comfort are examples that describe some of their behavioural characteristics. Of course, the risks and challenges are also present and prove once again that the world is not yet fully prepared to welcome this technology with open arms, because the public, especially in Romania, does not have this education in both art and tokens technology. Moreover, this aspect proves that education need to be adjusted for our society to keep up with the advance of technology and these new revolutionary trends.

The main results of the exploratory research implemented in this work show that the art market has taken a new turn in recent years, and this is due to the incredible advancement of technology and the Internet. Crypto-art and NFTs have created

possibilities and new paths for content creators and digital art around the world. This detachment from the personal branding or the notoriety itself of the artist made the world look at an artistic creation with different eyes and they received new reasons to invest in art and its creator. Following the research conducted in several specialized and public articles provided by well-known blogs in this field, is considered and concluded that people are more open to support or buy a creation in a virtual market, because they have greater security in regarding the authenticity of the work and the satisfaction that they are the owners of a unique creation to which no one else can have access. By this access meaning the satisfaction of owning the copyrights of that work. Another reason why people are more open to investing in an NFT is that it can make you even more profitable in the future if you decide to sell it. To create an NFT or a collection of these tokens, it is not necessary to provide personal data about yourself as a creator, but you can have any username you want, if you are not a public person and that it can play a significant part in attracting consumers to the content you create. In most cases, this world of NFTs has created new networking opportunities for countless users. Another conclusion regarding the use of NFTs in the sale of digital art now is related to their involvement in the problem of population or environmental damage. Various actors or internet users and investors have raised the issue of creating these NFTs by artists in general and that they are contributing to the deterioration of the planet by releasing carbon dioxide into the atmosphere when an NFT is created, just to make money. On the other hand, in this regard, measures are already being taken to prevent this action by implementing measures to make the creation and marketing of NFTs green in the future.

Moreover, in addition to the development and creation of new measures to prevent and implement friendly activities to minimize the pollution of the environment, it is possible to consider and promote more activities that involve the purchase and selling NFTs in academic environment. Many examples are already provided now and there are known number of cases regarding the success of the application of this strategy for the promotion and sale of digital art in the online environment. There are companies and countless users who have started a lot of campaigns regarding the importance of NFTs and their efficiency, especially for young artists at the beginning of the road or who do not have a very developed financial support and can also introduce this topic in case higher education in both the arts and business.

4.6 Limitations

The research carried out was a qualitative one, so no generalizations can be made on the perception of Romanian artists on the connection between art and NFT.

The first difficulty encountered was related to the novelty of the subject approached, especially from the perspective of the connection between NFTs and the sale of art. From this point of view, it was found that the field is not extensively studied. The second difficulty encountered was the identification of the group of

subjects for the implementation of the in-depth interview from the perspective of the degree of familiarity with the field of NFTs.

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Chapter 5

Top Three Negotiation Tactics. Does Gender or Workplace Influence the Preference for Negotiation Tactics?



Daniel Măluțan

Abstract Most of the people assume that prices, conditions, and offers are firm and final. But that's not necessarily true. In fact, many are actually flexible. Negotiating can be a way to come to agreements in a variety of areas: to reduce debts, to lower the sale price of a house, to improve the conditions of a contract, or to get a better deal on a car. "Reaching an agreement through negotiation is not just a matter of applying a repertoire of tactics and techniques, regardless of the nature of the conflict.... Negotiation is more like a trip - you can't predict the outcome before you make the trip".

This paper uses findings from research journals and a statistical study, and it is performed mainly through a survey which identified which are the top three most used tactics amongst negotiators in the Cluj County and examined the way in which these tactics are used depending on two criteria, the workplace and the gender of negotiators.

The main stages of the negotiation process were first analysed. The purpose of this part is to highlight the importance of organizing and preparing each stage of the negotiation process. The second part of the research identifies and describes the top three negotiation tactics and explores a potential correlation of two variables, gender, and workplace, with the usage and preference for the negotiation tactics.

The results showed that the Specific Argumentation Tactic, followed by the Alternatives Tactic and the Common Points Tactic are the top three most used negotiation tactics. Overall, there was a slight discrepancy between the percentage of women and men who used these negotiation tactics. In all three cases, the percentage of men exceeded the percentage of women. As regards the influence of the workplace on the usage of negotiation tactics, a significant relationship between the field of activity and the predilection for using the negotiation tactics was validated.

Although only one of the two variables (i.e. workplace) has been confirmed as significantly correlated with the usage of the negotiation tactics, both the gender and workplace may partly influence the way in which the negotiation tactics are used.

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Other factors such as education history or personality may play a more significant role in using the negotiation tactics more frequently.

Keywords Negotiation · Negotiation tactics · Gender in negotiation · Workplace in negotiation · Influencing factors in negotiation

5.1 Introduction

Embodied in our DNA, negotiation is considered one of the most common interpersonal processes. It is an essential instrument in satisfying our needs, helping us discover the world, know our limits, and improve as individuals and later, as a society. Unfortunately, there is a lot of misconception about the concept of negotiation. For some, it is just an ability to convince, to trick someone, or it means selling a story. In reality, negotiation is far from such myths. It is a process which requires preparation, analysis, knowledge, setting of precise objectives, strategies, and tactics. Negotiation involves two distinct interaction partners, both of whom may influence the negotiation outcomes. (Elfenbein et al., 2008).

One of the various existing definitions states that negotiation is an art that has its origins in our native talent, guided by ethics and human behaviour, and optimized by the rational and mathematical components (Gîrboveanu, 2010, 123). In other words, negotiation refers to “the process of discussing something with someone in order to reach an agreement with them, or the discussions themselves” (Cambridge English Dictionary).

Negotiation can be defined in many forms, but it is important to acknowledge that although it may be associated with an innate ability, its rational and mathematical or scientific part cannot be neglected. This general misconception about what negotiation entails has paved the way for this research on negotiation tactics. The general perception of negotiation could benefit from this research as it offers an overview of the entire process, as well as highlights the importance of using negotiation tactics in the professional activity.

With this in mind, the **aim** of this study is to identify and describe the **top three most common negotiation tactics** or techniques and to analyse whether **gender** and **workplace** play a significant role in the usage of negotiation tactics. The study is performed in a limited geographical area, in Cluj of Romania country, primarily by means of a questionnaire, a focus group and through the analysis of other previous research.

The novelty and originality of this research consists in the analysis of the negotiation tactics from a different perspective. The literature often addresses other influencing factors such as culture, personality, ethics, the medium of the negotiation, trust. Moreover, most refer to the impact of those factors on the entire negotiation process. This research addresses different factors (gender and workplace) and

analyses them in relation to specific negotiation tactics, not just in relation with the entire negotiation process.

Moreover, it refers to the entire negotiation process. We regard other factors and we analyse them related to each tactic, not resuming to analysing only the overall impact of the factors upon the negotiation process.

In what follows, we will first analyse the main stages of the negotiation process, stressing the essential elements with an impact on the final result. The purpose of this part is to highlight the importance of organizing and preparing each stage of the negotiation process, as well as the importance of using the right strategies and the right tactics to achieve the proposed goal. This will bring us to the second part of the research, the main focus of the study, which identifies and describes the top three negotiation tactics and explores a potential correlation of two variables, gender, and workplace, with the usage and preference for the negotiation tactics.

5.2 Literature Review

This chapter offers a brief theoretical overview of the literature in the field of negotiation. The purpose of this section is to bring an understanding of the already existing research relevant to the area of this study, as well as to prepare the path for the practical view of the negotiation tactics. This literature review outlines the multiple divergent opinions on the concept of negotiation tactics, it shows where the research community is up to in this field and highlights the possible gaps in the existing papers.

5.2.1 Structure of the Negotiation Process

Before identifying and discussing the top three negotiation tactics, for a better understanding of the negotiation process it might be useful to highlight the structure of negotiation. Considered a complex process, negotiation has been the subject of various authors, who have put their efforts to systematize the concept, outlining each stage of the entire process. Accordingly, negotiation could be divided in three main stages: the pre-negotiation part, the actual negotiation, and the post-negotiation part.

The pre-negotiation stage has an invaluable role in the success of the negotiation. This preliminary stage prepares the actual process by (a) identifying the goals of the negotiation or the desired result, by (b) establishing the strategy used during the later phases and by (c) planning the negotiation. The way each of these phases are accomplished determines the outcome of the negotiation. Hence, none of the steps could be skipped or neglected.

Identifying the objectives is one of the most important aspects of the negotiation. It is nearly impossible to engage in a negotiation without having pre-defined

objectives. Objectives provide clarity and structure and guide the individuals to the target. The clearer the negotiator's objectives, the better the chances of success. Most often, the negotiator determines more than one objective. An effective way to prioritize the negotiation objectives is to determine which are the main objectives, without which negotiation does not exist, which are the secondary objectives, which the negotiator seeks to win, but they are not crucial for the negotiation, and the minor objectives which despite being insignificant could still play an important role as it may be decisive for the other party.

Once the objectives are well established, it is important to draw up a plan for achieving them, more precisely to determine the strategy. Defined in the literature as a predetermined plan of action to achieve the objectives, the strategy must be compatible with reality (Prutianu, 2000, 52–53). In formulating a negotiation strategy, two major factors are essentially important: the assessment of the personal stake and the relationship with the other party of the negotiation. Hence, Richard Shell proposes the following four situations when (a) the personal stake is more important than the relationship with the other party; (b) the personal stake and the relationship with the opponent are not important; (c) both the personal stake and the relationship with the opponent are important; and last, (d) the relationship with the other party is more important than the personal stake (Shell, 2005, 172–180). These four potential situations give rise to five major strategies: competition or dominance (win-lose model), concession (lose-win model), compromise, cooperation (win-win model), and avoidance (lose-lose model) (Andrievici, 2017, 20).

In the final part of the pre-negotiation stage, more details must be settled, such as the composition of the negotiation team, the negotiation position, identifying the potential issues, the location, the schedule, etc.

Whether all these preliminary steps were efficiently accomplished could only be seen during the actual negotiation. This phase also has its own characteristics: seating arrangements at the negotiation table, communication, proposal declaration, the performance of negotiation techniques and tactics, bargaining, and reaching the agreement. Among these specific elements, tactics are of particular interest as they are the object of the research. At this point, providing a definition for tactics could benefit this paper. Hence, tactics are specific and immediate actions through which the strategy is implemented during the course of negotiation to secure an objective (Andrievici, 2017, 16–17).

Nowadays, parties to negotiation choose to seal their agreement through a written contract, which aims to ensure the implementation of the agreement and has other legal functions (Prutianu, 2000, 183–199). Yet, signing the formal contract does not mark the end of the negotiation. Negotiation reaches its finality at the moment the parties' needs are fully met. Therefore, during the post-negotiation phase, parties to negotiation may proceed with the formalities related to the conclusion of a contract or may perform a post-evaluation of the entire process, to identify their strengths and weaknesses.

5.2.2 *Controversial Views on Negotiation*

Time has shown us that the concept of negotiation has been subject to various pitfalls and myths, creating thus a confusing image of what negotiation is, how should it be conducted, what is its structure, and how does a successful negotiator look like. Recently, a thematic seminar (Karrass, 2022) with a focus on negotiation was conducted, which identified the following 5 top myths related to negotiation:

1. You either win or lose in a business negotiation
2. Good negotiators are born not made
3. To be a good negotiator you must be very argumentative and opinionated
4. Negotiating involves telling lies to get your way
5. Nice people end up last

Also, various authors and professionals have speculated that certain differences between parties to a negotiation may bring the negotiator to a favourable position. A relevant example in this regard is the difference of gender. Some believe it is an influencing factor in the negotiation process, thus creating either an advantage or a disadvantage to the negotiator. Others, on the contrary, argue that gender differences are not a criterion for differentiation in the negotiation process. In a study conducted in 2012, Eriksson suggested that “the gender of the negotiation counterpart should be taken into consideration when analyzing gender differences in initiation of negotiation” (Eriksson & Sandberg, 2012).

Further, the image of negotiation has often been described as a well-defined process, with a structure and a contingency plan. It is believed that its challenge lies in the human resources and the personality of each negotiator. In this regard, the literature shows that there are minor differences between women and men in the approach or even the execution of negotiations. More precisely, a researcher in psychology at the University of Houston has shown that there is a difference between men and women in initiating a wage bargaining which may be due to certain personality traits, especially – assertiveness: “We found that the gender difference in initiating negotiations (men are more likely to initiate than women) is larger when interacting with a male boss. However, rather than women initiating like men when they interacted with a female boss, it turned out that men initiated less when interacting with a female boss” (Reyes et al., 2021).

There are far more variables which are believed to have an impact on the negotiation process, such as communication, educational background, personality, organizational culture, and national culture differences (Ahammad et al., 2016). However, this particular example of gender differences is of particular importance as it is a controversial subject not only in the negotiation field but in the entire business area. There are people who believe that women are not as successful as men in business and implicitly in negotiations. This perspective is mainly influenced by the culture or by the long history in which the women’s position was dominated by men, and they did not have access to top management positions or in any negotiation processes.

The more recent studies show that women are, in fact, more present in the top management positions and proved to be even more efficient and successful. This outcome is probably generated by the strong ambition and perseverance to prove that women fully deserve their positions within the companies and that they can be at least as successful as men, if not even better. Despite these efforts, researchers also showed that women still face a gender gap in negotiation, especially when it comes to salary. As previously explained, women are less successful in negotiating their salaries. As a consequence, according to the Institute for Women's Policy Research, in 2021, women earned 27% less than men's median annual earnings in USA, confirming, thus, the gender gap in negotiation.

It is commonly accepted that gender is considered a delicate criterion of differentiation in any field and because of all the misconceptions around this subject, thus, it is important to fill this research gap by analysing statistically whether gender indeed brings advantages or disadvantages in a negotiation or has a significant impact on using negotiation tactics.

5.3 Research Methodology

5.3.1 Documentary Analysis

For this paper, several research methodologies were used in order to answer the research question. The first methodology was a documentary analysis in which reports and articles with a focus on negotiation were examined in order to create an overview of this concept and to identify the gaps and misconceptions around the negotiation process, in particular the negotiation tactics. The results of this analysis were briefly explained in the previous Chap. 2.

By using this methodology, it follows that, first, there are various papers discussing the negotiation process. However, most of them are contradictory, thus creating confusion around the entire concept, with a result of insecurity among negotiators who do not understand exactly what steps they should follow to be successful. Also, because of all the misconceptions about what really matters in a negotiation, negotiators are not able to identify the important factors which influence their performance.

Another aspect noted using the first methodology is that the difference between men and women is very much disputed in the literature at a level of speculation. Therefore, statistical research on this matter will benefit the whole field of negotiation, by clearly stating whether there is a significant link between gender and the usage of negotiation tactics.

Last, the documentary analysis has shown that the workplace could be a very important factor that influences the usage of negotiation tactics.

5.3.2 Focus Group

The second methodology was a focus group. This methodology was chosen for its advantage in offering an in-depth understanding of the participants and their thinking. It allowed us to gather the necessary information about people’s conception of negotiation and its factors of influence. In other words, it helped us understand the processes behind the observed results considering the thoughts, feelings, and expressions of the participants. Another advantage of this methodology is that it offers speed, details, and efficiency in supplying the results.

In order to identify the factors with the strongest impact on the negotiation, we conducted three open discussion sessions with three compact groups. The composition of the first group was 8 managers/company owners, in the group two 8 sales agents, and the third group had a component of 8 students. A total of 24 people answered the following basic question: What is the main influence of a successful negotiation?

The results were as follows:

- 21 people stated that the factor with the strongest impact in conducting a successful negotiation is the use of tactics;
- 18 people consider that knowledge has a strong influence in the negotiation process;
- 15 people answered that the personality or attitude of the partners in a negotiation leads to successful results;
- 13 people stated that the information they have in the negotiations can make the difference between winning and losing;
- 7 people consider that training is important (Fig. 5.1).

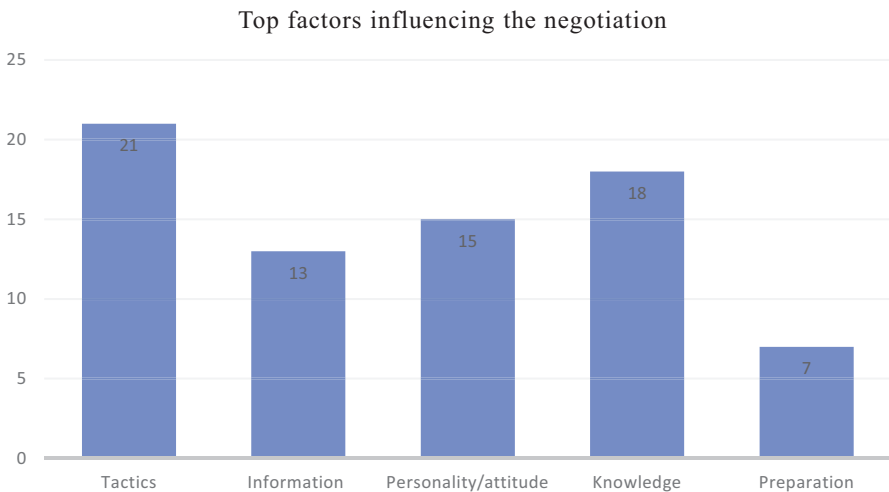


Fig. 5.1 The distribution of Top factors influencing the negotiation. (Source: Authors’ own processing based on the collected data)

5.3.3 Questionnaire

The third methodology used to collect data was a questionnaire. The ultimate purpose of this methodology is to establish a relationship or a link between various variables. The survey is a flexible research approach for investigating different topics, and it was chosen for its inexpensive way of collecting data, and time efficiency because it allowed us to gather information from a large audience and also because we could easily use it to compare and contrast other research. Another advantage was its broad coverage of the issues pursued in this research.

Because of all these benefits, the entire study was performed mainly through this survey which identified which are the top three most used tactics amongst negotiators in the Cluj County and examined the way in which these tactics are used depending on two criteria, the workplace and the gender of negotiators.

The present study was a cross-sectional one. The data collected are based on the results obtained by completing the questionnaire described in the following chapters. The statistical analysis was performed with SPSS version 20. The data were labelled as ordinal variables (3-point Likert scale was used) as well as nominal variables. Nominal variables were calculated by calculating the frequency. The Chi-square test was used to determine whether there was a predisposition to use the techniques in the ranking obtained and the gender of the participant in this study. The ANOVA test was used to highlight differences between categories, for variables with more than two categories; thus, the connection between the field of activity and the predisposition to use the presented negotiation techniques was analysed, as well as the correlation of the techniques and the gender of the respondent.

This survey targeted responses from individuals in top management positions. We first planned to contact the potential participants by email only. In this way, we were able to reach more people in a short period of time, but it turned out that not many people responded to the questionnaire, so we decided to contact the potential respondents by telephone, which was a more direct and invasive way to involve them in this research. This second strategy proved to be more effective.

Following the list of negotiation tactics compiled in Ioana Andrievici's book entitled "101 Negotiation Tactics", for the purpose of this research, 10 of the most frequently used negotiation tactics were chosen to be part of the questionnaire. A relevant criterion in choosing these 10 negotiation tactics was also the possibility to easily distinguish one tactic from another so that the respondents can easily identify which is the negotiation tactic addressed in a specific question and whether they have used it during their activity. We considered that a larger number of negotiation tactics addressed in this questionnaire would have created confusion among the respondents. This is because many of those tactics described by the author Andrievici have similar elements. Thus, the questionnaire was limited to a number of 10 negotiation tactics.

Respondents were asked to answer the 10 questions, each regarding a specific negotiation tactic, whether they have (a) *never used*, (b) *used once* or (c) *frequently used* a specific tactic during their professional activity. The 10 negotiation tactics

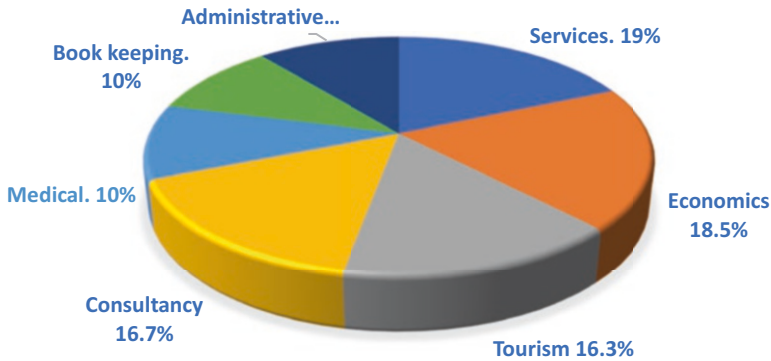


Fig. 5.2 Distribution of the sample according to the field of activity. (Source: Authors’ own processing based on the collected data)

addressed in the questionnaire were: The “Yes, but...” Tactic, The Limited Authority Tactic, The First Offer Tactic, The Last Offer Tactic, The Common Points Tactic, The Conditional Concession Tactic, The Silence Tactic, The Specific Argumentation Tactic, Alternatives Tactic, and The Compliments Tactic. At the end of the questionnaire, there was an open-ended question, offering the possibility to write other tactics used by respondents besides the ones included in the survey. Among the 119 respondents, 18,5% operate in the services sector, 19,5% in the economic sector, 15% in tourism, 16% in consultancy, 10% in the medical field, 10% in the accountability sector and 11% in the public administration. As regards the gender of respondents, the majority of 59% were men (Figs. 5.2 and 5.3).

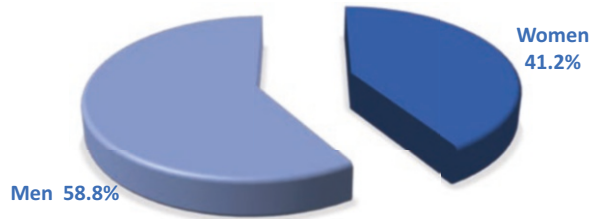
5.3.4 Limitations of the Study

The findings of this study must be seen in light of some limitations. The first refers to a demographic limitation, as we were able to apply the questionnaire only to people originating or living in Cluj County Area. This means that the results may not be as relevant to a wider geographical area.

We encountered a second limitation in the process of gathering data, mostly due to the potential respondents’ lack of interest. We expected about three times more responses to the questionnaire, which leads to insufficient sample size for statistical measurements. This is also related to the time constraints. Although we were aware that we did not reach the target number of answers, we were constrained by time to deliver the results of this study. Otherwise, we would have insisted more to get a higher number of answers and extend to other geographical areas.

After analysing the methods, instruments, and techniques used to collect the data, especially through the feedback received from respondents, we realized that

Fig. 5.3 Gender distribution of the sample. (Source: Authors' own processing based on the collected data)



we could have addressed the survey questions from another viable perspective and that we might have formulated the questions in a difficult manner for the respondents.

We have also noticed that there are other important factors that actually influence the preference for negotiation tactics, such as the personality of the person involved in the negotiation process, or the educational background, which may open the way for future research. Thus, from this perspective, the findings of the study related to the influencing factors in negotiation could be limited.

5.4 Research Findings

5.4.1 *Top Three Negotiation Tactics. Does Gender Influence the Preference for Negotiation Tactics?*

Having outlined the negotiation process and the various and contradictory views on the negotiation concept, at this point we could turn our attention to the main topic of the study, the negotiation tactics. The reason for choosing to focus the research on this topic is that negotiators often form their strategies and decide upon their stake but may lack the tactics to implement those strategies or perform them deficiently, thus the result is different from what they expected.

Respondents were asked to answer whether they have never used, used once, or frequently used a specific tactic during their professional activity. At the end of the questionnaire, there was an open-ended question, offering the possibility to write other tactics used by respondents besides the ones included in the survey. The research revealed that the most commonly used negotiation tactics are the Specific Argumentation Tactic, the Alternatives Tactic, and the Common Points Tactic. The following section offers a brief explanation of each of these tactics from a theoretical perspective, as well as address the survey's key findings (Fig. 5.4).

The Specific Argumentation Tactic and Its Correlation with Gender

The Specific Argumentation tactic consists in arguing in detail about a fact, product or service with the aim of increasing the persuasion, clarity, and credibility in the eyes of the opponent. Its focus is on convincing the other party by using specific

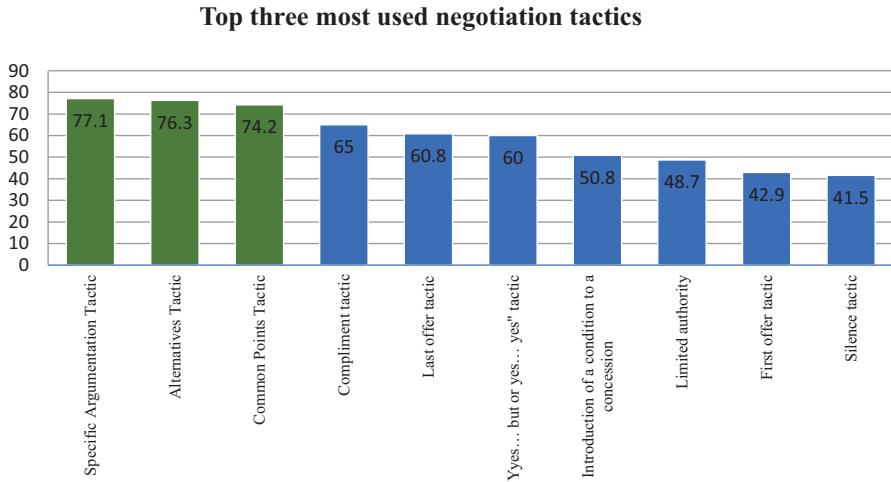


Fig. 5.4 Top three most used negotiation tactics. (Source: Authors’ own processing based on the collected data)

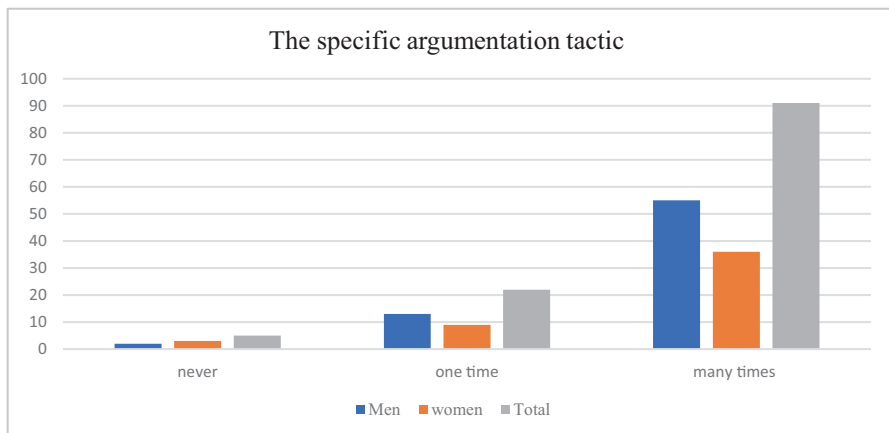


Fig. 5.5 The specific argumentation tactic. (Source: Authors’ own processing based on the collected data)

arguments. This tactic relies on the idea that through specific arguments, the negotiator is perceived as an expert in the field, offering the opponent a sense of security, trust and credibility.

According to the survey, the specific argumentation tactic is the first most used negotiation tactic in professional activities. Over 77% of the respondents indicated the specific argumentation tactic as a frequently used negotiation tactic in their professional activity, while only a 5% of the respondents have never used this tactic (Fig. 5.5).

$p = 0.663 > 0.05$ there is no significant link between gender and the technique of negotiating specific arguments.

A possible correlation between the respondents' gender and the preference for a type of negotiation tactic was explored using the Chi-Square Test. The results show that the majority were men, with 60% of the total respondents who used the specific argumentation tactic once or more frequently. However, a statistically significant relationship between the respondents' gender and the preference for this type of tactic has **not been confirmed**.

The Alternatives Tactic and Its Correlation with Gender

In the Alternatives Tactic the opponent is given the possibility to choose between two or maximum of three options, which simplifies the decision-making process. It is especially useful when the negotiator needs a swift and clear answer to the offer. It is considered to be slightly aggressive as it gives the other party the only possibility to make a choice between the determined options, thus avoiding asking the opponent whether he really wants or needs any of those options (Prutianu, 2000: 101). It should be applied to negotiations with indecisive opponents and only where there is a well-organised plan and the two or three alternatives are clear (Rujoiu, 2011, 124–126).

Respondents to the survey indicated the Alternatives Tactic as the second most used negotiation tactic in their professional activity. Nearly 76% of respondents frequently used it. In terms of preference for the Alternatives Tactic, the Chi-Square Test demonstrates that it is **not significantly correlated** to the gender of respondents. Notwithstanding, 42% of respondents who used this tactic once or more frequently were women (Fig. 5.6).

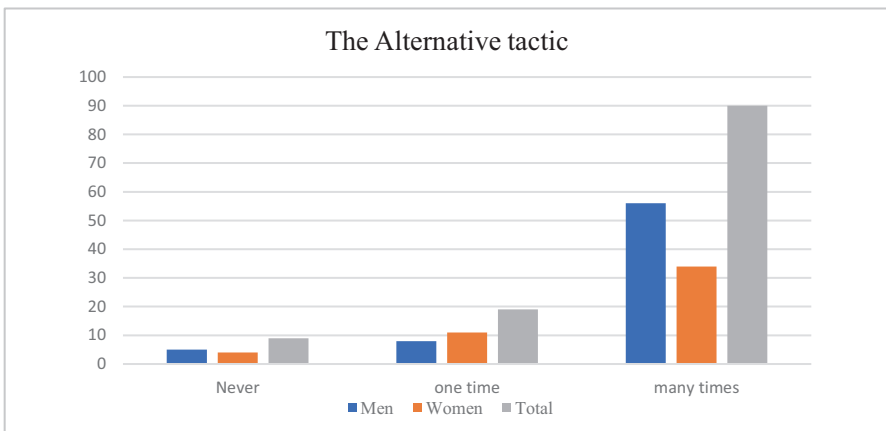


Fig. 5.6 The alternative tactic. (Source: Authors' own processing based on the collected data)

With $p = 0.266 > 0.05$ there is no significant link between gender and the technique of negotiating alternatives.

The Common Points Tactic and Its Correlation with Gender

The Common Points Tactic differs from the other two, as from the very beginning it seeks to create a cooperation climate for the parties. The philosophy behind the tactic is that it is more likely for the negotiations to continue when parties find common points in the early stages. It is usually applied to win-win negotiations, when reaching an agreement is important, or when the opponent is difficult to approach. The Common Points Tactic is found on the principle that an optimal solution must be found to overcome each obstacle that intervenes during the course of negotiation (Coman, 2019, 145–147).

The Common Points Tactic is also in the negotiators' top preferences when it comes to tactics. Ranked as the third most used tactic, the results of the survey show that 74% of respondents frequently used the common points tactic. The ratio of men and women using this tactic is similar, with a majority of 60% being men. Despite this percentage, the Chi-Square test shows that the preference for this tactic it is **not significantly correlated** with gender (Fig. 5.7).

As $p = 0.638 > 0.05$ there is no significant link between gender and the point negotiation technique.

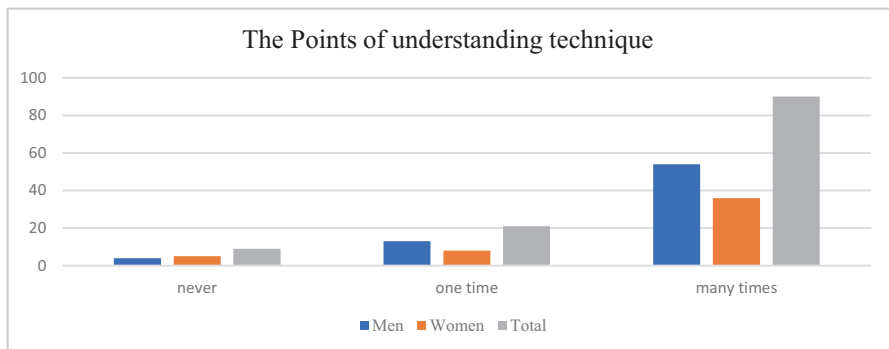


Fig. 5.7 The Points of understanding technique. (Source: Authors' own processing based on the collected data)

5.4.2 Does the Workplace Play a Significant Role in Using Negotiation Tactics?

The research also examined the role of the workplace in the usage of negotiation tactics. Thus, a potential relationship between the field of activity in which respondents work and the predilection for using the above-mentioned tactics was explored. The results of the study indicated the existence of a significant relationship between these two variables. Further, the results revealed that respondents working in the services sector, especially in tourism and consultancy or in the business sector are more likely to use the negotiation tactics than the ones working in the medical services, the accountability sector, and in the public administration (Fig. 5.8).

As the ANOVA test points towards $Sig. = 0.023 < 0.05$, there is a statistically significant link to a 95% confidence threshold between occupation (workplace) and the 10 negotiation techniques.

Flexibility at the workplace proved to be an important determining factor in using negotiation tactics more frequently. A person working in the economic field or in the services sector, more specifically in tourism and consultancy, enjoys greater flexibility in the way he may carry out his activity. Also, it is possible that people working in the economic field have been exposed to negotiation tactics during their studies so that they have acquired the necessary knowledge and skills to be used later in their jobs. Tourism and consultancy involve negotiation. Clients have needs that must be met by the agency or by the consultant. It is not only the price but also the terms of the contract and many other aspects to negotiate upon. The specific circumstances of these fields offer the freedom to negotiate and to apply the right negotiation tactics, in order to reach the satisfaction of both parties. To be noted, it is not a specific job, but its nature which offers the employee greater flexibility, and encourages or even requires the usage of such negotiation tactics at the workplace.

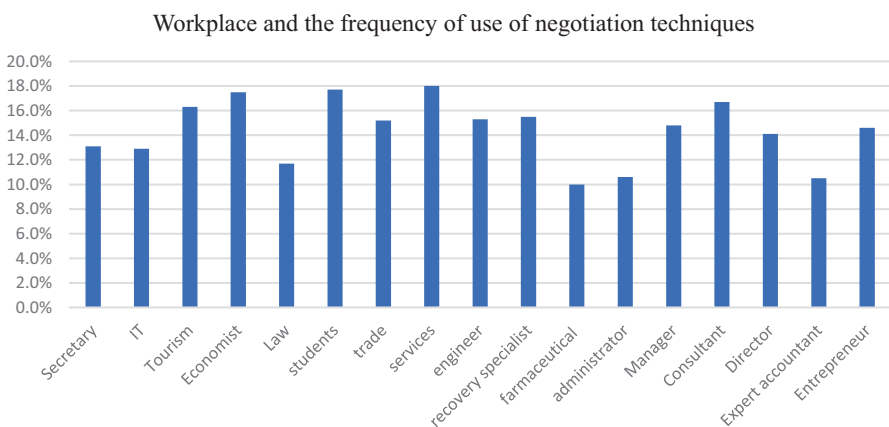


Fig. 5.8 Fields of activity and the frequency of use of negotiation techniques. (Source: Authors' own processing based on the collected data)

Conversely, the medical services, the accountability sector, and the public administration demand more rigour. These are very well-regulated fields, with numerous protocols to follow. There is little room for negotiation, as deviation from the rules is usually sanctioned. It can be noted that the flexibility factor is minimal, discouraging employees from using negotiation tactics in their activity. Therefore, the lower rate of use of negotiation tactics in these areas is explained by the fact that these economic sectors create an austere environment for negotiation in general.

To a certain extent, considering the degree of flexibility offered by different fields, the results were predictable. It is true that the workplace influences the use of negotiation tactics, creating either a favourable environment or an austere environment for practicing negotiation tactics. Therefore, a significant relationship between the field of activity and the predilection for using the negotiation tactics was validated.

5.5 Final Remarks

“Negotiation is not a policy. It’s a technique. It’s something you use when it’s to your advantage, and something that you don’t use when it’s not to your advantage.” (John Bolton). With this in mind, the entire analysis started on the idea that negotiation is not just a simple bargain, but implies techniques or tactics, which can and should be learned during the academic path, and later used in the professional activity. The analysis has first determined the top three most used negotiation tactics. The results of the questionnaire are very similar (77%, 76%, and 74%), thus the exact order of the three tactics may be debatable. However, it is an indisputable fact that the Specific Argumentation Tactic, followed by the Alternatives Tactic and the Common Points Tactic are the top three most used negotiation tactics according to the performed research.

Further, the analysis looked into a possible correlation between the gender and the preference for each of the three negotiation tactics identified as the most used in professional activities. Overall, there was a slight discrepancy between the percentage of women and men who used these negotiation tactics. In all three cases, the percentage of men exceeded the percentage of women. A reason behind this ratio might be that the majority of 59% of respondents were men. Yet, a significant correlation between gender and the preference for negotiation tactics has not been confirmed. Taking into consideration these facts, gender does not significantly influence the preference for a negotiation tactic.

At the same time, the research examined whether the workplace has a significant role in using negotiation tactics. In this case, the results showed that the workplace is significantly correlated with the usage of negotiation tactics. The workplace influences the usage of negotiation tactics by creating a favourable or an austere environment for practicing negotiation tactics.

In the light of these considerations, although only one of the two tested variables (i.e. workplace) has been confirmed as significantly correlated with the usage of the

negotiation tactics, it is no less true that both of them, the gender and workplace, to a certain extent may partly influence the way in which the negotiation tactics are used. Nevertheless, other factors such as education history or personality may play a more significant role in using the negotiation tactics more frequently, which could be a path to new research in the future.

As for the **managerial implications** of this study, it is important to mention that negotiation is a complex process, with serious implications in most areas of activity: social, economic, military, diplomatic, etc. Parties involved in negotiation projects have an intense need to improve their negotiation skills. We believe that the results of this scientific paper may influence especially the educational field. With this being said, our recommendation is that professional studies in any field related to negotiation be completed with the information brought by this research. At the same time, an adjustment of the academic curriculum in the field of negotiation is necessary.

It is also important to mention that through this research we have shown that there are different stereotypes related to negotiation, especially those related to gender differences. We believe in gender equality and that probably the most important practical implication of this research, applicable any time, for anyone, is that people should leave the misconception that men are better than women in negotiation.

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Chapter 6

Income Inequality and Human Capital Acquisition. What Is the Role of Educational Institutions?



Jakub Bartak, Lukasz Jabłoński, and Marius Dan Gavriletea

Abstract The aim of the study is to investigate the relationship between income inequalities and human capital accumulation in OECD countries. In regards to capture the endogeneity of the variables employed we use the system generalized method of moments supported by the Sargan-Hansen test for instruments validity. Furthermore, we attempted to assess if the impact of income inequalities on the development of human capital is conditioned by the inclusivity of educational institutions. The results indicate that income inequality negatively affects human capital accumulation in countries with exclusive educational institutions. In countries where institutions are conducive to the inclusion in the process of human capital accumulation of non-privileged social groups, the investigated relationship takes the form of inverted-U.

Keywords Human capital · Educational achievements · Educational institutions · Income inequality · Generalized method of moments

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A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable*

Development, Springer Proceedings in Business and Economics,

https://doi.org/10.1007/978-3-031-19656-0_6

6.1 Introduction

The seminal work of Kuznets (1955) has opened a debate about inequality and its economic interdependence. During the most part of the second half of the twentieth century, the debate was devoted mostly to, firstly, the investigation of the Kuznets hypothesis, i.e. the dependence between economic growth and inequality in the inverted U-shape, and secondly, the outcomes of economic growth and development for inequality (Dollar & Kraay, 2002).

Due to, firstly, weak underpinnings of Kuznets hypothesis, secondly, empirical findings that perhaps Growth is Good for the Poor but not necessarily for the inequality (Dollar & Kraay, 2002), and, thirdly, the reported substantial increase in inequality within countries at various stages of economic development (Milanovic, 2012; Ortiz & Cummins, 2011; Piketty & Zucman, 2014), the debate has been reoriented for the last two-three decades. The scholars' attention has shifted to investigate the consequence of income inequality.

The literature on this topic has grown considerably. Theoretical and empirical studies have been conducted in an attempt to check for the direct effects of inequality on population health (Kondo et al., 2009; Pickett & Wilkinson, 2015), political outcomes (Galbright, 2012; Glaeser, 2005), economic crises (Stiglitz, 2012; Stockhammer, 2015), and economic growth (De Dominicis et al., 2008; Neves et al., 2016).

It is worth emphasizing that of special importance are the studies dedicated to the linkages between income inequality and human capital investment. Firstly, human capital viewed as embodied knowledge, skills, experience and health that increase a worker's productivity (Becker, 1962; Schultz, 1961; Widarni & Bawono, 2021) has been recognized as a crucial factor of economic growth (Baily et al., 2021; Lucas, 1988; Romer, 1990; Widarni & Bawono, 2021). It is worth noting that the debate on the outcomes of income inequality for human capital investment arises from the discourse dedicated to the inequality-growth relationship. Over the last few decades, scholars have explained this relationship using political economy arguments (Alesina & Perotti, 1996; Li & Zou, 1998), criminal behavior (Josten, 2004, 2003), fertility mechanism (de la Croix & Doepke, 2003), and credit constraints and barriers to (physical and human) capital accumulation (Banerjee & Newman, 1993; Galor & Zeira, 1993). Consequently, focusing on the implications of inequality for human capital investment, in particular, the consideration of income inequality as a condition for human capital acquisition, might contribute to the debate over the inequality-growth interdependence. Secondly, there are arguments suggesting that investment in human capital reflected in the educational achievements determines the economic success and health of individuals (Borgonovi & Pokropek, 2016; Hanushek et al., 2015) and enhances citizenship and social relations (Vera-Toscano et al., 2017). Thus, human capital is an important research area, since an attempt to identify the factors and obstacles of its acquisition contributes to human development on individual and societal levels.

Therefore, the paper address mainly the concepts of human capital investment and income inequality. In particular, human capital investment captures the efforts dedicated to increasing the embodied knowledge, skills, experience and health that increase a worker's productivity. In turn, income inequality is here associated with disposal income distribution reflected by the Gini coefficient. Moreover, the paper incorporates the inclusiveness and exclusiveness into the linkages between income inequality and human capital investment. In particular, we consider the countries with exclusive educational institutions, if socio-economic status of students explains more variation in student performance in tests than average in the sample of countries, otherwise the countries in a sample developed the inclusive educational institutions.

6.2 Literature Review

The interdependence between income distribution (inequality) and investment in human capital was theoretically explored by Galor and Zeira (1993) that indicated that in the face of capital market imperfections unequal distribution of income and wealth limits the poo invest in human capital. Thus, the human capital accumulation is sub-optimal in societies with large inequality (Galor, 2011). Similarly, Galor et al. (2009) showed that disparities in the distribution of land ownership (wealth) hampered the emergence of human capital promoting institutions.

This approach has been explored empirically by Sylwester (2000), Papageorgiou and Razak (2009), who investigated the human capital channel by which income inequality affects economic growth. All these studies provided evidence that income inequality affects adversely human capital accumulation. Meanwhile, Battisti et al. (2014) reported that for the 1985–2005 period inequality had a significantly negative effect on human capital accumulation only in rich countries.

Income inequality may also hamper human capital accumulation through the channel of social capital and trust reduction in societies (Greiner et al., 2012; Uslaner & Brown, 2005). In unequal societies, people are less likely to participate in social organizations such as volunteer organizations, hobby clubs, sports organizations, etc. (Berkman et al., 2014; Costa & Kahn, 2003; Niebuur et al., 2018). Also, deep inequality triggers status anxiety which pushes individuals to status competition, resulting in higher stress and psychophysical disorder (Pickett & Wilkinson, 2009). Meanwhile, Piazza-Georgi (2002) and Acar (2011) argue that social capital facilitates human capital development as it provides additional incentives and information essentials for parental engagement in educational processes, stimulating informal learning through a variety of social activities and strengthening spillover effects of human capital.

In the last decades, the effect of income inequality on human capital investment was also investigated by many researchers. In the face of technological inventions, wage inequality between skilled and unskilled workers provides incentives to: (a) skills and competences development, and hence stimulates educational effort (Galor & Tsiddon, 1997a, b) drop the career in traditional sectors or family and find the occupation in emerging and productive sectors (Galor & Tsiddon, 1997b). Thus, the income - unlike wealth inequality - can be considered as a motivating factor of investment in human capital (Galor, 2011). However, the efficiency of these incentives depends not only on the level of the rewards associated with additional effort but also on the perceived probability of achieving success. Thus, as Lazear and Rosen (1979) argued, in order to ensure the incentives among workers, companies provide some 'handicap systems' that stimulate all employees (who differ in their abilities) to work efficiently. The most unequal distribution of rewards (i.e. only the best performing person gets all the rewards) is less beneficial for the level of average engagement in a group of people, comparing to the distribution which provides smaller but more numerous (but still differentiated) prizes. Backes-Gellner and Pull (2008), Freeman and Gelber (2010) found that the level of engagement is a reverse U-shaped function of inequality of rewards for this involvement.

It should be noted that there are an increasing number of studies on the determinants of educational achievements. For instance, Marks et al. (2006), Jackson (2013), Triventi et al. (2020) showed that the children of privileged families systematically achieve better educational outcomes because a high socio-economic status of parents enables them to transfer knowledge and skills, to support their children in the learning process, to advise in the choice of educational paths and to cover the costs of education. Moreover, family characteristics affect not only the knowledge and skills of children, but also their intelligence (van IJzendoorn et al., 2005). Thus, it is likely that a higher variation in the socioeconomic status of individual households contributes to higher inequalities in educational attainments (Broer et al., 2019; Causa & Chapuis, 2011; de Zeeuw et al., 2019). We must pointed out that this research it is based on individuals (students) as a unit of analysis and it does not show whether the reduction of differences in socio-economic status between students and their parents is associated with higher overall (aggregate) education achievements on the societal level. Moreover, these studies do not capture the effect of resources redistribution from the rich to the poor on the average level of educational achievement. Meanwhile, as we mentioned earlier, comparative empirical studies from a wide economic perspective (Battisti et al., 2014; Papageorgiou & Razak, 2009; Sylwester, 2000), do not go any further than concluding about a negative (and significant) impact of inequality on human capital acquisition in wealthy nations and a positive (but mostly not significant) impact in poor ones.

The aim of our study is to demonstrate the effects of income inequalities on the international variations in educational achievements in a sample of high income countries.

6.3 Data and Econometric Methodology

6.3.1 Data Description

Our analysis is based on unbalanced panel of 34 OECD countries during 1990–2010 period span in 5-year intervals. Similar economies were selected to avoid the problem of various inequality-human capital relationships being affected by the stage of economic development (Battisti et al., 2014).

The numerical values of the average adjusted test score (*edu_achiev*) obtained from *Global Educational Achievement Dataset (GEAD)* were used as the dependent variable ($HC_{i,t}$) in eqs. [1] and [2]. The test scores in the *GEAD* database were calculated (Angrist et al., 2013) on the basis of international and regional achievement tests such as PISA (Programme for International Student Assessment), TIMSS (Trends in International Mathematics and Science Study), SACMEQ (Southern and Eastern Africa Consortium for Monitoring Educational Quality), PASEC (Programme d'Analyse des Systèmes Educatifs de la CONFEMEN), and LLECE (Latin American Laboratory for Assessment of the Quality of Education) in order to increase the number of comparable observations of skills and competence measures across countries and time.

However, a number of procedures were necessary to provide data comparability in the *GEAD* database. Firstly, each country performance is expressed in relation to the US result in a given test and in a given year. As a result, the US tests scores are a reference point, making country achievement comparable across tests (Angrist et al., 2013). Secondly, time comparability was ensured with relating US scores from various sources to US NAEP (National Assessment of Educational Progress) tests whose methodology has not been changed since 1964 (Altinok et al., 2014). Finally, the procedures for the integration of regional competence tests have been applied to allow the inclusion of developing countries that did not participate in international achievement tests (Angrist et al., 2013).

Gini coefficient for disposable income was used as a proxy measure for income inequality. The Standardized World Income Inequality Database (SWIID) source developed by Solt (2009) was used based on the larger number of observations compared to the LIS (Luxembourg Income Study) or Eurostat (EU-SILC) database.

The natural logarithm of GDP per capita in constant 2005 USD (World Bank, 2016) was employed as a control variable. In high-income economies, the predominant sectors has become more technologically advanced and generated greater demand for human capital (Caballé & Santos, 1993). Moreover, rich countries are expected to spend more (in absolute terms and in relation to GDP) on public education and provide better cultural, health and safety standards that facilitate learning (Chiu, 2010).

Controlling for the stock of human capital in the adult population, captured as an average years of schooling (*yr_sch* variable), results from the premise that more educated parents are better equipped to support the educational efforts of their children. Moreover, economic theory suggests that positive externalities of human

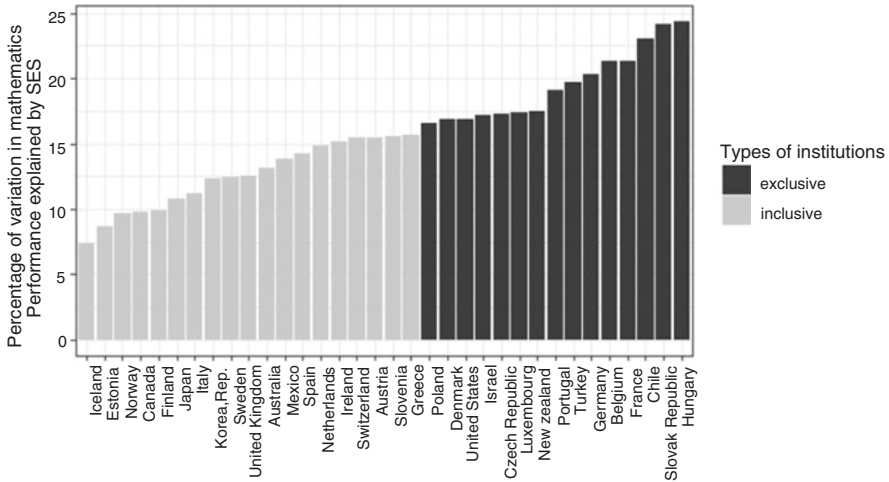


Fig. 6.1 Nature (inclusive and exclusive) of educational institutions in OECD countries

capital facilitate further investment in this production factor (Romer, 1993). Thus, the average number of years of education received by people ages 25 and older were employed as a proxy for the stock of human capital embodied in adult population taken from Barro and Lee (2013). Finally, controlling for the degree of urbanization (proportion of the urban population) results from the higher availability of a diversified educational offer in urban areas as compared to rural areas (Castelló-Clement, 2010).

It is worth emphasizing that the variation in PISA test scores explained by socio-economic status in 2003 and 2012 was employed to capture the nature of educational institutions in a selected sample of countries. The numerical values of the PISA variations were taken from the study of the importance of socioeconomic status for educational outcomes (OECD, 2013).

The OECD countries were divided into two subgroups, namely: inclusive and exclusive educational institutions. In particular, countries where socio-economic status explains more variation in student performance in PISA tests than average in the OECD countries were categorized as 'exclusive', while the others as 'inclusive' ones. (Fig. 6.1).

Moreover, it should be stressed that - in particular in the context of this study - there is no correlation between the measure of nature (inclusive versus exclusive) of educational institutions and income inequality, since Pearson coefficient for Gini and percentage variations of PISA explained by the socio-economic status are not significant. Consequently, the sample division on the basis of the nature of educational institutions (inclusive versus exclusive) does not merely lead to separation of unequal and egalitarian countries (Fig. 6.2).

The descriptive statistics of variables used in our analyses are displayed in Table 6.1.

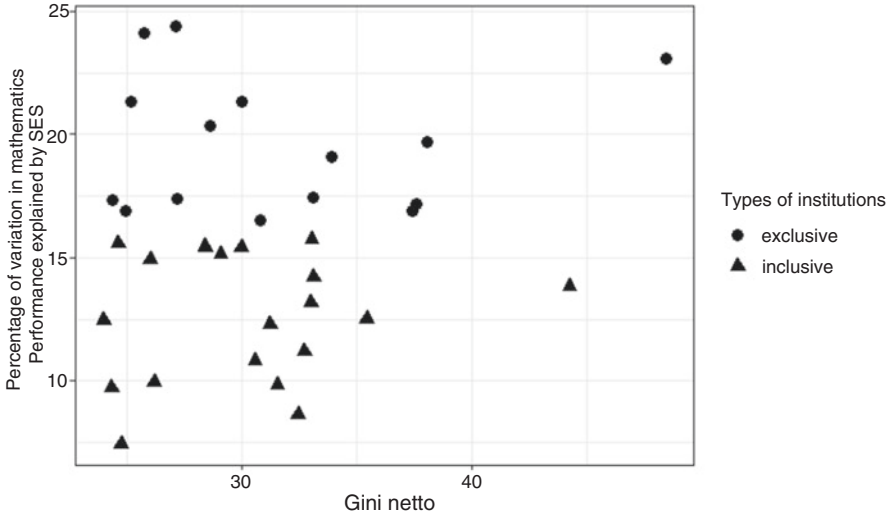


Fig. 6.2 Gini income and percentage of PISA test scores variations explained by the socio-economic status. (Source: authors’ own elaboration)

Table 6.1 Descriptive statistics

Variable	(1) No. of obs.	(2) Mean	(3) Standard deviation	(4) Min	(5) Max
Edu_achiev	109	50.441	4.800	39.065	60.775
Gini	109	30.237	6.400	19.780	51.277
Yr_sch	109	10.116	1.769	5.250	13.130
Log_gdp_pc	109	10.067	0.641	8.663	11.299
Urban_pop	109	74.876	11.082	47.954	97.396

6.4 Econometric Methodology

As we mentioned before, the effect of income inequality on human capital (and its acquisition) has been empirically investigated, human capital considered to be a channel through which income inequality impacts economic growth. In particular, Sylwester (2000), Papageorgiou % Razak (2009) have used two equations to estimate these relationships: firstly, income is a function of human capital (education), and, secondly, human capital (education) is a function of income inequality. In turn, Battisti et al. (2014) analyzed the linkages between interest rates, inequality, human capital and growth, by employing a three-equation procedure in which income inequality was a function of human capital.

To test, firstly, the interdependence between inequality and human capital, and secondly, for inverted U-shape of this relationship, we employed a two-equation procedure:

$$HC_{i,t} = \alpha_1 HC_{i,t-1} + \alpha_2 Ineq_{i,t-1} + \alpha_3 X_{i,t-1} + \eta_{i,t}, \quad (1)$$

$$HC_{i,t} = \alpha_1 HC_{i,t-1} + \alpha_2 Ineq_{i,t-1} + \alpha_3 Ineq_{2i,t-1} + \alpha_4 X_{i,t-1} + \eta_{i,t}, \quad (2)$$

where variable HC is a measure of human capital, $Ineq$ denotes net-income inequality, X contains a set of controls, and $\eta_{i,t}$ reflects a residual factor.

The first equation relates to Battisti et al. (2014) and, to some extent, to Sylwester (2000), although he employed the measure of the flow of human capital. In turn, including square terms of $Ineq$ variable in the second eqs. [2] allows us to test for inverted U-shape between inequality and human capital acquisition.

The parameters of eqs. [1] and [2] were estimated based of the generalized method of moments (GMM) developed by Blundell and Bond (1998). The SGMM allows for estimating a dynamic specification of eqs. [1] and [2] and tackling the problem of endogeneity of the lagged dependent variable, which makes OLS and FE estimations of dynamic models biased and inconsistent (Baltagi, 2008).

The SGMM estimator combines equations in first differences with equations in levels. Explanatory variables in the former equation are instrumented with their own lags. In turn, lagged first differences are used as instruments in the equation based on levels.

The choice of the SGMM estimator rather than first difference GMM (Arellano & Bond, 1991) is justified by the greater efficiency and smaller finite sample bias associated with the former estimation procedure (Blundell et al., 2001). Moreover, SGMM ensures that estimations are also accurate when dealing with variables that are highly persistent (Blundell & Bond, 1998). Also, using the SGMM estimator allows us to simultaneously control for individual unobservable effects and to utilize the information coming from variability across countries.

The validity of the instruments was tested using Sargan-Hansen test of overidentifying restrictions and the test of second order serial correlation of error term. Also, the difference-in-Hansen test was used to test the validity of additional instruments used in the equation based on levels. Moreover, the number of instruments was reported for each of the estimates, so as to assert the reliability of Sargan-Hansen test.

In the basic specification, only the delayed explanatory variable ($HC_{i,t-1}$) was treated as endogenous. Yet, in order to control for the potential existence of reverse causality running from human capital to income inequality, also the variable of income inequality was treated as endogenous and was instrumented with its own lags. The results of such method are considered as robustness check to reverse causality, and may be interpreted as a test of Granger causality.

Table 6.2 System GMM estimations of eq. [1] and [2], baseline sample

Estimation No. Sample	Dependent variable: edu_achiev			
	1 OECD	2 OECD	3 OECD	4 OECD
Gini _{t-1}	-0.165** (0.083)	1.392*** (0.276)	-0.124* (0.066)	1.553*** (0.365)
Gini ² _{t-1}		-0.023*** (0.004)		-0.026*** (0.006)
Edu_achiev _{t-1}	0.441*** (0.122)	0.381*** (0.118)	0.439*** (0.127)	0.384*** (0.112)
Log_gdp_pc _{t-1}			0.737 (0.806)	-0.152 (0.786)
Yr_sch _{t-1}			0.000 (0.182)	-0.167 (0.188)
Urban_pop _{t-1}			-0.007 (0.032)	-0.042 (0.035)
Observations	110	110	109	109
Time dummies	Yes	Yes	Yes	Yes
Number of instruments	20	21	23	24
Number of countries	34	34	34	34
Instruments collapsed	No	No	No	No
Sargan-Hansen	0.107	0.219	0.128	0.288
AR 2	0.945	0.842	0.897	0.776
Diff-Hansen	0.931	0.252	0.860	0.326
Optimal Gini (in %)	–	30.26	–	29.87

Notes: *, **, and *** denote 10%, 5% and 1% significance level

6.5 Empirical Analysis

First of all, the model that reflects the assumption of linear relationship between income inequality and educational test scores was analyzed. The results are presented in Table 6.2 and indicate that the regression parameter for income inequalities is statistically significant and negative, suggesting that low educational test scores were preceded by high income inequality in the surveyed countries. These results hold when control variables are added to the equation (column no. 3).

The results reported in column no. 2 and 4 refer to the hypothesis of U-shaped relationship between variables of income inequality and human capital. The findings consistently suggest that the relationship between income inequalities and human capital takes the form of an inverted U, i.e. both high and low levels of income disparities precede poor educational test scores. The estimated coefficients of income inequality, which turned out to be statistically significant, enable us to calculate the optimal (for educational achievements) distribution of income. These estimations indicate that income inequalities expressed by the Gini coefficient of about 0.3 are the most favorable for human capital accumulation.

The results of the alternative specification of eqs. 1 and 2, in which the variable of income inequalities is also treated as endogenous, are reported in Table 6.3.

Table 6.3 System GMM estimations of eq. [1] and [2] with income inequalities variable treated as endogenous, baseline sample

Dependent variable: edu_achiev						
Estimation No. Sample	5 OECD	6 OECD	7 OECD	8 OECD	9 OECD	10 OECD
Gini _{t-1}	-0.306*** (0.067)	-0.215** (0.093)	1.378*** (0.334)	1.623*** (0.424)	2.078*** (0.647)	2.482*** (0.951)
Gini _{t-1}			-0.024*** (0.005)	-0.027*** (0.006)	-0.036*** (0.010)	-0.041*** (0.015)
Edu_achiev _{t-1}	0.372*** (0.107)	0.394*** (0.126)	0.301** (0.116)	0.282** (0.125)	0.089 (0.128)	0.086 (0.136)
Yr_sch _{t-1}		-0.059 (0.207)		-0.114 (0.188)		-0.076 (0.378)
Log_gdp_pc _{t-1}		0.386 (0.906)		-0.171 (0.725)		-0.547 (1.175)
Urban_pop _{t-1}		0.002 (0.037)		0.043 (0.037)		0.062 (0.058)
Observations	110	110	110	109	110	109
Time dummies	Yes	Yes	Yes	Yes	Yes	Yes
Number of instruments	33	36	47	50	20	23
Number of countries	34	34	34	34	34	34
Instruments collapsed	Nie	Nie	Nie	Nie	Tak	Tak
Sargan-Hansen	0.503	0.588	0.904	0.966	0.395	0.383
AR test(2)	0.840	0.834	0.756	0.667	0.523	0.463
Diff-Sargan	0.693	0.861	0.999	1.000	0.486	0.456
Optimal Gini (in %)			28.71	30.06	29.99	30.2

Notes: *, **, and *** denote 10%, 5% and 1% significance level

The results presented in Table 6.3 are consistent with those included in Table 6.2. Estimations No. 5 and 6 confirm negative and linear relationship between income inequality and educational test scores. Additionally, it can be concluded that the strength of the estimated linear relationship is stronger when income inequality is treated as an endogenous variable. As indicated by estimation No. 5, the coefficient of income inequality variable is equal to -0.306 . After the procedure of standardization, the coefficient takes the value of -0.434 , which means that one standard deviation increase in income inequality is associated with 0.434 standard deviation decrease in the average educational test scores. The results, reported in columns 7–8, confirm that the relationship between variables of interest takes the form of inverted U.

As the number of instruments in estimations 7 and 8 is higher than the number of countries being analyzed, we can suspect that the problem of too many instruments

Table 6.4 System GMM estimations of eq. [1] and [2], sample divided into 'inclusive' and 'exclusive' groups of countries

Estimation No.	Dependent variable: edu_achiev																	
	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Sample	Inclusive	Inclusive	Inclusive	Inclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive
Gini _{t-1}	-0.154 (0.226)	2.861*** (0.475)	-0.028 (0.173)	3.233*** (0.648)	-0.303** (0.118)	0.704*** (0.215)	-0.287** (0.111)	0.842** (0.427)										
Gini ² _{t-1}		-0.047*** (0.007)		-0.054*** (0.011)		-0.015*** (0.002)		-0.016*** (0.006)										
Edu_achiev _{t-1}	-0.139 (0.172)	-0.122 (0.149)	-0.165 (0.189)	-0.235 (0.150)	0.153 (0.215)	0.066 (0.182)	0.019 (0.185)	0.061 (0.203)										
Yr_sch _{t-1}			1.264* (0.690)	0.558 (0.545)			0.106 (0.216)	-0.006 (0.180)										
Log_gdp_pc _{t-1}			-0.410 (2.916)	-3.030 (2.181)			1.153** (0.575)	0.438 (0.639)										
Urban_pop _{t-1}			0.025 (0.067)	0.072 (0.051)			-0.012 (0.044)	0.030 (0.053)										
Countries	19	19	19	19	15	15	15	15										
Observations	66	66	66	66	44	44	43	43										
Instruments collapsed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes										
Time dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes										
Instruments	11	12	14	15	11	12	14	15										
Sargan test	0.148	0.557	0.127	0.737	0.139	0.110	0.123	0.160										
AR test(2)	0.532	0.781	0.583	0.710	0.804	0.516	0.702	0.503										
Diff-in-Hansen	0.149	0.495	0.175	0.530	0.280	0.107	0.096	0.276										
Optimal Gini (in %)	-	30.44	-	29.94	-	23.47	-	26.31										

Notes: *, **, and *** denote 10%, 5% and 1% significance level

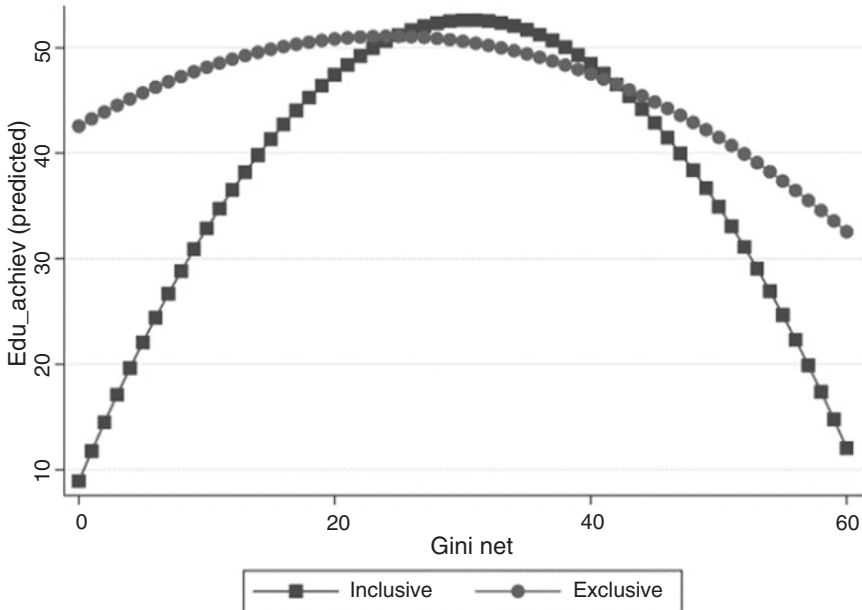


Fig. 6.3 Relationship between income inequality and educational tests scores (on the basis of estimations No. 12 and 16)

may weaken the Sargan test in these estimations. Therefore, instruments were collapsed in estimations no. 9 and 10 to test the robustness of results for such a procedure. As reported in column 9 and 10, the results do not change drastically, i.e. estimated coefficients also suggest the inverted-U relationship with the optimal level of income inequality for human capital accumulation of about 0.30 Gini.

The results do not lead to any clear-cut statements related to the real nature of the relation between income inequality and educational achievements, i.e. whether the relationship is better described by linear function or by inverted-U function. Yet, further insights can be gained when the sample of OECD countries is divided into two subgroups according to the criterion of the nature of educational institutions. The estimated results reported in Table 6.4 provide evidence that the role of income inequalities for human capital development is different in the two subsets of countries. Estimations no.11 and 13 indicate that high income inequality precedes low educational test scores in the group of countries with exclusive educational institutions. At the same time, similar estimations for the sample of countries with inclusive educational institutions (estimations no. 15 and 17) show that linear relationship between income inequality and human capital is statistically insignificant.

an inverted-U shape relationship.

The estimations of the parameters of eq. [2] in both subgroups of OECD indicate that the link between inequality and human capital takes the form of a reversed-U shape (estimates no. 12, 14, 16 and 18). However, there is an important difference between the group of nations with inclusive and exclusive educational institutions.

In the former group the strength of the estimated parabolic dependence is much higher than in the latter one. In the case of ‘exclusive’ countries, income inequalities explain, to some extent, the variation in the educational tests scores (Fig. 6.3). Moreover, the estimated optimal level of income inequality for the development of human capital in this group of countries is very low (0.23 and 0.26 of Gini coefficient, depending on the equation specification). In the light of such results, it seems reasonable to conclude that the link between income inequality and human capital in the countries with exclusive education institutions is better described by a linear function than an inverted-U function.

6.6 Conclusion

The study investigated the impact of income inequality on the international variations in educational achievements in the OECD countries by taking into consideration the dynamic panel regression equation and the system GMM estimator.

We provided that low human capital acquisition, expressed in this study by low educational test scores, was preceded by high income inequality in the surveyed countries. It should be stressed that the robustness check of these results indicates that the sign of income inequality coefficient holds for various specifications of our equation, and consistently remains negative and significant. Simultaneously, our study also suggested that the link between income inequalities and human capital takes the form of an inverted U shape, which means that both high and low levels of income disparities preceded poor educational test scores.

Having achieved such inconclusive results, we divided our research sample into two subgroups in order to test whether the effects of income inequalities for human capital accumulation are different in countries where educational institutions are not conducive to inclusion in the process of human capital accumulation of non-privileged social groups than in those countries in which educational institutions facilitate human capital accumulation to the individuals from low social strata. The analysis conducted for these two separate groups illustrated a various nature of relationships between income inequality and human capital acquisition depending on the character of the educational institutional framework. In particular, we provided evidence confirming that high income inequality precedes low educational test scores in the group of countries with ‘exclusive’ educational institutions, while the relationship between these variables in the group of ‘inclusive’ countries is reflected in the inverted-U function.

Consequently, our study contributes to the debate initiated by Battisti et al. (2014), who found various outcomes (positive and negative) of income inequality on human capital acquisition in rich and poor countries. In our study, however, we showed that the institutional framework, narrowed in this study to the nature of educational institutions, determines the relationship between income inequality and human capital acquisition.

It is worth stressing that our study has some limitations. Firstly, it refers to a group of advanced OECD countries. Thus, the results of a study conducted on a sample of advanced economies cannot be used to formulate conclusions applied to countries at various stages of economic development. Consequently, the further research expanding our study could be aimed at investigating this relation, especially the nature of the educational institutions and its impact on income inequality – human capital relations in a sample consisting of countries representing a mid-level and lower level of economic development.

Secondly, the research in this area in the future ought to employ more advanced methodology for dividing the sample countries into groups with exclusive and inclusive educational institutions. In our study we divided sample countries into these two groups on the basis of the value of the percentage of variation in PISA mathematics test scores explained by socio-economic status. The countries where a socio-economic status explains more variation in student performance in PISA tests than average in the OECD countries were categorized as ‘exclusive’, while the others as ‘inclusive’ ones. The recognition of institutional inclusivity through methods other than those adopted in this work would create a basis for testing the reliability of our results.

Thirdly, since our study focused on 34 OECD countries during 1990–2010 period we consider it important for future research to examine the same countries during 2011–2021 period and to have a comparison between results.

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Chapter 7

Exploring Relevant Factors Influencing Guests' Satisfaction: Case Study - 4* and 5* Hotels in Mamaia Resort



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Abstract Guests' satisfaction plays a significant role in the hospitality industry. It has a direct impact on the success of hotel service providers in this sector. Consequently, to the popularity increase of online platforms and social media in the tourism and hospitality sectors, the online guests' reviews growth tremendous, and once with it their impact on the tourists' attitudes and buying behaviour as well as on the service suppliers. Thus, the current study investigates the relevant factors influencing guests' satisfaction accommodated in the four- and five-star hotels in the main seaside resort from Romania, Mamaia, using the online guest-generated overall satisfaction score. It is one of the first studies in Romania to investigate the elements influencing visitors' perceptions of Black Sea coastal tourism. In this regard, over 4160 booking reviews were coded and analysed. The primary goal of the study was of determining the extent to which tourist typology, hotel classification, and nationality impact the overall satisfaction of visitors at full-service hotels in Mamaia resort. According to the data analysis, all criteria have a substantial impact on the total satisfaction score. Thus, in the case of 4 and 5 stars hotels, the overall satisfaction score varies in accordance with tourist typology and nationality. As a result, these findings should help the hoteliers from the seaside area, especially around the Black Sea, to understand better the upcoming demand particularities and formulate appropriate strategies to target different market segments. Furthermore, the second study's goal was to evaluate the impact of each element analysed on the total score, allowing researchers to better grasp the significance of each aspect on the overall satisfaction score. The paper's findings contribute to the literature on

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Switzerland AG 2023

A. L. Negrușă, M. M. Coroș (eds.), *Remodelling Businesses for Sustainable
Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_7

hospitality online reviews by clarifying how the investigated factors impact the overall satisfaction score and presenting key suggestions for practitioners to improve performance.

Keywords Online reviews · Full-service hotels · Guests' satisfaction · Hospitality · Mamaia resort

7.1 Introduction

Romania is a country with an impressive tourism background and a high tourism potential. The country can surprise tourists with very diverse attractions, from picturesque castles, originally painted monasteries, medieval towns, fortified and wooden churches, pretty alpine scenery to the Danube Delta and seaside of the Black Sea. The Black Sea coast in Romania is one of the natural borders of our country and the most popular summer holiday destination for Romanians. It is a part of the Dobrogea region, supplying gently shelving beaches. The Romanian Black Sea coast has a length of 245 km and the seaside resorts cover less than half of it.

The significance of seaside tourism in Romania is highlighted by the existing accommodation capacity. Because Mamaia includes the main tourist accommodations on the Black Sea coast, it is important to scan its accommodation capacity for the analysed period (2018–2021). Hotels in Mamaia contribute to the accommodation supply with a percentage of approximative 70%. In terms of classification, the majority are three-star hotels. At the county level, there were during the analysed period, on average, 157 hotels, of which 110 are in Mamaia. Overall, the other structures of touristic reception with functions of tourist accommodation (hostels, apartments, villas, camping) had a reduced contribution to the total accommodation supply. It is significant to mention that Mamaia seaside has extremely few internationally affiliated hotels.

The present study tends to examine the extent to which the typology of tourists, the hotel's classification, respectively nationality influence the overall satisfaction of guests at full-service hotels in Mamaia resort.

Different studies existing in the literature emphasized that satisfaction influences the likelihood of consumers remaining loyal to a destination. Hence, one of the most important variables influencing the likelihood of customers returning to a hotel is their satisfaction with the services provided. In a crowded market with competing quality signals, reputation aids "excellent" hotels in distinguishing themselves from "poor" ones. Because it is positively connected with repurchase probability and because satisfied customers recommend the hotel to friends and other consumers, satisfaction is a crucial factor of consumer loyalty. In this way, customer happiness has a beneficial impact on a company's profitability. Customer satisfaction has become even more vital for the long-term profitability of hospitality accommodations since the introduction of peer-to-peer lodgings.

It demonstrates that satisfaction has a positive influence on post-purchase behaviour and that it influences the intention of whether or not to re-use a service in the future (Boulding et al., 1993; Dabholkar & Thorpe, 2022; Fornell, 2018). Moreover, precisely in the field of tourism, Baker & Crompton (2000) and Pritchard & Howard (1997) revealed the influence of satisfaction on tourists' future behavioural intentions. This comes in correlation with the study of Dubé et al. (1994), which identified that it is highly probable that a non-satisfied consumer will never revisit a destination. Hence, satisfaction represents a major determinant of consumer loyalty since it is positively associated with repurchase probabilities (San Martín & Herrero, 2019) and because satisfied guests are eager to recommend the hotel to other consumers. After accommodating in a hotel, numerous tourists share their experience online in the form of customer reviews (Bronner & de Hoog, 2010). Considering that a hotel's online reputation directly influences its financial performance (Kim et al., 2015; Xie et al., 2014), reviews should be rigorously managed as the main element of marketing strategy.

The booking website admits customers to reveal overall satisfaction with accommodation establishments and to rate the following service attributes: staff, facilities, cleanliness, comfort, value for money, location, and free Wi-fi. The existing literature highlighted that according to Stringam et al. (2010), using ratings taken from the Expedia website, cleanliness, and room comfort were strongly correlated with customer satisfaction, and the room is the most influencing attribute.

The evolution of peer-to-peer accommodations reveals that customer satisfaction is a key determinant for the long-run success of hospitality accommodations (Guttentag & Smith, 2017). In the process of identifying the attributes of the service that contribute most to customer satisfaction, different research focuses on TripAdvisor customers. In this context, we can highlight research using travel and tourism reviews on user-generated content platforms (Rhee & Yang, 2015; Stringam et al., 2010).

7.2 Literature Review

An important number of researchers tried to pay attention to the fact that the importance of customer satisfaction has grown significantly since the early 1970s. This led to the idea that the concept of customer satisfaction occupies the main role in business thought and practice. It is an indicator that reveals how well firms' products and services meet customer expectations and is the main factor influencing customer loyalty and predicting business revenue. Satisfied clients represent the cheapest way of service promotion since positive word of mouth or services recommendation from satisfied customers leads to high benefits for hotels. Therefore, in the tourism industry, tourism destinations must pay attention to factors that influence customer satisfaction mainly because it is not universally valid. Customers feel and evaluate service quality satisfaction differently, being influenced by their previous experiences, typology, cultural background, or other external factors that cannot

be controlled directly by hotel service providers. Paying attention at the factors influencing guests' satisfaction helps hotel service providers from different touristic destinations to predict business success.

In terms of satisfaction definition, there is no consensus in the literature (Ali et al., 2016). The most usual approach defines satisfaction as the difference between what was expected and what has been experienced. This represents the expectancy-disconfirmation theory introduced by Oliver (1980) and reveals that if a service outperforms expectations, satisfaction (confirmation) will emerge, respectively if a service falls short of expectations, the customer will be dissatisfied (disconfirmation). Consequently, in the tourism topic, satisfaction occurs when the travel experience meets expectations and, by contrast, dissatisfaction occurs when the travel experience does not meet expectations. In fact, satisfaction is when the observed performance of a hotel exceeds the guest's expectations. Different researchers studied the influence of satisfaction and its benefits using online hotel reviews (Gerdes & Stringam, 2008; Kim & Hardin, 2010).

Even if there is no unity on how to precisely define the concept of "satisfaction", Oh & Kim (2017) underline a comprehensive review about it. Further, we use this concept relative to the hotel and tourism industry. Guests can be unsatisfied or satisfied or simultaneously satisfied and unsatisfied with a hotel service related to separate components. For example, unsatisfied with the lunch menu selection, but at the same time satisfied with the design of the hotel room.

It is relevant to highlight that guest satisfaction with a touristic destination may emphasize guest satisfaction with a trip, while satisfaction with transport, travelling party, accommodation, and activities performed while staying at the destination, may impact upon the total judgment of a trip to a particular destination. Guest satisfaction is relevant to successful destination marketing since it influences the choice of touristic destination, the tourist decision to return, and the consumption of hotel services. It helps to generate, extend, and maintain a favourable image of a resort or a tourist destination.

It was revealed in the literature that the level of guests' satisfaction with a specific trip is the result of independent factors. Therefore, different determinants of guest satisfaction can be underlined in the literature: country of origin, prices, hotel star rating, hotel services quality, hotel and room facilities (Panchapakesan & Jiseon, 2020), quiet atmosphere, and comfort (Pokryshevskaya & Antipov, 2017), accessibility to attractions, transportation hubs and green spaces (Yang et al., 2017; Zhou et al., 2014), travel party (families, couples, group of friends, individual travellers), trip-related variables, gender or atmospheric factors (Baker et al., 1992). Moreover, physical factors, such as psychological equipment products and the destination product performance, are also factors that convert to satisfaction of travel destination (Uysal & Noe, 2003). Chi & Qu (2008) select 33 destination items to evaluate guest satisfaction, and underlined seven key factors: activities and events, accessibility, shopping, lodging, attractions, dining, and environment. In their study, (Alegre & Garau, 2010) highlighted that the overall guest's satisfaction and the desire to return to a particular destination depend highly on the assessment of the

different attributions of destinations. Also, service quality is a significant element that influences guest satisfaction and determines if a guest will repurchase the service or not (Lee & Cheng, 2018). Nunkoo et al. (2020) examined the links between service quality and guest satisfaction across South African accommodation establishments with different grading categories, highlighting that the service quality attributes that influence guest satisfaction significantly differ between establishments with different star ratings.

Concerning prices, this determinant is one of the main drivers of customer satisfaction (Mattila & O'Neill, 2003; Radojevic et al., 2015). Consumers' views of price in terms of cheap or costly have also been proven to be important factors in their appraisal of tourist services. Even though Huang et al. (2018) discovered that 5-star hotel guests had higher expectations gaps. As a result, the satisfaction scores were discovered to be positively related to the hotel stars' categorization. (Bi et al., 2020; Radojevic et al., 2015; Zhou et al., 2014). Relative to the service quality, in the hospitality and tourism industry, food and beverage service is one main predictor of customers' satisfaction (Albayrak & Caber, 2018), the quality and the variety of the food influence customers' hotel evaluation scores (Nield et al., 2000). Moreover, service quality is positively related to customers' satisfaction (Liu et al., 2017). In terms of the travel party, individual travellers tend to be the most satisfied (Campo-Martínez et al., 2010; Radojevic et al., 2015), whereas families rate the destination more negatively. Relative to trip-related variables, it has been shown that trip motivation (Albayrak & Caber, 2018), length of stay (Pokryshevskaya & Antipov, 2017), and travel purpose (Park & Nicolau, 2019) influence tourists' satisfaction. Based on gender, it was found that women give more importance to affective factors (Wang et al., 2016). In the hospitality and tourism industry the guests' satisfaction, perceptions, attitudes, and personality, may differ from individual to individual. Therefore, different persons perceive exactly the same service in different ways.

Summarizing the main research directions and results of the existing studies, this paper aims to provide a detailed analysis of the main factors which influence the guest's satisfaction in the case of full-service hotels, expressed through overall rating scores in their review, and to what extent each of the most relevant factors influences it. Thus, this forms the basis for the following hypothesis:

Hypothesis 1: The hotel's classification level influences the overall satisfaction scores.

Hypothesis 2: The rating score is positively related to the hotel's classification level.

Hypothesis 3: The tourist nationality influences the overall satisfaction scores.

Hypothesis 4: The rating score is positively related to national tourists.

Hypothesis 5: The guests' typology influences the overall satisfaction scores.

Hypothesis 6: The rating score is positively related to individual guests.

The remainder of this paper is organized as follows: the next section emphasizes the research methodology that has been employed. The paper continues with an in-depth discussion of the research findings and finally points toward the most important conclusions on this topic.

7.3 Research Methodology

An important component of earlier research studies in the domain of consumer satisfaction with hotel services was the fact that the data samples implied a collection of rating scores from a diverse range of hotels and places/destinations. Thus, other factors, such as the set of services supplied by each hotel or the amount of local hospitality development for each destination, can alter the influence of guests' sociological factors, like country or customer typology, on the overall satisfaction score in this situation. For instance, hotel features may differ significantly from one unit to another, affecting customer satisfaction. According to Pizam (2010), the quality of the experience moderates the relationship between the quality of tangible and intangible hospitality products and services and consumer happiness. The reputation of a local hospitality sector, on the other hand, is influenced by its level of development, which affects the rating scores provided to hotels in that region (Bulchand-Gidumal et al., 2013).

Therefore, 4457 guest reviews were collected via [Booking.com](#) from a small but significant number of four and five-star hotels in the same destination, Mamaia beach resort. Hotels with average rating dispersion were selected to be included in the sample since each hotel serves a certain market segment and the goal of our study is to investigate the personal elements that impact customers' opinions of hotel services. The time span considered was 2019–2021. Following previous studies that used empirical data collected from other types of online platforms like TripAdvisor or Airbnb, in this research [Booking.com](#) provides a good data source for our main research aims, such as the overall customer reviews, details regarding their length of stay and some characteristics about their travel's behaviour.

After excluding those unconcluded reviews, remained 4167 guest-generated reviews in our data set including the following variables:

1. *the overall rating score* varies from 1 to 10 and includes a rating system of the following accommodation service attributes: staff, facilities, cleanliness, comfort, value for money, location, free Wi-fi;
2. *the guest's typology* from a social travel behaviour point of view has been specified and collected in the database (individual/solo traveller, couple, group of friends, and family) together with their length of stay and nationality;
3. *hotel's star classification*;
4. *guest's nationality*;
5. *length of stay* (days).

To test the research hypothesis, the following analysis were made:

1. Multifactor ANOVA to study if the qualitative variables have a significant influence on the guests' satisfaction, respectively overall rating score.
2. Simple and multiple linear regression in order to study the influence of each factor on the evaluation and to estimate the average evaluation with respect to each factor. Since the factors are qualitative, to be able to run regressions one or more dummy variables were assigned, as follows:

- Guest typology (solo, couple or family)

$$D_{11} = \begin{cases} 0, & \text{if solo} \\ 1, & \text{if family} \end{cases} \quad D_{12} = \begin{cases} 0, & \text{if solo} \\ 1, & \text{if couple} \end{cases} \quad D_{13} = \begin{cases} 0, & \text{if solo} \\ 1, & \text{if group} \end{cases}$$

- Classification (4* or 5*)

$$D_2 = \begin{cases} 0, & \text{if 5 stars} \\ 1, & \text{if 4 stars} \end{cases}$$

- Nationality (Romanian or Foreigner)

$$D_4 = \begin{cases} 0, & \text{if Romanian} \\ 1, & \text{if Foreigner} \end{cases}$$

7.4 Results and Discussions

According to the data reported in the table below, for the studied sample, some differences in the averages of the overall rating scores given for hotel services were detected in the following cases:

- three groups can be differentiated based on the year in which the evaluation of hotel services took place. In the year before the pandemic (2019) the average overall score was higher (8.105) compared to the pandemic period (2020–2021);
- five groups can be differentiated based on the season's months. Thus, sample's visitors were less satisfied during the peak of the season, August (7.640), than in July (7.738) and September (7.942). Higher overall rating scores may be seen at the start of each season, especially in May (8.317) and June (8.481);
- in 2019 the highest rating score was recorded in May (8.398) and the lowest in August (7.729);
- in 2020, guests were most pleased with the quality of hotel services in June (8.467), while they were least satisfied in July (7.425);
- in 2021, according to the sample's scores, visitors who stayed in four and five-star hotels rated the services the most in June (8.681) and the lowest (in August) (7.693) (Table 7.1).

Concerning the study aim, the first objective was to search if each of the identified factors had an influence on the total rating score. Thus, the multifactorial ANOVA test employed for the empirical data set, revealed that all factors have a significant

Table 7.1 Average overall rating scores for subgroups accordingly to year and month

Year	Month	Mean	Std. Error	95% Confidence interval	
				Lower bound	Upper bound
2019	May	8.398	.179	8.046	8.749
	June	8.296	.162	7.979	8.612
	July	7.939	.171	7.605	8.274
	August	7.729	.145	7.444	8.013
	September	8.162	.159	7.851	8.473
2020	May	8.158	1.105	5.992	10.324
	June	8.467	.310	7.860	9.074
	July	7.425	.201	7.031	7.819
	August	7.498	.172	7.160	7.836
	September	7.844	.190	7.471	8.217
2021	May	8.396	.241	7.924	8.868
	June	8.681	.253	8.185	9.176
	July	7.851	.166	7.525	8.177
	August	7.693	.146	7.407	7.980
	September	7.821	.192	7.445	8.198

Source: Authors' calculations

Table 7.2 Multifactorial ANOVA results

Source	Sum of squares	Df	Mean square	F-ratio	P-value
MAIN EFFECTS					
A: Days of staying	166.057	11	15.096	3.17	0.0003
B: Typology	75.0545	3	25.0182	5.25	0.0013
C: Classification	353.004	1	353.004	74.11	0.0000
D: Nationality	103.638	1	103.638	21.76	0.0000
RESIDUAL	19773.3	4151	4.76351		
TOTAL (CORRECTED)	20415.9	4167			

Source: Authors' calculations

influence on the evaluation score. As a result, hypotheses H1, H3, and H5 are validated and we can conclude that each of them is critical in the hotel customers' evaluation and satisfaction process (Table 7.2).

The results from the Mamaia resort's hotels revealed that throughout the visitors' stay, variances in needs and expectations from the lodging services had a major impact on their experience in the same hotel unit, as well as a significant factor influencing the overall satisfaction score. At the same time, visitors' expectations vary depending on their country, resulting in significant variances in satisfaction ratings. Furthermore, the purpose of the study was to determine the influence of each component studied on the total rating score, so that simple regression analyses were developed. Multiple linear regression was employed in this study to fit a linear

connection between a quantitative dependent variable RS (rating score) and a set of factors because it is the most prevalent statistical analysis tool for making predictions in business analytics methods (Shmueli et al., 2010).

1. Hotel's Classification

Initially, it was discovered that the total rating score varied with the hotel's star classification. As a result of the data set, it appears that the qualities and facilities of five-star hotels influence customer satisfaction and hypothesis H2 is validated.

The estimators of the regression parameters are presented in the below Table 7.3.

According to regression analysis made with respect to the hotel classification, this factor has a significant influence on the tourists' rating score ($p = 0.0000$) and shows that 1.62% of the variability in the rating is explained by the hotel's star classification.

Even while prices at five-star hotels are greater than at four-star hotels, as well as customers' expectations, the study's results revealed that five stars hotels' guests are more satisfied with the service quality received. This supports the idea that, in the case of five-star hotels, the management team places a larger emphasis on offering high-quality hotel services, such as room amenities, hotel facilities, and guest-employee interaction, meeting a higher ponder the customers' expectations.

Based on this regression, the estimated rating scores related to the hotel classification level are presented in the Table 7.4 below.

2. Guest's Nationality

In line with the literature perspective, i.e. (Kozak, 2001), guests from different countries report varying degrees of average satisfaction after visiting the same destination. Moreover, disparities in economic, social, and cultural landscapes may be connected to variances in service expectations, which are vital for satisfaction. Therefore, another goal of this study was to report on customer satisfaction levels from both domestic and international clients.

According to the sample's average scores, the Romanian guests were more satisfied with the hotels' services and rated their experience higher in comparison with

Table 7.3 The regression parameters' estimators

Coefficients					
Parameter	Estimate	Standard error	T statistic	P-value	
Intercept	8.74406	0.0874089	100.036	0.0000	
Slope	-0.786749	0.094886	-8.29152	0.0000	
Analysis of variance					
Source	Sum of Squares	Df	Mean Square	F-Ratio	P-Value
Model	331.443	1	331.443	68.75	0.0000
Residual	20084.4	4166	4.82104		
Total (Corr.)	20415.9	4167			

Correlation Coefficient = -0.127415

R-squared = 1.62346 percent

Source: Authors' calculations

Table 7.4 Estimated rating scores based on the regression model

Classification	Estimated scores	Confidence limits	
		Lower 95.0%	Upper 95.0%
4 stars	7.95731	7.88495	8.02967
5 stars	8.74406	8.57274	8.91538

Source: Authors’ calculations

Table 7.5 Average rating scores according to year and tourists’ nationality

Year	Foreign/Romanian	Mean	Std. Error	95% Confidence interval	
				Lower bound	Upper bound
2019	Romanian	8.258	0.067	8.126	8.389
	Foreign	7.952	0.130	7.697	8.206
2020	Romanian	7.993	0.099	7.798	8.188
	Foreign	7.764	0.467	6.849	8.679
2021	Romanian	8.380	0.069	8.245	8.515
	Foreign	7.797	0.169	7.466	8.128

Source: Authors’ calculations

foreigners. Even more, the average overall score in the case of foreign guests did not reach 8 out of 10 in any of the three years analysed (Tables 7.5 and 7.6).

The estimators of the regression parameters are presented below.

The regression model applied to customer evaluation scores based on their country of residence revealed that the resultant model of variance is $RS = 8.133 - 0.380 \cdot D_4$, being significantly statistically, $p\text{-value} = 0.0001 < 0.05$. Also, the $R^2_{adj} = 0.0037$, meaning that 0.37% of the variability in the evaluation is explained by nationality. These results sustained hypothesis H4. Based on this model, the estimated ratings related to nationality are presented in the following Table 7.7.

3. Guest’s Typology

Further, the present study investigates how the social group predilections, which determine four tourist types (i.e. Families, Couples, Groups of friends, and Individual/solo travellers), influence the level of satisfaction. In the analysed sample, it is acknowledged the existence of differences between the averages of overall evaluation scores at four groups formed according to the Typology of tourists. The highest average score resulted in the case of individual travellers, confirming hypothesis H6, while the case of families had been registered as the lowest average (Table 7.8).

The regression analysis performed using as independent variables, the categories of tourists revealed a model of variation $RS = 8.33 - 0.37 \cdot D_{11} - 0.19 \cdot D_{12} - 0.29 \cdot D_{13}$ with a $p\text{-value} = 0.0162 < 0.05$, and $R^2_{adj} = 0.0175$.

Based on this model, the estimated ratings related to customer typology are presented in the following Table 7.9.

4. Classification, Nationality, and Typology

Table 7.6 The regression parameters' estimators

Coefficients					
Parameter	Estimate	Standard error	T statistic	P-value	
Intercept	8.13373	0.0371365	219.023	0.0000	
Slope	-0.380385	0.0956719	-3.97593	0.0001	
Analysis of variance					
Source	Sum of squares	Df	Mean square	F-ratio	P-value
Model	77.1759	1	77.1759	15.81	0.0001
Residual	20338.7	4166	4.88207		
Total (Corr.)	20415.9	4167			

Correlation Coefficient = -0.0614832

R-squared = 0.378019 percent

Source: Authors' calculations

Table 7.7 Estimated rating scores based on the regression model

Nationality	Estimated scores	Confidence limits	
		Lower 95.0%	Upper 95.0%
Romanian	8.13373	8.06094	8.20652
Foreigner	7.75334	7.58053	7.92615

Source: Authors' calculations

To answer the research questions have been employed a hierarchical linear model with three levels. Each of these levels contributes to the total observed variance among the customer rating scores.

The estimators of the regression parameters are presented in Table 7.10.

Since the p -value = 0.0000, the model is overall significant, Furthermore, 2.21% from the variability in ratings is explained by the considered factors. Based on this model, the estimated ratings related to customer typology are presented in the following Table 7.11.

According to these results, the intercepts are expected values of the rating score when the values of independent variables are equal to 0. For instance, we would expect a solo traveller, Romanian guest, to assign a value of 9.08932 for the five stars hotel in Mamaia.

Individual or solo travellers had higher baseline satisfaction levels than families, and this difference is statistically and practically significant. The estimated scores appeared to be inversely related to the number of travellers (individual, couple, group, and family). An explanation for this result is the fact that individual travellers have lower expectancies and fewer interactions with the hotels' departments and services. On the other hand, any negative situation that could arise during length of stay in the case of group and family categories at the individual level affect the entire group's satisfaction and finally their overall perception.

Table 7.8 The estimators of the regression parameters

Parameter	Estimate	Standard error	T statistic	P-value
CONSTANT	8.33514	0.128542	64.8436	0.0000
D11	-0.377089	0.140165	-2.69032	0.0071
D12	-0.193669	0.138144	-1.40194	0.1609
D13	-0.297761	0.169923	-1.75234	0.0797

Analysis of variance

Source	Sum of squares	Df	Mean square	F-ratio	P-value
Model	50.4407	3	16.8136	3.44	0.0162
Residual	20365.5	4164	4.89084		
Total (Corr.)	20415.9	4167			

R-squared = 0.247066 percent

R-squared (adjusted for d.f.) = 0.175198 percent

Source: Authors' calculations

Table 7.9 Estimated rating scores based on a regression model

Typology	Estimated scores	Confidence limits	
		Lower 95.0%	Upper 95.0%
Solo	8.33514	8.0832	8.58707
Family	7.95805	7.84851	8.06758
Couple	8.14147	8.04229	8.24065
Group	8.03737	7.81956	8.25519

Source: Authors' calculations

Table 7.10 The estimators of the regression parameters

Parameter	Estimate	Standard error	T statistic	P-value
CONSTANT	9.08932	0.151172	60.1257	0.0000
D11	-0.42266	0.139133	-3.03782	0.0024
D12	-0.201344	0.136964	-1.47005	0.1415
D13	-0.24715	0.168303	-1.46848	0.1420
D2	-0.796898	0.0946785	-8.41689	0.0000
D3	-0.412138	0.0957608	-4.30383	0.0000

Analysis of variance

Source	Sum of squares	Df	Mean square	F-ratio	P-value
Model	476.489	5	95.2977	19.89	0.0000
Residual	19939.4	4162	4.79082		
Total (Corr.)	20415.9	4167			

R-squared = 2.33391 percent

R-squared (adjusted for d.f.) = 2.21658 percent

Source: Authors' calculations

Table 7.11 Estimated ratings related to customer typology

Romanian (Nat = 0)						
Evaluation Typology	Estimated evaluation		Confidence limits (4*)		Confidence limits (5*)	
	4*	5*	Lower 95.0%	Upper 95.0%	Lower 95.0%	Upper 95.0%
Solo	8.29242	9.08932	8.03768	8.54716	8.79303	9.38561
Family	7.86976	8.66666	7.75503	7.98449	8.47683	8.85649
Couple	8.09108	8.88797	7.98615	8.19601	8.69818	9.07777
Group	8.04527	8.84217	7.82185	8.26869	8.56816	9.11617
Foreigner (Nat =1)						
Evaluation typology	Estimated evaluation		Confidence limits (4*)		Confidence limits (5*)	
	4*	5*	Lower 95.0%	Upper 95.0%	Lower 95.0%	Upper 95.0%
Solo	7.88028	8.67718	7.58962	8.17094	8.35014	9.00422
Family	7.45762	8.25452	7.25616	7.65909	8.00345	8.50559
Couple	7.67894	8.47584	7.4888	7.86907	8.22938	8.72229
Group	7.63313	8.43003	7.37764	7.88862	8.13001	8.73005

Source: Authors' calculations

7.5 Conclusions

The paper's findings revealed that there are different factors influencing customers' overall satisfaction accommodated in the four- and five-star hotels in the main seaside resort from Romania, Mamaia. It also revealed significant information for the managers of these categories of hotels, that can be used to improve their guest satisfaction.

The first conclusion regards the appropriate research methodology to clarify the influence of the four factors on the average rating score, in the case of full-service hotels. Thus, the study highlights the convenience and reliability of using as the main data source [Booking.com](#) listings. In comparison with tourists who address travel agencies or tour operators for a complete summer holidays package at the seaside, those who opt for an OTA (online travel agency) channel represent a different market segment that required distinctive attention in studying its behaviour and satisfaction at the destination.

Consequently, this study contributed to the literature on hotels guests' satisfaction with the following three important results related to OTA clients. Primarily, the average of the overall rating scores differs significantly across hotel classifications. Thus, the data validate the idea that variations in the amount of service and room amenities or features between 4 and 5-star hotels are perceived by guests, which Zhou et al. (2014) claim also occurred in the Chinese market. In the case of Mamaia five stars hotels seems that guests are considered to have access to the desired set of amenities at the right level of price. The appropriate marketing strategies are also helpful in maintaining a good attractivity in the market. Knowing that consumers of

five-star hotels are more satisfied with the level of service offered by them provides a potential general perspective to hotel managers regarding how to respond to customers' demands and how to tailor their hotel's services.

Customers from different cultural markets may have different expectations and ways of judging performance, and they may be affected differently by the service provider. These findings support the notion that clients from other cultures can receive the same service from the same employees but perceive the experience differently. This is known in the literature as service heterogeneity. When designing a service-based approach, managers and tourism experts must concentrate their efforts on differentiating between various customer audiences. Some nationalities will place a higher priority on improving infrastructure, while others will place a higher value on investing in people-related services. The Romanian hotel managers need to pay attention first of all to the fact that international customers tend to have a lower level of satisfaction regarding the service experience. Thus, the result suggests more effort to understand their needs, this implies analysing the guests' reviewer messages and better employees trained in the communication process with hotel's guests. In order to become more attractive in the global market, Romanian managers should allocate the required resources to improve the services' quality. Also, was noticed the influence of the pandemic crisis on the overall rating score. The deterioration of it could be explained by the hotels' problems with the assurance of high sanitation and security conditions during 2020. Many studies noticed an increase in the guests' expectation due to the pandemic context, so the COVID psychological effect influence guests' satisfaction. On the other hand, the lockdown during 2020 determined the labour market a strong career reorientation for the hospitality employees which resulted in a lack of trained personnel for the accommodation units, especially for full-service hotels.

Furthermore, the study provides statistically robust evidence that guests' social group format assigns different rating scores for the same hotel services, meaning different levels of satisfaction. Consistent with previous studies (Bi et al., 2020; Radojevic et al., 2015) resulted that the lowest scores are registered in the case of families and the highest in the case of the individual traveller. Again, the hotel managers should consider these findings in the process of tailoring the hotel's services to different types of customers. Because families are the most common kind of client at the beach throughout the summer, managers should consider that putting more effort into social engagement with these visitors may significantly improve their overall experience, as well as their satisfaction. Furthermore, these consumers are the most active in seeking additional services and amenities throughout their stay and due to this the hotel staff should pay more attention to their requests and complaints.

The paper highlights relevant factors influencing guests' satisfaction in the main seaside resort in Romania, Mamaia. The study's results clarify the impact of these factors on the overall satisfaction score in the case of the Romanian hotel market. It is one of the first studies in Romania analysing this related to seaside tourism at the Black Sea, while most of the studies in the literature are related to the Mediterranean

Sea and each seaside destination is determining a certain pattern of accommodation of tourists and determinants of guests' satisfaction.

Even if this study provides important contributions to the analysis of relevant factors influencing guests' satisfaction literature, still has some limitations. The first limit is the geographical area analysis, meaning the hotels from Mamaia resort. Thus, it cannot represent the whole Romanian Black seaside area and future research can be conducted in other Romanian or international Black Sea resorts. Though this resort is representative in terms of the accommodation sector for the Black seaside the results should be compared to other resorts in this region. Secondly, the study has been focused only on the OTA's tourists' behaviour (data used in the study from the [booking.com](https://www.booking.com) platform), which is considered a different market segment for hotels. The findings may not accurately reflect the guest satisfaction of the total tourists accommodated in Mamaia resort. Third, the present study considered only the four- and five-star hotels as a case study, so it can be extended to all categories of accommodation. Moreover, the main limitation of this research is given by the fact that available data were just for nationality and typology of tourists. It faced a lack of data related to the accommodation price. Finally, it would be interesting if other future research seeks to replicate the methodology of this study in different other Black Sea resorts (national or international), in order to confirm or refute the findings of the present study.

More research is needed to develop the present findings. An important future research direction could consist in analysing the influence of the destination attributes (such as climate, safety, and security, nature, gastronomy, respectively sea) on the guest satisfaction. Other than this, more research is needed to identify if socio-demographic characteristics (like age, level of education, or gender) are influencing the guest satisfaction of tourists accommodating in Mamaia resort.

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Chapter 8

Pricing Approaches on Airbnb. The Case of 2020 New Listings in Porto



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Abstract The COVID-19 pandemic had serious economic effects, forcing businesses to adjust their strategies to survive. The tourism sector was one of the most affected due to the imposed travel restrictions; both traditional units and people providing services to tourists through the sharing economy platforms had to adapt. The objective of this paper is to build a hedonic price model to identify the attributes that significantly influence the price of the room, using the WLS regression model. Despite the general negative trend, there were also hosts who considered that opening a new listing during these times may represent a business opportunity. Therefore, the focus of the article is on newly opened listings on the Airbnb platform during 2020. The approach used included the main categories of variables discussed previously in the literature: listing attributes, listing location, listing reputation, rental policies, and hosts characteristics/involvement. The maximum number of guests accepted in the property, the type of listing, and the availability of air conditioning (AC) and parking represent the main characteristics that influence the prices. Changes in travel behaviour due to increased health and safety concerns made hosts aware that guests are willing to pay more to stay in central locations or in places owned by Superhosts.

Keywords Sharing economy · Pricing strategies · Airbnb

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A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_8

8.1 Introduction

Consumption patterns are influenced by the development of Information and Communication Technologies (ICTs). Sharing economy is one of the main types of evidence of these changes and it influences prices and consumption patterns. There exist varied interpretations of the sharing economy and also several terms are used to refer to it, such as Peer-to-Peer (P2P) consumption, access-based consumption, collaborative consumption or collaborative economy (Bostman & Rogers, 2011; Gutierrez et al., 2016; Hamari et al., 2016; Malhotra & Alstynne, 2014; Ter Huurne et al., 2017). Since ICTs facilitate an immediate and direct connection between users and service providers, its development has a significant contribution in the emergence of sharing economy.

Airbnb is a very well-known manifestation of the sharing economy. It is an online platform for sharing houses, apartments, and rooms (Oskam, 2016). Airbnb has significant market shares in different European cities which are the main tourist destinations. One of them is the city that is the subject of this paper, Porto, a major tourist destination in Portugal (country declared as the Best European Destination for the fourth consecutive year). Due to its global reputation, rich historical heritage, and authenticity, this city is frequently declared as one of the most interesting and popular destinations in Europe (The supreme Tourism Oscars, aka World Travel Awards 2020 state that Porto is the World's Leading City Break Destination 2020). It is the ideal tourist destination for tourists who want to experience absolute city authenticity.

In Porto, on the Airbnb platform, whole apartments represent most of the listings. According to the RNAL - National Registry of Local Accommodation, in 2020 (the first year of the pandemic) there were 8592 local lodgings (AL) located in the municipality of Porto. Of this total, 675 are new local accommodation registrations and 195 local accommodations cancelled.

Using information from the new listings in 2020 on the Porto market, the present article aims to build a hedonic price model to identify attributes that influence the price of the room significantly, using WLS regression model, and to investigate different hypotheses that explore the pricing strategies of Airbnb hosts.

The area selected for this study was the city centre of Porto, more precisely the parish of Cedofeita. The data set was purchased from AirDNA (2021). The analysis focused on the price determinants of Airbnb accommodations during COVID-19 pandemic – only new properties active in 2020 are being analysed. The market decreases: in 2020 only 951 listings in the entire city of Porto, and only 712 in the Union of Parishes of Cedofeita were able/willing to have above zero occupancy rates, which represents a decrease of 81% compared to 2019 (Bode et al., 2021).

The paper analyses the influence of different categories of factors on the average daily rate (expressed in USD). The categories of variables taken into account highlight the listing's characteristics, the rental policies, the reputation of the listing's location, and the behaviour of the hosts. The literature on pricing in the sharing economy identifies some categories of factors. The authors have defined a model

through which we could estimate the impact of the categories on the average daily rate. The model was tested using the hedonic price.

A hedonic pricing model was applied to the various profile characteristics of Airbnb new properties to describe the equilibrium relationship between the characteristics of a product and its price. The analysis started from studying the impact of 38 different characteristics, gradually eliminating the characteristics with no or reduced impact.

This study highlights, on one hand, the great need for Airbnb to encourage dynamic pricing among its new hosts and, on the other hand, the challenges faced by these hosts when they establish the price.

The remainder of this paper is organized as follows. Section 8.2 reviews various studies related to the main objective of the paper; Section 8.3 describes the research methodology that has been applied, Section 8.4 presents and discusses the research results, and finally, the last section of the article concludes this research.

8.2 Literature Review

Many studies (Chattopadhyaya & Mitra, 2019; Gibbs et al., 2018; Liang et al., 2017; Magno et al., 2018; Oskam et al., 2018; Wang & Nicolau, 2017; Yuan et al., 2019) contributed to identifying how price is determined by an Airbnb listing or investigated Airbnb host pricing strategies. Among the factors that influence the host's pricing strategy, were underlined: property characteristics, reviews, host badge, ratings, host photos, amenities, etc. Hosts with a 'Superhost' badge (status given to hosts with good standing and excellent service standards) post their properties with higher prices, mainly when they acquire more reviews with higher ratings. On the other hand, Airbnb properties that provide amenities, such as wireless Internet and free parking, impose higher prices compared to those that do not have these amenities. Thus, based on the context, the amenities also influence the price, the main amenity affecting the price being parking. Even if there exists a difference between traditional hotel and Airbnb accommodation products, providers, and distribution platforms, Coenders et al. (2003), Juaneda et al. (2011) and Thrane (2007) found that parking has a high impact within city-based hotels, increasing prices anywhere from 7.4% to 19%. Additionally, pools and fitness centers were mentioned as being other significant amenities for hotels. Chen and Rothschild (2010) concluded that hotels with fitness centers had prices that were 26.7% higher than those without one.

Based on the hedonic pricing theory, the price of a product can be explained as being a function of the characteristics of the product. This theory indicates that the total price of a product actually represents the sum of the prices of the individual characteristics of that product (Rosen, 1974). Therefore, an Airbnb accommodation listing represents a group of elements that impact the quality of the overall product, providing higher satisfaction, respectively, value to guests. Hedonic pricing models use multiple regression analysis to evaluate the characteristics that most influence

the price of a heterogeneous product. The model has been applied in the tourism industry related to the accommodation sector in the context of Airbnb listings, holiday area hotels, holiday apartments, respectively, bed and breakfasts. Some of the relevant researches that apply a hedonic pricing model to the sharing economy, particularly Airbnb, are those of Teubner et al. (2017), Magno et al. (2018), Falk (2019) and Önder et al. (2019).

Other studies have been valuable in evaluating the complexity of Airbnb products in Airbnb's pricing strategy, and the authors have used the hedonic function to assess the value that actors associate with each accommodation characteristic (Chen & Xie, 2017; Faye, 2019; Faye, 2021; Li et al., 2015; Teubner et al., 2017; Wang & Nicolau, 2017).

Pricing represents an important factor influencing the long-term success of the accommodation industry. According to Yang and Xia (2021) the first study on pricing strategies related to sharing economy was published in 2011. The authors also identified 106 research articles published in 2019, respectively, in 2020. Although it might seem that it is very easy for hosts to price their listings precisely, in fact, it is not such an easy process due to the lack of experience, professionalism, or market information. Because Airbnb owns this market information, it can suggest a reference price to experienced or new hosts. Therefore, these hosts may accept the reference price if they value it as high, or decide to ignore it, if they value it too low, and establish their own price. It is still investigated in the literature how Airbnb establishes the recommended price, how experienced or new hosts react to this price, respectively, how experienced or new hosts decide their optimal price. The Airbnb pricing recommendation does not always code all the elements, such as how the owner hosts or what makes the listing property unique. Therefore, Airbnb hosts are free to ignore the suggested price if it seems that it will not work for them.

The subject of pricing strategies for new Airbnb hosts has not yet been widely investigated in the sharing-economy related literature, but we reinforce the opinion that a city-level or regional-level analysis is needed to be done to accurately identify the price determinants for both the experienced and new Airbnb hosts.

The study provides valuable information that can be used by any host looking to maximize their profits.

8.3 Research Methodology

The developed hedonic pricing model is a regression model having the average daily rate as a dependent variable and the set of variables describing different characteristics/amenities of the listing or of the host as independent variables. All the data used in the process were purchased from a company scraping data about Airbnb activity - AirDNA. Furthermore, monthly data from the Portuguese National Institute of Statistics were used to evaluate the impact of COVID-19 pandemic on the tourism activity and to assess what influence the price of hosts has on the overall evolution of tourism activity in the city.

The paper focuses on the year 2020, the data selected being related to the new listings opened on the Airbnb platform. Of the 1637 new listings opened during 2020, 1138 listings were selected, the rest being eliminated because they were having the average daily rate equal to zero (301 listings), were being operated by traditional accommodation units (135 listings) and were not being able to have at least one booking (63 listings). An important aspect is the fact that 80.9% out of the total number of new listings are owned by hosts who already have at least another property (in the same city or in other cities) listed in the platform, while only 19.1% are new hosts. Furthermore, 22.8% of the new listings are owned by people who have the Airbnb Superhosts status. More details of the data used are available in Table 8.1.

Data for each property were collected for the months when they were active. In the end, only 22 variables were statistically significant, having the following distribution in the categories of factors emphasized in the literature:

- 13 variables describing the attributes of the listing: type of listing, maximum number of guests hosted on the property, number of bathrooms, number of bedrooms, and availability of different amenities (AC, iron, microwave, dishwasher, carbon monoxide detector, fire extinguisher, smoke detector and parking)
- 1 variable describing the listing location – the neighbourhood where the property is located
- 2 variables referring to the reputation of the listing: occupancy rate and overall rating
- 3 variables illustrating the host involvement: number of photos uploaded in the platform to allow guests to have a better idea about the listing, the response time (how fast a host responds to guests inquires) and the availability of Superhost status

Table 8.1 The characteristics of the selected listings

Characteristic	Options	Value
Size (number of bedrooms)	0 bedrooms	17.9%
	1 bedroom	58.7%
	2 bedrooms	15.5%
	3 bedrooms	4.2%
	At least 4 bedrooms	3.7%
Property type	Apartment	84.6%
	Other	15.4%
Listing type	Entire home/apartment	83.7%
	Private room	14.2%
	Shared room	2.0%
Location (neighbourhood)	Cedofeita	70.7%
	Other	29.3%
Superhost status	Yes	22.8%
	No	77.2%
Host experience (more than one listing)	Yes	80.9%
	No	19.1%

Source: Authors' calculation

- 2 variables characterising the rental policies: the presence of a cleaning fee and allowance of pets
- 1 variable focusing on the impact of COVID-19 pandemics on tourism flows in Porto: the year-to-year revenue per available room

The following eq. (8.1) represents the hedonic regression applied to Airbnb data:

$$\text{Ln}(\text{PRICE}_i) = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_k X_{ki} + \varepsilon_i, i = 1, \dots, N \quad (8.1)$$

where the dependent variable, $\text{Ln}(\text{PRICE})$, is the natural logarithmic transformation of the average daily rate (expressed in USD) of Airbnb listings, and X_1 through to X_k are the k independent variables representing the factors influencing the price of Airbnb listings. The betas, β_0 through to β_k , are the unknown parameters that are estimated from the equation and ε is the random error term whose variance is assumed to be constant.

The hedonic price function for accommodations is expressed in a multiple regression equation based on WLS estimation. It was decided to use weighted least squares (WLS) regression because, compared to OLS, the estimation of parameters improves the linear model in terms of goodness of fit. Fifty-one variables describing different features of the listings were analysed to be included in the model, and in the end, the twenty-two variables presented previously being statistically significant.

To validate a model, the multicollinearity diagnostic was performed. All variance inflation factors (VIFs) in the model were less than 3 (see Table 8.2), indicating that multicollinearity is not a problematic issue that requires correction in this study. Furthermore, the F test is significant (256.742; $p = 0.000$), the correlation between the model and the dependent variable being statistically significant.

8.4 Results and Discussions

The hedonic pricing model was applied in the case of properties listed on the Airbnb platform in the city of Porto. Table 8.2 presents the main results obtained. The model, measured by the adjusted R-square, shows that 59.2% of the variations in the average daily rate are explained by the variables included in the analysis. Next, we will discuss the results in more detail.

The first category of factors, the listing/home attributes, contains the largest number of variables influencing the price charged by the owners, three factors having a negative impact on the price, while the rest a positive one. The most significant effect is determined by the maximum number of guests accepted on the property, an aspect that is in line with results obtained in other articles (Gibbs et al., 2018; Toader et al., 2021; Wang & Nicolau, 2017). On average, for each additional guest accepted, the host will charge on average 32% more. The data from Table 8.1 emphasizes that most of the new properties opened during 2020 are small (76.6% of them having maximum 2 rooms), a situation similar with the changes in the demand recorded

Table 8.2 Description of variables used in the model

Coefficients ^a							
Variables	Unstandardized coefficients		Standardized coefficients	t	Sig.	Collinearity statistics	
	B	Std. error	Beta			Tolerance	VIF
(constant)	3.738	.026		142.715	.000		
AC	.162	.014	0.131	11.726	<.001	.808	1.237
Bathrooms	.061	.013	0.071	4.588	<.001	.416	2.406
Bedrooms	.061	.011	0.095	5.550	<.001	.340	2.939
Carbon_monoxide_detector	-.090	.023	-0.055	-3.903	<.001	.508	1.967
Dishwasher	.036	.017	0.024	2.065	.039	.752	1.330
Fire_extinguisher	.180	.016	0.128	11.163	<.001	.771	1.297
Iron	.074	.014	0.055	5.107	<.001	.854	1.171
ListingType = 2.0	-.382	.021	-0.208	-18.136	<.001	.761	1.314
ListingType = 3.0	-1.313	.057	-0.252	-23.163	<.001	.853	1.173
Max_Guests	.076	.005	0.278	16.151	<.001	.338	2.955
Microwave	-.086	.015	-0.071	-5.763	<.001	.666	1.501
Parking	.108	.015	0.083	7.121	<.001	.737	1.356
Smoke_detector	.123	.019	0.092	6.342	<.001	.482	2.076
Neighborhood = 2.0	-.136	.019	-0.075	-7.175	<.001	.925	1.081
Occupancy rate	-.287	.021	-0.15	-13.716	<.001	.841	1.188
Overall_Rating	-.002	.000	-0.163	-14.317	<.001	.781	1.281
Photos	-.003	.001	-0.063	-4.961	<.001	.625	1.600
Response_Time = 3.0	.137	.026	0.056	5.336	<.001	.904	1.106
Superhost	.095	.015	0.07	6.367	<.001	.827	1.209
Cleaning_Fee_USD	.003	.000	0.154	12.017	<.001	.612	1.635
Pets_Allowed	-.087	.021	-0.042	-4.128	<.001	.950	1.053
Porto RevPAR Y-to-Y	-.126	.033	-0.039	-3.838	<.001	.984	1.016

Source: Authors' calculation; ^a - Dependent variable: Log_Price

during the pandemic (the decrease in the size of group people are traveling). The Airbnb platform allows hosts to charge an additional fee for each supplementary guest, allowing hosts to adapt their pricing policy to improve/reduce the attractiveness of their property to groups. This result shows a decrease in the hosts willingness to accept bigger groups of guests, focusing more on individual and small group travellers (most of them domestic travellers having job-related purposes).

A special category of amenities whose availability was not investigated so much in the literature is related to fire and carbon monoxide (CO) safety amenities; only few studies, like the one of Kennedy et al. (2019) focused on this topic. There are no research studies on the impact these amenities have on price, because the Airbnb platform recommends to hosts to install them, while in different regions their presence in the buildings is mandatory. Since 2020 is a year during which safety and security were an important issue, hosts used these amenities to improve the safety

of their guests. As a result, a positive impact on the listing price was identified, its availability increasing the average daily rate on average by 13.7% (fire extinguisher), respectively 9.6% (smoke detectors).

There are three types of listings on the Airbnb platform – entire home, private room, and shared room. The results of the impact of the type of listing on the price are rich in the literature, the conclusion being that properties rented entirely have a higher average daily rate (Chen & Xie, 2017; Gunter & Onder, 2017; Lorde et al., 2019; Sainaghi et al., 2021). In the case of the new properties listed in 2020 in Porto, the results confirm the previous literature, the price of the private rooms is 18.8% lower, while the price of shared rooms is 22.3% lower than that of the entire properties. Despite the lower prices, the occupancy rates for shared rooms were only 16.2% during 2020, much lower than for the entire properties (41.9%), emphasizing the reduced interest for this type of listing.

In addition to the amenities described previously, guests appreciate and are willing to pay more for the availability of AC and parking. The average daily rate is, on average, 14% higher in the case of properties providing AC, respectively, 8.7% higher in the case of properties providing a parking. The positive impact of parking on the listing price is similar to the conclusion of previous studies (Cai et al., 2019; Dudas et al., 2020). Furthermore, the pandemic situation, changing the structure of tourist flows compared to the previous years (most travellers being domestic) and increasing the preference to travel by personal car instead of public transport, increased the importance of this amenity for guests and thus, their willingness to pay a higher price.

The second category of factors is related to the location impact of the new listings on the average daily rate. There are many results in the literature related to the effects of location on the listing prices. In most cases, the location is characterized by the distance to the city centre or to other places of interest. No matter the type of destination analysed, the higher the distance to the city centre or to a place of interest, the lower the price (Chica-Olmo et al., 2020; Dudas et al., 2020; Sainaghi et al., 2021; Toader et al., 2021; Wang & Nicolau, 2017). When it comes to impact size, the results are highly diverse. Dudas et al. (2020) emphasize that the price decreases by 2.55% for every additional kilometre in distance from the Balaton Lake (Hungary), while Sainaghi et al. (2021) found that in Milan, the prices of the properties located in the city centre can be higher up to 30–40% compared to the rest of the listings. For the study of location importance in the case of the new listings opened in Porto during the year 2020, the variable location was described using a categorical variable ((1) the city centre, which is the Cedofeita neighbourhood, (2) the Bonfim neighbourhood, which is close to the city centre, but having significantly fewer listings than Cedofeita, (3) the rest of the city). The results show that the prices of the new listings located in Bonfim were 7.2% lower than in the city centre, a fact that confirms the previous findings in the literature. In the case of the new properties opened in the rest of the city, the results are not statistically significant.

The reputation of the listing represents the third category of variables that can influence the price charged by the hosts. Usually, the listing's reputation is characterized through variables describing the number of reviews, review scores (overall or for specific aspects), occupancy rates or duration of membership. In terms of impact, the results presented in the literature are divergent. On the one hand, studies highlight that the number of reviews and the review score have a positive impact on price (Chen & Xie, 2017; Gutt & Herrmann, 2015; Teubner et al., 2017), while other studies emphasize the opposite (negative) impact on price (Chica-Olmo et al., 2020; Toader et al., 2021; Wang & Nicolau, 2017). In the case of the new listings opened in Porto during 2020, the overall rating score and the occupancy rate have a statistically significant negative impact – an improvement in the overall rating or occupancy rate is associated with a lower price. Opening a new listing during the COVID-19 pandemic was challenging, especially due to the reduced number of tourists and to the additional facilities that had to be provided to the guests to make them feel safe and secure during their stay. Therefore, despite the additional costs they had to bear, increased competition determined them to accept lower short-term margins to attract customers and receive good reviews. Previous studies concluded that revenues are positively associated with review scores (Sainaghi et al., 2021), aspect that reveals that most of the hosts opening a new listing during the year of 2020 in Porto are focused more on the revenues (medium to long-term performance) and not on average daily rate (short-term performance).

The characteristics of the host may also influence the listing price. The number of listings a host has, the availability of a profile picture, the response rate, the time necessary to response, and the *Superhost* status represent the main variables used to characterize the hosts. The Superhost status defines the elite of hosts on the Airbnb platform, representing the hosts who have an overall review score above 4.8, more than 10 stays/100 overnights in the last year, a response rate of over 90%, and have cancelled maximum 1% out of the bookings received in the last 12 months. The Superhosts usually charge higher prices, in the case of new listings in Porto they are charging on average 7.3% more than the rest of the owners, result which confirms the conclusions of previous studies (Cai et al., 2019; Chica-Olmo et al., 2020; Gibbs et al., 2018; Gyódi, 2021; Wang & Nicolau, 2017). Furthermore, the credibility conferred by having this status, especially during the pandemic situation, allowed these hosts to have a higher occupancy rate throughout the year (46.3% compared to 39.1% for the other hosts). Therefore, guests were willing to pay more to reduce health risks.

Photos help guests to have a better image of the property they will rent, an aspect that creates specific expectations, and, in the end, if expectations are met, it determines trustworthiness. Previous studies analysed the impact of photos on prices (Ert et al., 2016; Lorde et al., 2019; Toader et al., 2021), emphasizing their positive impact – an increase in the number of photos is associated with a higher average daily rate. However, the impact of the number of photos on the case of new listings

in Porto during 2020 is negative. The reason could be related to the period of analysis and the general evolution of prices during this time span. Hosts, being aware how important it is to make their potential customers feel safe and secure, decided to upload more photos, but at the same time, to add an additional incentive to choose their property, they also decreased the level of prices. Additionally, when developing the analysis, it was identified that, for listings with a maximum of 40 photos, there is a positive statistically significant correlation between the number of photos and the occupancy rates: each additional photo will determine an increase in the occupancy rate by 0.87% (R-square = 0.7). For the listings having more than 40 photos in their description the results are not conclusive, so, the impact of the number of photos on the price should be examined furthermore.

The rental policies defined through the Airbnb platform provide hosts with the opportunity to customize the facilities and the conditions of stay for their guests; the focus could be on aspects like the length of stay (minimum), type of cancellation, possibility to book instantly, the cleaning fee, extra guests fee, allowance of smoking or pets. The cleaning fee and the policy that allows pets have a statistically significant influence on the price in the case of listings opened during 2020. As expected, the supplementary measures that were implemented during the COVID-19 pandemic for the cleaning process determined an increase in the rental price. To attract more guests, some of the hosts decided to accept in their properties also guests traveling with their pets. This approach seems to be successful, as their occupancy rate was higher, 47.1% compared to 40.5% for listings that do not allow pets. Unfortunately, the impact on price is negative, with hosts of these properties charging on average 4.1% less. Allowing pets has the same negative impact on prices as was emphasized in the literature in the case of smoking allowed policy (Gibbs et al., 2018; Wang & Nicolau, 2017).

During 2020, pandemics significantly affected both the traditional accommodation sector and the sharing accommodation platforms. However, the impact on traditional accommodation units was stronger in terms of prices and occupancy rates. The reason is related to the fact that the Airbnb supply is more elastic than the one of traditional units (Gyódi, 2021; Toader et al., 2021), as a result, the hosts being more flexible in terms of market presence (provide or not the accommodation service). Moreover, the decision of some hotels to close their doors for specific periods of time redirected the domestic demand toward Airbnb listings, which also succeeded to attract business travellers, in addition to the digital nomads they had previously attracted. The analysis of the year-to-year RevPAR evolution of traditional units in Porto and the correlation with the monthly average daily rates in the case on Airbnb listings highlights a negative relation, aspect that supports the findings presented in the literature.

8.5 Conclusions

The paper analyses the factors that influence the prices established by the Airbnb hosts for their new listings opened during 2020 in Porto. The main categories of factors emphasized in the literature were used, together with some variables that allow evaluating the impact of pandemics on the tourism sector.

The characteristics have a similar role in the pricing strategy of the 2020 new listings as in the literature, the maximum number of guests accepted, the availability of air conditioning systems, the availability of parking, and the type of listing representing the variables with the most significant positive impact. Due to the COVID-19 pandemic, two significant changes must be highlighted. Firstly, the hosts willingness to accept higher groups of people decreased, and secondly, due to higher interest in health and safety, the existence of fire extinguisher and smoke detectors has a positive influence on the average daily rate.

The hosts, aware of the reduced willingness of guests to use public transportation and the loss of trust in the traditional accommodation units, decided to charge higher prices in the case of properties located in the city centre. Furthermore, the Superhosts, benefiting from a better reputation, succeed to achieve higher occupancy rates, even if they charged on average around 15 euro more for their listings than other hosts.

In a highly competitive environment, characterised by low demand and a high adaptability of supply, achieving reputation and visibility on the platforms represents an important objective for most of the hosts of the new properties. Similarly to the previous literature, the solution is to charge lower prices to determine higher occupancy rates and better review scores.

The COVID-19 pandemic significantly influenced the hosts and travellers' behaviour, especially during the year of 2020. The high uncertainty determined some of the hosts to rethink the criteria they used to establish the price, focusing more on the travellers' needs. If it is a short-run approach or a new strategy that will also be used in the post-pandemic activity remains a question that should be investigated further. Therefore, the results that are not in line with the previous findings from the literature can be used to characterise the behaviour during similar situations of crisis, an aspect that represents the main limitation of the study.

The study could be continued by investigating the effects of coronavirus pandemic development during the year of 2021, to check if the results obtained for 2020 are consistent. In the competition with the traditional units during the year of 2020, Airbnb listings won, especially due to a higher rigidity in terms of reaction from their part. Some of the traditional units decided to close their doors for a few months due to low demand, lack of trust from their potential customers and higher costs, to provide healthy and security measures for their customers. But, the reaction of traditional units was not expected too much, and the situation changed during the year of 2021, the traditional units implementing new procedures that allowed them to be back in the market. This represents an important reason why an investigation on the prices charged during 2021 in the city of Porto and the criteria used to establish them may represent a challenging topic of study. Moreover, the role of

safety kits and of the number of photos should be investigated more, to see if their impact on price can be consistent in the long run.

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Chapter 9

The Use of Robotic Process Automation for Business Process Improvement



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Abstract In this paper, we aim to analyse the stage of innovation in business processes, to highlight the major themes related to the Business Process Management, and to analyse which are the criteria that must be taken into account by companies that want to implement a program to improve the business processes they already use or by companies that are new to the market and want to start their activity using advanced technologies that allow them to be dynamic and flexible. The main purpose of this paper is to investigate the business benefits of implementing Robotic Process Automation (RPA) and find the key factors that help such implementations succeed. The data sources are both primary and secondary and for the qualitative research, we mainly used primary data, collected through structured and semi-structured interviews with RPA specialists. The main characteristics associated with RPA projects and the typical phases that must be followed to implement a robot for a customer were discovered based on the interviews. The paper also presents the properties and attributes of processes that can have a positive impact on the successful implementation of RPA projects, focusing on how these properties should be used for the best results.

Keywords Robotic Process Automation · Business Process · Process Analysis · Business Process Management · Process Mining

9.1 Introduction

Robotic Process Automation is a topic that became more and more attractive over the last few years. According to IEEE Standards Association (2017) this new type of technology has emerged since around 2010. Nowadays, companies can gain a

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Switzerland AG 2023

A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_9

competitive advantage if they manage to successfully implement RPA. This paper investigates the benefits of implementing Robotic Process Automation and highlights the key factors that help such implementations succeed. This study is especially relevant for entrepreneurs looking for methods and models that they can use in their businesses to increase the efficiency of internal processes and partially or fully automate them. Since our research is at an early stage, we aim to review the literature related to our topic in the first phase, taking into consideration the results we want to achieve, and to use the interviews to test our hypotheses in the second phase.

Business Process Management (BPM), Process Mining, and Robotic Process Automation are the three most important technologies, which allow us to design, implement, analyse, and automate processes. BPM is a mature technology that can be used to shape and design any kind of business activity from scratch. As we know, things rarely go as we expect right from the beginning, so operational realities must be analysed and documented to be able to identify the differences, this being the moment when process mining is necessary as a tool. RPA is the next step after the analysis generated by process mining, an activity that creates added value for companies. RPA, according to the IEEE Standards Association, is “a preconfigured software instance that uses business rules and predefined activity choreography to complete autonomous execution of a combination of processes, activities, transactions, and tasks in one or more unrelated software systems to deliver a result or service with human exception management” (IEEE Standards Association, 2017, p. 11).

With a clear definition of RPA and keeping in mind the stated goals of this paper we are performing further investigation via interviews with RPA specialists. Our objective is to find useful insights and provide management with the right knowledge and tools so that businesses can confidently start the implementation of robots in order to benefit from cost savings, increased speed, and greater quality.

9.2 Literature Review

In the past, to be more precise in the industrial period, the way to improve business processes was based on tools such as financial modelling or the Deming improvement cycle (Dahlgaard et al., 2008). With the transition to the information age, we observe three periods:

- The 1970s–1980s, representing the first wave of process improvement, are marked by the improvement of tools; Total Quality Management was introduced (Pambreni et al., 2019).
- In the 90s, representing the second wave focused on process engineering, we observe the beginning of the use of Six Sigma tools (Smith, 1993) and the introduction of the method engineering and process reengineering concept.
- After 2000, in the third wave focused on BPM, we observe the emergence of tools such as the Balanced Scorecard method (Butler et al., 1997) and of some

BPM methodologies that were also analysed in the study conducted by Recker and Mendling (2016) in which the authors synthesized the studies carried out in this field between 2003 and 2014.

BPM is defined as “a body of methods, techniques, and tools to identify, discover, analyze, redesign, execute, and monitor business processes in order to optimize their performance” (Dumas et al., 2018, p. 6). According to the same source, BPM can be viewed as a continuous cycle that has the following phases (Dumas et al., 2018, pp. 22–23):

- Process identification: in this phase, a problem is proposed and formulated, and the processes relevant to it are identified, marked, and the relationship between them is documented. The result of this step is the outline of a flow that presents an overall picture of the process. Based on this draft, it will be decided which components are going to become part of the next steps;
- Process discovery: in this step, the current state of each process or sub-process is documented;
- Process analysis: in this phase, all the issues that are discovered in the as-is processes are documented and, if it is possible, the issues will be qualified using performance measures;
- Process redesign: the purpose of this phase is to identify possible changes to the process that would help to address the issues identified in the previous phase;
- Process implementation: concerns two aspects or components – automation and organizational change management. Automation represents the development and deployment of the IT systems that transform the process into an automated one, while organizational change management will address the necessary activities to change the way of working of all employees involved in the process;
- Process monitoring: after the redesigned process has been implemented and is running according to the customer’s plan and expectations, metrics will be collected to measure the level of process efficiency.

Although nowadays there are various methodologies and templates that can be used under the aegis of the BPM (Barros et al., 2005), there is still no study conducted on the implementation of autonomous artificial intelligence systems by companies to drive and define or dramatically improve, without human intervention, the existing processes. The implementation of such systems is an activity that requires both financial and human resources, time, and research; thus, the details related to this type of implementation are not made accessible to the general public; they are considered commercial secrets by companies, being part of their intellectual property.

There are, however, various comprehensive studies that, for example, investigate the literature related to the quality of business process modelling such as the study conducted by Moreno-Montes de Oca et al. (2015) in which the authors conclude that the industry lacks an encompassing and generally accepted (by all entities using BPM) definition of business process modelling quality. The study of Cognini et al. (2018) presents an overview of the software products used to support business processes flexibility.

In their paper, Syed et al. (2020) provide us with a set of details and features of RPA, thus, based on the information presented in the article, the following definition of RPA becomes obvious: a software-based solution that mimics the human interactions with multiple applications to automate the work-flow management based on routine tasks with standardized data. Not all tasks are suitable for RPA, there are several characteristics that were identified by Syed et al. (2020) based on the literature review and are summarised in Table 9.1.

There are some areas that are better candidates for RPA compared to others: “accounts payable, accounts receivable, travel expenses, fixed asset accounting, master data management, billing, keeping employee records” (Aguirre & Rodriguez, 2017, p. 3), inventory management, software installation, or data migration.

RPA offers a number of advantages; these benefits were highlighted in several studies (Aguirre & Rodriguez, 2017; Lacity & Willcocks, 2015; ***, 2021; Sobczak, 2021):

- Rapidity (increasing process speed);
- Increased accuracy, error reduction;
- Higher consistency;
- Reliability (24-h service coverage);
- Increased efficiency;

Table 9.1 Characteristics of RPA-suitable tasks/processes

Process/task characteristics	Description
Highly rule-based	The decision logic needs to be expressed in terms of business rules
High volume	The transaction volume must be high enough to help maximize the benefits of an RPA implementation
Mature	Tasks that have been in place for a while and are stable
Easy to achieve and show impact	Tasks performed within processes with the best return (a clear understanding of current manual costs) and simplest delivery
Has digitised structured data input	Input data must be digital and structured
Highly manual	Do not require much human intervention (or creative thinking)
Transactional	Dealing with transactional work
Standardised	Higher degree of standardisation (how consistently process execution follows a predefined path)
Low-levels of exception handling	Should not have to deal with exceptional behaviours
Highly repetitive	Automating highly repetitive tasks will help to yield a better return on investment
Less complex processes	Processes should be simple enough so that bots can be implemented quickly.
Well-documented	Process descriptions that accurately detail processes are essential
Interacts with many systems	Processes that need access to multiple systems

Source: Created by authors based on (Syed et al., 2020, p. 5)

- Improved employee morale and experience: employees can focus on non-routine tasks that require judgment, creativity, etc.;
- Flexible virtual workforce;
- Cost reduction based on productivity improvements;
- Increased level of innovation.

However, companies must take into account the risks and shortcomings associated with the RPA (Asatiani & Penttinen, 2016):

- Change management – due to the fact that employees will be reluctant to help the implementation of robots that will take over some of their work;
- Unrealistic expectations that lead to minor benefits or to the introduction of risks;
- Limitations when it comes to being able to automate vaguely defined or incompletely defined processes which have medium or increased complexity.

Some other challenges of RPA were synthesized by Chugh et al. (2022) and were grouped into four categories: “awareness and perception of RPA; uncertainty about how to prepare for RPA; change management challenges while implementing RPA; and challenges associated with RPA vendors” (Chugh et al., 2022, p. 17).

RPA solutions can be classified based on their specific requirements and strategies in: assisted RPA, unassisted RPA, autonomous RPA, and cognitive RPA (Burnett et al., 2018).

Next, we will draw a parallel between these principles and the literature that addresses process discovery and process automation or robotization:

- Process discovery by modelling, observation, or automated discovery methods:
 - Dumas et al. (2018) describe a methodology to discover processes based on the event logs generated by the systems that perform the processes;
 - Asatiani and Penttinen (2016) present a case study for OpusCapita where the discovery was made based on consultants by observing the employees and documenting their activities and through meetings and seminars;
 - Gartner (2008) defined the concept of “automatic discovery of business processes”, which is another way to discover processes.
- Process discovery based on interviews that are held with product or process managers and experts in the field:
 - Willcocks et al. (2017) document the process discovery based on interviews. Unfortunately, these interviews were done in a lack of structure, so the interviewees tend to present a very subjective and non-standardized version.
- Process discovery based on workshop:
 - This method is the most complex in terms of the number of activities and observations due to the fact that there must be a continuous and long-term dialogue between the RPA implementation team and the people working with these processes. Because of this, the discovery of processes based on workshops is very little used, thus making this method the least used. Considering

these characteristics, we notice a very limited number of works that address this method, the most representative being that of the authors Asatiani and Penttinen (2016).

Since a general overview is necessary to find the best way to implement RPA, Sigurðardóttir (2018) proposes a dynamic roadmap for successful implementation which takes into account multiple other studies and interviews with people from different industries. The proposed roadmap covers different phases of RPA implementation starting with the identification of the business problem, choosing an automation tool, choosing an RPA software provider, identification of process, checking the process readiness for automation, and generating a proof of concept for validation. It continues with a second part, where the operating model is designed and built, implemented, evaluated, and then continuously improved. The framework proposed by Herm et al. (2022) can also be used as a guide by the companies that are willing to implement RPA projects. It is divided into three main phases “initialization, implementation, and scaling” and it was validated using interviews and workshops with RPA experts (Herm et al., 2022).

9.3 Research Methodology

The data sources for this research are both primary and secondary, while for the qualitative research, we mainly used primary data, collected through structured and semi-structured interviews with RPA experts. The purpose of the interviews was to discover how specialists implement, make decisions, and help clients. The protocol used is documented by Castillo-Montoya (2016), while the selection strategy involved intentional sampling, allowing us to select a well-balanced group that can provide us with information on the researched topic (Liu, 2018). The interviews took place between April and May 2021 with a team of RPA specialists with experience in implementing such systems.

To achieve our goal, we have chosen a multinational company that operates in the field of logistics with activity in over 150 countries and with more than 75000 employees. At the end of 2017, the company began to test various RPA products and slowly began to increase its level of maturity and to establish the internal structure for such projects and a global Center of Excellence. This global center was founded to provide internally the platform, knowledge, tools, developers and analysts, a governance model, and finally a community, all of which are necessary for RPA implementation at the regional level. Currently, there are dozens of developers at the regional level who have received training in creating simple robots based on the software solutions offered by Automation Anywhere. With over 300 robots implemented at the company level to date, and more than 108000 h gained in a year through automation, the level of maturity is considered high.

We interviewed a set of RPA experts, both from the regional and global level, with the aim of discovering how they implement, make decisions, and help end

clients, and we also interviewed two clients to discover aspects specific to their point of view. In the case of RPA experts, we used a structured interview, and in the case of clients, we used a semi-structured interview. The interviewees selection strategy involves intentional sampling of a well-balanced group. In sampling, there is a risk of talking only to the elites in the organization, and according to Liu (2018) lack of confidence can also be a problem. Given these risks, we chose to vary the level of the interviewees, talking to people at both manager and architect level, RPA developer, regional project manager, or application support, so the level of variation in the sampling is high.

We interviewed eight people from different geographical areas, teams, seniority levels, or areas of responsibility (see Table 9.2). For all these interviews, we used the Microsoft Teams on-line communication platform for the best interaction possible. Due to the COVID-19 pandemic, but also due to geographical location, the interviews could not be conducted face-to-face. We used the protocol documented by Castillo-Montoya (2016), thus using introductory, transition and key questions, ending with closing questions. Trying to identify which are the most appropriate methods to implement automation, we used the questionnaire to find out as many relevant details as possible.

The level of experience of the interviewees dealing with RPA implementation is at least 2 years, with the average around 3.3 years, together implementing 182 robots, with an average of 30 robots per person. All interviews were conducted in English, recorded, and transcribed. In total, the audio recordings for the interviews have a duration of 500 min and base on them we generated 176 pages of transcriptions.

9.4 Results and Discussions

Considering the typical characteristics associated with the RPA projects, the experts indicated the following:

- automate the processes that a person executes;
- increase the efficiency and decreases the costs;
- are easily scalable;
- increase the quality of work;
- increase the data consistency and availability for multiple platforms and software solutions;
- eliminate repetitive and boring activities from the employee's area of responsibility;
- eliminate the risk of mistakes that came from data manipulation;
- can easily integrate systems that cannot natively exchange data.

These RPA projects are seen by all interviewed persons as the next technological step, a natural step in the evolution of human work. In the case of the typical

Table 9.2 Interview details

Person	Role	Region	RPA experience	Business	Date	Duration	Interview type
I	RPA Implementation Manager	Latin America, Brazil	4 years	Corporate solutions	31-Mar-21	60 min	structured
II	Project Manager	Asia-Pacific, Singapore	3 years	IT Governance	1-Apr-21	20 min	structured
					12-Apr-21	10 min	
					14-Apr-21	30 min	
III	Director, Center of Excellence for RPA, and Finance Solutions	Europe, Holland	3 years	Corporate solutions	2-Apr-21	25 min	structured
					18-May-21	25 min	semi structured
IV	RPA Developer – Global, Center of Excellence	Europe, Spain	3 years	Corporate solutions	5-Apr-21	100 min	structured
V	RPA Architect, Global Center of Excellence	Europe, Holland	5 years	Corporate solutions	8-Apr-21	60 min	structured
VI	RPA Developer, Global Center of Excellence	North America, Mexico	2 years	Corporate solutions	14-Apr-21	60 min	structured
VII	Technical support – Global – Finance	Europe, Holland	more than 3 months	Support applications	16-Apr-21	30 min	semi structured
					16-Apr-21	30 min	
VIII	RPA support, Global	North America, United States of America	3 years	Corporate solutions	19-Apr-21	50 min	semi structured

Source: created by authors based on interviews conducted as part of this study

properties of RPA processes, many of the details already documented by Syed et al. (2020) also appear in the responses received.

Based on the responses received, we generated Fig. 9.1, where the values represent the weight of each property in the total number of mentions.

The RPA experts have indicated that the typical phases that must be followed to implement a robot for a customer validate the cycle proposed by Dumas et al. (2018). However, a discovery is worth mentioning relative to the process' phases: it

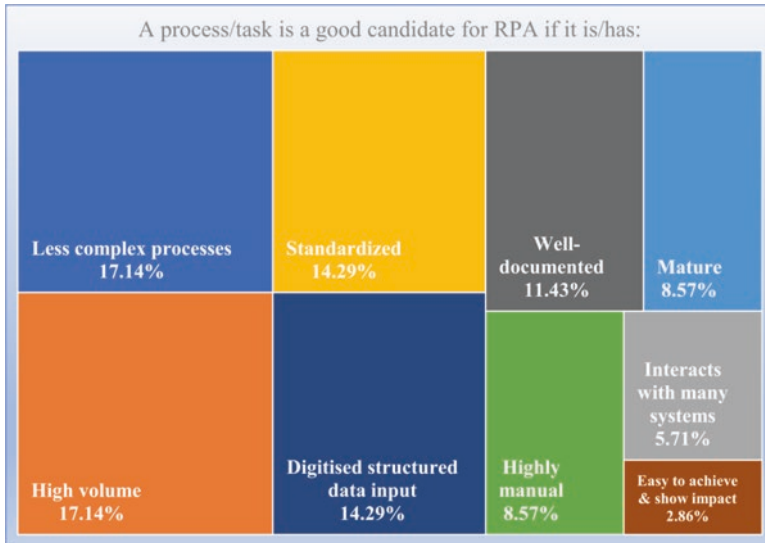


Fig. 9.1 Process properties. Source: authors, based on data collected from interviews

is recommended to use the Agile methodology as a component part of the implementation process, effectively generating an internal cycle throughout the project for the part of process redesign -> process implementation. The Agile methodology is also mentioned by Davenport (2015) and Sobczak (2021) as a potential method considered for the development of RPA robots, especially for large-scale implementations (Fig. 9.2).

Process discovery is an area where the interviewed specialists use the seminar as the main tool to discover process-specific details coupled with unstructured interviews and follow-up of each step and action. The next step for them is the implementation of specialized tools for process mining and automatic detection; but the company has not been prepared so far for such tools, nor have the teams. It is important to note that all interviewees mentioned the seminar as the most important and appropriate tool in the discovery process.

The documentation of processes is mostly done using the following modelling languages: BPMN (Business Process Model Notation), FlowChart, Data Flow Diagrams, Gantt Chart, and Petri Net. Depending on the level of knowledge, skills, and needs of each person, one or more languages are used in the process of documenting the specifications of robots.

Some of the properties and attributes of processes that have a positive impact on the successful implementation of RPA mentioned in the interviews are:

- robotic processes are clear and standardized;
- the implemented robots are scalable automatically;
- error validation and robustness are added in the design phase;
- the ability to solve problems automatically;

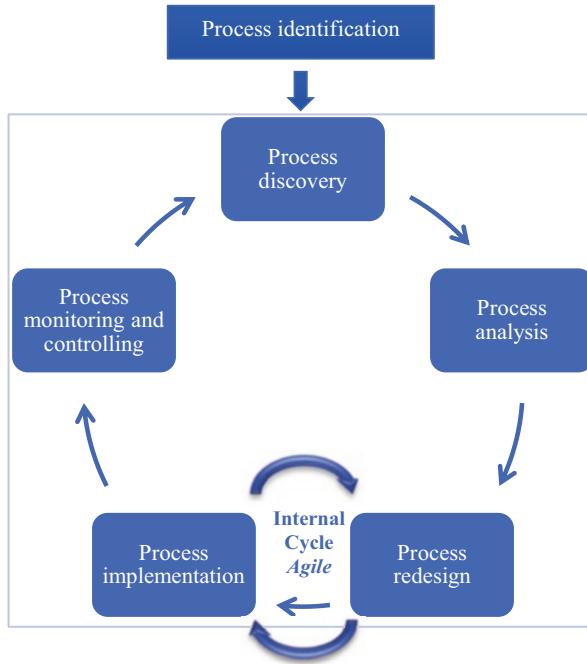


Fig. 9.2 The BPM lifecycle. Source: Adapted from (Dumas et al., 2018, p. 23)

- the execution of robots is always done in the parameters according to the design of the solution, otherwise they are automatically decommissioned;
- using the fastest and simplest methods, with the fewest actions and as few steps as possible;
- stability in operation and continuous measurement of robot performance indicators;
- continuous communication between the client and the analyst in the implementation phase;
- top-quality documentation;
- continuous support after deployment.

Through the interview, we also identified problems in the implementation process and several challenges. The processes where one or more of the aspects mentioned below were observed had problems or RPA could not be implemented:

- the execution of the process depends on the human factor, is not fully automated;
- the process is immature, this generally applies to new processes;
- the request for multiple changes after the design of the process was made on the basis of the initial requirements;
- unstable environments where changes occur constantly (such as web platforms); thus, the maintenance of the solution becomes a necessity after the implementation;

- applications or components in processes are decommissioned without notice, sometimes even during deployment;
- technical limitations such as: sensitive data are not secured and used properly or lack of data confidentiality mechanisms;
- permissions are not obtained in a timely manner for the use of data, platforms, or software in a robotic process;
- the automation or robotic software is not mature enough and certain basic components that should exist in the suite end up being created manually by analysts;
- process managers who do not provide full support to implementation teams.

9.5 Conclusions

From the point of view of an entrepreneur, this study presents a clear and practical approach to implementing process automation within any company. Specific details that help the success of the implementation projects are clearly documented, thus contributing to the increase of the level of critical knowledge in the field and increasing the probability of success of the RPA initiatives. An additional contribution is that other companies that already have an RPA program, that is only in its initial phase, or are experiencing problems, can use the findings of the study to improve and develop their own internal procedures, processes, and tools. They can also introduce a governance platform more easily, helping them monitor the growth of the programme and make changes as quickly as possible.

The information presented in this paper will help the management in making the decision whether to implement robots or not, as an integrative part of the continuous improvement processes taking place in any company. It will also help in choosing a model to follow, if it is concluded that the implementation of robots is feasible and necessary.

For the initial phase of evaluating the implementation possibilities, entrepreneurs should use the dynamic roadmap proposed by Sigurðardóttir (2018) in order to assess which processes would be the ideal candidate for an RPA implementation project.

Once the target processes and the platforms that will be used are identified, the most appropriate cycle that should be used for multiple implementations is the one proposed by Dumas et al. (2018) but with the introduction of a sub-cycle for the part of: process redesign – process implementation in the form of Agile methodology. The use of this methodology brings adaptability to the implementation process and, at the same time, increases quality, making the end process sustainable while allowing for greater control.

In addition to the use of already mentioned concepts, the following aspects must be considered for a successful implementation:

- Processes that have a high volume of repetitive activities, that present a high degree of standardization, that have data inputs in a digitized and structured format, and that have low complexity are the most suitable for RPA.
- Processes discovery or processes mining must be done using software tools due to the capability of these platforms and to the increased return on investment in these cases.
- For a successful implementation, we must use a dedicated project team and, as much as possible, with experience in the field of RPA.
- The project team must consider automatic scalability without intervention when implementing an automation.
- Robots must have the ability to self-repair and must be continuously monitored.
- The use of the Dev-Ops model is highly indicated for the implementation phase.
- Processes that are immature or have a short lifespan should not be automated.
- Technical limitations must be discovered and resolved as quickly as possible during an implementation because they involve high risks that may lead to the impossibility of completing the project.

By following these recommendations in trying to implement process automation in the company, entrepreneurs have the best chance of succeeding with low costs and limited risk.

This study represents a starting point for further research on RPA implementation. The small number of interviews constitutes a limitation of this study. Despite of this limitation, it was confirmed that by using a mature automation platform, complemented by a skilful and dedicated project team, substantial benefits can be brought to companies by detecting, modelling, configuring, and implementing automated processes that can easily complement or replace the old activities, reducing operational costs and increasing the quality of execution.

Via the interviews, we have identified the needs, limitations, skills, and shortcomings of practical activities within a company that has already implemented an RPA governance model. Certain steps such as: choosing the right RPA provider or designing and developing the operational model have already been made and these decisions have been taken based on criteria that we do not know.

On the side of limitations, multiple researchers and authors (Burgess, 2017; Madakam et al., 2019; Burnett et al., 2018; Herm et al., 2022) mentioned in their papers that Machine Learning (ML) and Artificial Intelligence (AI) technologies are the most suitable to be integrated with RPA as the next step in the development of the concept that will help adoption at a broader level, but very few details are presented by them regarding how this integration of the two capabilities can be achieved.

Appendix

Interview questions

1. Interviewee's role/job title?
2. How much experience have you had with RPA?
 - i. Can you estimate the number of projects you have worked on?
 - ii. What is the extent/period you have focused on RPA projects implementation?
3. What are the typical features that you consider are associated with RPA projects/How would you characterize RPA projects in general?
4. What are the typical properties of the processes you consider for automating? Are there any thresholds for these specific properties? (Some of the properties that will be validated: *Low complexity of tasks, high number of repetitions, multiple systems are involved, the process follows clear business rules, stable environment, limited need for human intervention, structured data*)
5. Please share the typical phases that you go through implementing a robot for an internal client and have you seen that specific domains need a more customized approach like HR versus Finance versus Support?
6. What are the types of process discovery methods do you employ? (*Workshop/ Interview structured or unstructured/Keylogging/Process mining/Shadowing*) Which ones have proven to be the most efficient in delivering a clear process understanding?
7. If you use any specialized modelling languages, can you please share what modelling language do you use and why?
8. Please share your own view of what a successful RPA project is like.
 - i. What criteria should the project meet to be declared successful?
 - ii. Which of the criteria do you think are the most important?
9. If you consider successful RPA projects. What things do you consider important for the success of the project?
 - i. What factors have been shown to influence the success of the project?
 - ii. In what order of priority would you put the factors you mentioned?
10. If you consider successful RPA projects. What things do you consider important for the success of the project?
 - i. What factors have been shown to influence the success of the project?
 - ii. In what order of priority would you put the factors you mentioned?

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Chapter 10

Social Enterprises Response to COVID-19 – The Case of Romania



Nicoleta Dorina Racolța-Paina and Ana Monica Pop

Abstract SEs, which are found in various forms, are business models that have both social and financial purposes, in the way in which they operate on the market offering products and/or services. The added value of this paper is given by the presentation of the way in which the SEs in Romania reacted to the situation given by the COVID-19 pandemic, the method used to be multiple case study. The aim of the research is to identify how the SEs in Romania have worked during the COVID-19 pandemic, their reactions to the new situation and the organizational resilience strategies adopted. The research is a qualitative one, using the multiple case study, and analyses the activity of five SEs in Romania. The case studies are carried out following desk research, which includes the literature review, various reports, public documents, annual activity reports, websites, other published papers, and so on. A conclusion of this research is that at the level of the studied SEs, the reaction to the COVID-19 pandemic can fall into two main directions, one that assumes an immediate response, focused on the new needs arising on the market and the other one, which consists of continuing the activity, the target being to fulfill the assumed social mission, as well as the financial one. Another conclusion is that at the level of the organizational resilience strategies, two out of the five studied SEs were oriented towards the adoption of new products (to respond to new market needs) targeted to address the new market segments. The analysis carried out leads us to the conclusion that the five SEs studied can be seen as a good example of organizational resilience during the COVID-19 pandemic and that they managed to return to their plans (defined before March 2020) and to do important steps towards new directions.

Keywords Social enterprises · Social mission · Organizational resilience · COVID-19 · Multiple case study

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Switzerland AG 2023

A. L. Negrușă, M. M. Coroș (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_10

10.1 Introduction

The Covid-19 pandemic has defined new coordinates at the level of all dimensions of the contemporary society, whether we consider the economy, business, or the society in general. On March 11, 2020, when the World Health Organization (WHO) declared the Covid-19 pandemic, the future was extremely uncertain and therefore difficult to predict. The health crisis due to the coronavirus has led to an economic crisis regarded as “of a special type and unprecedented virulence. ... shrouded in a high degree of uncertainty about its duration and effects”. (Iancu, 2020).

Considering the time horizon of this study, March 2020–March 2022, social enterprises (SEs), together with other entities specific to the social economy, were *at the forefront* in combating the health crisis (European Commission (EC), 2021, p. 3), supporting citizens and businesses at the time of the establishment of the lockdown, by ensuring healthcare, food, and social services for the most vulnerable social groups (Organization for Economic Co-operation and Development (OECD), 2020, p. 2), (Fiorelli & Gafforio, 2020, p. 4). The rapid reaction of SEs to the new social needs arising from the Covid-19 pandemic and their total and direct involvement does not surprise (Borzaga & Tallarini, 2021), knowing that they offer “goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives” (European Commission (EC), 2011, p. 2). SEs are characterized by three dimensions, namely “an entrepreneurial dimension, linked to economic activities, a social dimension, linked to societal impact, and a governance dimension, linked to inclusiveness and participatory decision-making” (Heimer et al., 2019, p. 1). One can affirm that, in the context of the pandemic situation, the entrepreneurial dimension was the basis for the rapid reaction of SEs, in a way of taking risks (either regarding the health of the employees or related to the economic survival of the companies) associated with the actions taken, knowing that they “produced face masks, supported digital online education, assisted people in need and provided proximity help in local communities”. (European Commission (EC), 2021, p. 1). At the same time, in case of SEs we can find the social entrepreneurial mindset and a set of skills, which has allowed the entire sector to react “swiftly and with resilience to the impacts of COVID-19” (Euclid, 2021, p. 53). It may be considered that it was the social dimension of the SEs that led them to be fully committed throughout the pandemic in the involvement of supporting marginalized and vulnerable communities. The role of the 3rd dimension of the SEs can also be mentioned (Heimer et al., 2019, p. 1), namely the dimension of governance, the inclusive and participatory decision-making process meaning a joint, team effort, which can be considered extremely beneficial given the seriousness of the economic and social situation in the first part of 2020, when the introduction of a lockdown meant restrictions on the mobility of citizens, the limitation of the delivery of many services, the minimization of economic activity – elements that led to the increase of social and economic inequalities in society. (Fiorelli & Gafforio, 2020, p. 4).

Considering all of the above, the purpose of this research is to analyze how SEs have continued their activity during the COVID-19 pandemic, in the context of the restrictions imposed at the level of EU countries and the major economic and social consequences due to the COVID-19 pandemic, knowing that the market demand has decreased dramatically and implicitly the sales volume was affected (Varga, 2021). The specific research objectives of this study are: (1) to assess the way in which the SEs from Romania continued their activity (in terms of social mission, everyday activity and their offer to the market) during COVID-19, (2) to examine the activity of the SEs from Romania to identify the adopted organisational resilience strategies, and to determine a set of positive aspects that can be used by other SEs during a pandemic times. Therefore, the research questions of this study are the following: “What are the main responses of SEs from Romania during COVID-19?” and: “What lessons can be learned from Romanian SEs reactions to COVID-19?”

This paper is based on a qualitative research, the methodology used is comparative case studies (Ghauri et al., 2020, p. 103) or multiple case studies (Yin, 2009, p. 24), which involves the study of a number of organizations at the level of a set of variables that have already been identified. The case studies are based on data obtained from desk research, which includes the literature review, various reports, and studies of the last 2 years that address the topic of SEs in the context of the COVID-19 pandemic. The topic of the impact of the COVID-19 pandemic on SEs is the subject of some relevant studies, such as those made by: de European Network of Social Integration Enterprise (2021), Varga, (2021), Argatu & Puie (Răzvanță) (2021), Defourny & Nyssens (2020), Weaver (2020), Fiorelli & Gafforio (2020), Back & Lumpkin (2020), European Network of Social Integration Enterprises (ENSIE) (2020).

The added value of this work is given by the five proposed case studies, which include the analysis of how the studied SEs in Romania managed to continue their activity, given the two main assumed missions (the social and the economic one), respectively to what extent they also addressed the new social needs on the market. Starting from the analyzed situation, we identify the organizational resilience strategies (Borzaga & Tallarini, 2021), respectively the reaction to the COVID-19 pandemic (Euclid, 2021) of the five SEs analyzed.

This study consists of four parts as follows:

1. The Literature Review focuses on how SEs reacted to the general context given by the COVID-19 pandemic, the emphasis being placed on the strategies adopted by them, on their reactions to the external environment, etc.
2. The Research Methodology section contains relevant information on the qualitative research carried out, the method adopted being multiple case study (Yin, 2009, p. 24).
3. Results and Discussion section presents the five case studies carried out, the analyzed aspects being the actions taken by them in order to continue their activity, the degree of adaptation of the social mission to the new social needs on the market, the organizational resilience strategies adopted, respectively their

reaction in view of the sudden and total change of the general context, as a result of the COVID-19 pandemic.

4. The last part is a set of Conclusions and answers to the research questions formulated. It also includes the limits of this research and the possible directions of continuing this scientific approach.

10.2 Literature Review

SEs, also called social economy enterprises (SEEs) (European Commission (EC), 2021, p. 5), (Zimnoch & Mazur, 2020); (Heimer, et al., 2019), play a major role where the public or private sector fails. Traditionally, they operate in the broad field of the social and welfare services market often adopting innovative approaches (Borzaga & Tortia, 2020). The contribution of the social economy and implicitly of the SEs is measured as an impact on the resolution of the social problems identified, such as in terms of increasing the employment rate and thus reducing the number of people at risk of poverty and social exclusion (European Commission (EC), 2021, p. 3). According to the aforementioned source, the social economy “is active worldwide in reducing poverty, driving the transition to sustainable cities and communities, responsible consumption and production and sustainable finance”. The importance of SEs is demonstrated by the recognition that they can make a significant contribution to achieving the objectives of the United Nations 2030 Agenda for Sustainable Development “through social value creation along their value chains” (Littlewood & Holt, 2018, p. 36).

Exogenous events, such as economic crises, natural disasters, and pandemics (Ibáñez et al., 2022), test the capacity of society and all sectors of the economy to cope with a new situation. The rapidity of the spread of the coronavirus, the major impact on the health of the population, the great pressure put on the health system, led to a health crisis quickly followed by an economic crisis, this time different from the previous ones (McKee & Stuckler, 2020) and also to a social crisis (Borzaga & Tallarini, 2021). An important aspect to keep in mind is that the Covid-19 pandemic “both creates new societal challenges and exacerbates social problems that have existed for decades” (Weaver, 2020). Thus, SEs were among the first actors in society to relate to the new social problems on the market, “by providing ready-made food and meals, medicines, personal protective equipment (PPE), such as face masks, and other essential goods” (Borzaga & Tallarini, 2021).

The reaction of SEs to the first wave of Covid-19 as well as their behaviors and strategies to cope with the consequences of the health crisis that quickly turned into an economic and social one is the subject of analysis of many specialists. One can notice the studies that have in their spotlight the situation in different countries, such as Italy (Borzaga & Tallarini, 2021); USA (Weaver, 2020); Romania (Argatu & Puie (Răzvanță), 2021); Czech Republic, Hungary, Romania, Ukraine and Turkey (Varga, 2021), Germany (Mair et al., 2020), to which we can add the studies of The European

Network of Social Integration Enterprises (ENSIE) from (2020) and (2021), a well-known network work integration social enterprise (WISE) from Europe.

The impact of the restrictions resulting from the Covid-19 pandemic in the first part of 2020 was felt at the level of small businesses and implicitly of the SEs, primarily at the financial level, both in terms of realized revenues and in terms of access to different financing funds (Weaver, 2020). Depending on the field of activity, the activity of the SEs was temporarily suspended (the case of public catering services, accommodation services, those in the cultural and sports field) or significantly reduced (the case of the production sector, transportation services, etc.) as a result of the restrictions imposed. Consequently, SEs were in a position in which they had to survive in the market and to adopt the principles of business continuity/activity continuity (Argatu & Puie (Răzvanță), 2021). In this context, organizational resilience and a healthy change were possible directions for SEs (Weaver, 2020; Borzaga & Tallarini, 2021).

Entrepreneurs had to understand what implications the pandemic situation has for their company (internally) and for the external environment (outside the company), before changing their plans or business model (Giones et al., 2020). We appreciate that this is also the case for the social entrepreneurs who run the SEs. The response of entrepreneurs and implicitly of social entrepreneurs to the pandemic situation can be related to three main dimensions, namely: business planning, frugality behavior and entrepreneur's social support (Giones et al., 2020). According to the cited source, the renewal of business plans is necessary as the situation on the market and in society is absolutely new; "entrepreneurs may aim to opt for more cautious growth targets given the increased risks and uncertainty in the market and greater financial resource-acquisition constraints". In the same paper mentioned above, it is mentioned that the frugality behavior "may be a particularly powerful mindset in helping entrepreneurs to bounce back from the economic hardships caused by the COVID-19 pandemic". Giones et al. (2020) emphasize that social networks have an important role in the success of small businesses because they provide resources, in terms of informational support and emotional support (encouragement, empathy, closeness, etc.).

Borzaga & Tallarini (2021) note the organizational resilience of SEs in the context given by the COVID-19 pandemic, the resilience strategies adopted being: the reorganization of the activity (to comply with the new health & safety requirements), offering new services or products, as a result of introducing new production lines and new activities, offering services, human resources, economic resources and time to help beneficiaries cope with the new situation (characterized by fragility and the new needs arising as a result of the pandemic). In the case of the reorganization of the activity, depending on the field of activity, SEs continued to offer their online services, such as support services for children in carrying out homework, cognitive stimulation activities for the elderly, etc. (Borzaga & Tallarini, 2021). According to the same source, the second type of organizational resilience strategy is encountered in the case of SEs operating in the textile sector (as they started to produce reusable masks) respectively of those who work in the field of psychology services (as they started to offer online psychological counseling services) etc.

According to a research conducted by Euclid (2021, p. 52), at the level of the sample of studied SEs, the most adopted organizational resilience strategy is the offering of new activities for existing target groups, followed by proposing new offers for new market target segments.

10.3 Research Methodology

The purpose of this research is to identify how the SEs in Romania have reacted to the general external context given by the crises generated by the COVID-19 pandemic. Starting from the five orientations of research identified by Ghauri et al. (2020, p. 17), in this study we adopt pragmatism, which involves a variety of methods and a combination of them to offer a solution to a problem (Elkjaer & Simpson, 2011), an approach associated by the two authors with “the field of organization and management studies”. In this case, the problem is given by the way in which the SEs have reacted to the general context given by the COVID-19 pandemic, in terms of activity, organizational strategies and functioning models, respectively. The research questions that this study aims to answer are: “What are the main responses of SEs from Romania during COVID-19?” and: “What lessons can be learned from Romanian SEs reactions to COVID-19?” As the research questions are of the “what” type, exploratory research is appropriate (Ghauri et al., 2020, p. 103).

This study includes the so-called comparative case studies (Ghauri, et al., 2020, p. 103) or multiple case study (Yin, 2009, p. 24), which involves the study of a number of organizations at the level of a set of variables that have already been identified. The proposed case studies are based on desk research, which includes the literature review, the review of various reports in the field of social economy, studies carried out by networks of SEs (such as The Romanian Network of Insertion Social Enterprises (RISE)), annual activity reports, their websites, other published relevant research studies, etc. The information collected is analyzed using systematic thinking and analytical capability, knowing that they lead to accuracy and a more rigorous approach, which are extremely important aspects in scientific research (Ghauri et al., 2020, p. 8).

For the choice of analyzed SEs, a set of criteria has been established as follows:

- the existence of a clearly defined social mission, which has undergone changes, greater or smaller ones, between March 2020 and March 2022 (in terms of new social areas, rethinking and the limitation of activity, etc.)
- their relevance for the social economy in Romania (the continuity of the social business, the impact they have, their mention in various good practice reports, such as RISE Romania, 2021)
- the availability of data (functional website, activity reports published for 2018–2020 or 2021, interviews with the social entrepreneur/employees of the organization, information available in other published reliable sources).

Based on the criteria mentioned above, we have identified a number of 5 SEs that are the subjects of the case studies. These are: Merci Atelier (<http://www.ateliermerci.ro/>), Atelierul de pânză (<https://atelieruldepanza.ro/>), Concordia Bakery (<https://www.concordia.org.ro/programe/business-social/brutaria-concordia/>), Recicleta (<https://recicleta.ro/>) and UtilDeco (<https://www.utildeco.ro/>). Of these, Atelierul de pânză, Concordia Bakery and UtilDeco are WISEs, these being part of the study that includes models of good practices from WISEs in Romania. (Rețeaua Română a Întreprinderilor Sociale de Inserție prin Activitate Economică (RISE România), 2021).

As mentioned before, our option for this study is the so-called multiple case studies, knowing that “most multiple-case designs are likely to be stronger than single-case designs”. (Yin, 2009, p. 24). Thus, the chosen approach involves “the same questions in a number of organizations and compare them with each other to draw conclusions” (Ghauri, et al., 2020, p. 104). Given that the spread of coronavirus has happened in the last 2 years, this research is an exploratory one, the subject of the SEs reaction to the “new normal” being an extremely recent and constantly evolving one. Our argument for conducting qualitative research is the generally accepted idea that “inductive and exploratory research, qualitative methods are most useful, as they can lead us to ... explanations” (Ghauri, et al., 2020, p. 99).

10.4 Results and Discussions

Before referring strictly to the five SEs analyzed, we stop at some relevant aspects of their external environment, which have an impact on their activity. The development of SEs is conditioned by the existence of a specific legal framework “which legally recognizes and regulates the concept of a social enterprise” (Bercea, et al., 2018, p. 115). The current Romanian legislation (Parlamentul României, 2015) defines SEs as a generic category, which includes first-degree cooperative societies, credit cooperatives, associations and foundations, mutual aid funds of employees, mutual aid funds of pensioners, agricultural societies, etc. (see Article 3 – (1)). The same Law (see Art. 6-(1)) mentions the meaning of certain terms, such as social enterprise, social enterprise of insertion, social enterprise certificate, and social mark. Basically, through the social enterprise certificate or the social mark, the status of social enterprise or social insertion enterprise is recognized. These are the last categories of companies are registered in *the Unique Register of SEs*, administered by the National Agency for Employment. Romania is part of the group of countries (along with Bulgaria, Croatia, Czech Republic, Finland, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Serbia, Sweden) in which the concept of social enterprise is “politically and legally accepted but narrow understanding (work integration) —weak self-recognition”. (European Commission (EC), 2020, p. 35). Thus, to *de lege* SEs (attested or with a social mark) are added other *de facto* SEs (associations and foundations with entrepreneurial activity, mutual aid associations

of retirees, cooperatives pursuing general interest aims) (Lambru & Petrescu, 2021, p. 158), (Varga, 2021, p. 36), (Fundăția Alături de Voi (ADV), 2021; Petrescu & Lambru, 2020), the situation being also encountered in other countries, such as Italy (Borzaga & Tallarini, 2021). The explanation is the bureaucratic nature of the certification process for SEs plus the limited level of tax and financial rewards brought by the legal status of such types of enterprises (Lambru & Petrescu, 2021, p. 158), (Petrescu & Lambru, 2020).

By analyzing the evolution of the number of SEs (see Table 10.1), we remark on the tremendous increase of the SEs number in 2020 and 2021. The explanation is the availability of important European funds (from the European Social Fund) that are distributed with the Operational Programme Human Capital 2014–2020. The situation is a positive one, but it must be viewed with caution knowing that “a relatively large number of such initiatives are not feasible on long term, organizations abandoning them once funding ends” (Mitra-Crisan et al., 2015).

The SEs ecosystem in Romania is one still in formation, “with a growing number of players, but relatively little visibility and voice in the public arena” (Varga, 2021, p. 4). However, the evolution is a positive one, comparing the situation in 2018 with that of 2010 in terms of recognition of the concept, of legislative framework and sources of funding that can be accessed (Racolța-Paina, 2018). Another positive aspect is identified by Lucian Gramescu, scaling manager at Impact Hub Bucharest, who notices the transition from a stage (the year 2010) of the social businesses in which they sold as a result of *the story behind them* and not because of the quality of the products/services offered at a stage (the year 2018) when the products became much more professional, having a high level of quality (Barbetta, 2018). However, the major challenge of the economic and social sector in Romania is the lack of (Ministerul Investițiilor și Proiectelor Europene, 2021, p. 26), (Fundăția Alături de Voi (ADV), 2021, p. 75), an aspect with a major impact on the activity of SEs.

The five case studies proposed by us have five Romanian SEs at their core, which were chosen according to clearly established criteria (see The Research Methodology Section).

Considering their profile (see Table 10.2) we bring a series of supplementary information and remarks, with the observation that the information is valid before March 2020.

Table 10.1 The Evolution of the Number of SEs

SEs (number)	Trend* (%)	WISEs (number)	Trend* (%)	Time
114	–	12	–	August 2019
129	+13,15	16	+33	February 2020
1642	+ 1173	45	+181	March 2021
2555	+56	167	+271	March 2022

Source: (Agenția Națională pentru Ocuparea Forței de Muncă (ANOFM), 2022) and author’s own calculations

** Year-over-year evolution

Table 10.2 The profile of the 5 SEs analyzed (before March 2020)

SE's name Year of setup	Part of	The average number of employees	Impact areas	People supported	SE's Offer
Merci Atelier 2015	Merci Charity Association NESsT portfolio (2021)	Four	Health and education	Children with dental health and/or social problems	Handcrafted clothing and accessories (made from donated clothes and good quality textiles) They direct 100% of the profit to Merci Charity
Concordia bakery 2011	Concordia România NGO NESsT portfolio (2014)	Eleven	Social- professional integration Social inclusion	Young people from vulnerable families or those who live on the streets	Bakery and pastry products
Atelierul de pânză 2009	Viitor Plus Foundation NESsT portfolio (2021)	Eight	Environmental protection Social inclusion	People with disabilities	100% cotton bags, eco-friendly (unbleached, untreated and unpainted) Upcycled textile products
Recicleta 2009	Viitor Plus Foundation	Unknown	Environmental protection	Vulnerable adults (less educated, large families)	Authorised collector of recyclable materials (paper, cardboard, PET01 și HDPE02, wrap, LDPE04 and aluminium cans)
UtilDeco 2009	Alături de Voi foundation	Twenty	Health and education Social inclusion	People with disabilities	Archiving and document storage services Production of work protective equipment Printing services Occupational Safety and Health (OSH) services

Sources: SEs' websites, SEES, Annual Reports, (CONCORDIA România, 2019). To answer the two research questions of the present study, we present below relevant aspects of the activity of the five SEs analyzed, for the period March 2020–March 2021.

- A) 4 of the 5 SEs analyzed have been on the market for over 10 years and Atelier Merci has been operating for 7 years. We note their continuity on the market, which is very important but not easy to obtain, given the double mission assumed, to address social problems in the company respectively to sell products and/or services on a market where, without offering value, no sales are made. A possible explanation for the market continuity of the 5 SEs analyzed is their belonging to larger foundations or associations, which means access to significant resources (human capital, knowledge, social capital, image, and notoriety even the access to financial funds and so on). It is important to emphasize, that each of the 5 SEs analyzed works on its own, they have their own name that has developed over time in the brand (the exception being UtilDeco), they have their own team of employees led by a manager and by two social entrepreneurs (the case of Merci Atelier) (Imbrea, 2019).
- B) From the perspective of the social mission adopted, we notice three large areas in which the analyzed SEs operate, namely health and education (case of Merci Atelier and UtilDeco), environmental protection (case of Atelierul de pânză and Recicleta) and social inclusion (case of Atelierul de pânză, Concordia Bakery and UtilDeco, the three being WISEs). In fact, the social mission of the social enterprise Concordia Bakery is “to help the vulnerable young people they employ to become independent, by offering them vocational and on-the-job training and increasing their employability through developing their psychosocial skills related to employment” (Opincaru, 2021, p. 12).
- C) At the level of the portfolio of products and/or services with which they are present on the market, the five enterprises studied are distinguished by the targeting of clearly defined market segments. In the case of Merci Atelier, the target segment is made up of individuals who invest in clothes made of quality materials and are sensitive to the assumed social mission of “creating a product that respects the customer, the environment and the community around us, that is why we operate it with natural materials, organic materials, with a low impact on the environment” (Atelier Merci, 2021). Concordia Bakery addresses both the business to business market (its customers being hotels & restaurant & catering, kindergartens and schools, but also other entities within Concordia Romania Association) (CONCORDIA România, 2019, p. 12) and the business to consumer market (individual customers purchasing products from the online store <https://www.brutariaconcordia.ro/>, the sales system being solely by order). Atelierul de pânză addresses both the business to business market (the main customers of different companies that purchase cotton bags or those made of reused textiles) and the business to consumer market (through the online store) (Atelierul de pânză, 2022). The social enterprise Recicleta has identified a niche on the market of services for the collection of recyclable materials, offering services to those who have small quantities of recyclable materials (maximum 150 kg, 1 m³), regardless of whether they are natural or legal persons (companies, schools and homeowners associations, etc.), located especially in the

northern, central and eastern areas of Bucharest (Recicleta, 2022). According to the source cited, an aspect specific to this SEs is that it uses electric cars and cargo bicycles for the collection of waste, through which it also fulfils its assumed mission of environmental protection. UtilDeco operates strictly on the business-to-business market, the portfolio of products and services being a diverse one (UtilDeco, 2022). By analyzing the information available on the SEs sites that are the subject of this study, we notice the very good quality of the products or services offered, the very good quality-price-ratio, aspects that prove that they can successfully compete in a highly competitive market.

- D) At the business model level, the five SEs are diverse. Thus, Atelier Merci directs 100% of the profit it obtains to support the mobile dental office of the Merci Charity Association (Imbrea, 2019). According to Daniela Stancu, one of the founders of the social tailoring Merci Atelier, this social enterprise makes a profit and is competitive on the market “because we propose clothes that have besides a simple, pleasant design and good quality materials, an emotional message: **you buy a coat, you wear it, but at the same time you also do a good deed, contributing to the oral health of the children in the villages**” (Imbrea, 2019). In the case of Concordia Bakery, the social objective is the socio-professional integration of young people from disadvantaged backgrounds, by employing them for a temporary period to increase their chances of entering the labor market (Crângașu & Opincaru, 2019, p. 8). According to the source cited, these young people are graduates of the baker’s course and have a qualification diploma in the field, obtained within Școala de meserii (School of Crafts), which is also part of Concordia Romania. The entire profit earned by Concordia Bakery is used to support the baker’s course of students in the School of Crafts (Crângașu & Opincaru, 2019, p. 12). At the level of the social enterprise of Atelierul de pânză, the business model is centered on the production and marketing of bags made of cotton and recycled materials, some of the employees being people with disabilities (Savin, 2021). Thus, according to the afore-mentioned source, this SE aims to solve two big problems in society, namely: the excessive consumption of plastic bags (a major problem in the field of environmental protection) and the extremely high value of the unemployment rate among people with disabilities (the value in Romania being significantly higher than that at EU level). UtilDeco arose from the desire to create jobs for young people with disabilities, those who come from the child protection system or from families with problems (Redacția Pin Magazine, 2020). This SE operates on the business-to-business market, the offer being a diverse one, namely: work equipment, biodegradable packaging, digital and offset printing, occupational safety, and health services, archiving and storage services, etc. (UtilDeco, 2022).

The impact of the COVID-19 pandemic on SEs in Romania was manifested by the lack of customers, which meant the decrease of the turnover, the staff employed being sent to technical unemployment, additional costs for the insurance of equipment and protection materials or even the mandatory halt of the activity during the state of emergency (Fundăția Alături de Voi (ADV), 2021, p. 59).

Regarding the social mission of the analyzed SEs (time reference being March 2020–March 2022), we identified the following situation.

Merci Atelier and Atelierul de pânză have adapted their social mission to the current needs of society because of the COVID-19 pandemic. Merci Atelier identified the great and urgent need for disposable coveralls for employees who worked in hospitals and the company managed to attract the financial resources needed to produce the protective equipment. All the products made were donated to hospitals, generally smaller ones, that did not have many resources (Ștefan, 2021). For the period March 2020–December 2020, the Merci Atelier team supported the offering of health services adapted to the pandemic context, namely 5 webinars on dental hygiene (400 pupils from primary and secondary schools from rural areas in Galați and Vaslui counties) and dental prophylaxis activities for children from rural areas (dental prophylaxis packages were sent to 4400 children from 56 villages, from Alba, Botoșani, Constanța, Cluj, Galați, Prahova, Vaslui and București) (Asociația Merci Charity Boutique, 2020, p. 4). In terms of responding to current social needs, this social enterprise produced and donated 3500 disposable coveralls to 35 hospitals (by the end of November 2020) with another 1700 such products in production (in December 2020) (Neagoie, 2020). These results are at the level of the cluster of four tailor shops, a cluster created by Merci Atelier that attracted the financial resources necessary to make disposable coveralls for hospital staff and which implicitly contributed to the keeping of 13 jobs, at an extremely difficult time for small tailor shops (Asociația Merci Charity Boutique, 2020, p. 4). For 2021, Merci Atelier's activity supported the dental health services offered to children with such problems and/or with social problems, ensuring the conduct of a webinar on dental hygiene (30 pupils from Bucharest and Cluj-Napoca), dental prophylaxis activities for children from rural areas (dental prophylaxis packages sent to 152 children from 5 counties) as well as the resumption of dental prophylaxis services through mobile clinic, the beneficiaries being 132 children, from 5 counties (Asociația Merci Charity, 2021, p. 3).

Atelierul de pânză added 100% cotton face masks to its production, calling for donations to have the necessary financial resources, the masks were donated to groups of vulnerable people (people with health problems, pensioners, etc.). At the same time, cotton face masks began to be sold in the online store as well (Atelierul de pânză, 2022). At the level of results, in 2020 this social enterprise produced and donated 1460 masks made of 100% cotton to groups of vulnerable people (Viitor Plus, 2020, p. 10).

Concordia Bakery, Recicleta and UtilDeco kept their previously adapted social mission. In the case of Concordia Bakery, the activity was strongly influenced, it was closed for 2 and a half months due to high restrictions in the market, a state of emergency having been declared in Romania (Concordia România, 2020, p. 16). According to the source cited, when it reopened, it targeted mainly individual clients (through the online shop), most of their corporate clients (hotels and restaurants) still having their business temporarily suspended. In the case of Recicleta, this SE continued to collect recyclable materials from Bucharest, sector 2, its

activity being influenced by establishing a state of emergency, meaning that the 20 schools that were part of their clients were closed for a long time (Viitor Plus, 2020, p. 35). In the case of UtilDeco the activity increased and as a result they hired 4 new employees (people with disabilities) in 2020. This good result of the social enterprise, analyzed from the perspective of the assumed social mission (that of integrating people with disabilities on the labor market) is explained by the amendment of the legislation, more precisely by the law passed (Parlamentul României, 2020) by which companies and public institutions that have more than 50 employees can make purchases from WISE in the amount of 50% of the disability tax they have to pay monthly to the state budget (unless at least 4% of their employees are people with disabilities).

When considering the human resource aspect at the level of the 5th SEs analyzed, the data collected indicates several aspects. In the case of Concordia Bakery, the importance of employee cohesion is stressed, as well as the fact that the restrictions for the prevention of coronavirus infection were fully respected, which are important aspects in the difficult context of 2020 for this SE (Concordia România, 2020, p. 17). When analyzing Atelier de pânză, the unity of the team is emphasized, even if several work shifts were introduced and some of the employees worked from home. (Viitor Plus, 2020, p. 10). According to the cited source, this social enterprise strengthened its presence in the online environment, improving its website, the online store, having an extremely active presence on social media, always looking for opportunities to increase the number of collaborations with the aim to present/market their products on different platforms (locally and beyond).

10.5 Conclusions

The way in which SEs continued their work during the COVID-19 pandemic is a topic of interest, being a topic of current analysis. (Bacq & Lumpkin, 2020; Borzaga & Tallarini, 2021; Euclid, 2021; Weaver, 2020).

The studies in Romania (Argatu & Puie (Răzvanță), 2021; Barna & Stănescu 2021; Varga, 2021) are completed by the present study, whose authors opted for the comparative multiple case study.

The analysis of the actions of the five SEs in Romania studied at the level of the reference period March 2020–March 2022 led us to formulate answers to the two research questions of the present study.

Thus, in the case of the first research question, namely “What are the main responses of SEs from Romania during COVID-19?”, the answer is that at the level of the five SEs analyzed in Romania there are two main directions regarding the degree of adaptation of the social mission to the new problems in the society, which emerged as a result of the pandemic context. Thus, two of the five SEs analyzed (namely Merci Atelier și Atelierul de pânză) reacted quickly to the situation on the market, added in their offer products which were deeply needed, namely disposable

coveralls for hospital staff and protective masks. The social character is also underlined by the fact that these products were then donated to smaller hospitals (which lacked the necessary funds) or to people from vulnerable groups (people with certain health problems, elderly people, etc.). Two of the five SEs studied (namely Recicleta and UtilDeco) have carried out their specific activities and their social mission, by continuing to coexist with their presence on the market of services. However, in the case of Concordia Bakery, it had to halt its activity during the state of emergency (16th of March to May the 20th, 2020), but later managed to resume its activity well.

Considering all of the above, a first conclusion of this study is that the analyzed SEs continued their activity in the context of the pandemic, managing to fulfil their two assumed missions (the social one and the economic one). Moreover, the two SEs operating in the field of tailoring managed to quickly adapt and introduce new products, which responded to the new needs in society arising as a result of the COVID-19 pandemic; so they have adopted a strategy of introducing new products by adding new production lines and new activities as an organizational resilience strategy (Borzaga & Tallarini, 2021). In terms of reactions to COVID-19 at the level of the SEs analyzed, we have identified the development of new offers for new target groups (the case of Merci Atelier) and the development of new offers for existing target groups (the case of Atelierul de pânză), reactions that fall within the SEs response at the international level (Euclid, 2021:52).

Regarding the second research question “What lessons can be learned from Romanian SEs reactions to COVID-19?”, the identified responses are that the analyzed SEs can be seen as a good example of organizational resilience during COVID-19, since all of them managed to resume their target plans (defined before March 2020) and have made important steps towards new directions.

The limits of this study refer to using only secondary data for the proposed case studies. As a result, access to information was made strictly from public sources, which may limit the value of the analysis carried out. As future directions of study, a replication of this research may be considered, with an analysis based on primary data, collected through interviews taken to those who work in the analyzed SEs; we would also take into consideration the realization of a quantitative research, based on an opinion poll, at SEs level at national level, aiming to identify a relevant image for this category of actors from the social economy sector in Romania.

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Chapter 11

Managing Careers. Meanings and Trends for Business Administration Students



Aurelian Sofică and Iuliana-Maria Levinschi

Abstract Career is diversifying its meanings continuously. Being able to understand the main trends allows students looking for a job to develop a better professional identity and companies to adjust their practices and culture to the new context. The paper is a descriptive one, looking to see the perception of business administration bachelor students in relation to core theories and ideas regarding career. Survey and focus-group are used as research methods. The research questions are looking into conceptual positioning of the students (they favour the learning and development approach to career and dislike political perspective to career); locus of their career initiative (they assume career initiative and rely less on employers or public institutions); balance of career capitals according to Bourdieu (there is a perceived lack of economic capital first, social capital second, and cultural capital third); vocational preferences (social and entrepreneurial are slightly ahead the other ones, and conventional is the least preferred one); career stages (the majority of the students placed themselves in growth - surprising result that leads to further research) and concern regarding discrimination forms than might affect the students (age and disability being their main concern).

Keywords Career meaning · Career capitals · Career stages · Protean career · Psychological contract

11.1 Introduction

The paper is exploring career management meanings and trends for bachelor business administration students, from Cluj-Napoca, using sociological inquiry: questionnaire and focus group. Relevant information obtained on the meaning of career

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A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_11

and career management success for students is the basis for career management awareness teaching, career counselling and further research. The paper covers several topics: conceptual debate regarding career; person-environment fit approach; career stages or career timelines; career capitals or field theory; boundary less or protean career and the shifts in the psychological contract. These topics represent theoretical milestones for career theory, but other ones are already considered for future research aimed at expanding understanding and building useful tools.

11.2 Literature Review

Analysing the conceptual debate in the literature makes us advance the idea that career concept is not necessarily changing (Greenhouse et al., 2019) but is diversifies its meanings (Fernando et al., 2013). The multi-layered meaning of career encompasses the classical, structured approach, and builds on it. Dessler (2017, p. 309) defines career as “*The occupational positions a person has had over many years*” and this definition is in line with the classical one of Wilensky (1961, p. 523) “*A career is a succession of related jobs arranged in a hierarchy of prestige, through which persons move in an ordered (more or less predictable) sequence*”. Half a century later and the core idea is still holding, but complexity is growing, not necessarily as a challenge but as an upgrade to the structured, classical bureaucratic notion of career. The branching of the concept goes in various directions: (a) career as a form of capital (Bourdieu, 1986), (b) career as developmental process combining learning and working (Collin & Watts, 1996a, b); (c) career as a political competition to gain power, status, and influence (Adamson, et al., 1998), (d) career as a social construction based on the alternate move between personal and professional space, through time and space (Cohen et al., 2004), (e) career as storytelling (Inkson, 2007).

Person-environment fit is an idea popularized by Holland (1973), rooted in psychology that looks for resonance between personality types of people and occupational personalities of various jobs and industries. Having this congruence leads to people staying longer in a job and being more satisfied and more successful. The match between personality types (realistic, investigative, artistic, social, enterprising, and conventional) and work environment is better understood when age, gender and socioeconomic status is considered. The assumptions identified behind the Holland model are (a) each person can fit at least in one of the personalities identified, (b) each personality has a mirroring occupational environment (physical and relational setting) with which it resonates, (c) people search for a professional environment that allows them to apply their knowledge, attitude and skills, (d) behaviour is determined by the interaction between environment and personality, (e) the higher the congruence between personality type and occupational type, the higher is the satisfaction, (f) adjacent personality types have more compatible traits (artistic and social for example), and the opposite ones are most incompatible (artistic and conventional for example) (g) a person clearly resembling a type is considered to have a strong personality and one that fits many types is considered poorly defined

or undifferentiated. Although the Holland model (REISEC) appears to be static, the usefulness of the model comes from its “compass” like value, showing people their preferred personality-professional directions and making informed choices. In some cases, triangulating or overlapping their preferences (e.g., realistic, social, and entrepreneurial) based on their professional experiences helps people build a stronger and more diverse professional identity. Vocational preferences are also influenced by contextual variables like age, gender, and socioeconomic status to name a few. Although the model has weaknesses, its value as a tool in making career choices is well recognized (Fernando et al., 2013; Greenhaus & Callanan, 2006).

Lifespan career approach or career stages development is a theory associated with Super (1980). The vocational choices made by people over time lead (through successive layers of experiences) to the development of their self-concept and the maximization of their career choices. (Greenhaus & Callanan, 2006). In the first stage, exploring, the transition from school to work takes place, through a series of trial and errors, through professional network development and finding the right mentor. Exploration also encompasses self-awareness activities and tools like Holland vocational model, personality testing, like MBTI, and more importantly understanding of the realistic job preview importance for avoiding person-organization mismatch. In the second phase, establishment, a professional niche is found, responsibilities increase, and the work-life balance starts to get a new meaning. People learn to behave in their organizational culture, develop career anchors, start to play various overlapping roles (colleague, father, spouse, etc.). The third stage, maintenance, is the period of holding the position in an increasingly competitive environment, upgrading skills, and helping others as a mentor to navigate career choices. In this stage a sense of urgency is developed, and acceptance of limitations takes place. Disengagement is the stage of gradual shifting towards retirement.

Capitals or field theory developed by Bourdieu (1986) offers a sociological perspective for four forms of capital considered central to career success: economic, social, cultural, and symbolic capital. Economic capital represents resources directly convertible into money, that have attached the property rights, and can offer a competitive advantage in career development. Economic capital takes time to accumulate and has the potential to reproduce itself or produce profit. Cultural capital represents the educational qualifications possessed by someone but can be extended as the educational and cultural effort made not only by an individual but also by his parents and grandparents. Cultural capital can have three states: embodied state - as mind and body dispositions, objectified state - as cultural goods (books, instruments, art), and institutionalized state - institutionalized educational qualifications. Social capital represents the social connection/obligations and group affiliations that facilitate development. It is an institutionalized relation of mutual recognition, offering “credentials” and solidarity and need “endless” affirmation and reaffirmation. Symbolic capital represents the combination of all three of them in different combinations and offers legitimacy for success. All three forms of capital (economic, cultural, and social) are convertible with each other. Somebody can be born into these three forms of capital, but they also acquire capital through education, professional development, and social connections. (Bourdieu, 1986; Fernando et al., 2013).

Boundaryless & protean career are two interchangeable concepts reflecting the changing nature of the career in the new organizational landscape. In explaining the boundaryless career Arthur and Rousseau (1996) stated six core components reflecting the new reality of careers: (a) there is no dependencies on the boundaries drawn by one single employer and the occupational mobility happens between employers, organizational levels, even industries, (b) gain validity and marketability from outside present employer; validated takes place on the labour market, (c) are rooted in external social and professional networks, (d) disagree with the view of career advancement as movement up through an organizational hierarchy (status and power are not important), (e) opportunities for advancement are rejected for personal or family reasons - organizational pressure loses imperative power in front of personal reasons (f) are based on each person interpretation, opening the possibility to see their career as boundaryless regardless of contextual constraints. In this context, the individuals might become the architect of their own careers and shift focus from external success indicators to inner-self values (Greenhaus & Callanan, 2006). A person having a protean career, as described by Hall (2004), is constantly seeking continuous learning opportunities, is open to change and looks for psychological success rather than the financial one. It is a career driven not by organization, where the definition of success is not owned by the company but by the individuals. Two important dimensions are considered; value drive orientation and self-directed career management. One key implication is that for an individual to have this flexible and independent personal development, they need to reflect on their identity and adaptability not just react to the challenges or opportunities that force or bribe people into submission (Greenhaus & Callanan, 2006).

The changing context leads to the changing nature or plasticity of the career concept. Elevated levels of uncertainty, increased competition, automation, changing political and economic landscape, shifts in culture and inclusion, globalization, are only a few of the factors that shape careers. There is an increasing agreement that careers do not move upwards, they move lateral also as people develop themselves and they can move backwards as industries shift towards new skills or processes pressuring people to reinvent their professional identity. In this context it is increasingly hard to make a coherent investment in career management, in having the right person-environment fit. In other words, the “psychological contract” theory is losing momentum.

Psychological contract is a concept introduced around 1960s and address what parties (employers and employees) expect implicitly from each other. The contract revolves around what company expects employees to deliver and the rewards the organization provides in exchange. The contract was based on reciprocity, trust, long term, and is a relational contract not a transactional one (economic and extrinsic). As a relational contract, its content is dynamic, ambiguous, with thin boundaries between professional and personal life. In its initial form the contract valued an inclusive and collectivistic approach, but the times are changing. There is a shift from traditional long term relational contract - security in exchange for performance and loyalty towards uncertainty, flexibility, individualism, and ambiguity. Due to the rapid change, expectations are becoming increasingly ambiguous. Companies tend

to shift from offering security and a career for life towards offering the opportunity to extend their knowledge, attitudes and skills so the employees can increase their labour market value or marketability. In the context of an increased mobility on the labour market, more than responsibility for career development initiatives and planning is assumed by the employee and not by the organizations (Greenhaus & Callanan, 2006; Greenhouse et al., 2019).

11.3 Research Methodology

A questionnaire-based survey was design on sections covering the core theories regarding career: conceptual debate – personal meaning and referential meaning (Fernando et al., 2013); person-environment fit approach (Holland, 1973); career stages or career timelines (Super, 1980); career capitals or field theory (Bourdieu, 1986); boundary less or protean career (Hall, 2004) and the shifts in the psychological contract. We used open questions, multiple choices, and Likert scale.

Data was collected via an online self-administrated questionnaire designed in MS Forms, targeting students from the second year of bachelor program in Business Administration, Romanian line of study, Faculty of Business Administration, Babes-Bolyai University, Cluj-Napoca. We chose a purposive sample due to the applied character of the research, focused on the population of a limited group, or a subset of population. We managed to collect answers from 98 students, 53% female students and 47% male students, with an average age of 21 years.

For some of the topics a more detailed perspective was gained through focus groups, during the seminar classes. 5 focus groups were organized investigating Holland (1973) personality-organizational fit. The focus groups were designed in three stages: a) identification of 3 relevant experiences for their career, b) matching traits from their experiences with the Holland model and c) analyse and discuss their professional identity based on the first two steps. Using this approach to focus-group discussions the results obtained for the Holland model were anchored more in behaviour related to career than in attitude.

The *research objective* of this paper is a descriptive one (Sekaran & Bougie, 2016) looking to collect data for the topic of interest, career preferences or meaning and trends for a specific group (the second year, bachelor degree students enlisted in Business Administration Program, Romanian line of study). A secondary, long-term objective is to build the basis to triangulate and contrast the profile of a bachelor degree student in Business Administration Programs in three different countries and look for contrasting elements.

The *research questions* are built around the career management literature review and are: RQ1. How does the students position themselves relative to the conceptual debate regarding career? RQ2. Where is the locus of career initiative? RQ3. Is there a balance in terms of access to the Bourdieu's forms of capital (cultural, monetary, and relational)? RQ4. How close are the students to the protean career? RQ5. How close are the vocational preferences of the students (according to Holland's model)

to the business administration profile? RQ6. How does the students see themselves in terms of career stages? RQ7. How concerned are the students about the forms of discrimination that can affect them?

11.4 Results and Discussions

One aspect that we explored was the *referential meaning of career* (Fig. 11.1), or how the respondents position themselves relative to six given definitions/quotes reflecting the main trends in the career management literature as synthesized by Fernando et al. (2013) from various authors. The question formulated was “Q4. Which one of the quotes below resonates with your own meaning of your career?”. The quotes to which the respondents referred are (a) hierarchical advancement - “A career is a succession of related positions, arranged in a hierarchy of prestige, whereby a person moves in a predictable succession.” - (strong disagreement: 1%, disagreement: 8,2%, partial disagreement: 8,2%, neither agreement, neither disagreement 14,3%, partial agreement: 26,5%, agreement: 36,7% and strong agreement: 5,1%); (b) learning and developing - “Career is the process of learning and developing the individual throughout life” - (disagreement: 1%, partial disagreement: 3,1%, neither agreement, neither disagreement 2%, partial agreement: 13,3%, agreement: 41,8% and strong agreement: 38,8%); (c) human capital - “Career is the vehicle through which human capital is acquired through a life of education and experiences.” - (strong disagreement: 2%, disagreement: 3,1%, partial disagreement: 5,1%, neither agreement, neither disagreement 16,3%, partial agreement: 25,5%, agreement: 37,8% and strong agreement: 10,2%); (d) political effort - “Career is the sequence of political efforts made to maximize self-interest through

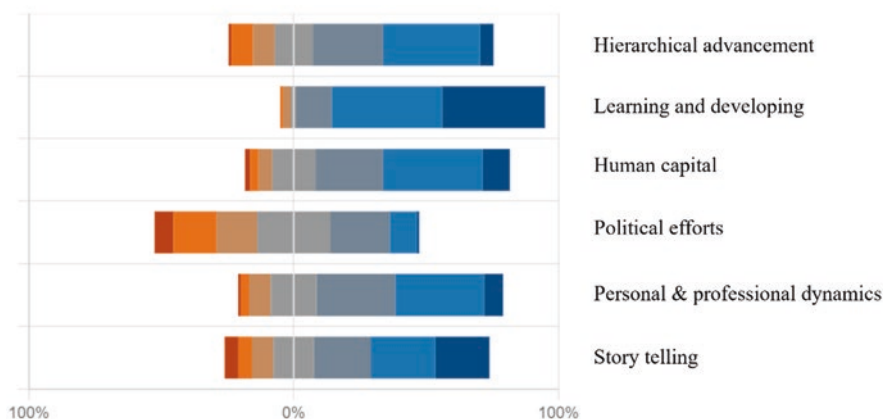


Fig. 11.1 Referential meaning of career. (Source: Author’s own processing based on the survey results)

successive attempts to gain power, status and social influence.” - (strong disagreement: 7,1%, disagreement: 16,3%, partial disagreement: 15,3%, neither agreement, neither disagreement 27,6%, partial agreement: 22,4%, agreement: 10,2% and strong agreement: 1%); (e) personal and professional dynamics - “Career consists of two dimensions (personal and official), being a process that allows alternative movements, back and forth, between personal and public life, between oneself and the relevant society.” - (strong disagreement: 1%, disagreement: 3,1%, partial disagreement: 8,2%, neither agreement, neither disagreement 17,3%, partial agreement: 29,6%, agreement: 33,7% and strong agreement: 7,1%); (f) Story telling - “Career is an ongoing personal story/narrative that varies depending on the storyteller, the audience and the particular context in which they are at a particular moment.” - (strong disagreement: 5,1%, disagreement: 5,1%, partial disagreement: 8,2%, neither agreement, neither disagreement 15,3%, partial agreement: 21,4%, agreement: 24,5% and strong agreement: 20,4%).

The learning and development framework is the dominant one in the respondents’ choices with the highest percentage of answers of strong agreement (38,8%) and agreement (41,8%). This finding is consistent with the view that “...career management: is all about lifelong learning.” (Jarvis et al., 2003). Considering that not only students see this framework as the dominant one but also the organization, this leads to a paradox. On one hand organizations expect from employees a life-long learning approach, but on the other hand “are silent on the question who is going to bear the enormous cost...” (Thite, 2001, p.312). Acknowledging this meaning of career leads to serious implications in terms of initiative and planning responsibility that falls onto the shoulders of the students.

The political effort framework is the one that the students resonate the least with, having the highest number of strong disagreement responses (7,1%), disagreement (16,3%) and partial disagreement (15,3%). Although this career management framework is quite classical and is not an appealing one, its importance for career management should not be disregarded, especially at the beginning of the career (Du Brin, 1988). Real politics in the workplace is seen as relevant for a series of strategic choices like “advancement, recognition and respect from others, enhancement of personal power, realization of personal and organizational goals, a feeling of achievement, nurturing of the ego, self-control and self-realization” (Drory & Vigoda-Gadot, 2010, p. 196). In the career narrative human capital, personal and professional dynamics can be seen as on the second level in terms of students’ preferences and on the third level storytelling and hierarchical advancement.

Considering RQ1 (How does the students position themselves relative to the conceptual debate regarding career?), the data obtained (preference for learning and developing perspective to career) is useful for: future decisions in terms of employer branding; career planning activities and curricula development for educational institutions and training organization. Although this is a clear trend accepted in the professional and academic environment, we can also speculate that the cause for this preference is a contextual inertia, or the familiarity, students being in a learning and developing environment.

One aspect regarding the psychological contract that we choose to inquire about is the initiative in terms of career management is the locus of initiative - *sources of career initiative* (Fig. 11.2). The question formulated was “Q6. Career initiatives must come from:” and we were considering three levels: personal, organizational, and institutional (local, national, and European).

Most respondents believe that the career initiative must be primarily personal. Thus, 73.5% of the respondents were in strong agreement with this aspect, 19.4% in the agreement and 4.1% in partial agreement. The organizational initiative is the second in the top of the respondents, who strongly agree with the statement in a percentage of 3.1%, in the agreement in a percentage of 32.7 and in the partial agreement in a proportion of 31.6%. The institutional initiative at local level (City Hall) is considered the least relevant of all, followed by the institutional initiative at national level (Government) and the institutional initiative at European level. Research question RQ2 (Where is the locus of career initiative?) is answered quite clear by the data: personal initiative first; organizational initiative second and institutional initiative third.

These findings are consistent with the general shift in terms of psychological contract, the “new” contract transferring the responsibilities to employees for managing their careers, opposing the “old” paternalistic psychological contract where the organization had a more significant role (Atkinson, 2001). Career management initiative or self-directedness requires a proactive behaviour, and “hope”/motivation, allowing people to bounce back from failure and build resilience (Hirschi, 2013).

We were also looking at the *forms of capital (economic, cultural, and social)* relevant for career development. The question formulated was: “Q11. Q12. Q13. How much economic/cultural/social capital do you have, relative to what you would need for career development?” We did this to find out what the balance is of these forms of capitals.

The economic capital (Fig. 11.3) is insufficient, for 48% of the respondents having less than 25% of the economic capital needed for career development. One

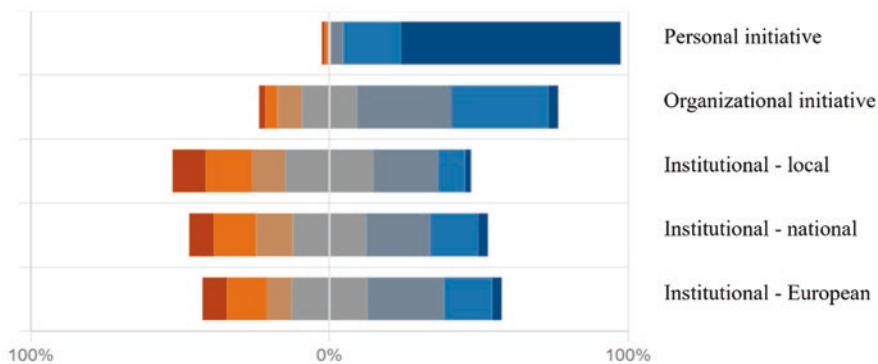


Fig. 11.2 Source of career initiatives. (Source: Author’s own processing based on the survey results)

aspect to be noticed is the fact that 89% of the students responding “under 25%” were male students and this makes interested to reflect further on the reasons male students responded like this. These findings might be related with the socioeconomic status of the male students enlisted or the importance of the economic capital for success is perceived as higher by the male students. This remains to be explored. 27% consider that they have an economic capital between 25% and 50%, 16 people have one between 50% and 75%, and 9 people have a capital between 75% and 100%.

Social capital (Fig. 11.4) targets social connections and affiliations to certain groups that are beneficiary for career advancement and 37% have less than 25% of the social capital they need. 27% of the respondents stated that they have between 25% and 50% of the social capital needed. 24% of the students stated that they have between 50% and 75% of the social capital needed and only 12% of respondents stated that they have between 75% and 100% of the social capital needed. Out of the students answering “between 50% and 75%” 75% of the respondents were male students. This is another interesting aspect to notice, leading us to hypothesize that: (a) they invest better in their professional network than their female counterpart, or (b) they are over claiming a larger professional network than they have. This is a new direction to explore in a future research project - gender influence on career management.

Cultural capital (Fig. 11.5) looks like it is the form of capital that is the most present in the study. 8% of the students considered that they have less than 25% of the cultural capital needed. 46% of respondents have between 25% and 50% of what they currently need for career development. 33% of them have between 50% and 75% of the cultural capital needed, and 13% have between 75% and 100% of the cultural capital needed. Although by contrast with the other forms of capital we might say that the situation in terms of cultural capital is not as dire as in the case of economic and social capital, we can still see that only 13% of them position

Fig. 11.3 Economic capital. (Source: Author’s own processing based on the survey results)

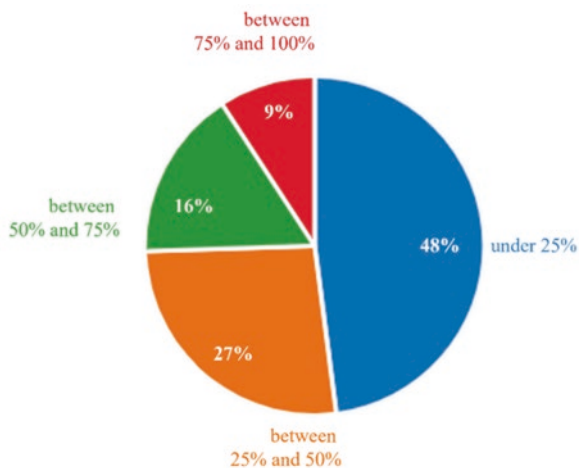


Fig. 11.4 Social capital.
(Source: Author’s own processing based on the survey results)

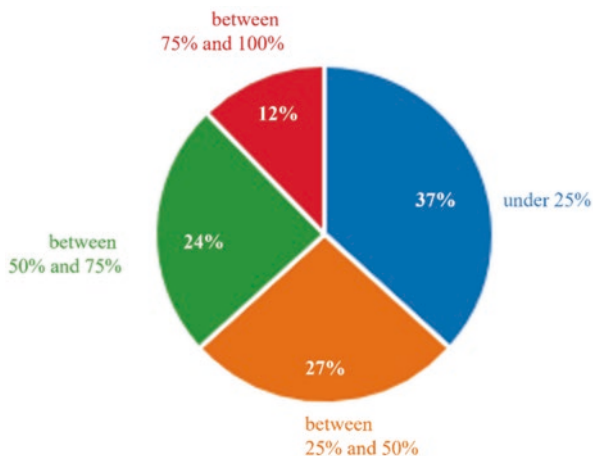
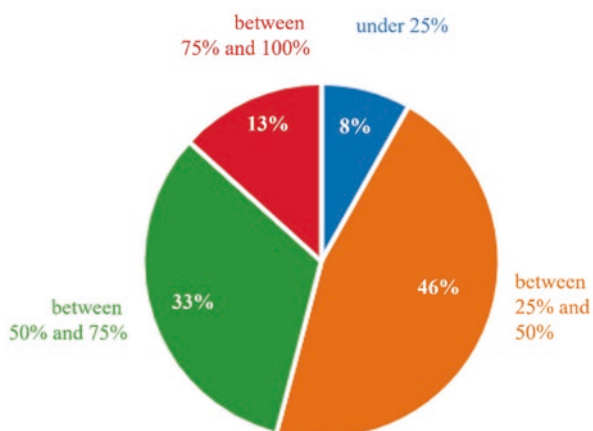


Fig. 11.5 Cultural capital.
(Source: Author’s own processing based on the survey results)



themselves in the optimistic interval of having between 57% and 100% of the needed cultural capital.

Research question RQ3 (Is there a balance in terms of access to the Bourdieu’s forms of capital (cultural, monetary, and relational?)) has an initial answer, showing that economic capital is lacking the most, followed by the social capital, and, in the end, by the cultural capital. We can see here that the hierarchy of the capital “needs” fit the gradual abstraction of the terms, economic capital being less abstract (more visible/tangible), social capital being more abstract, and cultural capital having the highest level of abstraction. This information is just the tip of the iceberg, a lot of useful information waiting to be obtained in terms of subtypes of cultural capital, levels of cultural capital, providers, etc.

We also tried to find out what patterns can be noticed in terms of conversion of the capital forms into each other (Fig. 11.6). The question formulated was: “Q14. Symbolic capital. To what extent you agree with the following statements?”.

Bourdieu said that different forms of capital can be derived from each other, conserving the capital in different forms but with “more or less effort of transformation“(Bourdieu, 1986, p.250). Convertibility is perceived by the students to be very high in all the cases, except in the case of convertibility of economic capital (money) into social capital (relation) and in the case of convertibility of social capital (relation) into cultural capital (education). In these two later cases there is a slight dent in the graph compared with the other options. We can speculate that the reason of this dent is grounded in cultural components, but this observation needs further exploring.

Protean career (Fig. 11.7), or the new concept defining the changing nature of career was also explored by asking the students to express their agreement or disagreement with the main dimensions identified in the literature. The question addressed to the students was: “Q15. Protean career. To what extent you agree with the following statements?” The main dimensions are (a). “Careers transcend the boundaries of different employers”, (b) “Careers draw validity from outside the present employing organisation, (c) Careers are sustained and supported by external networks”, (d) “Careers challenge traditional assumptions about hierarchical advancement”, (e) “Careers in which individuals reject advancement for personal/family reasons”, (f) “Careers are based on an actor’s interpretation”.

There are three key dimensions where the level of agreement of the respondents with the protean career is high: (a). “Careers transcend the boundaries of different employers” - 21,4% strong agreement and 32,7% agreement, (c) Careers are sustained and supported by external networks“ - 11,2% strong agreement and 42,9% agreement, and (f) “Careers are based on an actor’s interpretation“ - 21,4% strong agreement and 26,5 in agreement. The dimension least appreciated is d) “Careers challenge traditional assumptions about hierarchical advancement” - 2% strong agreement and 10% agreement, on one side of the Likert scale and on the other side of the scale we have 24,5% disagreement and 8,2% strong disagreement.

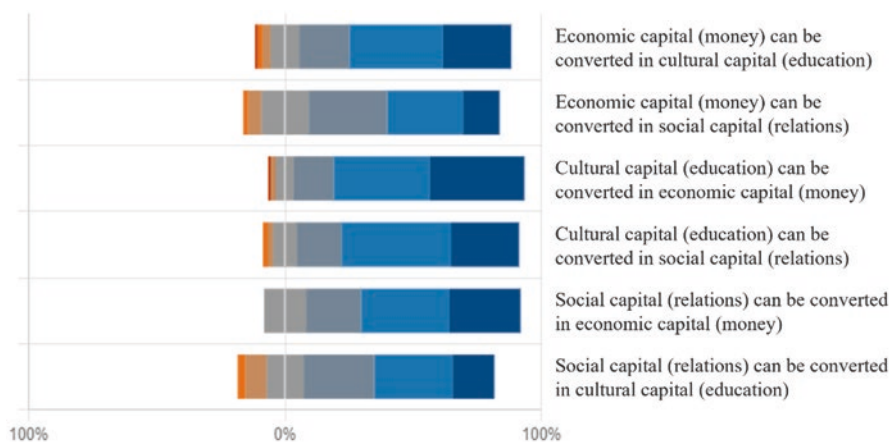


Fig. 11.6 Symbolic capital. (Source: Author’s own processing based on the survey results)

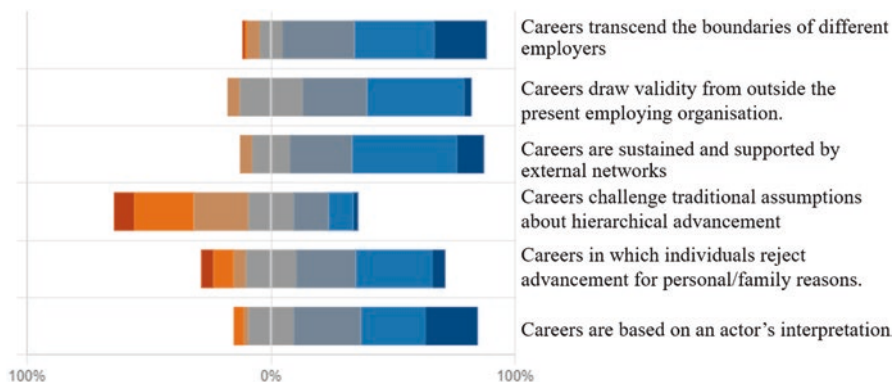


Fig. 11.7 Protean career . (Source: Author’s own processing based on the survey results)

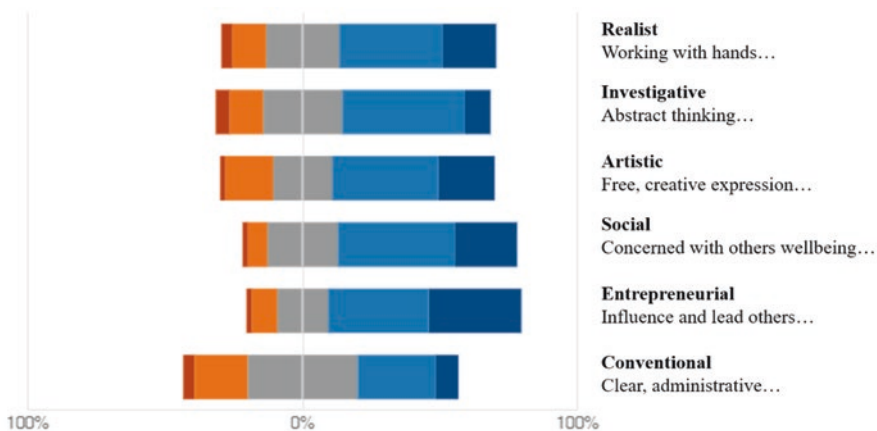


Fig. 11.8 Vocational preferences (Holland model). (Source: Author’s own processing based on the survey results)

The findings for research question RQ4 (How close are the students to the protean career?) are relevant in the context of the referential meaning discussion from above where most of the students did not resonate with the classical component of career (hierarchical advancement), but when they reflected on the power and statute importance in the organizational setting and the influence on career, since this time students were inclined to accept the pragmatic relevance and reluctant in dismissing it. One interpretation of this data is that although power and status is not something they appreciate, they acknowledge the organizational realities.

Vocational preferences or the Holland model (Fig. 11.8) was investigated in two layers. First layer as a task and focus-groups (as described in the methodology section). The question formulated in the survey is “ Q17. To what extent you agree with the following statements: (a) Realist - Working with hands, (b) Investigative - Abstract thinking, (c) Artistic - creative expression, (d) Social - Concerned with

others wellbeing, (e) Entrepreneurial - Influence and lead others, (f) Conventional - Clear, administrative". We prepared the answer to this question with focus groups (see methodology section) aimed at increasing awareness regarding the vocational model, identifying relevant experiences for their career and analyse them through the lenses of the Holland model (focus on behaviour not on attitude). Because of this approach the respondents were more aware of how they position themselves.

Two of the personality types looks like they are slightly ahead of others: entrepreneurial (33,7% very large extent and 36,7 large extent) and social (22,4 very large extent and 42,9% large extent), showing first that the entrepreneurial personality specific for business administration programs is present tin the professional identity of the students, followed up by the social personality. Realistic, investigative, and artistic are in the middle, a substantial portion of the students assuming diverse personalities. Conventional personality seems to be the least one present among students.

Research question RQ5. (How close are the vocational preferences of the students to the business administration profile?) started with the assumption that entrepreneurial and conventional vocational preferences are, according to Holland's model, the closest to the business administration profile. The data show that conventional vocational dimension was the least preferred by the students invalidating the initial assumption. We can still say that the dominant personalities (entrepreneurial and conventional) are consistent with the current trend in business school dealing with corporate social responsibility (CSR) and social entrepreneurship.

Career stages or Super's model (1980) offer an interesting insight into the self-perception of the respondents. The question formulated was: "Q 18. In what career stage do you see yourself?" The options were: (a) growth (developing capacities, skills, attitudes, interests and a general understanding of the social mechanisms), (b) exploring (developing ideas about the working environment through trial and error, building my professional network and transforming my preferences in vocational choices), (c) establishment (getting used with an occupational and professional lifestyle, balancing family and profession, and having increasingly larger responsibilities), (d) maintenance (maintaining position in spite of changes and competition, adapting to new objectives and identifying new ways to achieve them, helping others to "navigate" their careers as a mentor) and (e) disengagement (planning retirement and gradually getting used to live without working). The results for career stages were surprising since 53% of respondents identified themselves with the growth stage and considering the developmental age interval associated with this stage (birth - 14 years).

Data for the research question RQ6 (How does the students see themselves in terms of career stages?) leads us towards two hypotheses that can be further verified for this situation: (a) most of the respondents are "underdeveloped" professionally relative to the age intervals associated with growth, or (b) the age of exploration in the new socio-economic context starts much later in life. Only 38% of the respondents seem to resonate with the career stage specific for their age interval meaning that they already started to cross the border between education and profession, they are building their professional networks, they are looking for a mentor and they

have a general idea where they are heading on. 7% of the respondents seem to be in the establishment area, showing a level of professional maturity that exceeds their age, being confident that they are bringing a valuable contribution to the labour market and assuming gradually larger responsibilities. 1% of the respondents were in the maintenance stage and their physical age corresponds with the career developmental stage.

Discrimination concern/awareness is of interest to identify areas of concern in terms of equal opportunities on the labour market. The question addressed to the students was “Q19. To what extent do you consider that the following aspects represent a disadvantage for anyone on the Romanian labour market?” Data collected for the research question RQ7 (How concerned are the students about the forms of discrimination that can affect them?) show concern with age (4,1% very large extent and 46,9% large extent) and disability (16,5% very large extent and 31,6% large extent) to a larger extent and less concern with gender (20,4% not at all concerned and 26,5% slightly concerned) and religion (35,7% not at all concerned and 20,4% slightly concerned) and nationality (25,5% not at all concerned and 20,4% slightly concerned). Further research in this area would be interesting in terms of the coping career management strategies the students are using to deal with discrimination and how awareness grows along with education and further experience.

11.5 Conclusions

Considering *the meaning of career*, two versions out of six offered as a reference stand out: the learning and development framework option and the human capital framework. These two versions are in line with the gradual departure from the less appealing options like hierarchical advancement and political arena. Employer branding.

Regarding the *source of initiative* for career management and advancement our paper confirms the shift of responsibility from institutions and organizations towards individuals that need to take charge of their development. When it comes to sources of information about careers the dominant source is the Internet (77% of the respondents) and the least preferred is career consultants (28% of the respondents). Considering this a question mark might exist in terms of students' lack of interest for deep reflective activity with the help of a guide (career consultant) and reliance on the online information to collect information that picture a realistic career preview.

In terms of *forms of capital*, it is noticed that economic capital is the scarcest with 47% respondents stating that they have less than 25% of the economic capital needed for their career development. 36% respondents stated that they have less than 25% of the social capital needed and only 8% stated that they have below 25% of the cultural capital needed to succeed in their career. In terms of symbolic capital or the conversion process of these three forms of capital into each other the variation was not so significant.

The Holland model offers an insight into the vocational preferences of the students, showing a slight advantage for the entrepreneurial and social dimensions and a clearer lack of preference for conventional dimension. The findings are important in thinking not only about personality - organizational environment match but also in terms of personality educational environment match.

Most of the students, 52% positioned themselves with the first stage of *Super's model*, growth and 38% of the students positioned themselves with exploration stage. Only 7% of the students identified positioned themselves in the establishment stage. This data represents an aspect of concern considering their underdeveloped professional development. According to the classical view, students supposed to be in the exploration phase making the transition from education to work; instead, they are still developing a general understanding about the world and their potential, either because of a prolonged childhood and protection from parents and society, either because of misunderstanding the stages.

Looking at the challenges that lay ahead of them, the biggest disadvantages perceived by them were age and disability, and the least concerning ones were gender and religion.

The paper was design as the initial step from a larger effort to extend the understanding of career in a broader context. In the future we are also looking to achieve cultural triangulation (involve students from other universities), temporal triangulation (increase age diversity by including alumni and experienced professionals), stakeholders' triangulation (business, education, family, public institutions, career consultants, etc.). Triangulating the research will also lead us closer to a bigger objective, identifying the main coordinates in defining success for business schools' graduates.

Although the paper scores low in originality, the practicality of the data collected is consistent with the research objective and help us build the foundation for the next layer or descriptive research we are considering - how career is changing in the context of post-COVID era and geopolitical challenges.

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Chapter 12

Smart City, Smart Tourism



Monica Maria Coroş, Delia Popescu, Iuliana Pop, and Georgică Gheorghe

Abstract Destinations fiercely compete against each other to attract investments, to maintain and attract a highly qualified labour force, and, also, to be attractive and popular tourism destinations. In this context, it is essential for destinations to be innovative. Technological developments and their adoption have impacted the development of tourism destinations. Economic growth, technological advancement, and the orientation towards sustainability contribute to the enhancement of the local economies' development and to the provision of jobs for well-prepared and skilled employees, respectively, to develop smartly and to attract smart tourists. Once the concepts of smart destinations and smart tourism were clarified, the authors focused on evaluating the smart development of Romanian cities. Mixed methods were used to collect data (desk research and website analyses) and to verify the existence of an impact of smart transformation on Romania's tourist activity (one-way two-tailed ANOVA). The main findings led to the conclusion that the growing number of arrivals positively impacts the smart development of Romanian destinations. At the same time, smart development increases overnight stays. Arrivals are stimulated by the existence of tourism apps. The formulation of strategic plans and their implementation have proven a strong positive impact on both tourist arrivals and overnight stays in the 41 researched cities. Furthermore, urban destinations are trendsetters in the case of Romanian tourism and those destinations that have put more effort into smart development begin to harvest the first positive results but, at the same time, significant back-lags and disparities have been noticed when comparing the performance of Romanian cities to that of other EU smart cities.

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Switzerland AG 2023

A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable
Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_12

Keywords Smart city · Smart tourism · Arrivals and overnights · County residency · Romanian destinations

12.1 Introduction

Destinations fiercely compete against each other to attract investments, to maintain and attract a highly qualified labour force, and, also, to be and/or become attractive and popular tourism destinations. In this context, it is essential for destinations to be innovative. Technological developments and their adoption have had a positive impact on the development of destinations. Building on the previous work of Koo et al. (2017), Chung et al. (2021) emphasize the fact that global development and the adoption of smart devices, respectively technologies, have significantly determined the way how urban destinations are nowadays constructed, consumed, and shared by visitors and tourists, respectively, by the local population, with smart technologies and tourism businesses sharing an important mediation role in this respect (Chung et al., 2021).

The developments that have occurred over the past decade have determined destinations to rethink their policies. Today, special attention is paid to the development of urban areas. With more than 70% of its citizens living in urban and suburban spaces, the European Union (EU) is one of the most urbanized areas at the global level and, according to the projections of the United Nations (UN), it is expected to reach 80% by 2050. Furthermore, the same spaces account for nearly 75% of all jobs at the EU level and host 80% of the EU active population, aging between 25 and 64 years, respectively, graduates of tertiary education programs. Despite their many advantages and opportunities, these areas confront important problems and face significant challenges like segregation, disparities, unemployment, and poverty. Because local authorities are closer to the population, urban spaces also represent the areas in which citizens can contribute to the decision-making process and where adopted decisions can be implemented relatively quickly; consequently, communities of cities, towns, and suburbs have better chances of changing their faces, of adopting sustainable policies, and of improving living conditions (European Council, 2016, p. 3).

The *Europe 2020 Strategy: A Strategy for Smart, Sustainable, and Inclusive Growth* was developed and adopted in March 2010 at the level of the European Commission (EC). A few years later, the *Urban Agenda* has come into focus, identifying and dealing with the priority themes of European cities (EC, 2022) as listed below with their related main strategies, policies, and funding opportunities (EC, 2022b): air quality; circular economy; climate adaptation; culture and cultural heritage; digital transition; energy transition; housing; inclusion of migrants and refugees; innovative and responsible public procurement; jobs and skills in the local economy; sustainable use of land and nature-based solutions; urban mobility; urban

poverty; and security in public spaces. The EU actively supports the financing of the projects developed under the framework of various programs (EC, 2022b).

At the level of the EU, this entire context has enhanced the orientation of local authorities towards the development of smart cities. Presuming the increasing interest of public policymakers and representatives of public administration in the development of cities, the authors of this article seek to establish whether the transformation of Romanian urban areas into smart cities can be associated with the development of smart tourism in the same destinations. The paper continues with a section dedicated to the literature review, followed by the methodology, the results and discussions, and the conclusions.

12.2 Literature Review

12.2.1 *Smart City, Smart Destination, and Smart Tourism*

Beyond being a marketing tool, *smart*, as a concept, refers to the extensive adoption and use of the Internet, social media (SM), NFC, augmented reality (AR), virtual reality (VR), cloud computing, the Internet of Things (IoT), etc. in order to solve complex logistics problems at the level of urban communities and not only (Boes et al., 2015). Destinations have undergone and undergo continuous change processes, development and adaptation being the keywords. This is in fact valid for communities and societies overall, and for all types of destinations (Boes et al., 2016).

As defined by the EC (2022c), smart cities are those places where, traditional networks and services have been improved, becoming more efficient, due to the implementation of digital solutions. Locals, businesses, and tourists are the beneficiaries of these improved public policies. The concept of a smart city is a complex one that reaches out to provide solutions to a large variety of urban challenges. In this sense, urban performance is no more strictly dependent on the built infrastructure of cities but on their social resources and communication strategies. Their success is reflected in the digital technologies implemented for the improved efficiency of resource consumption. European cities are expected to develop, adopt, implement, and monitor local plans to improve air quality at destination level. Special attention and support from the EU are granted for the development of circular economy programs at local urban levels, as well as for the adaptation of cities to climate changes. In this respect, many destinations have already initiated projects to increase green spaces within cities.

In addition to the regeneration of urban spaces, the development of creative industries, and the encouragement of innovative businesses, all contribute to the development of novel and sustainable types and forms of tourism. The transformation of cities into smart ones involves the implementation of digital technologies and the access to open and big data in order to generate new business opportunities at the local level and to improve the public services provided by the local authorities. Smart cities are also destinations that enjoy cleaner air, having proven to be

capable of switching towards mainly using renewable and green energy sources, respectively, to become friendly environments with lower environmental- and noise-pollution and crime-related problems. Closely related to the improvement of the locals' living standards, the quality of housing evolves hand in hand with the destinations' economic growth, eventually leading to the development of the cities' infrastructure but at the same time, a higher level of living is commonly associated with higher housing costs. Local authorities have a valuable and useful tool, that of innovative and responsible public procurement directed towards meeting the environmental objectives, respectively to better respond to the social issues of the destinations. By being able to provide workplaces and, also, housing services, developed cities can ensure the integration of migrants and refugees over long timeframes. At the same time, such policies have a direct positive impact on the diminishment of disparities and on the integration of (often) less educated and poorer inhabitants (EC, 2022b, 2022c).

Economic growth, technological advancement, and the orientation towards sustainability contribute to the enhancement of the development of local economies and to the provision of jobs for well-prepared and skilled employees. Furthermore, the development of policies and the adoption and implementation of sustainable and nature-based solutions (including the extension of green surfaces, such as parks and roof-top gardens) increase the capacity of cities to provide friendly environments, attractive to all citizens. Innovative and smart transportation and commute solutions can only ensure social cohesion and definitely contribute to the sustainable development of destinations. Improved accessibility and mobility solutions are essential determinants of the economic competitiveness of destinations (EC, 2022b).

Local public authorities aim at incorporating ICT in urban processes with the purpose of increasing their cities' competitiveness and of improving their citizens' level of living (Boes et al., 2015; Caragliu et al., 2011), focusing on elaborating strategies and policies for sustainable development (Boes et al., 2015; Center on Governance, 2003). In the view of Cohen's *Smart City Wheel* (Cohen, 2014), intelligent cities involve the following six dimensions: *smart government* (open government, infrastructure, online services); *smart economy* (local and global interconnectedness); *smart environment* (smart buildings, resource management, urban planning); *smart mobility* (mixed-modal access, clean and non-motorized mobility, integrated ICT); *smart living* (culture and happiness, safety, health); and *smart people* (creativity, inclusive society, education). Smart tourism destinations ought to be further built by relying on the structure of smart cities, which eventually increase their competitiveness and enrich the tourists' experiences and satisfaction (Boes et al., 2015).

As Boes et al. (2015) point out, the concept of smart tourism destination has evolved from that of smart city, being supported by the development, adoption, and implementation of information and communication technologies (ICT) (Hiba & Aziz, 2021).

The concept of a "smart tourism destination" has been addressed over the past years, by many scholars who have approached it from various angles. Some focused on elaborating conceptual frameworks (Chung et al., 2021; Gretzel et al., 2016;

Gretzel, Sigala, et al., 2015a.; Sorokina et al., 2022; Baggio et al., 2020; Vargas-Sánchez, 2016; Jovicic, 2019; Gretzel, Werthner, et al., 2015b.; Errichiello & Micera, 2017). Neuhofer et al. (2012) and Buhalis and Amaranggana (2015) highlighted the importance of personalising services to enhance tourism experiences in the case of smart destinations. Sustainability has been widely addressed by authors such as Shafiee et al. (2019), while destination management has also been theorized (Ivars-Baidal et al., 2017). Mandić and Kennell (2021) continued by discussing the importance and contribution of smart destination governance to the optimization of destinations' carrying capacity.

12.2.2 Romanian Smart Cities Among European Ones

Given the increasing interest in the development of smart cities and smart tourism destinations, the current research focuses on the Romanian market. Since 2004, the EC, through the Directorate for Regional and Urban Policy, has regularly investigated and monitored the quality of life in European cities. The most recent report (EC, Directorate for Regional and Urban Policy (EC, DRUP), 2020) was elaborated based on the 58,100 interviews taken in 2019, in 83 cities from the EU, EFTA, the UK, the Western Balkans, and Turkey. Seven dimensions were considered for the evaluation of the Europeans' quality of life:

- their satisfaction to live in the city;
- the safety and inclusiveness of the city;
- the possibility to find a job and a house, respectively to earn a living in the city;
- the mobility in the city;
- the offer of the city in terms of culture, public spaces and squares, parks, and healthcare services;
- the overall healthiness of the city; and
- the quality of the local public administration.

Some of the most significant conclusions of the study point out that 90% of the respondents are satisfied to live in their city. Given that the focus of the current paper falls on Romanian urban destinations, the authors have decided to further highlight the results related to the three cities included in the EC, DRUP (, 2020) study, namely Bucharest/București (Romania's capital), Cluj-Napoca (the second most important city in the country, located in the centre of Transylvania), and Piatra Neamț (a smaller historic city, located in the North-Eastern part of Moldova, Bukovina).

As the data of the EC, DRUP study (2020), synthesized in Table 12.1 reveal, Romanian municipalities and smaller cities, just like most European cities, provide a higher satisfaction with the living conditions in the city compared to national capitals (with 38% declaring an increase in their standard of living, 38% no change, and 24% a decrease). At the same time, most (>50%) of the respondents from Bucharest and those from Cluj-Napoca agree that the quality of their life has improved

Table 12.1 The quality of life as perceived by the Romanian respondents

Satisfaction related to	Bucharest	Cluj-Napoca	Piatra Neamţ
Living in the city	78–86%	> 94.5%	92–94.5%
Safety and inclusiveness of the city	55–71%	≥ 85%	78–85%
Theft and assault	~ 15%	> 10%	< 10%
Job availability, Housing options, and Earning a living	48–58% ~ 50% 60%	≥ 58% ~ 45%	24–36% > 60%
Inclusive city	50–73%	< 50%	< 50%
Culture, public spaces, and healthcare services	79–87% 48–65%	87–91% < 48%	68–79% < 48%
Air quality in the city	< 36%	36–55%	≥ 80%
City healthiness/cleanliness	~ 30%	~ 70%	~ 75%
Local administration	~ 85%		

Source: Authors' own processing based on the EC, DRUP (2020) study

compared to 5 years before, while only 33 to 42% of the respondents from Piatra Neamţ share the same opinion. When it comes to the ease of finding good employment opportunities, the situation in Cluj-Napoca ($\geq 58\%$) is close to that of Western and Northern EU cities (50%), while fewer respondents perceive similar opportunities in Bucharest (48–58%), and only around up to a third in Piatra Neamţ (24–36%). Good and affordable housing solutions are not really available at the level of the European capitals and in large towns. Romanian destinations follow the same trend, with Piatra Neamţ being perceived as a destination with affordable good housing solutions (70%), while only less than 50% of the respondents from Bucharest agree in this regard, and the percentage drops to around 45% in the case of Cluj-Napoca. Compared to other European cities, lower levels of satisfaction are recorded in the case of Romanian urban areas in relation to air-quality (Bucharest, $< 36\%$; Cluj-Napoca, 36–55%; and Piatra Neamţ, $\geq 80\%$) but cleanliness increases as the size of the city decreases (Bucharest, $\sim 30\%$; Cluj-Napoca, $\sim 70\%$; and Piatra Neamţ, $\sim 75\%$). While in other European cities the perception of safety is higher in smaller cities, in Romania Cluj-Napoca enjoys the best perception ($\geq 85\%$), being followed by Piatra Neamţ (78–85%) and outranking Bucharest (55–71%). Romania seems to be a rather conservative destination, featuring less inclusive smaller cities. From among Romanian cities, Cluj-Napoca is perceived by its citizens as having a highly satisfactory offer (87–91%, as opposed to the 83% registered at the European level) in terms of concert halls, theatres, museums, and libraries. Healthcare services are associated with higher satisfaction rates in Cluj-Napoca (48–65%, yet lower than the European average of 78%) compared to the values registered in Bucharest and Piatra Neamţ ($< 48\%$), which are similar to those of other Eastern European, Balkan, or Southern European destinations. The quality of transport services is also reflected in the level of satisfaction associated with living in the city. Bucharest is among the

destinations associated with high levels of corruption in both central and local public administrations.

At the global level, there is an increasing interest related to the encouragement of developing innovative and smart tourism destinations. In this context, acknowledging the importance of the shift from traditional destinations to intelligent ones, the EC has initiated a program in this respect, namely, the *European Capital of Smart Tourism Initiative*. Thus, smart destinations are those places that implement ICT-based solutions and develop tools to facilitate the access to hospitality and tourism services, products, places, and experiences, that are provided in friendly and healthy social and cultural environments, putting social and human capital at their core. Innovative and interconnected entrepreneurial initiatives are highly valued, praised, and encouraged in such destinations. At the same time, visitors and tourists are informed about the destinations that feature sustainable and exceptional tourism practices. Furthermore, the EU perfectly understands the need for smart transformation of destinations in the context of the Covid-19 Pandemic. The initiative is centred on assessing and awarding smart destinations based on four criteria: accessibility, sustainability, digitalization, and cultural heritage and creativity. So far, the merits of six cities were recognized for their smart tourism planning: Helsinki and Lyon (in 2019), Málaga and Gothenburg (in 2020), and Valencia and Bordeaux (in 2022) (EC, Directorate General for Internal Market, Industry, Entrepreneurship, and SMEs, 2022). The same initiative has contributed to the identification of various best practices at the European level, as summarized in Appendix 1. According to the available information, only one Romanian city has until now been recognized for its efforts to become a smart destination. The Citadel (which hosts the Roman castrum, over which the Medieval fortress was developed, and on top of which, the Austrians built the largest fortification, the Alba Carolina Citadel) is recognized as a best practice example in cultural heritage and creativity, for the recovery of cultural heritage. Over time, the fortifications underwent outstanding transformations and due to the restoration works founded by the EU it has nowadays become a visible and attractive tourist attraction in Europe, capitalizing on its open-air historic resources, as a site that hosts cultural events and festivals featuring popular Romanian and foreign artists. Furthermore, the municipality has incorporated ICT solutions in the developed promotion and marketing tools (digital campaigns to promote innovative tourism offers, physical and digital maps of the Citadel, virtual guides in the Principia Museum, VR tours in the Citadel, city applications (apps), etc.) (EC, Directorate General for Internal Market, Industry, Entrepreneurship, and SMEs, 2022).

In general, Romania still has many disparities to overcome. An analysis of 2019 revealing that Bucharest is the least before the last city (Sofia, the capital of Bulgaria) in the ranking of the EU-28 smart sustainable cities; lagging behind due to three indicators: air pollution (PM10 concentration), environmental pollution (wastewater treatment), and protected terrestrial areas (Akande et al., 2019).

12.3 Research Methodology

The focus of the present research paper is to investigate the level of smart transformation of Romania's urban destinations. In this regard, mixed methods have been used, combining desk research methods, with quantitative research and analysis methods. The following hypotheses were formulated and tested for the destinations overall and for the counties, respectively, for the selected municipalities:

- H1 Smart development enhances tourist arrivals in Romanian destinations.*
- H2 Smart development enhances overnight stays in Romanian destinations.*
- H3 The development of tourism apps has a positive impact upon the development of tourist arrivals in Romanian destinations.*
- H4 The development of tourism apps has a positive impact on the development of tourist overnight stays in Romanian destinations.*
- H5 Strategic thinking and planning at the destination level have a positive impact on tourist arrivals in Romanian destinations.*
- H6 Strategic thinking and planning at the destination level have a positive impact on tourist overnight stays in Romanian destinations.*

First, an analysis matrix has been developed for the official websites of the 41 county councils (Ilfov county here-included) and for the 41 official websites of the 41 county residency cities (Bucharest with its general municipality city hall and the 6 sectors' city hall websites, here-included; the 6 sectors are assessed together with the general city hall/municipality of Bucharest). The data-collection matrix was developed so that it would enable the synthetisation of varied, relevant, and useful pieces of information regarding the online presence of the public authorities, their focus on smart development, and their tourism-related strategies.

Second, statistical data were collected and processed from the National Institute of Statistics (TempoOnline database (National Institute of Statistics (NIS), [n.d.](#)), for the 2001–2021 timeframe) regarding tourist arrivals, overnight stays, and the average length of stay. A 20-year timeframe has been considered for the development of Romanian tourism for several reasons. First of all, the privatization process of the providers of tourism and hospitality services was only initiated at the beginning of the 2000 decade, taking place between 2001 and 2004. Secondly, data regarding the tourist activity at the level of localities is only available since 2001. Thirdly, the integration of Romania into the EU (on the first of January 2007) clearly had a positive impact on the development of international tourism in Romania. Authorities truly began to focus on the development of tourism destinations and (more recently) on smart development under the direct influence of the EU programs and financing sources.

Bearing in mind the elements identified in the literature review section and the available data on the public authorities' websites, the existence of the following categories of information was investigated for each Administrative Territorial Unit (ATU) county council and/or city hall:

- the smart orientation of the ATU;
- the overall online presence;
- the use of social media;
- the existence of a dedicated page for investors, economy, and business;
- the existence of an IT-based economy;
- the existence and formulation of strategies (in general, respectively dedicated to commuting, mobility, and connectivity, sustainable development, destination branding, including taglines, destination management organization, etc.);
- the implementation of apps and the use of QR codes;
- the provision of online services (e-citizens, online services, e-clerk, e-destination, etc.);
- the existence and promotion of tourism information centres, the promotion of tourism resources (on the ATUs' websites or on separate tourism dedicated websites of the ATUs), and, last but not least,
- the international orientation (assessed based on the online communication in foreign languages).

Data collection was carried out in a single wave throughout the month of March 2022.

The gathered information was further analysed in the context of the overall tourism activity of the selected destinations. Although the authors analyse the overall development of tourism arrivals and overnight stays in the 82 selected destinations (41 counties and 41 county-residencies) over the past 20 years, it has been decided to consider that the first results of the smart orientation of the destinations can be harvested in the pandemic years. Furthermore, the website-based analyses also revealed that most cities and counties are still in incipient phases of smart orientation and transformation. Consequently for the statistical tests (one-way two-tailed ANOVA), the 2021 to 2020 ratio was considered both in the case of arrivals and overnight stays. Given the small number of observations, the calculation of simple regressions has been considered appropriate.

12.4 Results and Discussions

This section addresses the discussion of the main findings and results of the undertaken analyses. A first stage consists in processing the statistical data collected from NIS. Due to the fact, that except for the counties which enjoy a high tourism activity (Bihor, Mureş, and Vâlcea – spa tourism destinations, Braşov, Prahova, and Sibiu – mountain tourism destinations, Constanţa – seaside tourism destination, Maramureş and Suceava – major rural destinations), in the case of most of the other counties, the county-residency cities tend to be the drivers of the counties' tourist activity. Four exceptional situations have been identified. Bucharest, as Romania's capital has a much more developed tourist activity compared to other urban destinations, also dominating the county of Ilfov. Moreover, three county-residencies incorporate, from an administrative point of view, three major resorts of Romania; these are Braşov with Poiana Braşov, Constanţa with Mamaia, and Sibiu with Păltiniş.

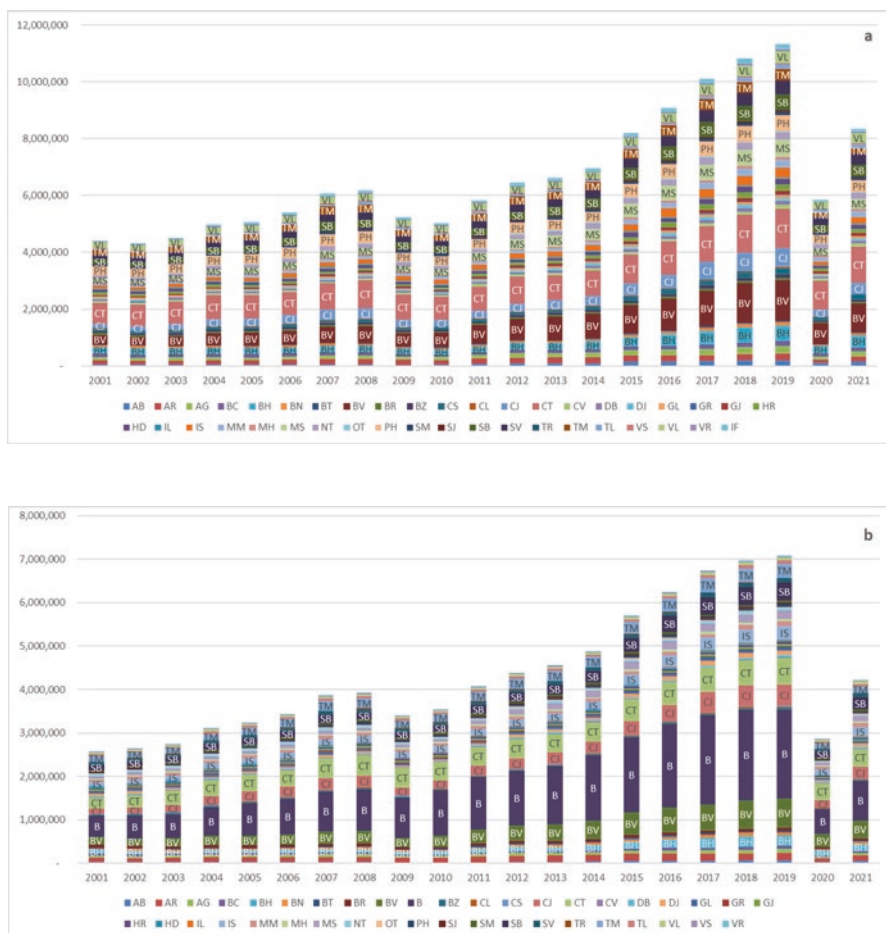


Fig. 12.1 (a and b). Tourist arrivals (persons) in the 41 counties (a) and at county-residency levels (b). (Source: Authors’ processing based on NIS data (n.d.))

Therefore, the tourist activity in these cities cannot be regarded as an urban one but it must be considered in the context of the main tourist resources that the resorts capitalize on.

By analysing the data regarding tourist arrivals in the investigated counties (Fig. 12.1a) and county-residencies (Fig. 12.1b) one may notice that overall, tourist arrivals followed the same increasing trend at both county and county-residency levels, maintaining relatively constant shares of the total arrivals. The counties that attract most of the tourist arrivals are (Fig. 12.1a): Constanţa (seaside), Braşov (mountain), Bihor (spa), Mureş (spa), Prahova (mountain), Sibiu (mountain and rural), and Vâlcea (spa). The counties of Cluj and Timiş mainly attract business tourists, and the overall arrivals are definitely impacted by the county-residencies

(Cluj-Napoca and Timișoara). At the county-residency level, the major Romanian destinations include Bucharest, followed by Constanța, Brașov, and Sibiu (primarily due to their associated resorts, Mamaia, Poiana Brașov, and Păltiniș, but also to business and cultural tourism activities). Iași, the main city in the Eastern region of Romania (Moldova), is also one of the main urban destinations in the country.

Furthermore, the counties that attract most tourist arrivals are (Fig. 12.1a) also tend to account for most of the overnight stays spent by Romanian and foreign tourists (Fig. 12.2a): Constanța, Brașov, Bihor, Sibiu, and Vâlcea. Two exceptions are remarkable: Mureș and Vâlcea counties which, in spite of their spa resources, do not register visible overnight stays. The counties of Cluj and Timiș primarily attract business tourists, and the overall arrivals are impacted by the county-residencies (Cluj-Napoca and Timișoara). At county-residency level, the major Romanian destinations include Bucharest, followed by Constanța, Brașov, and Sibiu (primarily due to their associated resorts, Mamaia, Poiana Brașov, and Păltiniș, but also to business and cultural tourism activities). Iași, the main city in the Eastern region of Romania (Moldova) is also one of the main urban destinations in the country.

Over the past 20 years (Fig. 12.3), Romanian county-residencies, as urban destinations, clearly have dominated tourist arrivals in Romania and have accounted for more than a third to nearly a half of the overnight stays in Romania. The quota of urban tourism (in large cities, as county-residencies are) has begun to diminish at national level, while the demand for other tourist products has increased (rural destinations, mountain areas, etc.). Bucharest represents a particular case, accounting for a significant percentage of the arrivals at the national level (of around 10%, with peaks of nearly 20%). Bucharest follows the national trend, registering a similar overall decrease in total arrivals and overnights due to the growing demand for other types of destinations and tourist products. Given this entire reality, it becomes interesting to better understand the reasons behind the attractiveness of urban destinations, respectively, to assess their orientation towards further development.

The website-based analyses revealed various aspects related to the orientation of the local public administrations towards tourism development and smart transformation. The main findings are further presented under larger categories.

12.4.1 Online Presence and Promotion of Tourism

Only 28 of the 41 investigated websites of the county councils feature a separate page for the promotion of tourism resources. Only half of the same counties (21 of 41), have developed separate websites for the promotion of their destinations' tourism resources. When it comes to the online presence of municipalities, a lower number focus on tourism promotion. Thus, tourism resources are presented and promoted on the ATUs' websites, on dedicated webpages (21 of 41), while a little

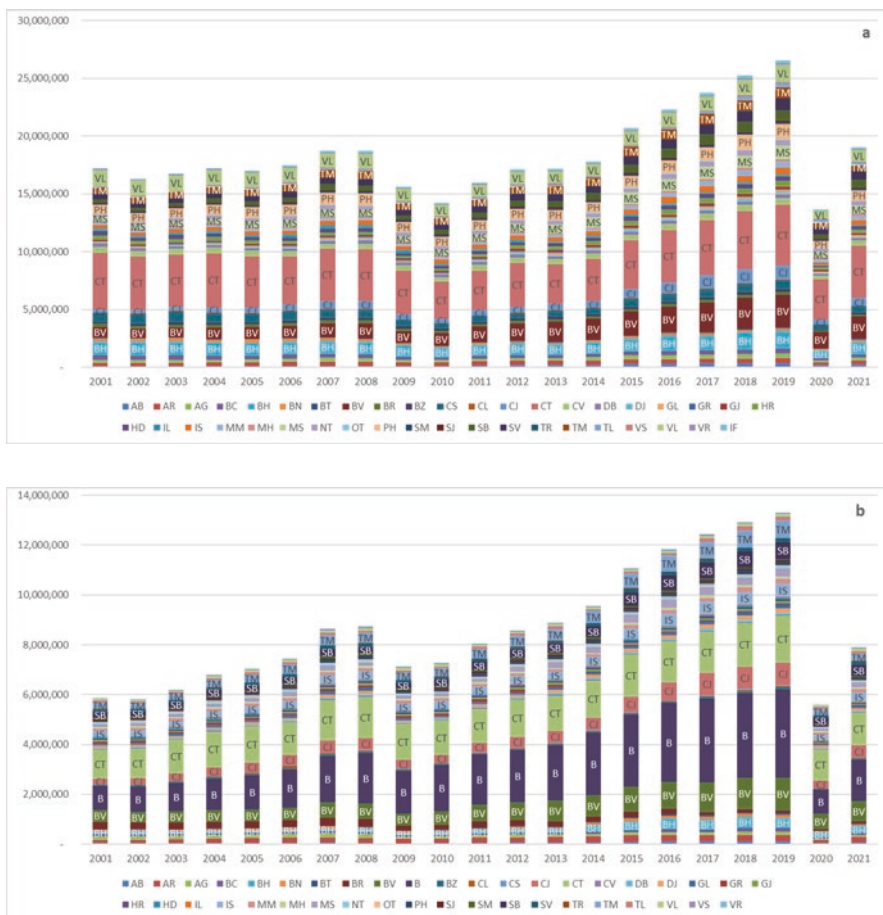


Fig. 12.2 (a and b) Tourist overnight stays (nights) in the 41 counties (a) and at the county-residency levels (b). (Source: Authors’ processing based on NIS data (n.d.))

more than a quarter of the cities have created separate websites for the promotion of their tourism resources (12 of 41).

Overall, the second category of websites (those built for tourist information centres or for destination management organizations, and which are dedicated to tourism promotion) manages to present the resources in an attractive manner. Furthermore, regarding the orientation towards the international environment, 25 county councils communicate online in at least one foreign language, while only 19 of the 41 city halls have developed websites in more than the Romanian language. As for the dedicated tourism websites, only half of the identified ones provide the information in at least one foreign language, with 15 ATUs at both the county and the municipal levels communicating in only one foreign language. In the first instance, the websites were assessed based on the researchers’ opinions in terms of attractiveness and easiness of use. The considered scale started from 0 (unattractive

or difficult to navigate/find information) to 2 (very attractive, respectively well organized, and easy to use). While county council websites score in average 1 point, city hall online portals register a little better scores (of 1.1 points for easiness of use and of 1.2 points for attractiveness). However, the scores are modest and reveal a poor orientation of the local public administration towards the digitalization of their services and the development of smart destinations.

Similar situations were observed in the case of the ATUs' presence on social media. Thus, only half of the ATUs (namely 21 of the 41 county councils and 22 of the 41 city halls) use social media platforms (most of them, to a limited extent). Facebook pages are the most frequently established social media profiles but not really developed, nor exploited in most cases. Overall, only very few municipalities and county councils manage to use their online presence in an attractive and efficient manner.

12.4.2 Destination Branding

The very large majority of the local public authorities fail to understand the importance of destination branding. Thus, only in the case of 7 counties some branding initiatives have been identified; still for half of these destinations, the branding attempts have been simply limited to formulating more or less inspired taglines. A somewhat better understanding of destination branding seems to appear in the case of county-residencies, with 9 out of the 41 researched cities having until now worked on establishing and promoting the destinations' identities. Bihor and Bistrița-Nășăud are the only two counties that provide brand manuals, while in the case of cities, Alba Iulia is the single city that shares a coherent branding strategy.

12.4.3 Smart Transformation: Smart Local Public Administrations and Smart Destinations

Those administrations that have developed better websites also consider smart development. Of course, in some cases the smart orientation is only superficially touched, while other authorities take this endeavour seriously. Thus, only two county councils (Brașov and Sibiu) feature smart development on their website and have elaborated mobility, connectivity, pollution, and sustainable development studies and strategies. The number of municipalities that have a smart focus is much higher (16 out of the 41 municipalities, the six sector town hall from Bucharest were assessed together with the general city hall/municipality of Bucharest). Both county councils (19 of the 41 analyzed) and city hall websites (15 of the 41 identified) feature pages dedicated to the destinations' business activity and dedicated to attracting investors. At the same time, only one county (Cluj) and three cities (Cluj-Napoca, Târgu Mureș, and Timișoara) clearly highlight their IT-based economy. However,

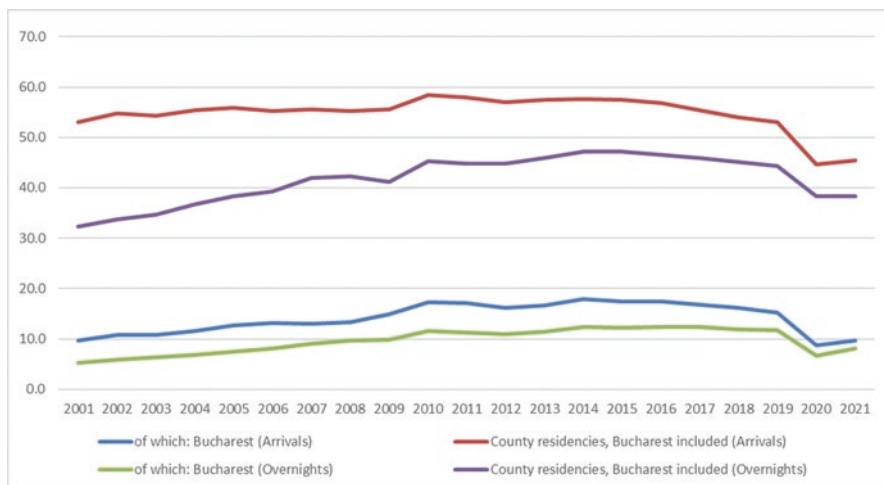


Fig. 12.3 The Quota of Urban Tourism in National Arrivals and Overnight Stays (percentage). (Source: Authors' processing based on NIS data (n.d.))

Alba Iulia (the single Romanian city to have been awarded for its smart orientation) has the largest number of programs and projects dedicated to smart development. Furthermore, when it comes to strategy formulation, only 31 counties and 26 cities feature strategic plans on their websites. In most cases, the strategic focus falls on waste management and sustainable development. A low number of counties (9) and a relatively higher one in the case of cities (20) have initiated mobility and connectivity studies. Very few public administrations have made noticeable advances in this respect. None of the counties have developed and implemented QR codes, while only two cities have done so: Alba Iulia and Călărași (surprisingly, because it is one of the least developed cities in Romania). An encouraging fact is that 26 county councils and 38 city halls provide at least one type of online service, while none of the county councils have implemented e-clerks and only five municipalities have a virtual assistant (Alba Iulia, Braşov, Bucharest, Cluj-Napoca, and Sibiu). This suggests that some of the municipalities truly consider digitalization in their strategy. A total of 24 apps (for iOS and Android) were identified as developed and implemented by county councils and 59 apps are implemented by cities. At the same time, 20 counties, respectively 16 cities do not have any app, meaning that the more advanced urban destinations have developed and today implement more than one app. The leading position is taken by Bucharest (8 apps; practically 5 of the 6 sectors have at least one app: Visit Bucharest Today; Sector ADP 1; Primăria Sectorului 3; Primăria Sectorului 4; Primăria Sectorului 5; eSector 6; Parking Bucureşti; and Info Transport Bucureşti); Cluj-Napoca follows with 7 apps (Cluj-Napoca Tourist Map; My Cluj; Bus Cluj-Napoca; Cluj Parking; Parking Pay; EVCharge Cluj; Zilele Clujului); the next cities are: Suceava (5 apps: Tourism App for Suceava City, Romania; Suceava City App; Suceava Transport; Suceava Parking; Suceava EcoRide); Constanța (4 apps: City Tour Constanța; Constanța Parking; Primăria Constanța Sesizări); Sibiu (3 apps: Sibiu City App, Parcare Sibiu; Sibiu

City Stories), and Târgu Mureş (3 apps: Târgu Mureş App; Tîrgu Mureş Report; Transport Mureş); Arad, Oradea, Craiova, Galaţi, Iaşi, Baia Mare, and Tulcea (2 apps each); the rest only feature one app. At the county council level, of the 24 identified apps, 21 are tourism-dedicated ones, while among the city halls 25 of the 59 apps are developed for tourism. A significant number of the apps are dedicated to citizens' complaints or for local tax payments. The smartest destinations have also implemented parking apps and parking payment apps, respectively for transportation services; the presence of these apps indicates a clear preoccupation for smart mobility and connectivity in the case of the more advanced destinations.

The existence of various correlations was tested via the one-way two-tailed ANOVA test in order to assess the impact of smart development on tourism development in the investigated counties and cities. Therefore, the following hypotheses of the present research were verified.

H1 Smart development enhances tourist arrivals in Romanian destinations.

The first hypothesis revealed a reversed high-intensity relation between tourist arrivals and smart development. In the case of counties and cities it is exactly the growing number of arrivals that impact the smart development of Romanian destinations, when considering the 2021 to 2020 ratio of arrivals in the 82 counties and cities ($p = -0.009$ and $R^2 = 0.935$).

H2 Smart development enhances overnight stays in Romanian destinations.

The second hypothesis was confirmed in the case of Romanian counties and cities for the impact of smart development on tourist overnight stays in Romanian destinations, when considering the 2021 to 2020 ratio of overnights in the 82 counties and cities ($p = 0.028$ and $R^2 = 0.801$).

H3 The development of tourism apps has a positive impact on the development of tourist arrivals in Romanian destinations.

The third hypothesis was also confirmed in the case of Romanian counties and cities, revealing a high-intensity link between the development of tourism apps upon tourist arrivals, when considering the 2021 to 2020 ratio of arrivals in the 82 counties and cities ($p = 0.015$ and $R^2 = 0.892$).

H4 The development of tourism apps has a positive impact on the development of tourist overnight stays in Romanian destinations.

The fourth hypothesis was not confirmed by the statistical tests.

H5 Strategic thinking and planning at destination level have a positive impact on the tourist arrivals in Romanian destinations.

The fifth hypothesis was only partially confirmed. Thus, it was rejected in the case of the impact of strategic thinking and planning at county council level upon the development of tourist arrivals at county level but it was confirmed at city level. Consequently, the formulation of strategic plans and their implementation have a strong positive impact upon the tourist arrivals in the 41 researched cities ($p = 0.039$ and $R^2 = 0.807$).

H6 Strategic thinking and planning at destination level have a positive impact on the tourist overnight stays in Romanian destinations.

The sixth hypothesis was also only partially confirmed. Thus, it was rejected in the case of the impact of strategic thinking and planning at city hall level upon the development of tourist overnights at county level but it was confirmed at city level. Consequently, the formulation of strategic plans and their implementation have a strong positive impact upon the tourist overnight stays in the 41 researched cities ($p = 0.026$ and $R^2 = 0.873$). Furthermore, this is also consistent with the case of the 5th hypothesis.

Obviously, as anticipated, county residencies are trend setters in terms of tourist arrivals and overnight stays, and their smart transformation can only be expected to generate positive effects upon the further development of tourism in Romanian destinations. On the other hand, when compared to other European smart destinations, it becomes clear that discrepancies need to be further overpassed.

In order to increase the relevance of the study and to diminish its current limitations, further analyses are going to be undertaken based on the same research framework. First, the analysis is going to be repeated, in the sense of official ATUs' website-based data collection. Second, smaller towns will be added to the study based on their inclusion in the Romanian Smart City organization. For greater relevance, the study will be carried out again over the next 4–5 years in order to better observe the smart developments at both the county and city levels. The focus will also fall on researching the concept of smart city in towns and cities with a certain specific (cultural capitals, business tourism destinations, spa destinations, etc.).

12.5 Conclusions

Special attention must be paid to urbanization, which is closely linked to the transformation cities into smart cities. Thus, Romania is among the last places in the EU in terms of urbanization (approx. 54–56%), outrunning only Slovenia and Slovakia. This makes the transition to the smart city a more difficult challenge. Many small towns lack even basic infrastructure, while being declared cities with agricultural, agro-industrial function. Furthermore, without any development opportunities, these cities are doomed to extinguishing. Obviously, they must reinvent themselves!

The disparities between Romanian smart cities and those in the EU are also related to those mentioned above, but there are also some historical factors to consider. Thus, tourist cities in the EU and in Europe, in general, are old cities, which were part of empires, meaning that they had a different path, and it was easier for them to progress. This explains, in fact, the more advanced paces of some Romanian smart cities, namely those located in Transylvania: Alba Iulia, Braşov, Cluj-Napoca, Oradea, Sibiu, and Timişoara.

As a member-state of the EU, Romania has nowadays access to various financing sources and financial resources. These provide the country with the possibility to attract, just like other European destinations, funds and to invest in developing modern public administrations and structures, adapted to novel needs, consequently becoming smart cities and, eventually, smart tourism destinations. In fact, it is exactly those cities that have managed to attract more funds, that have also managed to advance in terms of smart development, through smart investments. Furthermore, in order to succeed in attracting tourists, smart cities must also focus on identifying innovative solutions for the development of smart tourism. Finally, a close collaboration between citizens and local authorities is crucial for supporting local projects and other useful activities in facilitating the transformation of cities into smart cities, and further into smart tourism destinations.

Appendix

Appendix 12.1 Best Practice Examples of European Smart Destinations

Dimension	Category	Examples	City/Cities
Accessibility	Accessibility for all	Low-income accessibility	Bordeaux; Karlsruhe
		Accessible city routes	Bordeaux; Athens; Venice; Padua
		Accessible infrastructure	Bordeaux; Dublin; Genoa; Ljubljana; Szczecin; Venice
		Accessible beaches	Gdynia; Palma; Ravenna; san Sebastian; València
		Diversity & accessibility	Aarhus
	Accessibility of information	Accessible city guides	Athens; Ljubljana; Florence; Ravenna; València
		Accessible tours	Florence
		Accessible citizens engagement	Athens; Aarhus
		Accessible tourist information offices	Braga; València
		Accessibility through digitalisation	Porto; Florence; Gaziantep

Dimension	Category	Examples	City/Cities
Sustainability	Combatting or adapting to climate change	Urban biking	Rotterdam; Karlsruhe; Dubrovnik
		Sustainable transportation	Izmir; Helsingborg
		Alternative means of transportation	Genoa; Karlsruhe; Marbella; Maribor
		Sustainable engagement	Athens; Bordeaux; Copenhagen; Helsingborg; Izmir
		Sustainable events	Bordeaux; Aarhus; Copenhagen; Genoa; Maribor
		Sustainable urban planning	Dubrovnik; Gdynia; Florence; Helsingborg; Rotterdam; València
		Sustainable water cycle	Karlsruhe
		Tourism taxation	Palma
	Preserving and enhancing the natural environment	Natural preservation	Dublin; Maribor; Athens; Palma; València; Venice
		Sustainable education	Dublin; Alba Iulia; Copenhagen; Matosinhos; san Sebastian
		Sustainable shopping	Maribor; Szczecin; Genoa
	Spreading the flow of tourists	Spreading the flow-through technology	Florence
		Spreading the flow-through urban planning	Porto
		Spreading the flow with transportation	Bordeaux; Copenhagen; Dubrovnik

Dimension	Category	Examples	City/Cities
Digitalization	Facilitating information for specific target groups	Introducing Alipay to attract chinese tourists	Ljubljana
		Expanding the visitors' market with the Toorbee app	Athens
	Collecting information for smarter management	Smart control rooms	Florence; Venice
		Park smarter	Athens; Dubrovnik
		EData collection and sharing for a better tourism experience	Aarhus; Dubrovnik; Rotterdam; València; Florence
	Physical and psychological accessibility through innovation	Accessing museums digitally	Braga; Izmir; Padua
		Apps to experience history or sights	Athens; Alba Iulia; Bordeaux; Ljubljana; Copenhagen
		Promoting local tourism	Porto; Bordeaux
		A digital Bauhaus	Karlsruhe
		AR and VR experiences	València; Copenhagen; Dublin
		Attracting digital nomads	Dubrovnik
		Artificial intelligence initiatives	Gdynia; Karlsruhe
		Providing real time info	Helsingborg; Palma; Matosinhos; Porto
		Use that bitcoin	Ljubljana
		Light installations bring literature to life	Ravenna
Digital Twin City	Rotterdam		
Cultural heritage and creativity	Reviving traditions and cultural heritage sustainably	City walks with a creative touch	Bordeaux
		A glimpse into a genius' mind	Copenhagen
		Recovery of cultural heritage	Alba Iulia
		A cultural platform for all	Copenhagen
		Innovative and creative offer exploiting synergies	Dubrovnik
		A riverside fortress	Gaziantep
		Museums as digital pioneers	Karlsruhe
		Lazareti – Creative hub of Dubrovnik	Dubrovnik
		An inclusive emigration museum	Gdynia

Dimension	Category	Examples	City/Cities
	Communal infrastructures	A wine tasting pass	Bordeaux
		Dubrovnik summer festival	Dubrovnik
		Theatre on the beach	Gdynia
		A creative city for media arts	Braga
		Caravan tourism on the rise	Gaziantep
		Altice forum Braga	Braga
		Culture near you	Dublin
		Urban Mediaspace Aarhus	Aarhus
		Experiencing Athens like a local	Athens
		Cross-Border City walks	Szczecin
	Usage of cultural heritage for new creativity	Old becomes new	Bordeaux; Dubrovnik; Dublin; san Sebastian
		The modernism route	Gdynia
		Open-air museum	Helsingborg
		A chatbot giving guided tours	Copenhagen
		Making a museum at 14 Henrietta street	Dublin
		Les Bassins à Flot: The rise of a new tourist district	Bordeaux
		Aarhus city of museums and gastronomy	Aarhus
		Traditional techniques and contemporary expressions	Florence
		GenovaJeans	Genoa
		Outdoor bathing week	Helsingborg
		VR and AR experiences for Plečnik's architectural works	Ljubljana
		Connecting cuisine to culture	Ljubljana
		Digitalisation of the World's oldest vine	Maribor
Transforming public transport into a sightseeing tour	Porto		
Publicly accessible art storage facility	Rotterdam		

Source: Authors' own processing based on the European Capital of Smart Tourism competition (EC, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs, 2022)

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Chapter 13

The Relationship Between Tourism Destination Image and Loyalty: A Multidimensional Approach



Ovidiu I. Moisescu

Abstract Destination loyalty represents an important pillar of any tourism destination's sustainable economic development. To effectively cultivate and secure destination loyalty, hospitality businesses, as well as tourism destination management organizations need to identify and understand the factors that impact visitors' loyalty. The current paper investigates the impact of destination image on destination loyalty, within the 4 A's theoretical framework of tourism destination, emphasizing the differential impact of each image dimension on visitors' loyalty. For that, a self-administered paper and pencil survey was conducted among a sample of 1047 Romanians who had recently spent at least three days in a tourism destination. Overall, the results of the current study reinforce the findings of previous research, emphasizing a significant impact of tourism destination image on destination loyalty. Additionally, the current research brings new insights on this relationship, depicting the specific influence of accessibility, amenities, attractions, and ancillaries on visitors' loyalty. Thus, the results point out that destinations' amenities and attractions, as well as their ancillaries have significant impacts on visitors' loyalty, with the highest impact outlined in the case of ancillaries. However, accessibility, even though considered one of the pillars of a tourism destination, is not statistically relevant for nurturing and developing destination loyalty. The results have both theoretical and practical implications. From a theoretical perspective, the current research is among the very few which clearly point out the impact of each specific dimension of tourism destination image on destination loyalty. From a practical perspective, the results emphasize the specific dimensions of visitor experience on which tourism destinations need to focus in order to develop and nurture destination loyalty.

Keywords Destination image · Destination loyalty · PLS-SEM · PLSPredict

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A. L. Negruşa, M. M. Coroş (eds.), *Remodelling Businesses for Sustainable Development*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-031-19656-0_13

13.1 Introduction

Destination loyalty represents an important pillar of any tourism destination's sustainable economic development, providing consistency and predictability for the local hospitality industry's income, while at the same time reducing marketing costs associated to constantly attracting new visitors (Oppermann, 2000). However, to effectively cultivate and secure destination loyalty, hospitality businesses, as well as tourism destination management organizations need to identify and understand the factors that impact visitors' loyalty towards tourism destinations.

Previous research has suggested that a destination's image among its visitors, as a result of their tourism experience and their exposure to information regarding the destination, is the most important factor determining destination loyalty (e.g., Hallmann et al., 2015; Ragb et al., 2020; Su et al., 2020).

A tourism destination comprises various core components consisting in facilities and services designed to meet the needs of the tourists and, therefore, can be seen as a mix of all products, services and ultimately experiences provided at the destination level (Buhalis, 2000; Cooper et al., 1993). Consequently, each component can impact, to a larger or lesser extent, the tourist experience at the destination level. Based on the amplitude of each of these impacts, for each facility, product, or service involved in offering visitors a pleasant stay, tourism organizations, as well as local hospitality businesses can allot their limited resources in a selective manner. More specifically, investments should be targeted at those destination image components which are the most important in generating tourists' satisfaction and their intentions to revisit and recommend the destination.

Nevertheless, even though researchers have generally acknowledged the multidimensionality of the concept of destination image, previous studies investigating its impact on visitor loyalty have frequently failed to emphasize the specific impact of each destination image dimension on visitor loyalty (e.g., Chaulagain et al., 2019; Cong, 2016; Jalilvand et al., 2012; Ragb et al., 2020; Song et al., 2013; Su et al., 2020; Tilaki et al., 2016). Consequently, the relationship between the various dimensions of tourism destination image and visitor loyalty still needs further research, previous findings being often inconclusive.

In order to address this knowledge gap, the current paper investigates the impact of destination image on destination loyalty, within the theoretical framework of tourism destination developed by Cooper et al. (1993) and Buhalis (2000), emphasizing the differential impact of each image dimension on destination loyalty.

13.2 Literature Review

Destination image has been an important topic in the field of travel and tourism research for many decades (Chen et al., 2013). Even though many definitions of destination image have been provided in the literature, at its core, a destination's

image represents the sum of beliefs, ideas, and impressions people have of that destination (Crompton, 1979). In other words, a destination's image reflects a collaborative system of thoughts, opinions, feelings, visualizations, and intentions related to that destination (Tasci & Gartner, 2007).

At the destination level, the overall tourism product represents a bundle of elements such as accommodation, food services, entertainment, etc. A destination's image depends on the stimulus quality, and is formed based on various image change agents such as advertising, information received from tour operators, (apparently) unbiased reports (e.g., newspapers), solicited or unsolicited information received from friends and relatives, and past visitations (Gartner, 1994). The image of a destination prior to a first visit may be redefined after visitation and experiencing the reality of the location. Further on, the post-visit destination image can significantly influence tourist behavioral intentions (Rejikumar et al., 2021).

The concept of tourism destination image has often been depicted based on the multiple A's frameworks developed by Cooper et al. (1993) and Buhalis (2000). According to these frameworks, the image of a tourism destination represents a multi-dimensional construct, comprising several components. Thus, Cooper et al. (1993) group a destination's dimensions into the four A's framework: attractions, accessibility, amenities, and ancillaries. Furthermore, Buhalis (2000) consolidated and developed the multiple A's framework, describing a six A's framework comprising attractions, accessibility, amenities, activities, ancillaries, and available packages.

Within this theoretical framework, a destination's *attractions* include both natural and man-made tourism attractions, as well as other attractions related to heritage, special events, gastronomy etc. The *amenities* dimension of a destination basically includes accommodation and catering facilities, as well as other facilities which are essential to tourists. Further on, destination *accessibility* refers to the entire transportation system comprising the road infrastructure, transportation means, and other elements intended to facilitate tourists' access to the destination's attractions. With regard to a destination's *ancillaries*, destination image researchers have generally had heterogeneous perspectives, referring to a large palette of services such as safety and security services, cleaning and hygiene services, tourist information services, financial services, health services, etc. Nevertheless, some of the most frequently considered ancillaries in previous studies were safety and security (Chaulagain et al., 2019; Chen et al., 2013; Chi & Qu, 2008; Dedeoğlu, 2019; Jalilvand et al., 2012; Kubickova & Campbell, 2022; Milovanović et al., 2021; Mukherjee et al., 2018; Park & Njite, 2010; Ragb et al., 2020; Sangpikul, 2017; Song et al., 2013; Su et al., 2020; Tilaki et al., 2016; Žabkar et al., 2010), cleanliness and hygiene (Chen et al., 2013; Chi & Qu, 2008; Cong, 2016; Dedeoğlu, 2019; Hallmann et al., 2015; Park & Njite, 2010; Ragb et al., 2020; Rejikumar et al., 2021; Sangpikul, 2017; Song et al., 2013; Su et al., 2020; Tilaki et al., 2016; Žabkar et al., 2010), and tourist information (Chi & Qu, 2008; Hallmann et al., 2015; Milovanović et al., 2021; Mukherjee et al., 2018; Rejikumar et al., 2021; Sangpikul, 2017; Song et al., 2013).

Destination loyalty has become an essential constituent of leisure research due to the increasing competition in the hospitality sector (Lee et al., 2007). In marketing, most loyalty measures are behavior based, among the most important being the likelihood to repurchase the product or service, and to recommend it to others (Taylor, 1998). Similarly, when it comes to tourism destination loyalty measurements, most studies refer to the likelihood or intention to revisit a destination, and to recommend it for visitation to others (Chi & Qu, 2008).

Destination image significantly impacts visitors' decision-making processes, their preferences in what concerns tourism destinations, as well as their satisfaction and future behavioral intentions (Zhang et al., 2014). In what concerns behavioral intentions, previous studies have pointed out that destination image has a positive influence on visiting intentions among potential visitors (Chaulagain et al., 2019; Chen et al., 2013), as well as on revisiting and word of mouth intentions among actual visitors (Cong, 2016; Dedeoğlu, 2019; Hallmann et al., 2015; Jalilvand et al., 2012; Milovanović et al., 2021; Park & Njite, 2010; Ragb et al., 2020; Rejikumar et al., 2021; Sangpikul, 2017; Song et al., 2013; Tilaki et al., 2016; Žabkar et al., 2010). Considering these arguments, the following research hypotheses were issued:

H1: Destination accessibility image positively impacts destination loyalty.

H2: Destination amenities image positively impacts destination loyalty.

H3: Destination attractions image positively impacts destination loyalty.

H4: Destination ancillaries image positively impacts destination loyalty.

13.3 Research Methodology

In order to investigate the relationship between a destination's image and its visitors' loyalty, and to emphasize the differential impact of each image dimension on destination loyalty, a self-administered paper and pencil survey was conducted, prior to the COVID19 pandemic break out, among a sample of 1047 Romanians who had recently spent at least three days in a tourism destination. The sample's demographic characteristics, as well as respondents' country of destination are outlined in Table 13.1.

Capitalizing on the multiple A's theoretical frameworks developed by Cooper et al. (1993) and Buhalis (2000), destination image was depicted using four essential constructs –accessibility, amenities, attractions, and ancillaries – which were measured as reflective constructs, using multiple items based on answering scales from 1 – very negative perception, to 10 – very positive perception. Firstly, accessibility was assessed via three items referring to road infrastructure, public transportation, and car rentals at the destination level. Secondly, in what concerns tourism amenities, visitors' perceptions were assessed in relation to accommodation and food & beverage facilities, and their staff. Thirdly, visitors' perceptions regarding the destination's tourism attractions referred to four main aspects: natural attractions (landscapes, mountains, beaches etc.), historical and cultural attractions, local

Table 13.1 Sample

Country of tourism destination			Age		
Romania	608	58.07%	18–25 years	217	20.73%
Greece	69	6.59%	26–35 years	310	29.61%
Italy	62	5.92%	36–45 years	302	28.84%
Hungary	59	5.64%	46–55 years	218	20.82%
Spain	50	4.78%	Total	1047	100.00%
Bulgaria	34	3.25%			
Austria	26	2.48%	Education		
Turkey	23	2.20%	High-school	459	43.84%
France	22	2.10%	Bachelor studies	386	36.87%
Germany	20	1.91%	Higher	202	19.29%
Croatia	18	1.72%	Total	1047	100.00%
UK	12	1.15%			
Others	44	4.20%	Sex		
Total	1047	100.00%	Men	493	47.09%
			Women	554	52.91%
			Total	1047	100.00%

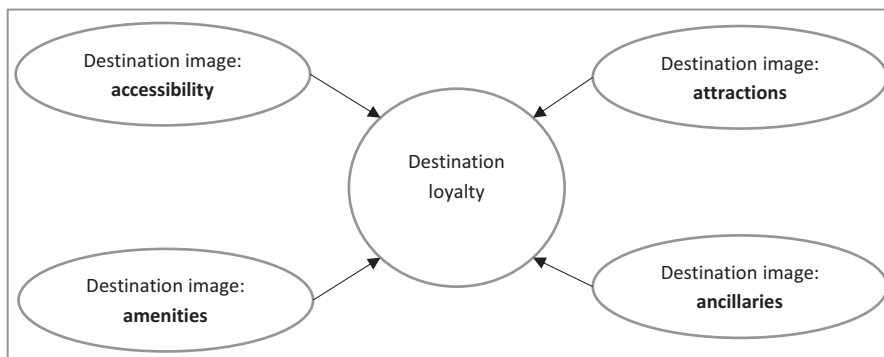


Fig. 13.1 Research model

gastronomy, and, respectively, festival, events and shows. Fourthly, ancillaries were evaluated considering cleanliness, safety, and tourist information services, respectively. Destination loyalty, as dependent variable, was also measured reflectively, using a three-items scale drawn from literature, based on a Likert answering scale form 1 – strongly disagree, to 10 – strongly agree, referring to revisiting and recommendation intentions.

The research model, including the hypothesized relationships between the destination image components and destination loyalty, is depicted in Fig. 13.1. The items employed for measuring the constructs are visible in Fig. 13.2.

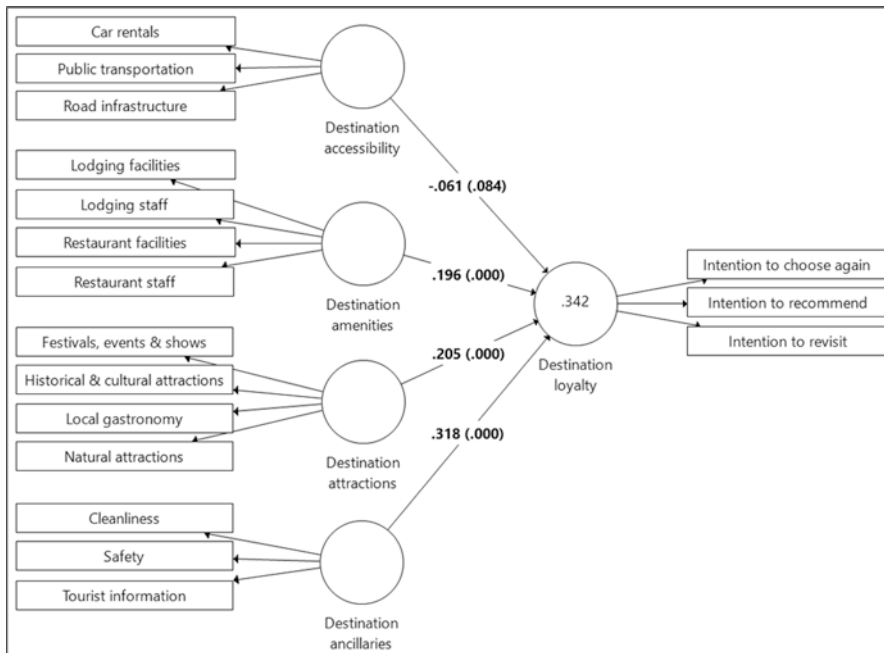


Fig. 13.2 Research model assessment. (Note: Values on arrows represent path coefficients (p values in brackets); value in circle represents R²)

13.4 Results and Discussions

The research model was assessed using partial least square structural equation modelling (PLS-SEM). The PLS-SEM technique was chosen because the study was focused on causal explanations, prediction, and subsequent managerial implication. Previous methodological studies have emphasized that PLS-SEM is particularly useful not only because it allows testing various hypothesized relationships, but also because it helps researchers focus on prediction when assessing research models (Sarstedt et al., 2020). Hence, even though PLS-SEM is not substantially more advantageous than other structural equation modeling methods when non-normally distributed data is involved (as in the current study), it is more appropriate when the analyses have a predictive focus (Sarstedt et al., 2022), as in the case of the current research. As for the software of choice, SmartPLS 3 was employed due to its robustness and versatility (Ringle et al., 2015).

The employed measurements were assessed, as a first step of the PLS-SEM analyses. Considering the fact that all measures were defined reflectively, the assessment was focused on the reliability of the indicators, as well on the internal consistency and convergent validity of the constructs. Table 13.2 reveals that both Cronbach’s alpha and composite reliability values are between the thresholds of 0.70 and 0.95, and consequently all constructs have appropriate internal consistency

Table 13.2 Indicators' reliability, constructs' reliability, and constructs' convergent validity.

Construct	Item	Outer loadings	Cronbach's alpha	Composite reliability	Average variance extracted
Destination accessibility	ACC1	0.806	0.771	0.866	0.684
	ACC2	0.834			
	ACC3	0.840			
Destination amenities	AME1	0.861	0.863	0.906	0.708
	AME2	0.874			
	AME3	0.775			
	AME4	0.851			
Destination attractions	ATT1	0.759	0.773	0.853	0.593
	ATT2	0.787			
	ATT3	0.782			
	ATT4	0.752			
Destination ancillaries	ANC1	0.836	0.730	0.846	0.646
	ANC2	0.764			
	ANC3	0.811			
Destination loyalty	LOY1	0.916	0.878	0.925	0.804
	LOY2	0.890			
	LOY3	0.883			

(Hair et al., 2017). As for the convergent validity of the constructs, average variance extracted (AVE) values were checked. Considering that all AVE values are higher than 0.50, it can be stated that the considered latent variables exhibit appropriate convergence (Hair et al., 2017). Further on, the values of outer loadings were scrutinized to assess the reliability of the indicators. Considering the fact that all loadings are higher than the recommended threshold of 0.70, as well as the previous assessments regarding internal consistency and convergent validity, it can be stated that the requirements for measurements' validity are fully met (Hair et al., 2017).

Additionally, before assessing the model, all reflective measurements had to be checked for potential discriminant validity issues. For that, the heterotrait-monotrait ratio of correlations (HTMT) criteria (Henseler et al., 2015) was employed. Recent research (Franke & Sarstedt, 2019) suggests that the HTMT criterion is the safest option when assessing discriminant validity, being more conservative than any other means of verifying whether constructs are unequivocally dissimilar. HTMT results in Table 13.3 point out the lack of any issue regarding the constructs' discriminant validity, due to the fact that all HTMT values are lower than the cutoff point of 0.85 (Henseler et al., 2015).

Further on, the model was assessed by running the PLS-SEM algorithm with a bootstrapping procedure involving 5000 subsamples. The results are presented in Fig. 13.2. According to the results, destination image explains about 34% of the variation in destination loyalty. As it can be seen, research hypotheses *H2*, *H3*, and *H4* are confirmed, while hypothesis *H1* is rejected. Thus, it can be stated that destination amenities, attractions, and ancillaries have significant impacts on destination

Table 13.3 Constructs' discriminant validity

	Destination accessibility	Destination amenities	Destination ancillaries	Destination attractions
Destination amenities	0.702			
Destination ancillaries	0.822	0.811		
Destination attractions	0.771	0.709	0.776	
Destination loyalty	0.445	0.556	0.653	0.564

Note: Values represent the heterotrait-monotrait (HTMT) ratios of correlations

Table 13.4 Model's predictive power assessment

	Q ² _predict _{PLS}	RMSE _{PLS}	RMSE _{LM}	RMSE _{PLS} < RMSE _{LM}
Intention to choose again	0.266	1.928	1.927	No
Intention to revisit	0.211	2.173	2.185	Yes
Intention to recommend	0.319	1.750	1.758	Yes

Note: PLSpredict procedure with 10 folds and 10 repetitions; *PLS* prediction using PLS-SEM, *LM* prediction using a linear model, *RMSE* root mean squared error

loyalty, while destination accessibility, even though relevant from a theoretical perspective, does not significantly influence visitors' loyalty. Moreover, if path coefficients are analyzed it can be stated that the highest impact on destination loyalty comes from destination ancillaries (cleanliness, safety, and tourist information), while amenities and attractions have a lower and relatively equal influence on visitors' intentions to revisit and recommend the destination.

The model's predictive power was further assessed. For that, the PLSpredict procedure (Shmueli et al., 2016; Shmueli et al., 2019) was used, with focus on a target endogenous variable. In this case, this target variable was destination loyalty, with its three corresponding items. The results are displayed in Table 13.4. Firstly, destination loyalty indicators were checked taking into account their corresponding Q²_predict values. As these values are positive, it was considered feasible to compare the RMSE (root mean squared error) values resulted from the PLS-SEM model with the analogous values generated by employing a naïve linear model (LM) benchmark. As PLS-SEM-based RMSE values are lower than those from the LM benchmark output for two out of three indicators, it can be concluded that the model has a moderate to high predictive power (Hair et al., 2021). Consequently, practical implications can be outlined and would be scientifically sound.

The results have both theoretical and practical implications. From a theoretical perspective, the current research is among the very few which clearly point out the impact of each specific dimension of tourism destination image on destination loyalty, shedding light on the mechanism of the relationship between these two very important tourism destination variables.

From a practical perspective, the results emphasize the specific dimensions of visitor experience on which tourism destinations need to focus in order to develop and nurture destination loyalty. Thus, destinations need to focus more on their

ancillaries, more specifically on providing cleanliness, safety, and appropriate information to their visitors.

The importance of cleanliness when it comes to tourism destinations derives from visitors' concern for well-being and health-related factors. Previous research has pointed out that cleanliness is a relevant antecedent of the decision to choose a particular accommodation or restaurant service in a given destination (Park et al., 2019; Zemke et al., 2015), especially due to the risk of contamination with various viruses and bacteria within the lodging or food & beverage facilities' premises. Simply stated, from a marketing perspective, cleanliness and efficient hygiene practices should become part of the brand promise in the hospitality industry (Awan et al., 2020). Consequently, in order to nurture visitor loyalty, more attention should be paid to the cleanliness of destinations' public facilities (e.g., beaches, resting places etc.), as well as to the housekeeping systems within the local hotel industry.

A tourism destination's perceived safety/security is highly sensitive to any form of violence including acts of terrorism, crime, and/or war (Tarlow & Santana, 2002). Considering the fact that any form of harm to visitors can strongly impact the entire local hospitality industry, dismantling visitors' intentions to revisit, and "gaining" their negative recommendations, tourism destination organizations need to permanently be concerned with providing safety to tourists, reducing as much as possible any risk related to transportation incidents, issues of pollution, sexual assaults, petty crimes, food safety issues, terrorism etc.

Tourist information services is another important ancillary that determines visitors' loyalty. From this perspective, tourism destination organizations, in close partnership with businesses from the local tourism industry, need to make sure that all tourist information services are easily available for visitors. For instance, local travel agencies should provide friendly information about local attractions and how to reach them, as well as about organized excursions make such attractions more accessible. Also, tour guide services, posters, brochures, signs, screens, enquiring terminals at tourist information centers need to be available to all tourists, starting from their arrival at the destination. More than that, besides such traditional tourist information services, modern information services need to be also available, by making use of the most recent technological developments in the tourism industry, in the context of smart tourism (Li et al., 2017). More specifically, by using technology with portable terminals via the Internet or mobile Internet, tourism destinations can offer tourists easily accessible, timely, and relevant information about tourism resources, tourist activities, etc.

Nevertheless, cleanliness, safety, or good tourist information services are not enough for nurturing visitor loyalty. At the same time, lodging and restaurant facilities, as well as their staff, need to be at high levels of service. Moreover, the destination's attractions need to be available and prepared accordingly to provide visitors pleasant experiences. Basically, attractions represent the essence of the tourism phenomenon (Navarro-Ruiz & McKercher, 2020). Every attraction appeals more or less to a particular type of visitors who have distinct interests, expectations, or reasons for visiting. Additionally, some tourists prefer short visits, while others want a long experience. Also, some like to experience attractions on their own, while others

prefer a guided and informative visit. Hence, it is important that tourism destination organizations properly manage the local attraction systems, researching and identifying target visitors for each attraction, and defining and planning the visiting experience tailored to the target visitors' preferences.

Even though the current study's results do not indicate a significant impact of destination accessibility on visitors' loyalty, road infrastructure, public transportation, as well as car rentals need to be maintained at a decent level of quantity and quality, so that visitors can further focus on the other dimensions of the tourism experience.

13.5 Conclusions

Overall, the results of the current study reinforce the findings of previous research, emphasizing a significant impact of tourism destination image on destination loyalty. However, if compared to most previous studies on the topic, the current research emphasizes the differential impact of each image dimension on destination loyalty, within the 4 A's theoretical framework of tourism destination: accessibility, amenities, attractions, and ancillaries.

Thus, the results indicate that destinations' amenities (lodging and restaurant) and attractions (natural, historical & cultural, gastronomical, and festivals & events), as well as their ancillaries (more specifically, cleanliness, safety and tourist information) have significant impacts on visitors' loyalty, with the highest impact outlined in the case of ancillaries. However, accessibility, even though considered one of the pillars of a tourism destination, is not relevant for nurturing and developing destination loyalty.

By providing valuable insights on the factors that truly impact visitors' intentions to revisit or to recommend a destination, this study provides destination management/marketing organizations with actionable advice. More specifically, the paper points out the specific dimensions of visitor experience on which tourism destinations need to focus in order to develop and nurture destination loyalty. Thus, destinations need to focus more on their ancillaries, more specifically on providing cleanliness, safety, and appropriate information to their visitors. At the same time, lodging and restaurant facilities, as well as their staff, need to be at high levels of service. Last, but not least, destination attractions need be available and prepared accordingly to provide visitors pleasant experiences.

Naturally, the current study has several limitations, which represent, at the same time, opportunities for future research.

Firstly, the investigated sample only comprised Romanian visitors. As a developing country, geographically positioned in Eastern Europe, Romania has a culture that resembles to other countries in Eastern Europe, but which is different from many other developing countries (e.g., countries from Asia, or Latin America), or developed ones (e.g., countries from Western Europe, or North America). Consequently, as a future research direction, a larger survey should be conducted,

with the same scientific purpose, and same research hypotheses, within an international sample, comprising tourists originating in both developed and developing countries, from several parts of the world.

Secondly, the data was collected before the COVID-19 pandemic, which had a significant impact on how people travel, and on what they take into account when deciding to revisit or recommend tourism destinations. Consequently, as a future research direction, the survey should be repeated, based on the same scales and items, in order to depict the significant shifts in what concerns the impact of each tourism destination image on destination loyalty.

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