

GOVERNANCE, STRATEGY AND INNOVATION OF UTILITIES CONTROLLED BY URBAN GOVERNING BODIES: INSIGHTS FOR INDUSTRIAL POLICY

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Abstract

There is renewed interest in the role that utilities controlled by local public entities can play in promoting economic development, but also in the role that these firms have on the financial stability of the controlling bodies. Almost all urban governing authorities rely on utilities to deliver goods and services. Provided that these utilities are essential for the healthy functioning of the economy, their governance shall be forward looking and sustainable. Thus, one of the key tasks of today's executives of such enterprise is to participate in and contribute to their organisations' strategies. Strategic analysis entails evaluating business goals, objectives and plans in light of a company focus on revenues maximisation. We argue that where enterprises dispose of a structured analyst aimed at analysing consumer's behaviour, business inclination toward innovation activities improve. This advantage stems different roots, e.g. from deeper knowledge of the economic and business environment, better ICT literacy and familiarity with customer relation management. Although some research limitations, the research outputs support our statements.

Keywords: Industrial Policy, Utilities, Innovation, Competitiveness, State-owned enterprises.

1. INTRODUCTION

State-owned enterprises (SOEs) account for a significant portion of economic activity worldwide. These enterprises can be both partially or fully controlled by different entities e.g. governments at different levels, municipalities, local and regional communities and bodies, local and regional authorities and organisations thereof. Enterprises controlled by local governing bodies dominate important sectors such those related to energy, gas, water and waste management. Good governance of such enterprises (including transparency and the state ownership function) is essential to ensure their contribution to economic efficiency and growth. It is also vital to maintain competitive neutrality between SOEs and private businesses when they compete in the marketplace (OECD, 2014).

Widely speaking, proper financial management is the nerve centre for the success of any public entities. The revenue management division performs fair and cost effective revenue collection services for taxes, fees and grant revenue, through the enforcement of local laws and regulations. Among others, key goals and objectives are aimed at administering business tax ordinance for ease of compliance, monitoring receipt of all revenue sources, providing timely reports and analysis of all revenues, identifying new sources of revenue and threats to existing revenue base, assisting all departments in the administration of decentralized receivables. A great deal of attention must be paid to the financial flows linked to management of SOEs.

In today's business environment, business analytics tools and applications are renovating all industries. Not only have business models been upended by the setting up of new technology, the boundaries between industries have also modified. These changes have sound implications for the business yet to come. A recent survey of businesses by Accenture shown that two-thirds of executives believe the failure to incorporate data in their firm's operations would cause their companies to grieve. While economic policies are meant to promote and create the condition to be competitive (WEF 2013), organisations must innovate, develop new products and services, and transform information from clients into competitive advantages. Therefore, organisations have to put their attention into the creation of value for customers, development of capabilities and the construction of relationships with other players. Strategic demand analysis is aimed at increasing revenue by understanding demand, enhance the reputation and define revenues streams. It is essentially offering the right service, selecting the right client, choosing the best period and price policy (Di Foggia, 2014; Hayes and Miller 2011). Firms are therefore asked to improve their knowledge on customers' behaviour and preferences. This concept is particularly important given that many problems were identified in the development of new services originated in considering the little innovation advantages, distrust in new technologies and the ability to change. Consequently, it is possible to note the conspicuous number of family that run small or micro-businesses. Prior research suggests that the evolution of markets lead to a continual increase in the complexity of the issues for the hospitality industry (Huang,Chen, and Wu2009). Therefore, classic firms' behaviour models need to be redefined to fit in modern tourism business (Liburd, 2012). We aim to shed light on the moderating role that a professional revenue manager may have on the companies' propensity to innovation performance. We develop this idea in detail, both averaging key responses values, analysing correlation and using a regression model.

Deepened by the recent financial crisis financial resources of many municipalities have reduced, therefore administrators are in dire need to off-set service delivery costs. This situation has led to

diminished local government image and poor service delivery. It is of vital importance to focus on the current municipal revenue business models and unpack innovative ways to maximise revenue collection, or partnership opportunities with private sector to generate more revenue opportunities, reduce inefficiency and costs, as well as uncollectible debt. A holistic approach to local government revenue management and sustainability is crucial to ensuring that all critical elements are simultaneously addressed.

The structure of this paper is organised as follows; first comes the background of the study together with the analysis of relevant literature, second comes the methodology section in which data collection and variables are explained, third comes the discussion and the description of main results, this is followed by the conclusion

2. BACKGROUND AND RELATED LITERATURE

Modernisation of the legal and regulatory framework and of SOEs has been a major area of reform in many countries. The overall governance framework, based on the principles of transparency, accountability and ethics has been updated over the past decade in order to strengthen the rights of shareholders and the role of governance bodies, to ensure fair treatment of all stakeholders, and to increase the reliability of information (Semmar, 2012).

Municipalities worldwide, like other local government entities face many challenges. Frequent tasks are linked to non-payment, indigent management and free basic services, budgeting, tariff determination and revenue planning, little to no growth in the rates base, customer data accuracy, meter reading & billing accuracy, debt management and credit control, non-technical losses due to meter tampering and illegal connections, call centre & customer relationship management, cash flow planning and management (PwC, 2015)

Strategic demand analysis shall be implemented using management tools and techniques aimed at optimise the profitable channels, especially in those industries in which products are similar or with remarkable competition. The more similar the offerings among competitors, the more likely customers are to shift from one to another. As a result, such firms tend to engage in price competition. According to Hayes and Miller (2011) firms must understand the complex factors that influence clients' behaviour and become better on taking decisions. However, today's level and quality of information require managers to relay on decision-supporting tools (Anderson et. al. 2012) in order to avoid strategic drifts. As highlighted by Hayes and Miller (2011), the concept of demand analysis denotes the responsibility in ensuring that a company's prices match the customers' willingness to pay. According to Rouse et al.

(2010), those in charge of about understanding, anticipating and influencing customer behaviour, with the end goal of increasing revenues for a property aim to improve an organisation's performance, profitability and cash flows. These topics are constantly evolving with the constant progress of information and communications technologies. Tony and Poon (2012) highlight the problems that arise with the traditional method of applying calculus to revenue and profit optimization. Professionals in the hospitality industry are coming to the realisation that strategic demand analysis is critical to their organizations' success. In a recent a study, Dwyer and Edwards (2009) give emphasis to the changes occurring in the environment and the challenges they generate for management. Skugge (2011) underscores the importance of the demand function as it shows the relationship between price and demand. Let us turn our attention to the travel industry where a great number of contributors shed light on specific aspects. The evidences from several studies suggest variety of factors which form an ideal breeding ground for proper implementation (Sanchez and Satir, 2005; Wang and Bowie, 2009). These statements draw our attention to the fact that the environment in which businesses operate may be conditioned by exogenous and by endogenous forces. Also, it is worth noting that the employment of knowledgeable executives aimed at interacting with and influencing customer behaviour originated and was limited to large modern structured corporations. This kind of professionals as well as the implementation of the related techniques have gradually spread from large companies to small businesses (Talluri and Van Ryzing, 2005) as the complexity of markets has improved dramatically. Sundbo et al., (2007) present a theoretical framework for understanding the propensity to innovate of businesses within the hospitality industry. According to the authors, innovation is positively correlated with size, professionalism of employees and entrepreneurship inclination. Other researchers have investigated service innovation and service success factors in tourism (Ottenbacher, 2006). Finally, an exhaustive categorization of innovation in tourism is provided by Hjalager (2010). The author performs an extensive review of literature synthesizing different approaches to the research of innovation classes. There are well-known differences between governance of public and private companies. Firms that are partially or totally owned by governments are meant a legal entities created by the government in order to partake in commercial activities on the government's behalf. A state-owned enterprise (SOE) is typically earmarked to participate in commercial activities. Although state-owned enterprises as government assets opens a possibility of favourable treatment these organisations may cope with multiple, unclear, or conflicting financial and social objectives. Political interference can prompt decisions that threaten a company's financial goals, therefore, managers can find it thorny to match the private sector's performance standards. Garrone, Grilli, & Rousseau (2012), underline that management discretion is a significant source of inefficiency in municipal enterprises. Public sector organisations are

similar to private companies since they have hierarchical structures that impose mandatory allocations of productive factors. However, while in private companies personal authority as defined by Arrow (1974) is dominant, in public organisations impersonal authority prevails, consisting of written rules and laws and regulations that are relatively rigid and stable over time. In this way, public sector organisations do not benefit from the advantage that private companies have, represented by non-rigidity and the open and only partially predetermined content of work contracts. In private companies, the rules and procedures, are subject to the leadership, on the contrary, in public organisations, leadership is subject to rules. Therefore, in case of poor legal system, managers slog, when producing services for citizens, to dynamically achieving efficient solutions. Besides, Andrews, Boyne, & Enticott (2006) show that the organisational failure is to some extent attributable to difficult circumstances and management features such as weak leadership and poor performance management. Non-commercial purposes can also make a firm vulnerable in the wage-bargaining process (Haskel and Szymanski, 1992). Willner (2001) presents conditions under which political interference yields higher welfare than under commercial purposes, and vice versa. From a digest of the above mentioned studies common features as well as differences between SOEs and private companies emerge.

3. FRAMEWORK

The world of companies partially or fully controlled by municipalities, local and regional communities and bodies, local and regional authorities and organisations thereof, hereafter (SOEs) unless otherwise indicated, is very complex for the number of operators, for the interconnections between companies and for the variety of activities carried out. Those enterprises have a vital role in carrying out the functions of local authorities, but this role is to be achieved in an efficient and transparent way. Table 1 shows that in some cases the system shall be more efficient; thus governments shall simplify it by reducing the number of subsidiaries in order to guaranty the healthy functioning of the market. Tools to improve efficiency, for example, can lead to the thinning of the number of enterprises controlled or participated by public entities. A thinning of the subsidiaries through mergers may allow the exploitation of economies of scale, resulting in increased efficiency. The legal and regulatory framework for state-owned enterprises should ensure a level-playing field in markets where state-owned enterprises and private sector companies compete in order to avoid market distortions. As table 1 shows, SOEs across Europe differ remarkably in terms of size, and profitability ratios. Data also suggest that the cost of employees over the operating revenues is slightly positively correlated with number of employees, while other variables do not present any significant correlations with the size of the companies.

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MANAGEMENT RESEARCH AND PRACTICE VOL. 7 ISSUE 3 (2015) PP: 5-20

TABLE 1 - A SURVEY OF COMPANIES FULLY OR PARTIALLY OWNED BY PUBLIC AUTHORITIES (>50.01%)

Country	Number	Emp (Avg)	CE/OR (%)	EBITDA (%)	OR (log)
AT	252	108	42.11	17.72	13.94
BE	98	781	34.49	13.44	14.07
BG	4644	71	51.89	4.9	9.69
CY	3	269	na	na	12.32
CZ	21	1 050	20.35	5.66	13.01
DE	3225	174	29.79	14.83	13.20
DK	45	236	17.88	38.21	13.21
EE	17	198	27.27	31.73	13.78
ES	875	136	43.77	10.45	12.26
FI	208	371	23.76	21.93	13.71
FR	200	1 102	25.88	10.46	13.26
GB	84	864	39.35	13.21	13.17
GR	37	232	na	12.81	15.01
HR	118	483	40.82	10.09	11.53
HU	10	5 344	25.92	6.46	11.71
IE	13	998	36.27	27.96	12.17
IT	1809	255	32.62	9.53	12.76
LT	15	1 871	na	na	10.71
LU	7	606	37.26	16.1	12.97
LV	80	499	45.07	10.99	11.07
NL	102	615	39.84	3.12	12.61
PL	535	418	35.93	8.08	11.21
PT	208	405	44.98	6.5	13.63
RO	843	284	49.35	3.14	9.74
SE	68	2 654	30.93	18.35	15.60
SI	28	575	32.48	20.29	13.99
SK	25	1 711	39.1	20.09	11.53

Source: own elaboration * Country = Country, Count = Number, Emp = Avg. Employees, Ce/Or = Costs employees/Operating revenue; EBITDA = EBITDA Margin, OR = log of operating revenue.

More specifically, table 2 shows the return on equity of a sample of 12.000 enterprises that fall into the following industrial sectors across EU 28: Electric power generation, transmission and distribution, Manufacture of gas; distribution of gaseous fuels through mains, Water collection, treatment and supply,

Sewerage, Waste collection, treatment and disposal activities; materials recovery, Remediation activities and other waste management services.

Table 2 clearly shows that the corporate governance framework is an important aspect in transforming these companies. The management of SOEs is currently dispersed across different government entities. Some companies are managed by line ministries or entities in central government and some are managed by local government (local administrative units organized at different local levels: municipalities, cities, counties).

TABLE 2 - RETURN ON EQUITY ACCORDING TO SHAREHOLDER TYPE AND INDUSTRY

Shareholder/Industry	ROE
<i>Shareholder</i>	
Employees/Management	3.62
Financial institution	20.35
Individuals or family	18.17
Industrial company	14.25
Insurance company	23.75
Mutual & Pension fund	26.58
Other shareholde	6.12
Public entity	9.47
Unnamed private	2.05
<i>Industry</i>	
Electric power	14.90
Gas	22.07
Sewerage	19.09
Waste management	15.79
Water collection	6.81

Source: own elaboration. ROE= return on equity usin profit and loss, $\log_{or} = \log$ of operative revenues, $\text{emp} =$ employees

The state should act as an informed and active owner and establish a clear and consistent ownership policy, ensuring that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness (OECD, 2005). Starting from this suggestions on the professionalism, it becomes possible to state that the implementation of a revenue enhancement strategy can be achieved by critically reviewing the revenue management business models and processes being applied within the various entities. Of critical importance in revenues management is the relationship between supply and demand. To comprehend the mentioned relation, it is important to look at supply and demand individually, before considering the factors that influence demand and supply. The process of demand analysis can be examined focusing on diverse points (Di Foggia and Lazzarotti, 2014); among others the structure dimension, the process dimension and the outcome dimension. In this research we first identify the influence those who balance

supply with demand for key product categories, project the demand and line up the supply to support that demand on innovation activities. After that we assess the influence on specific phases of service innovation: idea generation formulates a concept of the service to be developed and to be decided whether not to invest resources in the further development, (ii) business Analysis: this phase is a precise market, sales volume and price estimation, (iii) service design: in this phase the organization reviews the general design of the service, (iv) testing and fine-tuning and, (v) commercialization i.e. the launch of the product on the market, see Di Foggia and Lazzarotti (2014b). The Officer in charge of maintaining and nurturing both the internal and external relations has to interact with other offices of the organisation on one side, and with the clients on the other side.

4. METHODOLOGY AND MEASURES

Most of the data used in this research came from a wide research on innovation management. Results of this paper relied both on a database of comparable financial information of European companies and on empirical data gathered throughout a survey - 4,850 companies with a final 7% response rate. The questionnaire was set using open source software (Schmitz, 2012) and e-mailed to the range of companies. The aim of the sample methodology has been unequal probability selection whilst the source of comparable financial information database for public and private companies across Europe – Amadeus, Bureau van Dijk. The delivery process lasted a working day and the link to the questionnaire expired in fourteen days. Invitation process consists of two steps: first is the invitation e-mail, comprehensive of the link to the web survey. Questionnaire was built according to the conventional wisdom: early questions easy and pleasant, questions at the beginning addressing the topic and grouped the related once, avoiding the sensitive issue and included the filtered question (even if marginal). Considering the topic through available findings and literature (Currie and Rowley 2010; Hayes and Miller 2011) as well as through an empirical analysis survey. Research idea was formed from the necessity focusing on the discriminatory effect of appropriate information to plan how to meet that customer demand as well as the effect of all forecasting activities associated with customers and products. Most of the questions were array type – seven points labelled Likert. Thus, a matrix was displayed in which columns were represented by sub questions and the same answer options were shown in each row. The appropriateness of the questionnaire was confirmed by knowledgeable academics in the investigated topic. Ordinal outcomes are widely employed in social sciences (Long, 1997; Long and Freese, 2006). Specifically, questions were developed using a seven points Likert scale. As regard to performance variables, ten specific questions were clustered into three groups: process performance, service performance, and reputation performance. To test the influence of the

structured professional, a dummy variable was generated, the variable could assume only two values: 1 in cases where firms declared to employ a specific professional figure to handle demand analysis activities; 0 otherwise. This approach may be considered a limitation of the study as it does not look for other relations and only consider three performance variables.

Below the codification of the variables together with the labels. CONS: business responsiveness to customers request and trend, it include customer relation management systems and complains management. MKTG: embraces typical marketing skills and procedures: market segmentation, SWOT analysis as well as distribution channels (GDS, Direct, Allocation Tour Operation). METRICS: is the familiarity with main business indicators: statement, financial, operative and seasonal indicators. INC: satisfaction with government support to business through clear rules and incentives.

COMP: assessment of market organisation, competitiveness in terms of prices and quality. HR: human resources training and development: both within the firm and outsourcing. IDEAS: capability to generate new ideas, he aptitude of firms to create a positive work environment that fosters the creation and discussion of new ideas. FANALYSIS: financial and economic analysis related to business administration and forecast.

KNOW: market knowledge, it is the firms' awareness of their strengths and weaknesses, as well as the knowledge of strategies to follow to achieve competitive advantages. OPENESS: propensity to collaborate with other organisations or institutions, participate in market research, or being part of a business network or consortium. PRICE: dynamic alignment to price volatility. Includes the habit to adapting to competitors prize polices as sales, structure, promotions, seasonality of price. ORG: business organisation, definition of rules, code of conduct and definition of roles. ICTECH: commitment in ICT oriented activities: website, e-commerce online reputation; the propensity to adopt ICT common tools in order to expand communication channels and easer operations.

SERVICE: this variable is a proxy of innovation propensity. REPUTATION: namely the improvements in reputation. Reputation management is essential especially online. This is particularly important in tourism where users can rate and share their opinion. A strong reputation provides marketing stability, protects against defamation, and allows a company to attract potential clients. PROCESS: includes information about the process of service creation and delivery.

5. RESULTS AND DISCUSSION

There are still complex issues to be ironed out regarding the public or private nature of the management method for a particular service. These issues relate not only to the system of rules governing relationships between shareholders, directors, management and other stakeholders, but also to the set of laws, market rules and methods of governance and management that allow the business to attract capital and run efficiently. Besides, of first order importance are topics related to recruitment, career evaluation system, incentives on performance-related pay as well as the evaluation system of results of executives, managers and officers. That said it is important to underline that the list of stakeholder groups engaged by the organisation controlled by public entities is often wider than stakeholders of private companies, among others: politicians and political parties, senior management of public administration, civil servants, citizens, trade unions, employers' organisations, citizens' associations, professional corporations.

The global economy has changed significantly since the establishment of the European single market. In the absence of regular reviews, there are risks that SOEs can drift from their founding goals or that individual SOE goals may not reflect public needs. There is a need to evaluate the rationale for State involvement in specific markets and the roles of state-owned enterprises in terms of supporting wider economic growth through the timely provision of high-quality and cost-competitive services.

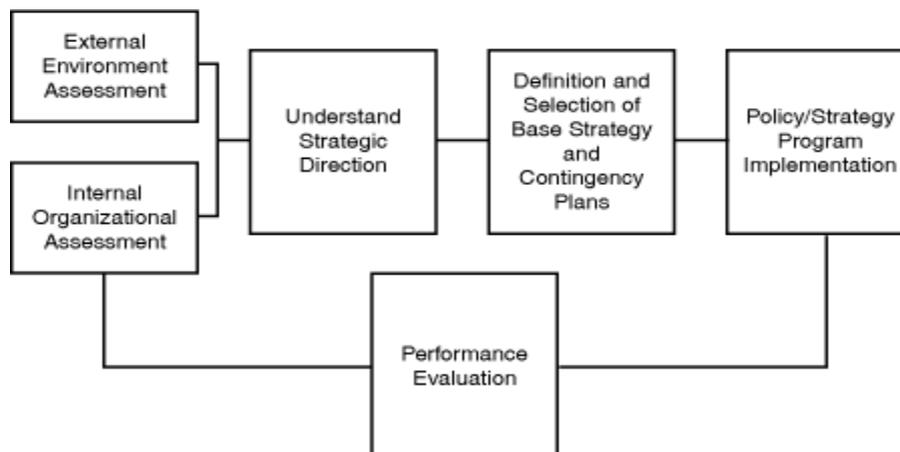


FIGURE 2 - STRATEGIC DECISION PROCESS
 Source: Bensoussan and Fisher (2008)

Provided that one of the key tasks of today's officers of public entities, especially those employed in state owned enterprises (SOEs) is to participate in and contribute to their organizations' strategies, image 2 brings to light some noteworthy information on the knowledgeability of strategic elements today's executives must handle to take informed decisions.

TABLE 3 - DESCRIPTIVE STATISTICS AND CORRELATION BETWEEN INDEPENDENT VARIABLES.

Correlations and main statistics													
	ICTECH	ORG	PRICE	OPENESS	KNOW	FANALYSIS	IDEAS	HR	COMP	INC	METRICS	MKTG	CONS
ICTECH	1												
ORG	.30**	1											
PRICE	.36**	.12*	1										
OPENESS	.51**	.33**	.26**	1									
KNOW	.46**	.58**	.28**	.37**	1								
FANALYSIS	.42**	.25**	.52**	.32**	.49**	1							
IDEAS	.43**	.25**	.46**	.32**	.49**	.79**	1						
HR	.60**	.38**	.32**	.53**	.47**	.38**	.42**	1					
COMP	.17**	.09	.18**	.18**	.06	.18**	.06	.12*	1				
INC	.29**	.17**	.11*	.32**	.26**	.15**	.13*	.29**	.083	1			
METRICS	.44**	.33**	.34**	.30**	.43**	.45**	.39**	.45**	.038	.20**	1		
MKTG	.42**	.34**	.34**	.35**	.43**	.42**	.44**	.46**	.01	.16**	.61**	1	
CONS	.49**	.21**	.32**	.25**	.39**	.37**	.39**	.42**	.038	.16**	.50**	.53**	1
Mean	4.08	4.12	4.26	3.24	4.31	4.97	4.73	2.84	4.48	2.72	4.36	3.63	4.66
Std.dev	1.51	1.67	1.5	1.51	1.66	1.54	1.54	1.39	1.24	1.51	1.63	1.52	1.56

Source: own elaboration. * Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed).

Table 4 contains the output of the regression model. The coefficient of the dummy variable measures the average difference in performance output as labelled by respondents between firms which employ or not a responsible for performing research and providing insights regarding the market, trends, competitors, potential and existing customers, and current campaigns given the same levels of other independent variables as listed in table 4. Positive coefficients show a positive relation between the availability of the analyst and performance as meant in this paper. Table 4 contains the main output of the three models. For each variable the coefficients, p-value and standard errors (in brackets) are given.

As table 4 presents a statistically significant dummy, the presence of the demand analyst seems to have an impact on innovation.

TABLE 4 - REGRESSION MODEL OUTPUT AFTER A BACKWARD SELECTION (P=0.05)

Variable	Coef.	Std. Err.	t
MKTG	0,124	0,055	2,270**
METRICS	0,114	0,05	2,260**
INC	0,099	0,039	2,510**
IDEAS	0,156	0,05	3,110***
KNOW	0,185	0,046	4,050***
ICTECH	0,121	0,051	2,380**
DUMMY	0,213	0,125	1,710*

Source: own elaboration. Dependent variable: SERVICE

To clarify our aim, it is useful to introduce how market analysis impact on innovation culture which, in turn, is correlated with performance as several studies suggest. Our findings are consistent with those of Hjalager (2010). Specifically in the following areas: service innovations (that refer to changes observed by users and tagged as new, never seen before, different, innovative), process innovations as the analyst is principally responsible for interpreting data, formulating reports and making recommendations based upon the research findings that is aimed at improving productivity, efficiency and reduce costs. On the basis of the mentioned insights, It is convenient to explain the regression output considering an innovation framework, idea generation and screening, business analysis, service design, testing and fine-tuning and commercialization. Explicitly, we identify the influence of a demand analyst by comparing average results of two groups in terms of percentage change. Taken together results suggest a remarkable influence of RM. Data in table 3 show that all the significant variables positively affect the performance. This is consistent with previous literature and the reliability of the research. Knowledge of the market in which the company operates has the strongest influence on the performance; the higher the market knowledge the higher the innovation of performance. Market knowledge has become the major asset of modern businesses and the key to retain their competitiveness (Hou and Chien, 2012). Marketing activities, Morgan et. al., (2009) indicate that market orientation and marketing capabilities are complementary assets that contribute to the superior firm performance, metrics analysis (Wu et. al., 2009), ICT familiarity and the capability to create a positive environment for new ideas generation have a positive influence (Reay et al., 2013). Consistently with other scholars who have extensively studied the phenomenon (Tallury and Ryzin, 2005), we believe that there is a trend of increasing awareness in the business as it is an important factor of business competitiveness. Despite of some advantages in the collection method we used, (completed at respondent's convenience, no time constraints, no bias interviewer) we are aware that our research method has some limitations: the greater concern is about self-selection and difficulty in establishing a common metric to attribute ordinal values. To deal with this situation, we have explained the meaning of questions; however, it is more likely that the share of participants have erroneously meant some of the questions and this may have led to errors in final assessment. Our work has led us to the conclusion that even though some of the results failed in formal significance, if taken together these results suggest some key achievements. Finally, considering the remarkable correlation that subsists between the three performance measures ranging from 0,629 to 0,649, there is a consistent probability of a contagious relationship (i.e. a strong innovation culture leads to a strong reputation, and vice versa).

7. CONCLUDING REMARKS

Although there is renewed interest in many countries in the role that state-owned enterprises can play in promoting economic development a great deal of attention is being given to the healthy functioning of the markets in which these enterprises operate. Since almost all public authorities, among them many municipalities, are faced with the dilemma of revenue management in terms of being able to account for what has been sold versus what has been supplied. This paper has focused on key functions of professionals and departments aimed at managing the relationship, especially in financial terms, between the municipality and the citizens. We have obtained satisfactory outcome proving the latent need of further research as organisations evolve each day through changes in personnel, knowledge, customers base and stockholder value. Based on an empirical analysis, our study has addressed the impact of a dedicated market and demand analyst on business performance. We have tried to fill a significant gap in understanding the role of this function considering three measures of performance. Explicitly, the main goal of this research was to achieve a better understanding of how the analysed activities influence performance within a sample of Italian SMEs tourism firms using a regression model as main statistical approach. This methodology has some clear limitations; we believe that our work could be a good starting point. Data analysis supports our hypothesis on the impact of effective market analysts on processes and service delivery in identifying and meeting customers' needs and granting them sufficient knowledge to understand the right actions. Our findings highlight that Effective the accuracy of revenue forecasts can enhance profitability for a given channel or product playing therefore a discriminatory role. Some data are worth noting, especially in considering variables related to business responsiveness on requests from customers and trends such as typical marketing skills and procedures as well as firms' awareness of their strengths and weaknesses and the knowledge of strategies to follow and achieve competitive advantages. This study investigated a sample of firms within the tourism sector, consequently any generalisation of findings to other service sector industries are arduous. However, results indicate that, on average, firms which dispose of a professional analyst who cares about the market declare better results in two out of three performance theoretical types. Turning to managerial implications, it is worth noting that those professionals aimed at defining and optimising the revenue channels can also serve the firm by providing a clear understanding of the product/service acceptance, the market and available technology. Focusing on the hospitality industry, this position's responsibility is ensuring the reservation effectiveness. The position also contributes to the development and implementation of organizational strategies, policies and practices that pertains to reservations, room and rate yielding. Furthermore, evidence from this study highlights the importance of

managerial with emphasis on the creation of customer-oriented culture. To summarise, these specialists analyse the drivers of demand in order to generate a forecast for a particular product or service are employed by a wide range of firms throughout the private and public sector such as manufacturing firms, utility companies, and the service sector. In summary, this study contributed empirical research to pertinent questions in the relation between demand analysis and performance of firms and confirmed that it needs more research.

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